TC INTERCONNECT HOLDINGS LIMITED

達進精電控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

web site: www.tatchun.com

(Stock Code: 515)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of TC Interconnect Holdings Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	4	**838,870**	740,968
Cost of sales		**(729,980)**	(596,157)
Gross profit		**108,890**	144,811
Other income	4	**25,823**	28,099
Other gains and losses	4	**(1,480)**	(485)
Selling and distribution expenses		**(30,080)**	(30,205)
Administrative expenses		**(53,674)**	(54,438)
Finance costs		**(17,988)**	(17,183)
Profit before tax		**31,491**	70,599
Income tax expense	5	**(3,770)**	(10,565)
Profit for the year	6	**27,721**	60,034
Dividends		**12,000**	14,000
Basic earnings per share	7	**HK$0.12**	HK$0.25

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties		**3,100**	3,500
Property, plant and equipment		**460,456**	454,898
Prepaid lease payments – non-current portion		**23,150**	30,822
Deposit paid for acquisition of property, plant and equipment		**4,704**	6,984
		491,410	496,204
Current assets			
Inventories		**90,453**	88,933
Prepaid lease payments – current portion		**615**	781
Trade and other receivables	*8*	**247,289**	244,873
Bills receivable	*8*	**4,768**	6,017
Amount due from a related company		**–**	13,680
Tax recoverable		**2,190**	–
Investment designated as at fair value through profit or loss		**9,349**	–
Derivative financial instruments		**1,301**	–
Restricted bank deposits		**18,373**	–
Bank balances, deposits and cash		**59,828**	70,663
		434,166	424,947
Current liabilities			
Trade and other payables	*9*	**230,261**	198,610
Bills payable	*9*	**39,995**	24,333
Taxation payable		**16,718**	18,716
Bank and other borrowings – due within one year	*10*	**177,962**	143,899
Obligations under finance leases – due within one year		**43,492**	39,008
		508,428	424,566
Net current (liabilities) assets		**(74,262)**	381
Total assets less current liabilities		**417,148**	496,585
Non-current liabilities			
Bank and other borrowings – due after one year	*10*	**8,000**	119,161
Obligations under finance leases – due after one year		**41,316**	59,663
Amount due to a shareholder		**20,627**	–
Deferred tax liabilities		**11,488**	9,281
		81,431	188,105
Net assets		**335,717**	308,480
Capital and reserves			
Share capital	*11*	**24,000**	24,000
Reserves		**311,717**	284,480
Total equity		**335,717**	308,480

NOTES

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 12 November 2004. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The Company acts as an investment holding company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by HK$74,262,000 as at 31 December 2008. As at 31 December 2008, certain loan covenants were breached by the Group and the non-current portion of these loans amounting to HK$65,000,000 was reclassified as a current liability. The Group has agreed with the lenders of these bank loans to early settle the outstanding principal balances of these loans of HK$85,000,000 by utilising the available funds and facilities of the Group. The outstanding balances were fully settled on 14 April 2009. As at 31 December 2008, the Group has unutilised banking facilities of approximately HK$161,767,000, the majority of which are to due in the coming year. The directors believe that these banking facilities will be able to be renewed in the coming year when they expire.

The directors are of the opinion that, taking into account of the internally generated funds of the Group and the present available banking facilities, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this report. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC) – Int") 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior financial years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improvement Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

Revenue represents the gross amounts received and receivable for goods sold, net of discounts, value-added tax and other sales related taxes, by the Group to outside customers during the year.

Analysis of the Group's revenue is as follow:

	2008 *HK$'000*	2007 *HK$'000*
Sales of goods	**838,870**	740,968
Other income		
– Bank interest income	**186**	368
– Rental income generated from investment properties	**568**	540
– Sales of scrap materials	**23,433**	24,431
– The People's Republic of China ("PRC") tax refund on capital investment in subsidiaries	**–**	1,620
– Others	**1,636**	1,140
	25,823	28,099

	2008 *HK$'000*	2007 *HK$'000*
Other gains and losses		
– Impairment loss recognised on trade receivables	**(10,793)**	(2,789)
– Net foreign exchange loss	**(6,330)**	(4,420)
– Fair value changes on investment properties	**(400)**	500
– Fair value changes of derivative financial instruments	**2,504**	–
– Gain on disposal of property interest *(Note)*	**13,428**	6,224
– Gain on disposal of other property, plant and equipment	**111**	–
	(1,480)	(485)

Note: During the year ended 31 December 2008, the property interest represented a land use right. During the year ended 31 December 2007, the property interest represented a property in Hong Kong, in which the building element was recognised as property, plant and equipment while the land element was recognised as prepaid lease payments.

5. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**–**	2,098
Underprovision	**–**	57
	–	2,155
PRC Enterprises Income Tax ("EIT")		
Current year	**5,460**	7,470
Overprovision	**(1,800)**	–
	3,660	7,470
	3,660	9,625
Deferred tax		
Current year	**296**	940
Attributable to a change in tax rate	**(186)**	–
	110	940
	3,770	10,565

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 27% to 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, Zhongshan Tat Chun PCB Company Limited ("Zhongshan PCB") and Guangdong Tat Chun Electric Technology Company Limited ("Guangdong Tat Chun") are entitled to an exemption from the PRC Foreign Enterprise Income Tax ("FEIT") for the first two years commencing from its first profit-making year of operation, and thereafter, these PRC subsidiaries will be entitled to a 50% relief from the PRC FEIT for the following three years ("Tax Holiday"). Under the New Law, the reduced tax rate for the 50% relief from the PRC FEIT is 12.5%. After the expiry of the tax relief period, Zhongshan PCB and Guangdong Tat Chun are subject to an income tax rate of 25%. The first profit-making year of operation of Zhongshan PCB and Guangdong Tat Chun was 2004 and 2008 respectively.

The income tax expense for the year can be reconciled to the profit per consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Profit before tax	**31,491**	70,599
Tax rate applicable to the major operations of the Group	**25%**	27%
Tax at the applicable rate	**7,873**	19,061
Tax effect of expenses not deductible for tax purpose	**4,415**	2,208
Tax effect of income not taxable for tax purpose	**(28)**	(1,524)
Tax effect of tax losses/temporary difference not recognised	**2,968**	768
Tax effect of Tax Holiday of subsidiaries	**(10,828)**	(3,723)
Tax effect of change in tax rate	**(186)**	–
Tax effect of different tax rates of operations/entities operating in other jurisdiction	**1,356**	(6,282)
Overprovision of PRC EIT	**(1,800)**	–
Underprovision of Hong Kong Profits Tax in previous year	**–**	57
Income tax expense	**3,770**	10,565

6. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Employee benefits expenses, including directors' remuneration	**104,917**	79,366
Retirement benefits schemes contributions	**3,617**	2,690
Total employee expenses	**108,534**	82,056
Allowance for inventory obsolescence	**950**	–
Auditor's remuneration	**1,458**	1,355
Cost of inventories recognised as an expense	**729,030**	596,157
Depreciation of property, plant and equipment	**48,299**	30,031
Release of prepaid lease payments	**740**	1,031

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Profit for the year and earnings for the purposes of basic earnings per share	**27,721**	60,034
Weighted average number of shares for the purposes of basic earnings per share	**240,000,000**	240,000,000

No diluted earnings per share has been presented because the exercise price of share options granted by the Company is higher than the Company's market share price.

8. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**241,185**	242,960
Less: Allowance for doubtful debts	**(21,793)**	(11,000)
Total trade receivables, net of allowance	**219,392**	231,960
Other receivables and prepayments	**27,897**	12,913
	247,289	244,873

The Group generally allows an average credit period of 30 days to 150 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the reporting date:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**63,142**	58,854
31 – 60 days	**64,683**	62,141
61 – 90 days	**47,629**	51,410
91 – 180 days	**42,148**	58,487
Over 180 days	**1,790**	1,068
	219,392	231,960

(b) Bills receivable

The aged analysis of bills receivable is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**122**	59
31 – 60 days	**2,382**	3,258
61 – 90 days	**1,952**	2,207
91 – 180 days	**312**	493
	4,768	6,017

9. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aged analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**22,453**	29,720
31 – 60 days	**20,705**	29,320
61 – 90 days	**48,553**	46,774
91 – 180 days	**101,450**	46,754
Over 180 days	**7,046**	3,411
	200,207	155,979
Other payables and accruals	**30,054**	42,631
	230,261	198,610

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Bills payable

The aged analysis of bills payable is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**32,125**	1,604
31 – 60 days	**3,695**	4,566
61 – 90 days	**2,872**	6,685
91 – 180 days	**1,303**	11,478
	39,995	24,333

10. BANK AND OTHER BORROWINGS

	2008	2007
	HK$'000	*HK$'000*
Bank loans	**162,519**	202,004
Trust receipt loans	**23,443**	61,056
	185,962	263,060
Analysed as:		
Secured	**69,161**	130,000
Unsecured	**116,801**	133,060
	185,962	263,060
Carrying amount repayable:		
On demand or within one year	**177,962**	143,899
More than one year, but not exceeding two years	**4,000**	119,161
More than two years, but not exceeding five years	**4,000**	–
	185,962	263,060
Less: Amounts due within one year shown under current liabilities	**(177,962)**	(143,899)
	8,000	119,161

The bank loans were secured by assets of the Group as disclosed in note 13.

As at 31 December 2008, in respect of bank loans with carrying amounts of approximately HK$84,161,000 as at that date, the Group breached certain financial covenants as stipulated in the banking facilities letters entered into by the Group, which are primarily related to the working capital ratio and gearing ratio. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loans with the relevant bankers. At the balance sheet date, as the lenders have not yet agreed to waive their right to demand immediate payment, the non-current portion of these loans amounting to HK$65,000,000 has been classified as a current liability in the consolidated financial statements. The Group agreed with the lenders of the bank loans to early settle the outstanding principal balance of these loans of HK$85,000,000 by utilising the available funds and facilities of the Group. The outstanding balances were fully settled on 14 April 2009.

11. SHARE CAPITAL

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007, 31 December 2007 and 31 December 2008	240,000,000	24,000

12. CAPITAL COMMITMENT

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**15,815**	23,057

13. PLEDGE OF ASSETS

As at 31 December 2008, the equity interests of two PRC subsidiaries with net asset values of approximately HK$380,254,000 (2007: HK$353,553,000) were pledged to banks to secure general banking facilities granted to the Group.

14. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into the following three business divisions:

Principal activities are manufacturing and trading of:

– Single-sided printed circuit board ("PCB") ("Single-sided")

– Double-sided PCB ("Double-sided")

– Multi-layered PCB ("Multi-layered")

These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	2008	2007
	HK$'000	*HK$'000*
TURNOVER – external sales		
Single-sided	**199,836**	173,076
Double-sided	**309,102**	410,488
Multi-layered	**329,932**	157,404
Total	**838,870**	740,968

	2008	2007
	HK$'000	*HK$'000*
RESULT		
Segment results		
– single-sided	**3,618**	8,213
– double-sided	**21,886**	60,334
– multi-layered	**14,928**	20,574
	40,432	89,121
Unallocated income	**18,433**	10,392
Unallocated expenses	**(9,386)**	(11,731)
Finance costs	**(17,988)**	(17,183)
Profit before tax	**31,491**	70,599
Income tax expense	**(3,770)**	(10,565)
Profit for the year	**27,721**	60,034

CONSOLIDATED BALANCE SHEET

	2008	2007
	HK$'000	*HK$'000*
ASSETS		
Segment assets		
– single-sided	**120,562**	120,294
– double-sided	**228,365**	281,250
– multi-layered	**458,991**	388,797
	807,918	790,341
Unallocated corporate assets	**117,658**	130,810
Consolidated total assets	**925,576**	921,151
LIABILITIES		
Segment liabilities		
– single-sided	**62,805**	58,854
– double-sided	**97,146**	139,586
– multi-layered	**104,874**	53,525
	264,825	251,965
Unallocated corporate liabilities	**325,034**	360,706
Consolidated total liabilities	**589,859**	612,671

