
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| | Three months ended 31 December | | | Year ended 31 December | | |
|---|-----------------------------------|---------------------------------|-------------|---------------------------------|-------------------------------|-------------|
| | 2008 (unaudited) HK\$'000 | 2007 (unaudited) HK\$'000 | Change % | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 | Change % |
| Revenue | 213,685 | 211,275 | 1.1 | 768,477 | 632,576 | 21.5 |
| Cost of sales | (74,678) | (79,597) | -6.2 | (275,372) | (237,378) | 16.0 |
| Gross profit | 139,007 | 131,678 | 5.6 | 493,105 | 395,198 | 24.8 |
| Other operating income | 952 | 252 | 277.8 | 3,220 | 9,421 | -65.8 |
| Distribution costs | (95,662) | (75,056) | 27.5 | (274,734) | (205,376) | 33.8 |
| Administrative expenses | (5,662) | (6,150) | -7.9 | (27,911) | (22,287) | 25.2 |
| Other operating expenses | (62,246) | (9,407) | 561.7 | (71,452) | (11,573) | 517.4 |
| Operating (loss)/profit | (23,611) | 41,317 | N.M. | 122,228 | 165,383 | -26.1 |
| Finance costs | (2,220) | (1,711) | 29.7 | (7,188) | (3,520) | 104.2 |
| (Loss)/profit before taxation | (25,831) | 39,606 | N.M. | 115,040 | 161,863 | -28.9 |
| Taxation | - | - | N.M. | - | - | N.M. |
| (Loss)/profit after taxation attributable to members of the Company | (25,831) | 39,606 | N.M. | 115,040 | 161,863 | -28.9 |

N.M.: Not meaningful

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

The Group's profit before taxation is arrived at after charging/(crediting):

| | Three months ended 31 December | | | Year ended 31 December | | |
|---|-----------------------------------|---------------------------------|-------------|---------------------------------|-------------------------------|-------------|
| | 2008 (unaudited) HK\$'000 | 2007 (unaudited) HK\$'000 | Change % | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 | Change % |
| Depreciation | 17,445 | 10,362 | 68.4 | 48,757 | 28,545 | 70.8 |
| Amortisation | 1,371 | 672 | 104.0 | 4,941 | 981 | 403.7 |
| Finance costs | 2,220 | 1,711 | 29.7 | 7,188 | 3,520 | 104.2 |
| Loss on disposal of property, plant and equipment | 2,115 | 1,305 | 62.1 | 4,555 | 3,224 | 41.3 |
| Allowance for impairment of trade receivables | 38,727 | 4,401 | 780.0 | 42,419 | 5,169 | 720.6 |
| Inventory provision and written-off | 2,790 | 141 | 1878.7 | 3,986 | 141 | 2727.0 |
| Impairment loss on land use rights | 16,682 | - | N.M. | 16,682 | - | N.M. |
| Loss in fair value change on forward contracts not qualifying as hedges | 226 | - | N.M. | 226 | - | N.M. |
| Exchange loss, net | 337 | 1,669 | -79.8 | 1,608 | 1,600 | 0.5 |
| Interest income | (799) | (237) | 237.1 | (3,067) | (9,211) | -66.7 |
| Gain in fair value change on forward contracts not qualifying as hedges | (106) | - | N.M. | (106) | - | N.M. |
| Gain on disposal of property, plant and equipment | (44) | - | N.M. | (44) | - | N.M. |

