GRANDE

THE GRANDE HOLDINGS LIMITED

嘉域集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 186)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS

The Board of directors (the "Board") of The Grande Holdings Limited (the "Company") are pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008** **HK$ million**	2007 *HK$ million*
CONTINUING OPERATIONS –			
TURNOVER	3	**2,432**	7,187
Cost of sales		**(2,080)**	(6,676)
Gross profit		**352**	511
Other income		**204**	178
Gain/(loss) on complete and partial disposals of subsidiaries		**29**	(152)
Reversal of losses on disposal of subsidiaries		**123**	–
Distribution costs		**(92)**	(209)
Administrative expenses		**(403)**	(552)
Impairment loss recognised in respect of goodwill		**(194)**	(109)
Other operating expenses		**(270)**	(599)
Finance costs		**(44)**	(66)
Share of loss of associates		**(3)**	(4)
LOSS BEFORE TAX		**(298)**	(1,002)
Tax	5	**(3)**	(19)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(301)**	(1,021)

CONSOLIDATED INCOME STATEMENT (Continued)

	Notes	**2008** **HK$ million**	2007 *HK$ million*
DISCONTINUED OPERATIONS –			
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS		**–**	371
LOSS FOR THE YEAR	6	**(301)**	(650)
ATTRIBUTABLE TO:			
Shareholders of the Company		**(240)**	(595)
Minority interests		**(61)**	(55)
		(301)	(650)
DIVIDENDS	7	**768**	120
		HK$	*HK$*
LOSS PER SHARE	8		
From continuing and discontinued operations –			
Basic		**(0.52)**	(1.29)
Diluted		**N/A**	(1.20)
From continuing operations –			
Basic		**(0.52)**	(2.10)
Diluted		**N/A**	(1.96)

CONSOLIDATED BALANCE SHEET

	Notes	**As at 31 December 2008** *HK$ million*	As at 31 December 2007 *HK$ million*
NON-CURRENT ASSETS			
Property, plant and equipment		**321**	356
Prepaid lease payments		**–**	10
Investment properties		**42**	44
Interests in associates		**–**	–
Available-for-sale investments		**56**	166
Deferred tax assets		**49**	58
Brands and trademarks		**1,774**	1,785
Other assets		**11**	7
Goodwill		**585**	660
		2,838	3,086
CURRENT ASSETS			
Inventories		**314**	465
Accounts, bills and other receivables	9	**176**	538
Amounts due from associates		**2**	349
Prepayments, deposits and other assets		**452**	143
Tax recoverable		**7**	40
Deferred tax assets		**36**	40
Short term investments		**96**	138
Derivative financial instruments		**1**	2
Pledged deposits with banks		**10**	101
Cash and bank balances		**132**	701
Assets of a disposal group held for distribution		**–**	1,606
		1,226	4,123
CURRENT LIABILITIES			
Accounts and bills payable	10	**145**	716
Amounts due to associates		**3**	4
Accrued liabilities and other payables		**255**	439
Tax liabilities		**7**	11
Trust receipt loans		**78**	154
Current portion of secured bank loans		**303**	327
Current portion of unsecured bank loans		**31**	15
Obligations under finance leases		**19**	15
Derivative financial instruments		**188**	213
Convertible debenture		**–**	198
Exchangeable bonds issued by a subsidiary		**171**	–
Unsecured bank overdrafts		**–**	540
Liabilities of a disposal group held for distribution		**–**	898
		1,200	3,530

CONSOLIDATED BALANCE SHEET (Continued)

	Notes	**As at 31 December 2008** *HK$ million*	As at 31 December 2007 *HK$ million*
NET CURRENT ASSETS		**26**	593
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,864**	3,679
NON-CURRENT LIABILITIES			
Non-current portion of secured bank loans		**54**	58
Non-current portion of unsecured bank loans		**–**	32
Obligations under finance leases		**12**	25
Exchangeable bonds issued by a subsidiary		**–**	217
Debenture		**214**	–
Derivative financial instruments		**78**	64
Provision for retirement and long service		**2**	8
Accrued liabilities and other payables		**376**	28
		736	432
NET ASSETS		**2,128**	3,247
CAPITAL AND RESERVES			
Share capital		**46**	46
Share premium		**1,173**	1,173
Reserves		**138**	1,169
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**1,357**	2,388
MINORITY INTERESTS		**771**	859
TOTAL EQUITY		**2,128**	3,247

NOTES:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, amendments and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new HKFRSs below does not result in substantial changes to the Group's accounting policies and has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of financial assets
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 Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective for the year ended 31 December 2008, and is in the process of assessing their impact on future accounting periods.

