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 2011

HIGHLIGHTS

- Turnover increased by 30.5% to HK$1,191,698,000 (2010: HK$913,344,000)
- Gross profit increased by 28.5% to HK$230,808,000 (2010: HK$179,622,000)
- Profit attributable to owners of the Company grew by 11.9% to HK$62,820,000 (2010: HK$56,133,000)
- Basic earnings per share rose by 11.3% to HK7.09 cents (2010: HK6.37 cents)
- Proposed a final dividend of HK4.3 cents per share (2010: HK3.2 cents per share)

FINANCIAL RESULTS

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 2011, together with the comparative figures for the year ended 31 December 2010.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**1,191,698**	913,344
Cost of sales		**(960,890)**	(733,722)
Gross profit		**230,808**	179,622
Other income	*5*	**2,463**	12,332
Selling and distribution expenses		**(17,996)**	(13,831)
General and administrative expenses		**(125,114)**	(102,212)
Other operating expenses		**(3,217)**	–
Profit from operations		**86,944**	75,911
Finance costs	*6*	**(4,644)**	(2,139)
Profit before tax		**82,300**	73,772
Income tax expense	*7*	**(19,480)**	(17,639)
Profit for the year attributable to owners of the Company		**62,820**	56,133
Earnings per share	*9*		
– Basic *(HK cents)*		**7.09**	6.37
– Diluted *(HK cents)*		**7.05**	6.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**62,820**	56,133
Other comprehensive income		
Exchange differences on translating foreign operations	**21,407**	10,809
Surplus on revaluation of leasehold land	**85,623**	–
Income tax relating to components of other comprehensive income	**(16,878)**	–
Other comprehensive income for the year, net of tax	**90,152**	10,809
Total comprehensive income for the year attributable to owners of the Company	**152,972**	66,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**547,081**	436,939
Club membership		**718**	718
Deposits paid for acquisition of property, plant and equipment		**5,800**	7,097
		553,599	444,754
Current assets			
Inventories		**197,282**	182,757
Trade receivables	*10*	**272,152**	154,333
Prepayments, deposits and other receivables		**27,204**	17,148
Financial assets at fair value through profit or loss		**–**	8,292
Pledged bank deposits		**12,285**	2,232
Restricted bank balances		**2,457**	–
Bank and cash balances		**164,691**	122,532
		676,071	487,294
Current liabilities			
Trade payables	*11*	**153,635**	126,229
Deposits received		**3,540**	3,702
Other payables and accruals		**50,170**	48,416
Due to a related company		**723**	1,456
Financial liabilities at fair value through profit or loss		**605**	–
Bank borrowings		**256,796**	124,851
Current portion of obligations under finance leases		**7,089**	11,953
Current tax liabilities		**8,085**	9,615
		480,643	326,222
Net current assets		**195,428**	161,072
Total assets less current liabilities		**749,027**	605,826
Non-current liabilities			
Obligations under finance leases		**5,305**	–
Deferred tax liabilities		**19,266**	2,388
		24,571	2,388
NET ASSETS		**724,456**	603,438
Capital and reserves			
Share capital		**88,811**	88,263
Reserves		**635,645**	515,175
TOTAL EQUITY		**724,456**	603,438

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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 Room 1210, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

The Group is principally engaged in the sale and manufacture of zinc, magnesium and aluminium alloy die casting and plastic injection products and components which are mainly sold to customers engaging in the household products, 3C (communication, computer and consumer electronics) products and automotive parts industries.

In the opinion of the directors of the Company, as at 31 December 2011, 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.

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 (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

Previously, the Group's leasehold land classified as finance lease were stated at cost model under HKAS16 "Properties, Plant and Equipment", under which these assets are carried at historical cost less aggregate depreciation and accumulated impairment losses.

With effect from 31 December 2011, the Group has revised its accounting policy in respect of leasehold land classified as finance lease at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in carrying amount arising on revaluation of leasehold land are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve, all other decreases are expensed in the consolidated income statement. The change is made to increase the relevancy of financial data to the users of the financial statements by taking into consideration of the fair value of the assets of the Group.

This change in accounting policy has been accounted for prospectively, and no comparative figures have been restated.

