KA SHUI INTERNATIONAL HOLDINGS LIMITED
嘉瑞國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 822)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Board") of Ka Shui International Holdings Limited (the "Company") is pleased to announce the final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007, together with the comparative figures for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 December 2007 HK$'000	2006 HK$'000
Turnover	*4*	**752,749**	645,588
Cost of sales		**(612,517)**	(464,676)
Gross profit		**140,232**	180,912
Other income	*5*	**11,205**	4,607
Selling and distribution expenses		**(7,440)**	(7,769)
General and administration expenses		**(66,596)**	(47,352)
Profit from operations		**77,401**	130,398
Finance costs	*6*	**(5,995)**	(7,950)
Share of (loss)/profit of an associate		**(1,401)**	311
Share of loss of a jointly controlled entity		**(281)**	–
Impairment loss on available-for-sale financial assets		**(2,000)**	–
Profit before tax		**67,724**	122,759
Income tax expense	*7*	**(10,179)**	(11,339)
Profit for the year		**57,545**	111,420
Attributable to:			
Equity holders of the Company		**57,492**	109,562
Minority interests		**53**	1,858
		57,545	111,420
Dividends	*8*		
– Interim		**10,560**	–
– Proposed final		**7,920**	–
		18,480	–
Earnings per share	*9*		
– Basic *(HK cents)*		**7.42**	16.60
– Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2007 HK$'000	2006 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**224,580**	143,347
Prepaid land lease payments		**33,893**	10,544
Club membership		**718**	718
Investment in an associate		**1,115**	2,516
Investment in a jointly controlled entity		**8,259**	–
Available-for-sale financial assets		**6,303**	8,303
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**8,096**	24,844
		282,964	190,272
Current assets			
Inventories		**118,344**	88,204
Trade receivables	*10*	**115,491**	112,461
Financial assets at fair value through profit or loss		**3,277**	1,150
Prepayments, deposits and other receivables		**11,613**	4,084
Due from an associate		**14,335**	7,490
Pledged bank deposits		**6,333**	6,148
Bank and cash balances		**166,039**	12,300
		435,432	231,837
Current liabilities			
Trade payables	*11*	**61,381**	54,838
Deposits received		**3,054**	3,769
Other payables and accruals		**27,555**	26,026
Due to a related company		**806**	269
Due to a director		**–**	837
Due to an associate		**4,246**	4,058
Short term borrowings		**68,555**	73,701
Current portion of long term borrowings		**5,511**	5,482
Current portion of obligations under finance leases		**6,641**	6,793
Current tax liabilities		**6,456**	7,789
		184,205	183,562
Net current assets		**251,227**	48,275
Total assets less current liabilities		**534,191**	238,547
Non-current liabilities			
Long term borrowings		**9,015**	14,524
Obligations under finance leases		**4,485**	4,525
Deferred tax liabilities		**1,128**	1,128
		14,628	20,177
NET ASSETS		**519,563**	218,370
Capital and reserves			
Share capital		**88,000**	30
Reserves		**431,563**	213,441
Equity attributable to equity holders of the Company		**519,563**	213,471
Minority interests		**–**	4,899
TOTAL EQUITY		**519,563**	218,370

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Group Reorganisation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 1350 GT Clifton House, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 3rd Floor, EW International Tower, No. 120 Texaco Road, Tsuen Wan, New Territories, Hong Kong.

The Group is principally engaged in the sale and manufacture of zinc, magnesium and aluminium alloy die casting products and components.

In the opinion of the directors of the Company, as at 31 December 2007, Precisefull Limited, a company incorporated in the British Virgin Islands, is the ultimate parent and Mr. Lee Yuen Fat ("Mr. Lee") is the ultimate controlling party of the Company.

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 31 May 2007. Further details of the Group Reorganisation are set out in the paragraph headed "Corporate reorganisation" in Appendix V to the prospectus dated 12 June 2007 (the "Prospectus"). The shares of the Company were listed on the Main Board of the Stock Exchange on 27 June 2007.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results and financial position.

3. Significant Accounting Policies

The financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

4. Turnover and Segment Information

Turnover represents the net amounts received and receivable for goods sold, net of returns and allowances to customers during the year.