HKAS 1 (Revised)	(i)	Presentation of financial statements
HKAS 23 (Revised)	(i)	Borrowing costs
HKAS 27 (Revised)	(ii)	Consolidated and separate financial statements
HKAS 32 & HKAS 1 (Amendments)	(i)	Presentation of financial statements: Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	(ii)	Financial instruments: Recognition and measurement – Eligible hedged items
HKFRS 1 & HKAS 27 (Amendments)	(i)	Consolidated and separate financial statements: Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	(i)	Share-based payment: vesting conditions and cancellations
HKFRS 3 (Revised)	(ii)	Business combinations
HKFRS 7 (Revised)	(i)	Financial instruments: Improving disclosures about financial instruments
HKFRS 8	(i)	Operating segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	(iii)	Embedded derivatives
HK(IFRIC) – Int 13	(iv)	Customer loyalty programmes
HK(IFRIC) – Int 15	(i)	Agreements for the construction of real estate
HK(IFRIC) – Int 16	(v)	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 17	(ii)	Distributions of non-cash assets to owners
HK(IFRIC) – Int 18	(vi)	Transfers of assets from customers

Apart from the above, the HKICPA has issued Improvements to HKFRSs during the year, which set out amendments to a number of HKASs. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

(i) Effective for annual periods beginning on or after 1 January 2009.
(ii) Effective for annual periods beginning on or after 1 July 2009.
(iii) Effective for annual periods ending on or after 30 June 2009.
(iv) Effective for annual periods beginning on or after 1 July 2008.
(v) Effective for annual periods beginning on or after 1 October 2008.
(vi) Effective for transfers of assets from customers received on or after 1 July 2009.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate. The consolidated financial statements have been prepared in accordance with HKFRS issued by HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

3. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts, sub-contracting service income, licensing income and realised gain on trading investments, but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity for the year is as follows:

	2008	2007
	HK$ million	*HK$ million*
By principal activity:		
Branded distribution	**1,798**	4,326
Electronics manufacturing services	**634**	2,861
Attributable to continuing operations	**2,432**	7,187
Attributable to discontinued operations	**–**	618
	2,432	7,805

4. SEGMENT REPORTING

(a) Business segments

The Group comprises:

Divisions	**Principal activities**
(i) Branded distribution	Trading of audio & video products, licensing business and investments trading
(ii) Electronics manufacturing services	Manufacture and trading of electronic products

2008	Branded distribution *HK$ million*	Electronics manufacturing services *HK$ million*	Inter-segment elimination *HK$ million*	Unallocated *HK$ million*	Continuing operations *HK$ million*	Discontinued operations *HK$ million*	Consolidated *HK$ million*
Turnover:							
Sales of goods to external customers	1,657	634	–		2,291	–	2,291
Licensing income from external customers	141	–	–		141	–	141
Total	1,798	634	–		2,432	–	2,432
Results:							
Segment results	8	(11)	–		(3)	–	(3)
Unallocated corporate expenses				(29)	(29)	–	(29)
				(29)	(32)	–	(32)
Gain on disposal of property, plant and equipment	46	7	–	2	55	–	55
Share of loss of associates	(3)	–	–	–	(3)	–	(3)
Gain on disposal of subsidiaries				29	29	–	29
Impairment loss recognised in respect of–							
Goodwill				(194)	(194)	–	(194)
Available-for-sale investments				(14)	(14)	–	(14)
Allowance for doubtful debts				(8)	(8)	–	(8)
Change in fair value of exchangeable bonds and convertible debenture				(77)	(77)	–	(77)
Loss on financial derivatives				(149)	(149)	–	(149)
Reversal of losses on disposal of subsidiaries				123	123	–	123
Interest income				16	16	–	16
Interest expenses				(44)	(44)	–	(44)
Taxation				(3)	(3)	–	(3)
Loss for the year				(348)	(301)	–	(301)
Assets:							
Segment assets	4,828	4,799	(5,665)	102	4,064	–	4,064
Liabilities:							
Segment liabilities	4,263	3,156	(5,894)	411	1,936	–	1,936
Other information:							
Depreciation and amortisation	13	49		5	67	–	67
Capital expenditure	14	53		–	67	–	67