N.M.: Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

| | The Group | | The Company | |
|--|--|--|--|--|
| | 31 December 2008 (unaudited) HK\$'000 | 31 December 2007 (audited) HK\$'000 | 31 December 2008 (unaudited) HK\$'000 | 31 December 2007 (audited) HK\$'000 |
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 272,980 | 174,333 | - | - |
| Land use rights | 204,546 | 211,743 | - | - |
| Goodwill | 20,414 | 20,414 | - | - |
| Investments in subsidiaries | - | - | 69,715 | 59,140 |
| | <u>497,940</u> | <u>406,490</u> | <u>69,715</u> | <u>59,140</u> |
| <u>Current assets</u> | | | | |
| Inventories | 96,494 | 39,520 | - | - |
| Trade receivables | 286,319 | 212,407 | - | - |
| Prepayments, deposits and other receivables | 93,988 | 50,559 | - | - |
| Amounts due from subsidiaries | - | - | 751,744 | 506,254 |
| Pledged time deposits | 6,007 | 2,655 | - | - |
| Cash and cash equivalents | 64,582 | 191,229 | 4 | 196 |
| | <u>547,390</u> | <u>496,370</u> | <u>751,748</u> | <u>506,450</u> |
| Total assets | <u>1,045,330</u> | <u>902,860</u> | <u>821,463</u> | <u>565,590</u> |
| EQUITY AND LIABILITIES | | | | |
| <u>Current liabilities</u> | | | | |
| Trade payables | 22,025 | 59,861 | - | - |
| Accruals and other payables | 12,936 | 20,370 | 7,048 | 10,363 |
| Acquisition cost payable | - | 101,963 | - | - |
| Bank loans, secured - due within one year | 80,798 | 85,515 | 61,366 | 80,196 |
| Derivative financial instruments | 376 | - | - | - |
| Financial guarantee contract | - | - | 13,424 | 2,849 |
| Provision for taxation | 46,218 | 46,218 | - | - |
| | <u>162,353</u> | <u>313,927</u> | <u>81,838</u> | <u>93,408</u> |
| <u>Non-current liabilities</u> | | | | |
| Bank loan, secured - due after one year | 74,129 | - | 74,129 | - |
| <u>Capital and reserves</u> | | | | |
| Share capital | 35,639 | 34,236 | 35,639 | 34,236 |
| Reserves | 773,209 | 554,697 | 629,857 | 437,946 |
| | <u>808,848</u> | <u>588,933</u> | <u>665,496</u> | <u>472,182</u> |
| Total equity and liabilities | <u>1,045,330</u> | <u>902,860</u> | <u>821,463</u> | <u>565,590</u> |

1(b)(ii) Aggregate amount of group's borrowings and debt securities

| <u>The Group</u> | <u>Secured</u> | | <u>Unsecured</u> | |
|--|--|--|--|--|
| | 31 December 2008 (unaudited) HK\$'000 | 31 December 2007 (audited) HK\$'000 | 31 December 2008 (unaudited) HK\$'000 | 31 December 2007 (audited) HK\$'000 |
| Amounts payable in one year or less, or on demand | 80,798 | 85,515 | - | - |
| Amount payable after one year | 74,129 | - | - | - |

Details of any collateral

As at 31 December 2008, the Group had certain banking facilities granted by a bank amounting to HK\$20,000,000 (31 December 2007: HK\$20,000,000), of which HK\$19,432,000 (31 December 2007: HK\$5,319,000) was utilised and secured by the pledged time deposits of the Group amounting to HK\$6,007,000 (31 December 2007: HK\$2,655,000) and corporate guarantees provided by the Company and a subsidiary up to HK\$20,000,000.

The Group had another bank loan amounting to HK\$135,000,000 (31 December 2007: HK\$80,000,000) which was secured by corporate guarantees provided by the Company and a subsidiary.

1(c) A cash flow statement (for the group), together with a comparative statement or the corresponding period of the immediately preceding financial year