OTHER INFORMATION

	2008	2007
	HK$'000	*HK$'000*
Capital additions		
– single-sided	**–**	1,047
– double-sided	**1,243**	2,196
– multi-layered	**43,170**	179,957
– unallocated	**1,912**	8,332
	46,325	191,532
Depreciation of property, plant and equipment		
– single-sided	**3,229**	3,390
– double-sided	**13,251**	10,034
– multi-layered	**26,170**	9,235
– unallocated	**5,649**	7,372
	48,299	30,031
Impairment loss recognised in respect of trade receivables		
– single-sided	**2,571**	651
– double-sided	**3,977**	1,545
– multi-layered	**4,245**	593
	10,793	2,789
Impairment loss recognised in respect of inventories		
– single-sided	**181**	–
– double-sided	**485**	–
– multi-layered	**284**	–
	950	–

Geographical segments

The Group's operations are located in HK and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods.

	Sales revenue by geographical market	
	2008	2007
	HK$'000	*HK$'000*
Asia:		
Taiwan	**234,513**	4,655
HK	**219,148**	460,809
The PRC (excluding HK and Taiwan)	**110,897**	81,249
Japan	**52,928**	1,130
Other Asian regions	**43,882**	69,835
Europe	**147,839**	99,909
Others	**29,663**	23,381
	838,870	740,968

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK	**225,311**	257,014	**35**	2,952
The PRC (excluding HK and Taiwan)	**582,607**	533,327	**46,290**	188,580
	807,918	790,341	**46,325**	191,532

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2008 was a challenging year for the Group. The market demand for PCBs has declined in an unprecedented scale in the fourth quarter of the year after a rapid downturn in world economy. The Group, however, also experienced a longer-than-expected learning period and stabilization process to build up the operational efficiency of the new factory ("Plant 2"), mainly in the production of multi-layered PCBs up to 12 layers, since it commenced operations in late 2007. The gross profit margin has dropped due to low utilisation rate of the factories. During the year under review, the revenue of the Company grew by 13.2% to approximately HK$838.9 million versus approximately HK$741.0 million in 2007. The net profit attributable to equity shareholders were approximately HK$27.7 million, representing a decrease of 53.8% from the previous year.

Indeed, the management has rapidly executed many control measures to echo the dynamic changing market environment. One of the key measures is to combine the operations of the two factories located in Zhongshan under the same management so as to increase operational efficiencies. In response to the forecast market demand, the management also decided to tighten up the capital investment for the expansion of production capacity of Plant 2 but only limited to the procurement of equipment and machineries to enhance technology upgrades and efficiencies of the current production capacities of the Group.

Looking forward, the Group will continue to adopt a cautious approach to maintain our business momentum, to consolidate the business relationship with existing customers and to speed up the development of new overseas markets and the PRC market. Our strategic partnership with NEC Toppan Circuit Solutions, Inc. ("TNCSi"), a jointed venture company established by NEC Corporation and Toppan Printing Company Limited, has developed in a healthy pace and we anticipate they will have fruitful contribution to our revenues this year onward.

Our change in the market mix, as disclosed in note 39 above, showed that our management has tried their best endeavor to go for high end markets such as Taiwan, Japan and Europe.

Business Review

The Group is principally engaged in manufacturing and trading of board range of PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs up to 12 layers, the breakdown by turnover is summarized as follows:

	Year 2008		Year 2007		Increase/ (Decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Single-sided	**199,836**	**23.8**	173,076	23.4	26,760	15.5
Double-sided	**309,102**	**36.9**	410,488	55.4	(101,386)	(24.7)
Multi-layered	**329,932**	**39.3**	157,404	21.2	172,528	109.6
Total	**838,870**	**100**	740,968	100	97,902	13.2

In terms of product mix, thanks to the shifting the Group's effort in expanding the multi-layered PCB business, even the demand on double-sided PCBs dropped due to severe market competition, the Group could still keep up the revenue growth. Our products are mainly applied in consumer electronics, computer and computer peripherals, and communications equipment. During the year under review, application wise, consumer electronics continued to contribute the highest turnover that accounted for approximately 53.3% of the Group's turnover. The breakdown of turnover in terms of applications is summarized as follows:

	Year 2008		Year 2007		Increase/ (Decrease)	Change in
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Consumer electronics	**447,118**	**53.3**	370,762	50.1	76,356	20.6
Computers and computer peripherals	**176,163**	**21.0**	228,768	30.9	(52,605)	(23.0)
Communication equipment	**155,191**	**18.5**	82,335	11.1	72,856	88.5
Others	**60,398**	**7.2**	59,103	7.9	1,295	2.2
Total	**838,870**	**100**	740,968	100	97,902	13.2

The Group has two manufacturing plants both located at Zhongshan, Guangdong of the PRC.