2007	Branded distribution HK$ million	Electronics manufacturing services HK$ million	Inter-segment elimination HK$ million	Unallocated HK$ million	Continuing operations HK$ million	Discontinued operations HK$ million	Consolidated HK$ million
Turnover:							
Sales of goods to external customers	4,313	2,861	–		7,174	618	7,792
Licensing income from external customers	13	–	–		13	–	13
Inter-segment sales	28	7	(35)		–	–	–
Total	4,354	2,868	(35)		7,187	618	7,805
Results:							
Segment results	(91)	(7)	–		(98)	31	(67)
Unallocated corporate expenses				(35)	(35)	–	(35)
				(35)	(133)	31	(102)
Loss on disposal of property, plant and equipment	(1)	(3)	–		(4)	–	(4)
Gain on disposal of available-for-sale investments	2	–	–		2	–	2
Net increase/(decrease) in fair value of investment properties	1	(1)	–		–	398	398
Discount on increased investment in subsidiaries	12	–	–		12	–	12
Share of loss of associates	(1)	(3)	–		(4)	–	(4)
Impairment loss recognised in respect of –							
Available-for-sale investments	(2)	–	–		(2)	–	(2)
Property, plant and equipment	(2)	–	–		(2)	–	(2)
Interest in a subsidiary				(42)	(42)	–	(42)
Interests in associates					–	(7)	(7)
Receivable from an associate				(20)	(20)	–	(20)
Change in fair value of exchangeable bonds and convertible debenture				4	4	–	4
Loss on financial derivatives				(60)	(60)	–	(60)
Group restructuring costs and expenses –							
Loss on complete and partial disposal of subsidiaries				(152)	(152)	(34)	(186)
Loss on restructured operations				(105)	(105)	–	(105)
Allowance for doubtful debts				(303)	(303)	–	(303)
Goodwill written off				(109)	(109)	–	(109)
Deferred development costs				(47)	(47)	–	(47)
Interest income				29	29	1	30
Interest expenses				(66)	(66)	(6)	(72)
Taxation				(19)	(19)	–	(19)
(Loss)/profit for the year				(925)	(1,021)	383	(638)
Assets:							
Segment assets	5,115	3,197	(2,863)	154	5,603	1,606	7,209
Liabilities:							
Segment liabilities	4,006	2,722	(4,151)	487	3,064	898	3,962
Other information:							
Depreciation and amortisation	69	16		6	91	12	103
Capital expenditure	171	–		1	172	3	175

(b) Geographical segments

	Turnover		Carrying amount of segment assets		Capital expenditure incurred during the year	
	2008	2007	**2008**	2007	**2008**	2007
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Asia	**789**	3,853	**2,107**	4,747	**66**	169
North America	**1,586**	2,765	**182**	672	**1**	6
Europe	**57**	569	**1**	5	**–**	–
Unallocated	**–**	–	**1,774**	1,785	**–**	–
	2,432	7,187	**4,064**	7,209	**67**	175

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007:17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$ million	*HK$ million*
The tax charge/(credit) comprises:		
Current year provision		
Hong Kong	**–**	1
Overseas	**47**	(11)
(Over)/under provision in prior year		
Hong Kong	**–**	(1)
Overseas	**(45)**	43
Deferred tax		
Hong Kong	**1**	3
Overseas	**–**	(16)
	3	19

6. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging/(crediting):