| The Group | Three months ended 31 December | | Year ended 31 December | |
|---|-----------------------------------|---------------------------------|---------------------------------|-------------------------------|
| | 2008 (unaudited) HK\$'000 | 2007 (unaudited) HK\$'000 | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| (Loss)/profit before taxation | (25,831) | 39,606 | 115,040 | 161,863 |
| Adjustments for: | | | | |
| Depreciation | 17,445 | 10,362 | 48,757 | 28,545 |
| Amortisation | 1,371 | 672 | 4,941 | 981 |
| Allowance for impairment of trade receivables | 38,727 | 4,401 | 42,419 | 5,169 |
| Inventory provision and written-off | 2,790 | 141 | 3,986 | 141 |
| Impairment loss on land use rights | 16,682 | - | 16,682 | - |
| Loss on disposal of property, plant and equipment | 2,116 | 1,305 | 4,556 | 3,224 |
| Gain on disposal of property, plant and equipment | (44) | - | (44) | - |
| Finance costs | 2,220 | 1,711 | 7,188 | 3,520 |
| Interest income | (799) | (237) | (3,067) | (9,211) |
| Loss in fair value change on forward contracts not qualifying as hedges | 226 | - | 226 | 94 |
| Gain in fair value change on forward contracts not qualifying as hedges | (106) | - | (106) | - |
| Exchange difference on translation | - | (122) | - | (698) |
| Operating income before working capital changes | 54,797 | 57,839 | 240,578 | 193,628 |
| (Increase)/decrease in inventories | (25,671) | 9,063 | (60,960) | (14,122) |
| Increase in trade receivables | (87,007) | (51,660) | (116,331) | (88,165) |
| Increase/(decrease) in other receivables | (20,922) | 1,674 | (43,007) | (12,127) |
| (Decrease)/increase in trade payables | (43,442) | 8,184 | (39,334) | 29,654 |
| (Decrease)/increase in other payables | (5,125) | (3,314) | (6,112) | 862 |
| Cash (used in)/generated from operations | (127,370) | 21,786 | (25,166) | 109,730 |
| Finance costs paid | (2,220) | (1,948) | (6,889) | (3,324) |
| Net cash (used in)/generated from operating activities | (129,590) | 19,838 | (32,055) | 106,406 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisitions of property, plant and equipment | (76,679) | (15,338) | (146,225) | (64,036) |
| Acquisition of subsidiaries, net cash outflow | - | (158,176) | - | (220,230) |
| Proceeds from settlement of a forward contract | 256 | - | 256 | 12 |
| Proceeds from disposals of property, plant and equipment | 319 | - | 319 | - |
| Interest received | 799 | 237 | 3,067 | 9,211 |
| Net cash used in investing activities | (75,305) | (173,277) | (142,583) | (275,043) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from bank loan | 13,750 | - | 68,750 | 80,000 |
| Increase in pledged time deposits | (3,327) | (27) | (3,352) | (97) |
| Dividends paid | (7,548) | - | (17,819) | (10,271) |
| Net cash generated from/(used in) financing activities | 2,875 | (27) | 47,579 | 69,632 |
| Net decrease in cash and cash equivalents | (202,020) | (153,466) | (127,059) | (99,005) |
| Exchange realignment | 1,153 | 71 | 412 | 12,268 |
| Cash and cash equivalents at beginning | 265,449 | 344,624 | 191,229 | 277,966 |
| Cash and cash equivalents at end | 64,582 | 191,229 | 64,582 | 191,229 |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

| The Group (unaudited) | Issued share capital HK\$'000 | Share premium account HK\$'000 | Statutory reserve HK\$'000 | Employee share option reserve HK\$'000 | Exchange fluctuation reserve HK\$'000 | Special reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|--|---|----------------------------------|--|--|--------------------------------|---------------------------------|-------------------|
| At 1 January 2007 | 34,236 | 60,395 | 50 | 6,528 | 256 | - | 329,400 | 430,865 |
| Net profit for the first quarter of 2007 | - | - | - | - | - | - | 35,390 | 35,390 |
| At 31 March 2007 | 34,236 | 60,395 | 50 | 6,528 | 256 | - | 364,790 | 466,255 |
| 2006 final dividend paid | - | - | - | - | - | - | (10,271) | (10,271) |
| Net profit for the second quarter of 2007 | - | - | - | - | - | - | 34,637 | 34,637 |
| At 30 June 2007 | 34,236 | 60,395 | 50 | 6,528 | 256 | - | 389,156 | 490,621 |
| Net profit for the third quarter of 2007 | - | - | - | - | - | - | 52,230 | 52,230 |
| At 30 September 2007 | 34,236 | 60,395 | 50 | 6,528 | 256 | - | 441,386 | 542,851 |
| Translation differences relating to financial statements of foreign subsidiaries | - | - | - | - | 6,476 | - | - | 6,476 |
| Net profit for the fourth quarter of 2007 | - | - | - | - | - | - | 39,606 | 39,606 |
| At 31 December 2007 | 34,236 | 60,395 | 50 | 6,528 | 6,732 | - | 480,992 | 588,933 |
| Issue of new shares | 1,403 | 78,629 | - | - | - | - | - | 80,032 |
| Special reserve arising from acquisition of subsidiaries | - | - | - | - | - | 21,931 | - | 21,931 |
| Net profit for the first quarter of 2008 | - | - | - | - | - | - | 37,259 | 37,259 |
| At 31 March 2008 | 35,639 | 139,024 | 50 | 6,528 | 6,732 | 21,931 | 518,251 | 728,155 |
| 2007 final dividend paid | - | - | - | - | - | - | (10,271) | (10,271) |
| Net profit for the second quarter of 2008 | - | - | - | - | - | - | 41,688 | 41,688 |
| At 30 June 2008 | 35,639 | 139,024 | 50 | 6,528 | 6,732 | 21,931 | 549,668 | 759,572 |
| Net profit for the third quarter of 2008 | - | - | - | - | - | - | 61,924 | 61,924 |
| At 30 September 2008 | 35,639 | 139,024 | 50 | 6,528 | 6,732 | 21,931 | 611,592 | 821,496 |
| 2008 interim dividend paid | - | - | - | - | - | - | (7,548) | (7,548) |
| Transfer | - | 21,931 | - | - | - | (21,931) | - | - |
| Translation differences relating to financial statements of foreign subsidiaries | - | - | - | - | 20,731 | - | - | 20,731 |
| Net loss for the fourth quarter of 2008 | - | - | - | - | - | - | (25,831) | (25,831) |
| At 31 December 2008 | 35,639 | *160,955 | *50 | *6,528 | *27,463 | - | *578,213 | 808,848 |