Business segments

For management purposes, the Group's operation is currently categorised into three operating divisions – zinc, magnesium and aluminium alloy die casting components. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's turnover and results of the year by business segments is as follows:

	For the year ended 31 December 2007			
	Zinc alloy die casting components *HK$'000*	**Magnesium alloy die casting components** *HK$'000*	**Aluminium alloy die casting components** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**551,812**	**112,184**	**88,753**	**752,749**
Segment result	**64,298**	**19,395**	**1,335**	**85,028**
Unallocated other income				**8,769**
Unallocated expenses				**(16,396)**
Profit from operations				**77,401**
Finance costs				**(5,995)**
Share of loss of an associate	**(1,401)**	**–**	**–**	**(1,401)**
Share of loss of a jointly controlled entity	**–**	**(281)**	**–**	**(281)**
Impairment loss on available-for-sale financial assets				**(2,000)**
Profit before tax				**67,724**

	For the year ended 31 December 2006			
	Zinc alloy die casting components *HK$'000*	Magnesium alloy die casting components *HK$'000*	Aluminium alloy die casting components *HK$'000*	Consolidated *HK$'000*
Revenue	541,213	67,249	37,126	645,588
Segment result	106,138	21,747	8,218	136,103
Unallocated other income				2,403
Unallocated expenses				(8,108)
Profit from operations				130,398
Finance costs				(7,950)
Share of profit of an associate	311	–	–	311
Profit before tax				122,759

Geographical segments

The Group's principal markets are located in three main geographical areas, namely, Hong Kong, the People's Republic of China ("PRC") and Japan. An analysis of revenue, total assets and capital expenditure by geographical segment is set out below:

	Revenue		Total assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**467,357**	431,958	**289,897**	130,007	**2,759**	250
The PRC	**76,123**	72,084	**428,499**	292,102	**92,207**	30,263
Japan	**93,394**	44,016	**–**	–	**–**	–
Others	**115,875**	97,530	**–**	–	**–**	–
	752,749	645,588	**718,396**	422,109	**94,966**	30,513

5. Other Income

	2007	2006
	HK$'000	*HK$'000*
Interest income	**4,219**	403
Interest income from subscription monies upon public offering	**383**	–
Rental income	**116**	212
Sales of scrap materials	**1,970**	793
Product development fee income	**102**	812
Gain on financial assets at fair value through profit or loss	**3,862**	1,578
Gain on disposal of listed securities	**188**	322
Management fee from an associate	**156**	156
Others	**209**	331
	11,205	4,607

6. Finance Costs

	2007	2006
	HK$'000	*HK$'000*
Interest expenses on bank overdraft and loans	**4,875**	6,859
Finance lease charges	**1,120**	1,091
	5,995	7,950

7. Income Tax Expense

	2007	2006
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**8,808**	7,896
Under-provision in prior years	**267**	242
Current tax – PRC enterprise income tax		
Provision for the year	**1,098**	3,198
Under-provision in prior years	**6**	3
Income tax expense	**10,179**	11,339

Hong Kong Profits Tax has been provided at a rate of 17.5% (2006: 17.5%) on the estimated assessable profit of Hong Kong incorporated subsidiaries for the year ended 31 December 2007. One of the Hong Kong incorporated subsidiaries, Ka Fung Metal Manufactory Company Limited ("Ka Fung Metal"), is within the scope of the Departmental Interpretation Practice note No. 21 issued by the Inland Revenue Department of Hong Kong, that it has conducted its manufacturing operations by entering into processing arrangements within the processing factory in the PRC, and hence 50% of the adjusted profits were treated as offshore and not taxable in Hong Kong.

Pursuant to relevant laws and regulations in the PRC, one of the subsidiaries of the Group, MG Technology (Shenzhen) Company Limited ("MG Technology") is exempted from PRC enterprise income tax ("EIT") for the two years from its first profit-making year and thereafter are entitled to a 50% tax relief from PRC EIT for the following three years. For the year ended 31 December 2006, MG Technology was in its fifth profit-making year and was therefore entitled to a 50% tax relief from PRC EIT for the financial year ended 31 December 2006.

In December 2006, MG Technology was recognised as a "New and High Technology Enterprise" by Shenzhen Municipal Technology and Information Bureau, and its 50% tax relief was extended for another three years commencing from January 2007. As a result, it was entitled to a 50% tax relief (should not be lower than 10%) from PRC EIT for the year ended 31 December 2007. The tax rate applicable to this subsidiary in the PRC, after the 50% tax relief, was 10%. From 2008 onwards, the above 50% tax reduction would be subject to the transitional arrangements under the new PRC EIT Law effective 1 January 2008.

