# JACKIN INTERNATIONAL HOLDINGS LIMITED

# 輝影國際集團有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 630)**

# ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

## RESULTS

The Board of Directors ("Board") of Jackin International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007, together with the comparative figures for the previous year, as follows.

## CONSOLIDATED INCOME STATEMENT

*(Expressed in Hong Kong dollars)*

| | Notes | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| **Turnover** | 2,3 | **418,159** | 345,552 |
| Cost of sales | | **(274,692)** | (233,449) |
| **Gross profit** | | **143,467** | 112,103 |
| Other revenue | 4 | **5,285** | 8,198 |
| Other net income/(loss) | 4 | **120** | (137) |
| Distribution costs | | **(24,501)** | (22,441) |
| Administrative expenses | | **(55,745)** | (51,780) |
| **Profit from operations** | | **68,626** | 45,943 |
| Finance costs | | **(25,205)** | (23,252) |
| (Loss)/gain from a legal claim | | **(7,900)** | 47,056 |
| **Profit before taxation** | 5 | **35,521** | 69,747 |
| Income tax | 6 | **(2,045)** | (4,782) |
| **Profit attributable to equity shareholders of the Company** | | **33,476** | 64,965 |
| **Dividends payable to equity shareholders of the Company attributable to the year** | | **–** | – |
| **Earnings per share** | 7 | | |
| Basic | | **4.5 cents** | 9.4 cents |
| Diluted | | **4.0 cents** | 9.3 cents |

* *for identification purpose only*

## CONSOLIDATED BALANCE SHEET

*AS AT 31 DECEMBER 2007*

*(Expressed in Hong Kong dollars)*

| | Notes | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **113,225** | 99,344 |
| Intangible assets | | **49,165** | 37,198 |
| Goodwill | | **39,545** | 39,545 |
| | | **201,935** | 176,087 |
| **Current assets** | | | |
| Inventories | | **196,319** | 128,958 |
| Trade and other receivables | *8* | **245,747** | 233,838 |
| Pledged deposits | | **1,228** | – |
| Cash and cash equivalents | | **39,181** | 14,352 |
| | | **482,475** | 377,148 |
| **Current liabilities** | | | |
| Trade and other payables | *9* | **57,276** | 72,272 |
| Bank and other borrowings | | **146,653** | 167,029 |
| Obligations under finance leases | | **7,108** | 11,455 |
| Current taxation | | **7,111** | 4,619 |
| | | **218,148** | 255,375 |
| **Net current assets** | | **264,327** | 121,773 |
| **Total assets less current liabilities** | | **466,262** | 297,860 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **46,349** | 15,527 |
| Notes payable | | **76,086** | – |
| Obligations under finance leases | | **5,323** | 3,354 |
| Deferred tax liabilities | | **1,656** | 1,789 |
| | | **129,414** | 20,670 |
| **NET ASSETS** | | **336,848** | 277,190 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **79,664** | 68,746 |
| Reserves | | **257,184** | 208,444 |
| **TOTAL EQUITY** | | **336,848** | 277,190 |

*Notes:*
*(Expressed in Hong Kong dollars)*

**1 Significant accounting policies**

***(a) Statement of compliance***

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

***(b) Change in accounting policies***

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1 *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 Turnover

The principal activities of the Group are remanufacture and sale of computer printing and imaging products, manufacture and sale of data media products and distribution of branded data media products from third party vendors.

Turnover represents the sales value of goods sold to customers and is stated after deducting goods returned and trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Remanufacture and sale of computer printing and imaging products | **283,218** | 133,097 |
| Manufacture and sale of data media products | **83,195** | 105,573 |
| Distribution of data media products | **51,746** | 106,882 |
| | **418,159** | 345,552 |

## 3 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

***Business segments***

For management purposes, the Group is currently organised into three operating divisions – remanufacture and sale of computer printing and imaging products, manufacture and sale of data media products and distribution of data media products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these business segments is presented below.