* These reserve accounts comprise the reserves of HK\$773,209,000 (31 December 2007: HK\$554,697,000) in the consolidated balance sheet.

- a. The share premium account may be applied only for the purposes specified in the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.
- b. Employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.
- c. Exchange fluctuation reserve arises from the translation of foreign subsidiaries' assets and liabilities.
- d. Statutory reserve represents the profits of Kist Macao Commercial Offshore Limited (formerly known as Colour Zone Commercial Offshore de Macau Limitada), a wholly owned subsidiary, set aside pursuant to the provisions of the Macao Commercial Code, which requires an entity to set aside a minimum 10% of the entity's net profit until the balance of reserve reaches a level equivalent to 50% of the entity's registered capital. The reserve is not available for distribution to the shareholders of the entity.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (continued)

| <u>The Company</u> (unaudited) | Issued share capital HK\$'000 | Share premium account HK\$'000 | Capital reserve HK\$'000 | Special reserve HK\$'000 | Employee share option reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|--|---|--------------------------------|--------------------------------|--|---------------------------------|-------------------|
| At 1 January 2007 | 34,236 | 60,395 | 28,655 | - | 6,528 | 192,423 | 322,237 |
| Net profit for the first quarter of 2007 | - | - | - | - | - | 22,646 | 22,646 |
| At 31 March 2007 | 34,236 | 60,395 | 28,655 | - | 6,528 | 215,069 | 344,883 |
| 2006 final dividend paid | - | - | - | - | - | (10,271) | (10,271) |
| Net profit for the second quarter of 2007 | - | - | - | - | - | 29,847 | 29,847 |
| At 30 June 2007 | 34,236 | 60,395 | 28,655 | - | 6,528 | 234,645 | 364,459 |
| Net profit for the third quarter of 2007 | - | - | - | - | - | 31,901 | 31,901 |
| At 30 September 2007 | 34,236 | 60,395 | 28,655 | - | 6,528 | 266,546 | 396,360 |
| Net profit for the fourth quarter of 2007 | - | - | - | - | - | 75,822 | 75,822 |
| At 31 December 2007 | 34,236 | 60,395 | 28,655 | - | 6,528 | 342,368 | 472,182 |
| Issue of new shares | 1,403 | 78,629 | - | - | - | - | 80,032 |
| Special reserve arising from acquisition of subsidiaries | - | - | - | 21,931 | - | - | 21,931 |
| Net profit for the first quarter of 2008 | - | - | - | - | - | 36,713 | 36,713 |
| At 31 March 2008 | 35,639 | 139,024 | 28,655 | 21,931 | 6,528 | 379,081 | 610,858 |
| 2007 final dividend paid | - | - | - | - | - | (10,271) | (10,271) |
| Net profit for the second quarter of 2008 | - | - | - | - | - | 38,154 | 38,154 |
| At 30 June 2008 | 35,639 | 139,024 | 28,655 | 21,931 | 6,528 | 406,964 | 638,741 |
| Net profit for the third quarter of 2008 | - | - | - | - | - | 38,906 | 38,906 |
| At 30 September 2008 | 35,639 | 139,024 | 28,655 | 21,931 | 6,528 | 445,870 | 677,647 |
| 2008 interim dividend paid | - | - | - | - | - | (7,548) | (7,548) |
| Transfer | - | 21,931 | - | (21,931) | - | - | - |
| Net loss for the fourth quarter of 2008 | - | - | - | - | - | (4,603) | (4,603) |
| At 31 December 2008 | 35,639 | #160,955 | #28,655 | - | #6,528 | #433,719 | 665,496 |