Effect on Consolidated Statement of Financial Position

	As at 31 December 2011 *HK$'000*
Increase in property, plant and equipment	**85,623**
Increase in deferred taxation	**16,878**
Increase in revaluation reserve	**68,745**

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold land, 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.

For management purposes, the Group's operation is currently categorised into four operating divisions – zinc, magnesium, aluminium alloy die casting and plastic injection products and components. These divisions are the basis of the Group's four reportable segments. The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and different cost measurement.

Segment profits or losses do not include interest income, corporate income, gain or loss from derivative instruments, corporate expenses, finance costs and income tax expense.

Information about reportable segment profit or loss:

	Zinc alloy die casting *HK$'000*	**Magnesium alloy die casting** *HK$'000*	**Aluminium alloy die casting** *HK$'000*	**Plastic injection** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2011					
Revenue from external customers	**349,859**	**286,873**	**253,035**	**301,931**	**1,191,698**
Segment profit	**16,699**	**32,232**	**37,601**	**32,953**	**119,485**
Depreciation	**12,834**	**16,811**	**10,486**	**11,368**	**51,499**

	Zinc alloy die casting *HK$'000*	Magnesium alloy die casting *HK$'000*	Aluminium alloy die casting *HK$'000*	Plastic injection *HK$'000*	Total *HK$'000*
Year ended 31 December 2010					
Revenue from external customers	356,098	165,752	196,453	195,041	913,344
Segment profit	46,803	9,417	30,378	9,564	96,162
Depreciation	11,987	13,004	13,087	9,671	47,749

Reconciliation of reportable segment revenue, profit or loss:

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**1,191,698**	913,344
Unallocated amounts	**–**	–
Consolidated revenue	**1,191,698**	913,344

	2011	2010
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**119,485**	96,162
Unallocated amounts:		
Interest income	**1,120**	569
(Loss)/gain on financial assets/liabilities at fair value through profit or loss	**(6,375)**	9,612
Finance costs	**(4,644)**	(2,139)
Income tax expense	**(19,480)**	(17,639)
Corporate income	**122**	488
Corporate expenses	**(27,408)**	(30,920)
Consolidated profit for the year	**62,820**	56,133

	2011	2010
	HK$'000	*HK$'000*
Other material items – depreciation		
Total depreciation of reportable segments	**51,499**	47,749
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**6,300**	7,555
Consolidated depreciation	**57,799**	55,304

Geographical information:

Revenue

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**768,368**	597,362
People's Republic of China (the "PRC") except Hong Kong	**118,851**	90,517
Japan	**9,872**	42,143
The United States of America	**224,879**	121,964
Others	**69,728**	61,358
Consolidated total	**1,191,698**	913,344

In presenting the geographical information, revenue is based on the locations of the customers.

The Group's non-current assets by geographical areas are not presented as the amount of the geographical segments other than the PRC is less than 10% of the aggregate amount of all segments.

Revenue from major customers:

	2011	2010
	HK$'000	*HK$'000*
Zinc alloy die casting segment		
Customer a	**154,507**	132,268
Customer b	**91,296**	123,292
Magnesium alloy die casting segment		
Customer a	**–**	5,403
Customer c	**197,561**	41,269
Aluminium alloy die casting segment		
Customer a	**107,745**	101,634
Plastic injection segment		
Customer b	**107,882**	101,519
Customer d	**187,707**	–

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**1,120**	569
Rental income	**–**	26
Sale of scrap materials	**97**	1,369
Government grants	**367**	–
Unrealised gain on financial assets at fair value through profit or loss	**–**	8,292
Realised gain on financial assets at fair value through profit or loss	**–**	1,320
Gain on disposal of property, plant and equipment	**105**	214
Others	**774**	542
	2,463	12,332

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**4,384**	1,722
Finance lease charges	**260**	417
	4,644	2,139

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**8,737**	8,703
Over-provision in prior years	**(602)**	(515)
Current tax – PRC enterprise income tax		
Provision for the year	**11,526**	8,480
(Over)/under-provision in prior years	**(181)**	191
Deferred tax	**–**	780
	19,480	17,639

Hong Kong Profits Tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits of Hong Kong incorporated subsidiaries for the year ended 31 December 2011, subject to the application of the Departmental Interpretation Practice Note No. 21 ("DIPN 21") issued by the Inland Revenue Department of Hong Kong for certain Hong Kong incorporated subsidiaries which have conducted their manufacturing operations by entering into processing arrangements within the processing factories in the PRC. Pursuant to the DIPN 21, 50% of the adjusted profits of these subsidiaries were treated as offshore and not taxable in Hong Kong.