| | Remanufacture and sale of computer printing and imaging products | Manufacture and sale of data media products | Distribution of data media products | Inter-segment elimination | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Year ended 31 December 2007** | | | | | | |
| Revenue from external customers | **283,218** | **83,195** | **51,746** | **–** | **–** | **418,159** |
| Inter-segment revenue | **–** | **9,198** | **–** | **(9,198)** | **–** | **–** |
| Total | **283,218** | **92,393** | **51,746** | **(9,198)** | **–** | **418,159** |
| Segment result | **101,589** | **17,101** | **5,519** | **–** | **–** | **124,209** |
| Unallocated operating income and expenses | | | | | | **(55,583)** |
| Profit from operations | | | | | | **68,626** |
| Finance costs | | | | | | **(25,205)** |
| Loss from a legal claim | | | | | | **(7,900)** |
| Profit before taxation | | | | | | **35,521** |
| Income tax | | | | | | **(2,045)** |
| Profit after taxation | | | | | | **33,476** |
| Depreciation and amortisation for the year | **8,693** | **10,941** | **45** | **–** | **128** | **19,807** |

## 3 Segment reporting *(continued)*

### *Business segments (continued)*

| | Remanufacture and sale of computer printing and imaging products | Manufacture and sale of data media products | Distribution of data media products | Inter-segment elimination | Unallocated | Consolidated |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| Year ended 31 December 2006 | | | | | | |
| Revenue from external customers | 133,097 | 105,573 | 106,882 | – | – | 345,552 |
| Inter-segment revenue | – | 11,904 | – | (11,904) | – | – |
| Total | 133,097 | 117,477 | 106,882 | (11,904) | – | 345,552 |
| Segment result | 58,018 | 22,063 | 18,180 | – | – | 98,261 |
| Unallocated operating income and expenses | | | | | | (52,318) |
| Profit from operations | | | | | | 45,943 |
| Finance costs | | | | | | (23,252) |
| Gain from a legal claim | | | | | | 47,056 |
| Profit before taxation | | | | | | 69,747 |
| Income tax | | | | | | (4,782) |
| Profit after taxation | | | | | | 64,965 |
| Depreciation and amortisation for the year | 10,802 | 8,834 | 64 | – | 763 | 20,463 |

## 3 Segment reporting *(continued)*

***Business segments (continued)***

| | **Remanufacture and sale of computer printing and imaging products** | **Manufacture and sale of data media products** | **Distribution of data media products** | **Consolidated** |
|---|---|---|---|---|
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** |
| **Year ended 31 December 2007** | | | | |
| Segment assets | **422,030** | **147,053** | **34,203** | **603,286** |
| Unallocated corporate assets | | | | **81,124** |
| Total assets | | | | **684,410** |
| Segment liabilities | **42,881** | **8,735** | **4,629** | **56,245** |
| Unallocated corporate liabilities | | | | **291,317** |
| Total liabilities | | | | **347,562** |
| Capital expenditures incurred during the year | **18,676** | **5,509** | **22** | **24,207** |

| | Remanufacture and sale of computer printing and imaging products | Manufacture and sale of data media products | Distribution of data media products | Consolidated |
|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* |
| Year ended 31 December 2006 | | | | |
| Segment assets | 196,442 | 128,961 | 61,667 | 387,070 |
| Unallocated corporate assets | | | | 166,165 |
| Total assets | | | | 553,235 |
| Segment liabilities | 30,752 | 7,160 | 28,424 | 66,336 |
| Unallocated corporate liabilities | | | | 209,709 |
| Total liabilities | | | | 276,045 |
| Capital expenditures incurred during the year | 16,822 | 4,513 | – | 21,335 |

## 3 Segment reporting *(continued)*

### *Geographical segments*

The Group's operations are mainly located in the PRC including Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Revenue from external customers** | | |
| Asia | | |
| – the PRC including Hong Kong | **214,759** | 205,173 |
| – other regions | **87,492** | 44,310 |
| Europe | **39,070** | 30,842 |
| North and South America | **75,971** | 55,314 |
| Others | **867** | 9,913 |
| | **418,159** | 345,552 |
| **Segment assets** | | |
| Asia | | |
| – the PRC including Hong Kong | **663,017** | 544,477 |
| – other regions | **549** | 2,697 |
| Europe | **6,916** | 3,663 |
| North and South America | **13,928** | 2,398 |
| | **684,410** | 553,235 |
| **Capital expenditures incurred during the year** | | |
| Asia – the PRC including Hong Kong | **23,971** | 21,335 |
| North and South America | **236** | – |
| | **24,207** | 21,335 |