These reserve accounts comprise the reserves of HK\$629,857,000 (31 December 2007: HK\$437,946,000) in the balance sheet of the Company.

a. The capital reserve balance of HK\$28,655,000 (31 December 2007: HK\$28,655,000) of the Company as at 31 December 2008 represents the excess of the then combined net asset value of the subsidiaries acquired pursuant the Group's reorganisation over the nominal value of the shares of the Company issued in exchange therefor in 2003.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There were no changes in the Company's share capital during the current reporting period. As at 31 December 2008, total share options outstanding amounted to 10,400,000 unissued ordinary share of HK\$0.10 each.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of immediately preceding year.**

| <u>The Company and the Group</u> | As at 31 December 2008 (unaudited) | As at 31 December 2007 (audited) |
|----------------------------------|---|---|
| Total number of issued shares | 356,388,108 | 342,360,620 |
| Less: Treasury shares | - | - |
| Total | <u>356,388,108</u> | <u>342,360,620</u> |

- 1(d)(iv) A Statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures in this announcement have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable. The figures in this announcement have not been audited or reviewed.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

There are a number of new or revised International Financial Reporting Standards and related interpretations ("new IFRSs") that are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new IFRSs did not have any material impact on the financial information of the Group for year ended 31 December 2008. Save as aforesaid, the accounting policies and methods of computation used in the preparation of the financial information of the Group for the year ended 31 December 2008 are the same as those used in the most recently audited annual financial statements of the Group for the year ended 31 December 2007.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Please refer to paragraph 4.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

| | Three months ended 31 December | | | Year ended 31 December | | |
|--|-----------------------------------|---------------------------------|-------------|---------------------------------|---------------------------------|-------------|
| | 2008 (unaudited) HK cents | 2007 (unaudited) HK cents | Change % | 2008 (unaudited) HK cents | 2007 (unaudited) HK cents | Change % |
| (Loss)/earnings per ordinary share for the period/year | | | | | | |
| (i) Based on weighted average number of ordinary shares issued | (7.2) | 11.5 | N.M. | 32.5 | 47.2 | N.M. |
| (ii) On a fully diluted basis | (7.2) | 11.3 | N.M. | 32.5 | 46.7 | -30.4 |

N.M.: Not meaningful

Basic loss/earnings per share is calculated based on the loss/profit after taxation attributable to members of the Company divided by the weighted average number of ordinary shares in issue.

Diluted loss/earnings per share is calculated based on the loss/profit after taxation attributable to members of the Company divided by the weighted average number of ordinary shares adjusted for the effect of dilution. The number of ordinary shares is calculated based on the weighted average number of ordinary shares in issue during the reporting period plus the weighted average number of ordinary shares which would be issued on the conversion of all dilutive potential share options into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the period or if later, the date of the issue of the potential ordinary shares.

The following tables reflect the income statement and share data used in the computation of basic and diluted loss/earnings per share:

| <u>The Group</u> | Three months ended 31 December | | Year ended 31 December | |
|---|-----------------------------------|---------------------------------|---------------------------------|-------------------------------|
| | 2008 (unaudited) HK\$'000 | 2007 (unaudited) HK\$'000 | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 |
| <i>Earnings</i> | | | | |
| (Loss)/profit after taxation attributable to members of the Company | (25,831) | 39,606 | 115,040 | 161,863 |

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends (continued)**

| <u>The Group</u> | Three months ended | | Year ended | |
|--|--------------------|-------------|-------------|-------------|
| | 31 December | | 31 December | |
| | 2008 | 2007 | 2008 | 2007 |
| | (unaudited) | (unaudited) | (unaudited) | (audited) |
| <i>Number of shares</i> | | | | |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 356,388,108 | 344,342,765 | 354,126,846 | 342,860,229 |
| Effect of dilutive potential ordinary shares on conversion of share options granted | - | 4,791,783 | - | 4,059,928 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 356,388,108 | 349,134,548 | 354,126,846 | 346,920,157 |