The new PRC EIT Law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the EIT rate for domestic and foreign enterprise at 25%. The new tax law will be effective from 1 January 2008. The EIT Law Implementation Rules was also issued in December 2007 by the State Council.

Article 28 of the new PRC EIT Law and article 93 of the EIT Law Implementation Rules stipulate that qualified Technologically High and New Enterprises would be entitled to a reduced EIT rate at 15%. However, the PRC authorities have not issued detailed qualification requirements for this EIT incentive. On the other hand, according to 國法[2007]第39號 (Guofa [2007]39) issued by the State Council dated 26 December 2007 regarding enterprises established and operating in Shenzhen Special Economic Zone, the applicable EIT rates are as follows:

Year	**EIT rate**
2008	18%
2009	20%
2010	22%
2011	24%
2012	25%

Since MG Technology has not yet obtained the Technologically High and New Enterprises qualification, it would have to file its quarterly EIT returns at 18% EIT rate in 2008.

Ka Shui Technology (Huizhou) Company Limited has no assessable profit since its establishment and hence no provision was made during the year.

No provision for income tax in jurisdiction other than Hong Kong and the PRC has been made as the Group has no assessable profit subject to overseas income tax for the year ended 31 December 2007 (2006: Nil).

8. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim of HK$0.012 (2006: Nil) per ordinary share paid	**10,560**	–
Proposed final of HK$0.009 (2006: Nil) per ordinary share paid	**7,920**	–
	18,480	–

9. Earnings per Share

Basis earnings per share

The calculation of basic earnings per share for the year ended 31 December 2007 was based on the profit attributable to equity shareholders of the Company of approximately HK$57,492,000 and the weighted average number of 774,520,548 ordinary shares in issue during the year and was as follows:

Weighted average number of ordinary shares

	2007
Issued ordinary shares at 1 January	**1**
Effect of shares issued on Group Reorganisation	**99,999,999**
Effect of capitalisation issue upon listing	**560,000,000**
Effect of shares issued under placing and public offer	**114,520,548**
Weighted average number of ordinary shares at 31 December	**774,520,548**

The weighted average number of the ordinary shares issued pursuant to Group Reorganisation is calculated as if the shares had been outstanding throughout the year.

The calculation of basic earnings per share for the year ended 31 December 2006 is based on the profit attributable to equity shareholders of the Company of approximately HK$109,562,000 and the 660,000,000 shares (100,000,000 shares in issue as at the date of the Prospectus and 560,000,000 shares issued pursuant to capitalisation issue upon listing), as if the shares had been outstanding throughout the year.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the year ended 31 December 2007. There were no diluted earnings per share for the year ended 31 December 2006 as there were no potential dilutive shares on that day.

10. Trade Receivables

The Group's trading terms with customers are mainly on credit. The credit terms are generally ranged from 30 to 75 days (2006: 15 to 75 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is stated as follows:

	2007 ***HK$'000***	2006 *HK$'000*
0 to 30 days	**71,339**	58,531
31 to 60 days	**24,150**	36,103
61 to 90 days	**8,910**	12,096
91 to 180 days	**9,286**	4,611
Over 180 days	**1,806**	1,120
	115,491	112,461

11. Trade Payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**29,807**	25,486
31 to 60 days	**26,299**	20,104
61 to 90 days	**2,597**	7,043
91 to 180 days	**1,249**	1,454
Over 180 days	**1,429**	751
	61,381	54,838

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

Benefiting from the on-going global demand for metal die casting products and the Group's continuous enhancement of its production capabilities, the Group's turnover for the year ended 31 December 2007 amounted to approximately HK$752,749,000 (2006: HK$645,588,000), representing an increase of approximately 16.6% as compared with that of the previous year. Out of which, the turnover derived from magnesium and aluminum die casting components had achieved a remarkable growth during the year under review and their total contribution to the Group's turnover increased from 16.2% in 2006 to 26.7% in 2007.