	2008	2007
	HK$ million	*HK$ million*
Depreciation of property, plant and equipment:		
Owned assets	**54**	76
Leased assets	**12**	–
	66	76
Operating lease rentals:		
Land and buildings	**11**	24
Property, plant and equipment	**5**	4
	16	28
Finance costs:		
Interest on bank overdrafts and loans wholly repayable within five years	**32**	65
Interest on bank loans wholly repayable beyond five years	**2**	7
Finance leases	**2**	–
Debenture	**1**	–
Interest on amount due to related companies	**7**	–
	44	72
Auditors' remuneration:		
Current year	**9**	12
(Over)/under-provision in prior year	**(1)**	1
	8	13
Staff costs:		
Salaries and other benefits	**219**	286
Retirement benefit costs	**4**	3
	223	289

	2008	2007
	HK$ million	*HK$ million*
Cost of inventories recognised as expenses	**1,957**	6,820
Amortisation of other assets included in other operating expenses	**1**	22
Amortisation of prepaid lease payments	**–**	5
Allowance for doubtful debts	**8**	384
Research and development expenditure	**1**	4
(Gain)/loss on disposal of property, plant and equipment	**(55)**	4
Impairment loss recognised in respect of interest in a subsidiary	**–**	42
Impairment loss recognised in respect of interests in associates	**–**	7
Impairment loss recognised in respect of available-for-sale investments	**14**	2
Impairment loss recognised in respect of property, plant and equipment	**–**	2
Impairment loss recognised in respect of deferred development costs	**–**	47
Change in fair value of short term investments	**13**	(48)
Change in fair value of exchangeable bonds and convertible debenture	**77**	(4)
Loss on financial derivatives	**149**	60
Net foreign exchange gain	**(18)**	(21)
Gain on disposal of available-for-sale investments	**–**	(2)
Net increase in fair value of investment properties	**–**	(398)
Discount on increased investment in subsidiaries	**–**	(12)
Interest income	**(16)**	(30)

7. DIVIDENDS

	2008	2007
	HK$ million	*HK$ million*
Interim dividend of HK5 cents (2007: HK12 cents) per share on 460.2 million shares	**23**	55
2007 final dividend of HK8 cents (2006: HK14 cents) per share on 460.2 million shares	**37**	65
2007 second interim dividend satisfied by way of a distribution in specie of seven ordinary shares of Lafe Corporation Limited ("Lafe shares") for every five ordinary shares of the Company (the fair value on distribution date of Lafe shares was HK$ 1.10 each which equates to a dividend of HK$1.54 per share on 460.2 million shares)	**708**	–
	768	120

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	2008	2007
	HK$ million	*HK$ million*
(Loss)/earnings:		
Loss attributable to shareholders of the Company used in the basic loss per share calculation:		
From continuing operations	**(240)**	(966)
From discontinued operations	**–**	371
	(240)	(595)
Effect of dilutive potential ordinary shares:		
Interest on Convertible Debenture	**–**	9
Loss attributable to shareholders of the Company before interest on Convertible Debenture	**(240)**	(586)
Attributable to:		
Continuing operations	**(240)**	(957)
Discontinued operations	**–**	371
	(240)	(586)

	2008	2007
	Number of ordinary shares million	*Number of ordinary shares million*
Shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**460.2**	460.2
Effect of dilutive potential ordinary shares: Convertible Debenture	**–**	28.3
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**460.2**	488.5

Discontinued operations:

Basic earnings per share for the discontinued operations is HK$ Nil (2007: HK$0.81) per share and the diluted earnings per share for the discontinued operations is HK$ Nil (2007: HK$0.76) per share, based on the earnings from the discontinued operations and the weighted average numbers of ordinary shares presented above.

9. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	2008	2007
	HK$ million	*HK$ million*
0 – 3 months	**161**	480
3 – 6 months	**2**	7
Over 6 months	**13**	51
	176	538

10. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	2008	2007
	HK$ million	*HK$ million*
0 – 3 months	**113**	648
3 – 6 months	**4**	11
Over 6 months	**28**	57
	145	716

11. CONTINGENT LIABILITIES

	2008	2007
	HK$ million	*HK$ million*
Bills discounted with recourse	**–**	122

The liquidators of Akai Holdings Limited (in compulsory liquidation) and sixteen other plaintiffs (the "plaintiffs") have brought an action against twenty defendants (the "defendants") which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company (collectively the "Company and Others"). The writ was originally issued in November 2005 but only served on the defendants in December 2007. The Consolidated Points of Claim was served on the defendants in April 2008. It alleged that the defendants had, amongst other things, diverted certain assets from the plaintiffs for less than full value and sought relief from the defendants. The plaintiffs have not quantified the amount of damages claimed under the Consolidated Points of Claim. In connection with the Consolidated Points of Claim, on 19 November 2008, the plaintiffs sought an injunction application restraining the Company and ten of the defendants from, amongst other things, disposing of, or dealing with their assets up to the value of US$500,000,000 (a "freezing order" application). On 9 February 2009, the Court handed down its judgment. The Court did not make a freezing order against either the Company or any of its subsidiaries. The defendants intend to strike out the claims contained in the Consolidated Points of Claim which will be heard later this year. Subsequent to the balance sheet date, the Company and Others have already filed a defence against the claim. The management, after consultation with the legal counsel, believes that there is reasonable prospect that the Company and Others could be successfully removed as defendants from the proceedings.

The directors consider that further disclosure of the Consolidated Points of Claim, which has not been heard by the court, will prejudice seriously the position of the Company in the dispute with the plaintiffs.

12. BANKING AND OTHER BORROWING FACILITIES

Certain banking and other borrowing facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	2008	2007
	HK$ million	*HK$ million*
(a) Legal charges over brands and trademarks, account receivables and inventories	**547**	642
(b) Legal charges over available-for-sale investments	**55**	–
(c) Legal charges over investment properties	**41**	38
(d) Legal charges over plant and equipments	**37**	108
(e) Pledge of medium-term prepaid lease payments and buildings outside Hong Kong	**109**	100
(f) Pledge of marketable securities	**235**	223
(g) Pledge of bank deposits	**10**	101
	1,034	1,212

DIVIDENDS

An interim cash dividend of HK5 cents per ordinary share was paid on 12 November 2008. The directors do not recommend the payment of a final dividend for the year ended 31 December 2008 given the business environment in the coming year is still uncertain.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year 2008, the Group's net loss attributable to shareholders was HK$240 million as compared to a loss of HK$595 million for the year 2007.

The total turnover was HK$2,432 million for the year as compared to HK$7,187 million for 2007. The gross profit from operating activities was HK$352 million as compared to HK$511 million for 2007.

The core business segments of the Group comprise The Branded Distribution Division and The Electronics Manufacturing Services Division.

The Branded Distribution Division

The Division manages the distribution and licensing of global brands namely, Nakamichi, Akai, Sansui and Emerson.

The Division's turnover for 2008 was HK$1,798 million as compared to HK$4,326 million for 2007. The substantial reduction in turnover was mainly attributable to the change of the Division's operations from the manufacture and sale of branded products to the global trademark licensing of the brands, Akai and Sansui. The operating profit of the Division for the year was improved to HK$8 million as compared to a loss of HK$91 million in 2007, despite the serious downturn in the worldwide major economies caused by the financial tsunami towards the end of 2008.

Emerson is a well-known brand in the United States focusing on entry level to mid price consumer electronic products. Although sales were affected by the recent recession in the United States, Emerson has successfully expanded its home appliances product lines to include wine coolers, small refrigerators, coffee makers, toaster ovens and microwave ovens in addition to the conventional audio and themed electronic products.

Nakamichi is the Division's premium brand focusing on the top end lifestyle entertainment products including a full range of flat panel display products, audio, video and home theatre systems. The Division will continue to distribute the state-of-the-art products through Nakamichi's network of qualified distributors worldwide.

As the financial tsunami takes its toll, the outlook for the United States and the European markets remains uncertain. The Division will tightly control its expenses and implement effective cost measures to reduce the overall operating costs. At the same time, the Division will continue to focus on expanding the licensing of Emerson, Akai, Sansui and Nakamichi trademarks to global markets. It is believed that the receipt of royalty income will deliver a more consistent return on investments and thus reduce the need for working capital. The Group will also realize the full potential of its portfolio of international brands by continuing to seek ways to improve their competitive edge and distribution efficiency.