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

| | The Group | | | The Company | | |
|--|---|---|----------|---|---|----------|
| | As at 31 December 2008 (unaudited) HK cents | As at 31 December 2007 (audited) HK cents | Change % | As at 31 December 2008 (unaudited) HK cents | As at 31 December 2007 (audited) HK cents | Change % |
| Net asset value per ordinary share based on issued capital | 227.0 | 172.0 | 32.0 | 186.7 | 137.9 | 35.4 |

The calculation of net asset value per ordinary share is based on the net assets as at 31 December 2008 of the Group of HK\$808,848,000 (31 December 2007: HK\$588,933,000) and of the Company of HK\$665,496,000 (31 December 2007: HK\$472,182,000) divided by the number of ordinary shares in issue as at 31 December 2008 of 356,388,108 shares and 31 December 2007 of 342,360,620 shares.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Operating results

The Group's revenue for the year ended 31 December 2008 (FY2008") recorded HK\$768.5 million, a growth of 21.5% from the year ended 31 December 2007 ("FY2007"). Revenue for the three months ended 31 December 2008 ("Q4 2008") recorded HK\$213.7 million, increased by 1.1% from HK\$211.3 million for the three months ended 31 December 2007 ("Q4 2007").

During FY2008, the main revenue contributor – sales of self-developed cosmetics brands ("Brand Business") generated revenue of HK\$744.1 million (FY2007: 632.6 million). The two brands - Colour Zone and CharmingLady separately represented 87.1% and 12.9% of the total Brand Business sales for FY2008. In Q4 2008 only, Brand Business had a negative growth of 2.2% compared to Q4 2007, and accounted for HK\$206.7 million (Q4 2007: HK\$211.3 million), or 96.7% of total sales for Q4 2008. The impact from the deteriorating economic climate on consumer spending outweighed the Group's effort on expanding retail network. During Q4 2008, 76 and 52 of new point-of-sale ("POS") for Colour Zone and CharmingLady were added, making a total of 1805 and 444 outlets for the two brands respectively as at 31 December 2008. Gross profit for Brand Business for FY2008 reached HK\$480.7 million (FY2007: HK\$395.2 million) and its gross profit margin improved to 64.6% from 62.5% due to the general fall in costs of materials.

The Group's another revenue stream – the new business of third-party OEM/ODM manufacturing ("Manufacturing Business") started in January 2008, achieved HK\$24.4 million in FY2008 and HK\$7.0 million in Q4 2008. Gross profit margin for Manufacturing Business for FY2008 was 50.8% (FY 2007: not applicable).

Other operating income, comprised mainly bank interest income, approximated HK\$3.2 million (FY 2007: HK\$9.4 million) which declined in FY2008 due to the fall in average deposit interest rate.

Distribution costs for FY2008 increased by 33.8% to HK\$274.7 million (FY2007: HK\$205.4 million). The major distribution cost, advertising and promotion ("A&P") expense for Brand Business, represented HK\$169.5 million in FY2008 or 22.8% of Brand Business sales. Since the appointment of well-known artiste and singing diva – Angela Chang (张韶涵) – as new spokesperson for Colour Zone brand in Q3 2008, the Group launched a series of new advertising campaigns to raise brand awareness which had scheduled for Q4 2008 amounting to HK\$65.4 million (Q4 2007: HK\$44.1 million). Accordingly, A&P expenses in Q4 2008 increased to 31.6% (Q3 2008: 20.9%) of Brand Business revenue when sales unexpectedly declined. Depreciation for product display units and moulds for FY2008 recorded HK\$45.0 million (FY2007: HK\$27.4 million), surged by 64.3%, as a result of purchases of product display units for POS expansion and additional uses of private injection moulds for supplying specialised product packaging. Logistics charges for FY2008 recorded HK\$25.2 million (FY2007: HK\$18.2 million) and soared for increased purchases from suppliers.

Administrative expenses for FY2008 increased by 25.2% to HK\$27.9 million (FY2007: HK\$22.3 million) in line with the growth in business and additional administration function for new Manufacturing Business. Administrative expenses consisted mainly of staff costs, auditors' remuneration, legal and professional fees, depreciation, office utilities and other general administrative costs.

Other operating expenses for FY2008 increased by 517.4% to HK\$71.5 million (FY2007: HK\$11.6 million). The increase was mainly attributable to allowance for impairment of trade receivables of HK\$42.4 million (FY2007: HK\$5.2 million) as a result of slower repayment from customers since the recent global financial crisis as well as an impairment loss on land use rights of HK\$16.7 million (FY2007: Nil).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on (continued)

Finance costs for FY2008 increased by 104.2% to HK\$7.2 million (FY2007: HK\$3.5 million), which was attributable to the increase in bank loans to provide adequate working capital for the Group.