## 4 Other revenue and net income/(loss)

| | **2007** | 2006 |
|---|---:|---:|
| | ***$'000*** | *$'000* |
| **Other revenue** | | |
| Commission income | **645** | 2,882 |
| Interest income | **809** | 299 |
| Operating lease rental income in respect of plant and machinery | **3,600** | 3,600 |
| Gain on other foreign exchange contracts | **119** | – |
| Others | **112** | 1,417 |
| | **5,285** | 8,198 |
| **Other net income/(loss)** | | |
| Gain/(loss) on sale of property, plant and equipment | **120** | (137) |

## 5 Profit before taxation

Profit before taxation is arrived at after charging:

| | **2007** | 2006 |
|---|---:|---:|
| | ***$'000*** | *$'000* |
| Interest on bank advances and other borrowings wholly repayable within five years | **13,335** | 14,959 |
| Interest on the Notes payable | **4,225** | – |
| Interest on other borrowings | **200** | 342 |
| Finance charges on obligations under finance leases | **1,022** | 1,650 |
| Amortisation of intangible assets | **5,520** | 5,055 |
| Depreciation | **14,287** | 15,408 |

## 6 Income tax

### *(a) Taxation in the consolidated income statement represents:*

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax – Hong Kong Profits Tax** | | |
| Provision for the year | **2,567** | 3,800 |
| Under/(over)-provision in respect of prior years | **153** | (347) |
| | **2,720** | 3,453 |
| **Current tax – Overseas** | | |
| Provision for the year | **48** | 629 |
| Over-provision in respect of prior years | **–** | (23) |
| | **48** | 606 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(723)** | 723 |
| | **2,045** | 4,782 |

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 7 Earnings per share

### *(a) Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $33,476,000 (2006: $64,965,000) and the weighted average of 752,010,650 ordinary shares (2006: 687,462,817) shares in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

| | **2007** | 2006 |
|---|---|---|
| Issued ordinary shares at 1 January | **687,462,817** | 687,462,817 |
| Effect of new shares issued under share option scheme | **20,764,166** | – |
| Effect of new shares on exercise of warrants | **43,783,667** | – |
| Weighted average number of ordinary shares | **752,010,650** | 687,462,817 |

### *(b) Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of $33,476,000 (2006: $64,965,000) and the weighted average number of ordinary shares of 844,075,319 (2006: 699,335,821) calculated as follows:

*Weighted average number of ordinary shares (diluted)*

| | **2007** | 2006 |
|---|---|---|
| Weighted average number of ordinary shares | **752,010,650** | 687,462,817 |
| Effect of deemed issue of ordinary shares in relation to warrants issued | **68,610,253** | 11,681,883 |
| Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration | **23,454,416** | 191,121 |
| Weighted average number of ordinary shares (diluted) | **844,075,319** | 699,335,821 |

## 8 Trade and other receivables

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Trade debtors and bills receivable | **196,446** | 94,831 |
| Amount receivable from debts assignment *(Note)* | **11,644** | 34,931 |
| Amounts due from disposed subsidiaries | **11,256** | 33,773 |
| Amount receivable under legal claim | **–** | 46,586 |
| Other deposits, prepayments and other receivables | **26,401** | 23,717 |
| | **245,747** | 233,838 |

*Note:* In order to facilitate the Group's treasury management, in November 2006 the Group assigned certain trade debtors with book carrying value totalling $38,812,000 to an independent third party (the "Assignee") at a consideration of $34,931,000, which is payable by the Assignee through equal quarterly instalments of approximately $5,822,000 scheduled during February 2007 to May 2008. The difference of $3,881,000 between the book carrying value of the assigned debtors and the consideration is deferred and amortised over the term of the instalment payments.

At 31 December 2007, all of the trade and other receivables are expected to be recovered or recognised as expense within one year. At 31 December 2006, trade and other receivables included a balance of $22,902,000 which was expected to be recovered or recognised as expense after more than one year.

Amounts due from subsidiaries are unsecured, interest free and repayable on demand.

*(a)* ***Ageing analysis***

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| 1 to 3 months | **147,004** | 66,249 |
| 4 to 6 months | **36,351** | 17,507 |
| 7 to 9 months | **7,175** | 7,771 |
| 10 to 12 months | **3,273** | 1,845 |
| Over 1 year | **2,643** | 1,459 |
| | **196,446** | 94,831 |

Trade debtors and bills receivable are due within 60 to 180 days from the date of billings.