Notwithstanding a growth in the Group's turnover, gross profit for the year 2007 recorded a 22.5% decrease to approximately HK$140,232,000 (2006: HK$180,912,000) and the gross profit margin was 18.6% (2006: 28.0%). The decline in gross profit and gross profit margin was mainly attributable to a number of adverse factors, including appreciation of Renminbi against the U.S. dollars, increase in the costs of raw materials especially metal alloys as well as labour, rise in energy costs and reduction of export tax rebates.

Meanwhile, to cater for the Group's future business expansion, there was an increase in the number of management and supporting personnel as well as related staff costs during the year under review for the initial preparation of the construction and operation of the new manufacturing facility at Daya Bay. Moreover, listing expenses and costs of pre-IPO share options granted to employees had to be accounted for during the year under review which also led to a surge in the general and administrative expenses over last year.

Mainly caused by the decrease in gross profit together with the surge in general and administrative expenses, the profit attributable to equity holders of the Company decreased by 47.5% to approximately HK$57,492,000 (2006: HK$109,562,000) when compared with that of the previous year. The net profit margin in 2007 was 7.6% (2006: 17.3%).

(B) Business Review

Zinc alloy die casting business

For the year 2007, zinc alloy die casting operation continued to be the major profit contributor of the Group, accounting for 73.3% of the Group's turnover. Due to the persistent high price of zinc alloy during the year, customers had adopted a more conservative approach in placing orders. As a result, the turnover of zinc alloy die casting components only recorded a slight increase of approximately 2.0% as compared with that of the previous year. As such, the Group has, by leveraging on its strength of producing the three major non-ferrous die casting components (zinc, magnesium and aluminium alloys), actively proposed to its customers on using magnesium alloy or aluminium alloy as a substitution for zinc alloy. In 2007, some die casting products which were used to be made from zinc alloy had been gradually replaced by magnesium or aluminium alloy in order to lower the Group's manufacturing cost which was then reflected in the purchasing cost of the customers.

Magnesium alloy die casting business

During the year under review, the turnover of magnesium alloy die casting components increased strongly by 66.8% as compared with that of the previous year, the proportion of which as represented in the Group's turnover also increased from approximately 10.4% in the previous year to 14.9%. With the rapid development of 3C (communication, computer and consumer electronics) products industry, the demand for magnesium alloy die casting components is continuously growing. In order to expand its production capability on magnesium alloy die casting, the Group purchased 3 magnesium alloy die casting machines in 2007.

Aluminium alloy die casting business

The global output of aluminium alloy die casting, in terms of tonnage, always accounts for a large portion of the total non-ferrous metal die casting output. The Group started its aluminium alloy die casting business in 2004 and has vigorously strived for a larger market share. During the year under review, aluminium alloy die casting business not only achieved a satisfactory result but also became the fastest growth of the Group's business segment, with turnover increased substantially by 139.1% as compared with that of the previous year. The proportion of which as represented in the Group's turnover also increased from approximately 5.8% in the previous year to 11.8%. During the year, the Group had purchased 15 aluminium alloy die casting machines in order to keep abreast with the rapid development of its aluminium alloy die casting business.

(C) Prospects

To continuously enhance its competitiveness in the market, the Group will implement stringent cost control measures, raise production capacity, improve operational efficiency, identify and seize the opportunities for strategic acquisition and co-operation. In addition, in order to have a diversified product range and to expand its market coverage, the Group will continue to focus on its research and development, including design and development of new products, research and development on the applications of new metal alloys, metal forming and surface treatment technologies, production optimization and automation.

With a view to further expand its production capacity so as to meet the demand from customers, the Group acquired two parcels of land in Daya Bay, Huizhou, the PRC at the end of year 2006 for the construction of new production facilities. At present, the Group is actively preparing for the construction of the first phase of this industrial complex. The new facilities will focus on the application of new alloys, the production of automotive components, 3C products and precision moulds. The design of the industrial complex is in such a way to consolidate the manufacturing supply chain within the region through strategic alliance and industrial clustering; and also by integrating the various technical know-how and professional engineering services of the Group so as to support the development of automotive components and 3C products. The construction of the first phase of the industrial complex comprising gross floor area of approximately 43,000 sq.m. was commenced in April 2007. However, the progress of construction was delayed due to the poor weather condition in the beginning of 2008 and it is expected that the operation of the new production facilities can be gradually commenced in July 2008.