No tax expenses were incurred as the Group's profit for FY2008 was solely generated by the Company's wholly-owned subsidiary in Macau which is exempt from income tax under the Offshore Law of Macau.

With reduced revenue growth, additional allowance for impairment of trade receivables and an impairment loss on land use rights, the performance of the Group for FY2008, particularly in Q4 2008, has been adversely affected. Operating profit for FY2008 was recorded HK\$122.2 million (FY2007: HK\$165.4 million), fell by 26.1%, while Q4 2008 recorded an operating loss of HK\$23.6 million (Q4 2007: Operating profit of HK\$41.3 million). Nevertheless, the Manufacturing Business was improving and experienced a marginal operating loss of only HK\$0.5 million (FY2007: HK\$3.8 million) during Q4 2008, before an impairment loss on land use rights of HK\$16.7 million (FY2007: Nil).

In view of the above, net profit for FY2008 was HK\$115.0 million (FY2007: HK\$161.9 million), decreased by 28.9%.

Financial position

Net assets as at 31 December 2008 were HK\$808.8 million (31 December 2007: HK\$588.9 million), and net gearing ratio, as total bank debts to total assets, of 14.8% (31 December 2007: 9.5%). Inventories were HK\$96.5 million as at 31 December 2008 (31 December 2007: HK\$39.5 million).

Total capital expenditure for FY2008 was HK\$146.2 million (FY2007: HK\$64.0 million before taking into account the acquisition of production facilities). In Q4 2008, capital expenditure amounted to HK\$76.7 million (Q4 2007: HK\$15.3 million), represented mostly the additional purchases and higher average cost of product display units for POS expansion, the investment in private injection moulds for the supply of specialised packaging materials and containers and the construction of a 2-storey GMP-compliant powder production plant for the new alliance with JO Cosmetics.

During FY2008, the Group reported a net decrease in cash and cash equivalents of HK\$127.1 million (FY2007: HK\$99.0 million), which was the consequence of slower collections from distributors and accelerated payments to suppliers and contractors as well as increased capital expenditure.

Turnover periods of inventories, trade receivables and trade payables for FY2008 were 78, 96 and 45 days (FY2007: 52, 85 and 61 days) respectively. Inventory turnover period was longer due to the unexpected fall in sales in Q4 2008 resulting in higher level of inventories as at 31 December 2008. The Group experienced slower repayments from most distributors during Q4 2008 with weakened consumer spending in China and longer debt collection from retail channel. Meanwhile many suppliers and contractors shortened their credit term offered to their customers during the economic downturn.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast or prospect statement have been issued for the period under review.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The operating environment in China which the Group is operating continues to pose challenges and difficulties in 2009 which may negatively impacted the Group's performance. General decline in consumer demand and trade debtor collections remain areas of management attention.

In view of the uncertainties in global economic outlook, the next 12 months will be very challenging. The Group has initiated proactive measures such as strengthening cost control and inventory management, reducing budget for capital expenditure and improving in communications with distributors and other business associates, so as to mitigate the impact of the softening economy. On the other hand, the collaboration with the major Japanese cosmetics producer - JO Cosmetics as disclosed in separate announcements dated 19 December 2008 and 21 January 2009, may provide a diverse and positive development for the Group when international brands may outsource more of their production to contract manufacturers like the Group's GMP-certified plant which is able to offer cost advantages without compromising quality.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

| | |
|----------------------------------|-------------------|
| <u>The Company and the Group</u> | 2007 |
| Name of dividend | Final |
| Dividend type | Cash |
| Amount per shares | 3 Hong Kong cents |
| Par value of shares | HK\$0.1 |
| Tax rate | N/A |