## 9 Trade and other payables

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Trade creditors and bills payable | **33,782** | 49,086 |
| Accruals and other payables | **23,494** | 23,186 |
| | **57,276** | 72,272 |

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date.

| | **2007** | 2006 |
|---|---|---|
| | ***$'000*** | *$'000* |
| 1 to 3 months | **24,245** | 37,772 |
| 4 to 6 months | **5,850** | 9,003 |
| 7 to 9 months | **3,297** | 2,044 |
| 10 to 12 months | **194** | 194 |
| Over 1 year | **196** | 73 |
| | **33,782** | 49,086 |

# CHAIRMAN'S STATEMENT

## RESULTS

For the year ended 31 December 2007, the Group achieved a turnover of approximately HK$418 million, representing an increase of 21% as compared to HK$346 million in 2006. The Group's profit attributable to equity shareholders for the year was approximately HK$33 million. Excluding the one-off exceptional loss of approximately HK$8 million arising from a legal claim (2006: an exceptional gain of HK$47 million from an arbitration award), the Group's profit attributable to shareholders for the year was more than double that of last year.

## REVIEW OF OPERATIONS

With the successful strategy to shift its business focus, the Group has transformed into a player in the recycling/environment protection industry. It now provides quality recycled products underscored by its commitment to the 3R – Reuse, Reduce and Recycle. Remanufactured/recycled toner cartridge production is now the Group's core business segment and contributed largely to the growth of the Group's turnover and profit during the year under review. Meanwhile, the Group's computer media production and media products distribution maintained steady sales and continued to bring in stable incomes. During the year, the remanufactured/recycled toner cartridge business not only achieved strong sales growth, but, with products having higher margins, it also contributed to the Group's increased profitability.

## REMANUFACTURED/RECYCLED TONER CARTRIDGE PRODUCTION

Sales from the remanufactured/recycled toner cartridge business continued to post strong growth of 113% to approximately HK$283 million this year which accounted for 68% of the Group's total turnover, as compared to last year's approximately HK$133 million.

The Group's major markets are Asia Pacific (including Australia), the United States ("US"), and Europe. During the year under review, the Group achieved record sales via its own distribution channels in the US. In order to meet the rising demands of large OEM customers and provide quick delivery service, the Group made necessary investments in inventories dedicated to the region. The Group also purchased certain niche and popular models of used toner cartridges (or "empties") so as to cater market demand.

The trend of major toner remanufacturers in the US and Europe shifting production to China in recent years has benefited the Group, which is among a limited number of enterprises licensed to produce recycling products in the PRC. Furthermore, the Group is one of the selected few that holds an import license for used toner cartridges.

The Group enjoys early mover advantages as it started to invest in developing recycling and production technology for toner cartridges and their components in 2002. With knowledge and experience accumulated over the past years, the Group boasts mastery of the labour intensive production processes which also requires strong technical know-how. In addition, its recycled toner cartridges are of quality certified by the Standardized Test Method Committee.

Employing advanced technology from the US coupled with the devoted efforts of its own research and development team, the Group has developed more than 300 different models of recycled toner cartridges for almost all major brands such as Hewlett-Packard, Canon, Xerox, Brother, Panasonic, Samsung and Dell. During the year under review, the Group continued to make progress in recycling other toner components, which helped to further enhance the profit margins for the segment.

As a major recycled toner manufacturer in the world, the Group's ability to source used toner cartridges from major global collectors is another key success factor for this business segment, especially the models in scarce market supply. Hence, the Group needs to maintain higher inventory levels and working capital.

During the year under review, the Group expanded the facilities in its two productions plants in Zhuhai and Shenzhen, the PRC. As a result, the production capacity for recycled toner cartridges has been doubled to cater to increasing orders from customers.

## COMPUTER MEDIA PRODUCTION

Sales from computer media production amounted to HK$83 million, which accounted for approximately 20% of the Group's total revenue. The PRC and other Asian countries remained as the Group's major markets, contributing 29% and 57% respectively of the total sales of the segment.