Income tax on the overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing on the overseas countries in which the Group operates.

The new PRC Enterprise Income Tax ("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 enterprises at 25%. The new tax law was effective from 1 January 2008.

According to 國發[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 follow:

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

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 2011 (2010: Nil).

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim of HK0.66 cents (2010: HK1.3 cents) per ordinary share paid	**5,861**	11,457
Proposed final of HK4.3 cents (2010: final dividend payment of HK3.2 cents) per ordinary share	**38,191**	28,248
Additional final dividends for the year	**–**	145
	44,052	39,850

9. EARNINGS PER SHARE

Basis earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$62,820,000 (2010: HK$56,133,000) and the weighted average number of ordinary shares of 886,548,271 (2010: 881,077,936) in issue during the year.

Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$62,820,000 (2010: HK$56,133,000) and the weighted average number of ordinary shares of 891,277,015 (2010: 891,312,929), being the weighted average number of ordinary shares of 886,548,271 (2010: 881,077,936) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 4,728,744 (2010: 10,234,993) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period.

10. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms are generally ranged from 30 to 90 days (2010: 7 to 90 days) after end of the month in which the invoices have been issued. 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:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**133,472**	96,799
31 to 60 days	**66,535**	25,334
61 to 90 days	**42,282**	16,830
91 to 180 days	**29,209**	14,756
Over 180 days	**654**	614
	272,152	154,333

11. TRADE PAYABLES

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

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**60,348**	85,929
31 to 60 days	**78,525**	33,769
61 to 90 days	**10,484**	5,682
91 to 180 days	**3,636**	169
Over 180 days	**642**	680
	153,635	126,229

MANAGEMENT DISCUSSION AND ANALYSIS

(A) Financial Review

The Group has displayed strong resilience amidst the global economic downturn during the year of 2011 and managed to grow its turnover by 30.5% to HK$1,191,698,000 (2010: HK$913,344,000) mainly due to the robust growth in sales of notebook computer casings made in magnesium alloy as well as plastic injection moulding products. Meanwhile, gross profit grew by 28.5% to HK$230,808,000 (2010: HK$179,622,000) as compared with that of last year and profit attributable to owners of the Company also recorded a 11.9% increase to HK$62,820,000 (2010: HK$56,133,000). Despite the surge in price of raw materials and labour costs together with the appreciation of Renminbi, the Group's gross margin for the year had only declined slightly to 19.4% (2010: 19.7%) as compared with that of last year primarily through passing on partial cost increases to customers, enhanced manufacturing efficiency and economies of scale in production.

Selling and distribution expenses had increased by 30.1% to HK$17,996,000 (2010: HK$13,831,000) when compared with that of last year. This was mainly attributable to increased spending on marketing and promotional activities for new products and new business lines as well as a rise in distribution costs which was primarily caused by the corresponding increase in turnover.

General and administrative expenses for the year was HK$125,114,000 (2010: HK$102,212,000), representing an increase of 22.4% over that of last year. In order to develop new lines of business and lower its manufacturing costs in the long run, the Group had increased its research and development expenditures on new products and production technologies during the year under review. In addition, there was also an increase in the number of management personnel as well as related staff costs so as to support the rapid growth of the Group's new lines of business.

(B) Business Review

Zinc alloy die casting business

During the year, the turnover of zinc alloy die casting business recorded a slight decrease of 1.8% to HK$349,859,000 (2010: HK$356,098,000). This slight decline was mainly caused by a slowdown of orders from a key customer following the occurrence of the earthquake in Japan which took place in March 2011. Given that, this business segment still remained as a key constituent of the Group's revenue as it accounted for approximately 29.4% (2010: 39.0%) of the Group's overall turnover.