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

| The Group | Self-branded Colour Cosmetics Sales | | Self-branded Skincare Sales | | Third-party Manufacturing | | Consolidated | |
|--|--|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 |
| Revenue | | | | | | | | |
| External sales | 546,194 | 448,804 | 197,878 | 183,772 | 24,405 | - | 768,477 | 632,576 |
| Other income | - | 210 | - | - | 3 | - | 3 | 210 |
| Total revenue | 546,194 | 449,014 | 197,878 | 183,772 | 24,408 | - | 768,480 | 632,786 |
| Segment results | 118,135 | 127,065 | 48,589 | 56,025 | (22,138) | (3,824) | 144,586 | 179,266 |
| Unallocated other income and gains | | | | | | | 3,217 | 9,211 |
| Unallocated corporate expenses | | | | | | | (25,575) | (23,094) |
| Finance costs | | | | | | | (7,188) | (3,520) |
| Profit before tax | | | | | | | 115,040 | 161,863 |
| Taxation | | | | | | | - | - |
| Net profit | | | | | | | 115,040 | 161,863 |
| Other information | | | | | | | | |
| Segment assets | 443,375 | 274,808 | 159,456 | 98,011 | 364,944 | 333,969 | 967,775 | 706,788 |
| Unallocated assets | | | | | | | 77,555 | 196,072 |
| Consolidated total assets | | | | | | | 1,045,330 | 902,860 |
| Segment liabilities | 20,067 | 54,841 | 2,163 | 10,578 | 4,518 | 104,402 | 26,748 | 169,821 |
| Unallocated liabilities | | | | | | | 209,734 | 144,106 |
| Consolidated total liabilities | | | | | | | 236,482 | 313,927 |
| Capital expenditure | 81,025 | 44,839 | 29,354 | 18,360 | 35,356 | 808 | 145,735 | 64,007 |
| Unallocated amounts | | | | | | | 490 | 29 |
| | | | | | | | 146,225 | 64,036 |
| Depreciation and amortisation | 32,368 | 19,441 | 11,727 | 7,921 | 9,099 | 1,660 | 53,194 | 29,022 |
| Unallocated amounts | | | | | | | 504 | 504 |
| | | | | | | | 53,698 | 29,526 |
| Non-cash expenses other than depreciation and amortisation | | | | | | | | |
| Loss on disposal of property, plant and equipment | 3,244 | 2,445 | 1,210 | 779 | - | - | 4,454 | 3,224 |
| Unallocated amounts | | | | | | | 101 | - |
| | | | | | | | 4,555 | 29,547 |
| Gain on disposal of property, plant and equipment | - | - | - | - | - | - | - | - |
| Unallocated amounts | | | | | | | 44 | - |
| | | | | | | | 44 | - |
| Allowance for impairment of trade receivables | 31,138 | 3,682 | 11,280 | 1,487 | - | - | 42,419 | 5,169 |
| Inventory provision and write-off | 3,972 | 141 | 14 | - | - | - | 3,986 | 141 |
| Impairment loss on land use rights | - | - | - | - | 16,682 | - | 16,682 | - |

As over 90% of the Group's customers are based in Mainland China and over 90% the Group's revenue, operating results, assets and capital expenditure are attributable to Mainland China, no separate geographical segment analysis is presented.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

| <u>The Group</u> | 2008 (unaudited) HK\$'000 | 2007 (unaudited) HK\$'000 | Change |
|---|---------------------------------|---------------------------------|--------|
| Sales for the first half of the year | 309,213 | 233,351 | 32.5% |
| Net profit attributable to equity holders for the first half of the year | 78,947 | 70,027 | 12.7% |
| Sales for the second half of the year | 459,264 | 399,225 | 15.0% |
| Net profit attributable to equity holders for the second half of the year | 36,093 | 91,836 | -60.7% |

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

| <u>The Company and the Group</u> | 2008 (unaudited) HK\$'000 | 2007 (audited) HK\$'000 |
|--|---------------------------------|-------------------------------|
| Ordinary dividends declared and paid | | |
| - 2008 interim dividend of HK\$0.02 per ordinary share | 7,128 | - |
| - 2007 final dividend of HK\$0.03 per ordinary share | - | 10,271 |
| Preference dividends | - | - |
| Total | <u>7,128</u> | <u>10,271</u> |
| Dividends proposed | | |
| - 2007 final dividend of HK\$0.03 per ordinary share | - | 10,271 |
| Total | <u>-</u> | <u>10,271</u> |

ON BEHALF OF THE DIRECTORS

Wong Hon Wai
Chairman
28 February 2009



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**CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(4) OF THE LISTING MANUAL**

On behalf of the Board of Directors of the Company, we the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements of the year ended 31 December 2008 to be false or misleading.

ON BEHALF OF THE DIRECTORS

Wong Hon Wai
Chairman

Tsim Pong Kit
Director

28 February 2009