The prices of non-ferrous metals have fluctuated substantially in recent years and the price of zinc alloy started to surge in 2005. Despite a slight fall at the end of 2007, the price of zinc alloy still persists at a high level. The price of magnesium alloy also increased significantly in the fourth quarter of 2007 and its current price has increased by 53% when compared with that in September 2007. Since the eventual pricing of the die casting products would be directly affected by the metal alloy prices, this would have impacts on customers' order placing and choice of raw materials for products. Leveraging on the Group's capabilities in the die casting of zinc, magnesium and aluminium alloys, its customers, taking into account the characteristics of their product, can choose to use those alloys at a competitive price and thus enhance their competitiveness. In addition, since the gross profit margins generated from the magnesium and aluminium alloy die casting components are generally higher than that from the zinc alloy, the Group's future business strategy is to gradually increase the business proportion of these two segments which will enhance the overall gross profit margin for the Group. In the medium term, the Group has set a target for zinc alloy and the total of magnesium and aluminium alloys business to be accounted for 50% of its turnover respectively.

The Group will also strengthen its research and development on the application of magnesium alloy for automobiles and rail transport. Since magnesium alloy is light in weight, it will naturally become the raw material with the first priority for weight reduction. However, due to the fact that the existing magnesium alloys being developed cannot meet the specific property requirements of the automotive components, there are still limitations on the application of magnesium alloy on certain automotive components. The Group is now discussing with a major research and development institute in the PRC in relation to the development of new magnesium alloys and their applications on automobiles and rail transport, with a view to become a leading manufacturer in the production of weight reduction and energy saving automotive components.

In order to provide a more comprehensive one-stop service to customers, the Group has decided to expand into the plastics business because some of its finished products are not only made of metal parts but also with some plastics contents. As a result, the Group believes that the expansion into plastics business will not only provide the momentum for the Group's future growth, its customers can also reduce costs in logistic and quality control arising from their current practice of outsourcing the production of metal and plastics components to different suppliers. Given that the Group has accumulated extensive experience in the metal die casting industry and possessed excellent technological and research and development capabilities, the management believes that the Group is in a strong position to become a comprehensive production and service provider for metal and plastics components.

The Group expects that the uncertain situation in relation to the sub-prime mortgage in the United States will persist, leading to a slowdown in the global economy. In 2008, the demand for commodities is likely to decline, thus directly weakening the demand for components. Furthermore, the appreciation of Renminbi, energy shortage, high inflation rate and increase in labour cost will persist in the short run and will put certain pressure on the turnover and gross profit of the Group. It is expected that the operating environment for manufacturing industry will continue to be difficult and fluctuating in 2008. Merger and acquisition will take place in the industry and weak players in the market will be compelled by the strong ones. Given that, with the Group's solid business foundation being built up over the years, its excellent reputation in the industry and visionary and prudent plans for the future, the Group is confident to cope with the forthcoming challenges and difficulties and create better results in the future.

(D) Liquidity and Financial Resources

As at 31 December 2007, the Group had bank and cash balances of approximately HK$166,039,000 (31 December 2006: HK$12,300,000), most of which were either denominated in US dollars or Hong Kong dollars. The significant increase in bank and cash balances was a result of the Group's initial public offering in June 2007 raising net proceeds of approximately HK$274,400,000.

Total interest-bearing borrowings of the Group as at 31 December 2007 were approximately HK$94,207,000 (31 December 2006: HK$105,025,000), comprising bank loans and overdrafts of approximately HK$68,555,000 (31 December 2006: HK$73,701,000) repayable within one year or on demand, term loans of HK$14,526,000 (31 December 2006: HK$20,006,000) with maturity of not more than four years and obligations under finance leases of approximately HK$11,126,000 (31 December 2006: HK$11,318,000). All of these borrowings were denominated in Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 31 December 2007, the Group had net cash of approximately HK$78,165,000, representing total cash and cash equivalents less total interest-bearing bank and other borrowings. The Group's net cash position was mainly resulted from net proceeds of approximately HK$274,400,000 being raised from the Company's issue of 220,000,000 new shares at HK$1.35 per share for listing on the Stock Exchange in June 2007.

As at 31 December 2007, the net current assets of the Group were approximately HK$251,227,000 (31 December 2006: HK$48,275,000), which consisted of current assets of approximately HK$435,432,000 (31 December 2006: HK$231,837,000) and current liabilities of HK$184,205,000 (31 December 2006: HK$183,562,000), representing a current ratio of approximately 2.4 (31 December 2006: 1.3).