Production plant	**Location**	**Area**	**Products**	**Production capacity**	**Commencement of operations**
Plant 1	Zhongshan, Guangdong the PRC	58,000 sq. m.	1 – 8 layered PCBs	2.45 million sq. ft. per month	May 2003
Plant 2	Zhongshan, Guangdong the PRC	52,000 sq. m.	4 – 12 layered PCBs	300,000 sq. ft. per month (phase 1)	October 2007 (phase 1)

Financial Review

For the year ended 31 December 2008, the Group's turnover amounted to approximately HK$838.9 million, representing an increase of 13.2% as compared to approximately HK$741.0 million for the year ended 31 December 2007. Profit attributable to shareholders was approximately HK$27.7 million (2007: HK$60.0 million).

The gross margin for the year of 2008 was 13.0% as compared to 19.5% for the year of 2007 due to lower utilization of production capacities and higher operational costs experienced to build up the operational efficiencies of Plant 2.

As disclosed in the note 4 above, in 2008 the Group has made impairment loss recognised in respect of trade receivables of approximately HK$10.8 million on specific outstanding trade receivables (31 December 2007: HK$2.8 million). With respect to these receivables, the Group has already taken appropriate actions, including legal actions, to demand repayment and we are confident that part of which could be recovered, however, at this stage no estimate could be made. We have to emphasize that the present credit policy and management remain effective, however, and the Group will enhance the policy in order to adopt a more prudent approach for the credit risk evaluation of customers.

Liquidity and Capital Resources

As at 31 December 2008, the Group had total assets of approximately HK$925.6 million (31 December 2007: HK$921.2 million) and interest-bearing borrowings of approximately HK$270.8 million (31 December 2007: HK$361.7 million), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 29.3% (31 December 2005: 39.3%).

The Group had net current liabilities of approximately HK$74.3 million (31 December 2007: net current assets of HK$0.4 million) consisted of current assets of approximately HK$434.2 million (31 December 2007: HK$425.0 million) and current liabilities of approximately HK$508.4 million (31 December 2007: HK$424.6 million), representing a current ratio of approximately 0.85 (31 December 2007: 1.0).

As at 31 December 2008, the Group had cash and bank balances (including restricted bank deposits) of approximately HK$78.2 million (31 December 2007: HK$70.7 million).

Foreign Currency Exposure

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in United States dollars ("US$"), Hong Kong dollars and Renminbi ("RMB"). However, foreign currencies, mainly United States Dollars, Euro and Japanese Yen, are required to settle the Group's expenses and additions on plant and equipment. There are also sales transactions denominated in US$ and RMB. The Group uses forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

Human Resources

As at 31 December 2008, the Group employed a total of approximately 2,676 employees (31 December 2007: 3,150), including approximately 2,650 employees in its Zhongshan production sites and approximately 26 employees in its Hong Kong office. Competitive remuneration packages were offered to employees. The Group may also grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals.

Outlook

We believe that the year 2009 is a time for the management to reformulate its business direction and strategy. Although the global electronic industry faces significant challenges in 2009, we remain positive on our business outlook in the long run as we have built up the factory efficiency and the market may also improve in the year to come. The Group will be more cautious in expansion and will place more effort in consolidating existing customers and continually developing overseas markets and the PRC market to go for high end and high demand markets.

China's economy, the world's third largest, is expected to rebound quickly as 4 trillion yuan (USD585 billion) stimulus package cushions the effects of the global recession. According to the World Bank, a pickup in China will contribute "strongly" to growth in the rest of Asia by increasing demand for commodities and products from around the region. In line with this, the Group has reactivated a program to capture the market in order to increase the operational efficiency.