With the computer media production industry coming near to the end of consolidation, the Group has emerged as the world's leading computer media manufacturer. During the year under review, the Group started to supply products to the largest manufacturer in the US, who has outsourced all production to the Group. As the largest supplier in the sector, the Group enjoys a strengthened position and continuous substantial orders from its long-term customers. The Group expects demand to remain stable in the future.

The Group completed automation of its production processes in 2005, resulting in a 50% reduction in labor cost. During the year under review, the Group further reduced the size of its production workforce. The Group's increased production automation also mitigated the impact of the new labor contract law in China. In addition, equipped with its own power generators, the Group has ensured uninterrupted production even during power shortages.

## DISTRIBUTION OF MEDIA PRODUCTS

The distribution business segment recorded sales of approximately HK$52 million, accounting for 12% of the Group's total turnover. As the Group operates its distribution business in the PRC, continued appreciation of the Renminbi during the year has improved the profit margin of the segment.

The Group has been manufacturing and distributing products for a major computer product vendor after it had secured sole distribution right for an additional line of data media products in the PRC since December 2005. The Group will continue to seek distributorship for new computer products, particularly digital imaging and consumable data recording products, like Blu-ray Disc, from renowned brand names.

## PROSPECTS

Looking ahead, the Group expects escalating awareness of global warming and environmental protection to fuel robust growth in demand for recycled products. In particular, global demand for digital imaging products will continue to grow rapidly, driven by massive need for information download from and transfer via the Internet. To tap the rising demands, the Group will continue to expand production of remanufactured/recycled toner cartridges, which will remain the strongest growth driver for the Group in the coming years.

Apart from strengthening its existing markets for recycled toner cartridges in the US and Europe, targeting several leading stationery brands, the Group will strive to expand Asia Pacific markets, including Japan, Australia, Taiwan and India. In the PRC, the Group plans to capitalize on its well-established distribution network for media products to market recycled toner cartridges in various parts of the country. To support distribution in the various markets, the Group will continue to invest in inventories and stock up empties based on healthy cashflow planning and careful sales projections.

To tap the fast growing demand for recycled toner cartridges, the Group will continue to step up its production capacity. In particular, it will increase environmental protection facilities in its plants. Moreover, the Group will further strengthen research and development to widen its remanufactured/recycled toner cartridge product line. In the meantime, the Group is negotiating with a US mulit-national company to launch their brands' recycled toner cartridges.

As for computer media production, the Group has benefited from continued industry consolidation and become the world's largest supplier for magnetic floppy disks. Having secured a firm footing in the industry, the Group expects to maintain orders from reputable clients who have continuous demand for blank information storage media products. Already, the Group has had success distributing media products of a well-known Japanese brand in China.

The Group also expects to achieve steady growth for the media product distribution business. By engaging in both the manufacturing and distribution of an additional line of media products for a major product vendor, the Group is able to enjoy an optimum margin. The Group sees continuous appreciation of the Renminbi working in its favour as its distribution revenue is mainly generated in the PRC.

Our outlook for the future is vigorous and we expect robust growth for our recycled toner cartridge business. With proven ability to reduce, reuse and recycle, and a solid customer base and distribution network, the Group is poised to capture opportunities in the global markets and in turn achieve satisfactory returns for shareholders.

## FINANCIAL REVIEW

### Financial Results

For the year ended 31 December 2007, the Group recorded a turnover of HK$418,159,000, representing an increase of 21% compared with HK$345,552,000 in 2006. The Group's profit attributable to equity shareholders amounted to HK$33,476,000 in 2007 (2006: Group's profit attributable to equity shareholders of HK$64,965,000 which included the net gain of HK$47,056,000 from the legal claim). Excluding the one-off exceptional items, the Group's profit attributable to equity shareholders for the year was more than double that of last year. Basic earnings per share in 2007 was HK4.5 cents as compared with basic earnings per share of HK9.4 cents in 2006.

### Capital and Debt Structure

As at 31 December 2007, the Group's total net assets was approximately HK$337 million (31 December 2006: HK$277 million), representing approximately HK$60 million increase when compared with that of previous year, mainly due to the increase in net profit achieved for the year and exercise of share options and warrants.