(E) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in U.S. dollars, Hong Kong dollars or Renminbi. To mitigate the risks due to fluctuation in foreign currency exchange rates, the Group had used foreign currency forward contracts to manage its foreign currency exposure during the year under review.

(F) Contingent Liabilities

As at 31 December 2007, the Group had no material contingent liabilities.

(G) Charge on Assets

As at 31 December 2007, the Group's banking facilities were secured by guarantees given by the following assets: (a) the Group's bank deposits; (b) lessors' title to the leased assets under finance leases; and (c) a property situated in Hong Kong owned by the Group.

(H) Human Resources

As at 31 December 2007, the Group had approximately 2,300 full-time employees (31 December 2006: 2,133). The Group attributes its success to the hard work and dedication of its staff as a whole, therefore, they are deemed to be the most valuable assets of the Group. In order to attract and retain high caliber staff, the Group provides competitive salary package, including retirement scheme, medical benefit and bonus. The Group's remuneration policy and structure is determined based on market trends, the performance of individual staff as well as the financial performance of the Group. The Group has also adopted a share option scheme as incentive and reward for those qualifying staff who have made contribution to the Group.

The Group provides regular training courses for different level of staff and holds various training programs together with PRC institutes and external training bodies. Apart from academic and technical training, the Group also organizes different kinds of recreational activities, including New Year gathering, various sport competitions and interest groups. The aim is to promote interaction among staff, establish harmonious team spirit and promote healthy lifestyle.

(I) Use of Proceeds

The Group was listed on the Main Board of the Stock Exchange on 27 June 2007. The net proceeds amounted to approximately HK$274,400,000 would be applied for the purposes as set out in the Company's prospectus dated 12 June 2007. As at 31 December 2007, approximately HK$56,163,000 was utilized for the expansion of production capacity, approximately HK$25,499,000 was utilized for the first phase construction of a new industrial complex in Daya Bay, Huizhou, the PRC, approximately HK$4,354,000 was utilized for research and development of production technologies, approximately HK$18,380,000 for repayment of bank borrowings and the remaining balance of the net proceeds was placed in certain licensed banks in Hong Kong as short-term deposits.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK0.9 cents per share for the year ended 31 December 2007 to the shareholders whose names appear on the register of members of the Company on Thursday, 5 June 2008. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 5 June 2008, the final dividend will be paid on or about Monday, 16 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 31 May 2008 to Thursday, 5 June 2008, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 30 May 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were listed on the Stock Exchange on 27 June 2007 (the "Listing Date"). Since the Listing Date, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from the Listing Date up to the date of this announcement.

AUDIT COMMITTEE

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review and approve the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yeow Hoe Ann, John, Mr. Sun Kai Lit Cliff BBS, JP and Ir Dr. Lo Wai Kwok MH, JP and is chaired by Mr. Yeow Hoe Ann John, a qualified accountant with extensive experience in financial reporting and controls.

NOMINATION COMMITTEE

The Nomination Committee was set up in June 2007 for the purpose of making recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the Nomination Committee are Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP, Mr. Yeow Hoe Ann John and Dr. Keung Wing Ching. Mr. Sun Kai Lit Cliff BBS, JP is the Chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in June 2007. The major duties of the Remuneration Committee include reviewing and determining the terms of remuneration packages, the award of bonuses and other compensation payable to Directors and senior management. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP, Mr. Yeow Hoe Ann John and Dr. Keung Wing Ching. The Chairman of the Remuneration Committee is Mr. Sun Kai Lit Cliff BBS, JP, an independent non-executive director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they have fully complied with the required standard set out in the Model Code since the Listing Date.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2007.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend our sincere appreciation to our customers, suppliers and shareholders for their continuing support, and our management and staff for their dedication and contribution to the Group throughout the year.

By order of the Board
LEE YUEN FAT
Chairman

Hong Kong, 18 April 2008

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lee Yuen Fat, Dr. Keung Wing Ching, Mr. Wong Wing Chuen, Mr. Chan Tat Cheong Alan and Mr. Zhao Jian, and three independent non-executive directors, namely Mr. Sun Kai Lit Cliff BBS, JP, Ir Dr. Lo Wai Kwok MH, JP and Mr. Yeow Hoe Ann John.