Led by a dedicated experienced management team, the Group strives to keep itself well positioned to benefit from a pickup in demands, with continuous efforts in cost reduction and enhance operational efficiencies. We anticipate there will be improvements on production yields and utilization of production capacity in this year. 2009 will be a year of turnaround and we aim to grow as a strong market player given that we have good market reputation, partners, and consolidated factories with good product mix and stablised efficiency.

OTHER INFORMATION

Dividends

The Company has not changed its dividend policy that has been followed since the listing of its shares on the Main Board of the Stock Exchange in 2006. However, in consideration of the financial performance of the Company for the year under review and the working capital requirement of the Company, the Board has resolved to recommend the payment of a final dividend of HK 1.0 cents per share, amounting to approximately HK$2.4 million (31 December 2007: HK 5.0 cents per share). The final dividends will be payable to the shareholders on or around 2 Jun 2009 whose names appear on the register of members of the Company on 26 May 2009.

Closure of Register of Members

The register of members of the Group will be closed from Friday, 22 May 2009 to Tuesday, 26 May 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch registrars, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 21 May 2009.

Share Option Scheme

On 5 June 2006, a share option scheme (the "Share Option Scheme") was adopted by a resolution in writing by the sole shareholder. The purposes of the Share Option Scheme are to attract and retain best available personnel to provide additional incentive to employees, directors, consultants, and advisers of the Group and to promote the success of the business of the Group. The directors may, at their discretion, offer any employee (whether full-time or part-time), director, consultant or adviser of the Group options to subscribe for new shares at a price and terms set out in the Share Option Scheme.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme when aggregated with the maximum number of shares in respect of which options may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Group shall not exceed 10% of the issued share capital on 22 June 2006 (such 10% limit representing 24,000,000 shares).

No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of options granted the to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued share capital from time to time, unless the approval of the shareholders is obtained. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

The amount payable on acceptance of an option is HK$1. The exercise price is determined by the board of directors, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of the share options held by the directors are as follows:

	Balance at 1 January 2008 and 31 December 2008
Mr. Yeung Hoi Shan	2,000,000
Mr. Wong Wing Choi*	2,000,000
Mr. Pak Shek Kuen	2,000,000
Madam Li Jinxia	1,000,000
Mr. Yeung Tai Hoi	200,000
Mr. Cheung Sui Wing, Darius	200,000
Ms. Ho Man Kay	200,000
Mr. Wong Siu Fai, Albert	200,000
	7,800,000

* Mr. Wong Wing Choi resigned as executive director on 23 January 2009.

The exercise price per share is HK$1.52.

The options were granted on 3 July 2007 and will be expired on 2 July 2011.

Options are exercisable subject to (i) up to 40% of the options are exercisable a year after the date of grant; (ii) up to 70% of the options are exercisable two years after the date of grant and (iii) all the remaining options are exercisable three years after the date of grant.

Purchase, Sales or Redemption of the Company's Listed Securities

During the year, neither the Company, nor any of its subsidiaries has purchased sold or redeemed any of the Company's listed securities.

Compliance with the Code of Corporate Governance Practices

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2008, except the deviation disclosed in the following paragraph:

– With respect to Code Provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and not be performed by the same individual. Mr Wong Wing Choi, an executive director and CEO of the Company, has resigned on 23 January 2009. Since then, the Company is looking for appropriate person to succeed and up to date of this report, the process is still in progress.

Compliance with the Model Code for Securities Transactions by directors of listed issuers (the "Model Code")

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

Audit committee

The Audit Committee comprises the three independent non-executive directors, one of whom possesses recognised professional qualifications in accounting and has wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee. The Company's annual results for the year ended 31 December 2008 has been reviewed by the Audit Committee.

On behalf of the Board
Yeung Hoi Shan
Chairman

Hong Kong, 22 April 2009

As at the date of this announcement, the Company has two executive Directors, being Mr. Yeung Hoi Shan and Mr. Pak Shek Kuen, three non-executive Directors, being Madam Li Jin Xia, Mr. Yeung Tai Hoi and Mr. Cheung Kwok Ping and three independent non-executive Directors, being Mr. Cheung Sui Wing Darius, Madam Ho Man Kay Angela and Mr. Wong Siu Fai Albert.

* *For identification purpose only*