As at 31 December 2007, the Group's total bank and other borrowings plus finance lease obligations increased by HK$8 million to HK$205 million (31 December 2006 : HK$197 million), of which HK$154 million was payable within one year and HK$51 million was payable after one year. The majority of the Group's bank borrowings were import and export loans and term loans that amounted to HK$93 million and HK$84 million respectively (2006: HK$136 million and HK$15 million respectively). Term loans were substantially increased by HK$69 million. Most of the Group's borrowings are denominated in Hong Kong dollars and subject to floating interest rates. Hence the risk of currency exposure was minimal. The Group's total cash and bank balances included bank deposits pledged amounted to approximately HK$40 million (31 December 2006: approximately HK$14 million), representing an increase of approximately HK$26 million.

The Group's net debt to equity ratio was kept at 0.8 (31 December 2006: 0.7), which is determined by total borrowings including notes payable net of cash and bank balances over total net assets.

**Working Capital and Liquidity**

As at 31 December 2007, the Group's current ratio and quick ratio were 2.2 and 1.3 respectively (2006: 1.5 and 1.0). Inventory turnover on sales increased to 171 days (31 December 2006: 136 days) primarily due to the expansion of remanufactured toner business which raised the required inventory level for production and also due to three months inventories stockings in our distribution channels to provide quick delivery service to some large OEM customers in US. Receivable turnover increased to 171 days (31 December 2006 : 100 days) that was mainly due to the growth of sales during the 4th quarter of 2007 of which majorities of the receivables are due within one to three months.

**Contingent Liabilities and Charges on the Group's Assets**

The Group had pledged its assets with an aggregate net book value of HK$41 million (2006 : HK$43 million) to secure bank loans and finance lease obligations.

**Issuance of Secured Bonds and Warrants**

On 27 June 2007, the Company issued, and Martin Currie China Hedge Fund L.P. (the "Subscriber"), the Company's substantial shareholder, subscribed for secured bonds (the "Bonds") in the aggregate principal of HK$78 million. The Bonds were secured, carried interest at 10% per annum and repayable three years after the date of issue of the Bonds. On the same date, the Company issued, by way of bonus, to the Subscriber of unlisted warrants (the "Warrants") of the Company conferring rights entitling the holders to subscribe for up to HK$31.2 million in aggregate in cash for 56,317,689 new shares of HK$0.10 each of the Company at an initial subscription price of HK$0.554 per share, subject to adjustment. The Warrants are exercisable within a period from 28 December 2007 to 27 June 2010.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the number of employees of the Group was approximately 1,010. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account the current industry practices. Remuneration package of employees includes salaries, insurance and medical cover, mandatory provident fund and share option scheme. Other employee benefits include educational allowance and discretionary bonuses.

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007, save for the following deviations:

**CG Code Provision A.2.1**

Under this code provision, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Ms. Ho Yin King, Helena ("Ms. Ho") was the Chairman of the Board and the Managing Director of the Company (The Company regards the role of its managing director to be same as that of chief executive officer under the CG Code) during the year ended 31 December 2007.

The Company considers that the extensive experience and marketing network established by Ms. Ho is critical for the business and future development of the Company. Hence, the Company believes that it is in the best interest of its shareholders that Ms. Ho will remain the Chairman and the Managing Director of the Company. However, the Company will review the current structure when and as it becomes appropriate in future.

**CG Code Provision A.4.1**

Under this code provision, the non-executive directors should be appointed for a specific term, subject to re-election.

Currently, the three independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company, and their appointment will be reviewed when they are due for re-election.

## 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 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2007.

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Dr. Li Sau Hung, Eddy, Mr. Leung Ka Kui, Johnny and Mr. Chan Kam Kwan, Jason. The Audit Committee has reviewed the management accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited results for the year ended 31 December 2007.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## APPRECIATION

On behalf of the Board of Directors, I would like to express appreciation to colleagues for their hard work and dedication in the past year. We will remain committed to achieving better results and maximising returns to our shareholders.

By Order of the Board
**Ho Yin King, Helena**
*Chairman*

Hong Kong, 22 April 2008

*As at the date of this announcement, Ms. Ho Yin King, Helena, Mr. Ho Fai Keung, Jacky, Mr. Cheung Sze Ming, Ms. Lo Suk King are the executive directors of the Company and Dr. Li Sau Hung, Eddy, Mr. Leung Ka Kui, Johnny and Mr. Chan Kam Kwan, Jason are the independent non-executive directors of the Company.*