The Electronics Manufacturing Services Division

The Electronics Manufacturing Services Division ("EMS") provides manufacturing and high precision engineering contract services to the OEM customers.

The EMS turnover for 2008 was HK$634 million as compared to HK$2,861 million for 2007. The reduction in turnover was attributable to the shift of EMS's focus from the manufacture and sale of completed products to the provision of high precision engineering contract services. The EMS, equipped with the latest state-of-the-art Surface Mount Technology machines and associated equipment, continues to deliver high quality manufacturing services to major global brands.

In consequence of the global economic crisis, the EMS profitability was unavoidably affected by the worldwide skrinkage of the consumer electronics industry. The EMS operating loss for 2008 was HK$11 million as compared to a loss of HK$7 million in 2007. The EMS has been putting continuous efforts to improve its production efficiency and thus competitiveness by controlling and reducing operating costs through rationalization programs. On the strength of its well-established relationship with the top-tier customers and its capability of meeting high precision manufacturing requirements, the EMS's financial results are expected to make continuous growth and improvement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had total assets of HK$4,064 million which were financed by total equity of HK$2,128 million including minority interests of HK$771 million and total liabilities of HK$1,936 million. The Group had a current ratio of approximately 1.02 as compared to that of approximately 1.17 at 31 December 2007.

As at 31 December 2008, the Group had HK$142 million cash and bank balances. The Group's working capital requirements were mainly financed by internal resources and short-term borrowings which were charged by banks at fixed and floating interest rates. As at 31 December 2008, the Group had HK$412 million short-term bank borrowings.

The Group had inventories of approximately HK$314 million as at 31 December 2008 representing a decrease of HK$151 million as compared to the previous year.

At the balance sheet date, the Group's gearing ratio was 42% which is calculated based on the Group's net borrowings of HK$893 million (calculated as total interest-bearing borrowings less cash and bank balances) divided by the total equity of HK$2,128 million.

TREASURY POLICIES

The Group's major borrowings are in US dollars, Renminbi, Japan Yen and HK dollars. All borrowings are based on fixed rates or best lending rates of the underlying currencies. The Group's revenues are mainly in US dollars and major borrowings and payments are either in US dollars, Renminbi or HK dollars. The Group is exposed to currency risk exposure resulted from the fluctuations of Renminbi against the US dollars and HK dollars. The Group has a strong treasury management function and will continue to manage its currency and interest rate exposures.

CHARGES ON GROUP ASSETS

At 31 December 2008, certain of the Group's assets with a total net book value of approximately HK$1,034 million have been pledged to banks to secure banking facilities granted to the Group. Details are set out in note 12 to the financial statements.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year under review, except for the deviation in respect of the service term under code provision A.4.1 of the Listing Rules.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Currently, non-executive directors are not appointed for a specific term. However, all directors are subject to retirement by rotation at least once every three years at each annual general meeting pursuant to the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code. Details of corporate governance are set out in the annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CONTINGENT LIABILITIES

The liquidators of Akai Holdings Limited (in compulsory liquidation) have brought an action against twenty defendants which include, inter alia, the Company, six subsidiaries of the Company and a director of the Company. The details of the action and the contingent liabilities of the Group are set out in note 11 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Code"). Having made specific enquiry to the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Code during the year ended 31 December 2008.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2008, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors. The financial information set out in this preliminary announcement represents an extract from these consolidated financial statements and have been agreed by the Company's auditors, Moore Stephens.

On behalf of the Board
Christopher W. Ho
Chairman

Hong Kong, 22 April 2009

As at the date of this announcement, the Board of the Company comprises: Mr. Christopher W. Ho, Mr. Adrian C. C. Ma, Mrs. Christine L. S. Asprey and Mr. Paul K. F. Law as executive directors; Mr. Michael A. B. Binney as non-executive director; and Mr. Herbert H. K. Tsoi, Mr. Henry C. S. Chong and Mr. Martin I. Wright as independent non-executive directors.