Magnesium alloy die casting business

Benefitting from the strong demand in magnesium alloy's notebook computer components, the Group's magnesium alloy die casting business had posted a substantial growth of sales in 2011 with turnover increased by 73.1% to HK$286,873,000 (2010: HK$165,752,000) when compared with that of last year. The contribution of this business segment to the Group's turnover also increased from last year's 18.1% to 24.1%. Other than notebook computer components, the application of magnesium alloy can also be extended to telecommunication and consumer electronics products. In view of the persisting growth of market demand in 3C (communication, computer and consumer electronics) products which would create ample growth opportunities for the Group, it is expected that this business segment will continue to grow remarkably in the forthcoming future.

Aluminium alloy die casting business

The turnover of this business segment had delivered a satisfactory growth of 28.8% to HK$253,035,000 (2010: HK$196,453,00) for the year under review and accounted for 21.2% (2010: 21.5%) of the Group's turnover. Resulting from aluminium alloy die casting products being accounted for a substantial proportion of the total die casting output, it is expected that there will be ample room for the Group to grow in this business segment.

Plastic injection moulding business

Following the global trend of using smart phones widely, the Group's plastic injection moulding business continued to perform well and maintained a rapid growth during the year of 2011. Turnover of this business segment rose remarkably by 54.8% to HK$301,931,000 (2010: HK$195,041,000) when compared with that of last year, representing approximately 25.3% (2010: 21.4%) of the Group's turnover. In view of the rising demand for protective cases driven by a fast growing smart phone market, it is expected that this business segment will still be one of the major growth drivers for the Group in the forthcoming future.

(C) Honours attained

As a result of its strong research and development capabilities and efforts, one of the Group's wholly-owned subsidiary in Guangdong Province, MG Technology (Shenzhen) Company Limited, was recoginesd by the Chinese Government as a "National High and New Technology Enterprise" in February 2011. This honour not merely recognizes the Group's devotion in research and development of new products and production technologies; but also allows this Group's subsidiary to enjoy a preferential tax rate of 15% commencing from January 2011 for three consecutive years.

Wing Yu (Far East) Industries Company Limited, the Group's wholly-owned subsidiary engaging in surface finishing treatment, was awarded with the Hong Kong Awards for Industries – Productivity and Quality Award in June 2011. This has demonstrated that the Group's superior quality standards and devotion to continuous technological improvement have been well recognized by our customers and the public.

In January 2012, the Group was awarded The Outstanding Corporate Social Responsibility Award being first time organized by The Hong Kong Mirror Post, a monthly magazine focusing on current affairs commentary and economics. This fully recognizes the Group's effort in promoting corporate social responsibility.

(D) Prospects

In the year of 2012, it is expected that the global economy will still be on a slow and rocky road to recovery. The US economy remains weak while the European debt crisis is deepening. Continuing appreciation of Renminbi and surge in labour costs will also exert pressure on the profit margins of manufacturing industries. The Group will continue to implement strict cost control measures to preserve margins and sustain sales growth.

Plastic injection moulding business continues to have an increasingly important role to play in the Group's overall business development. Global shipment of smart phones and tablet notebook computers are expected to increase at a fast pace and they have become not only basic necessities but fashionable products in our daily lives. Therefore, consumers also pay more attention to the design of these products' protective cases and the market demand for personalized casings with stylish and colourful designs will keep on growing. The Group will put much greater efforts in the research and development of innovative product designs, new materials and production technologies in order to expand its new lines of business as well as to equip itself to meet the enormous market demand.

It is expected that the replacement demand for business notebook computers driven by the launch of new computer operating systems will continue to rise since users are more willing to invest in its powerful functions, thus helping its sales increase to outpace that of conventional notebook computers. As ultra thin and slim design becomes the development trend of new generation notebook computers, the demand for magnesium alloy die casting casings will increase substantially. However, the intense competition of this business sector would require manufacturers to possess quick responses to the market and introduction of new and high technology continuously to meet new needs from the market. As a result, some manufactures have begun to exit from the notebook computer casings' industry. Given its high efficient production management, research and development ability on new and high technology, superior product quality and the confidence gained from its customers, the Group will capitalize on its existing competitive advantages and enlarge its market share and profitability.

Customers are placing more emphasis on brands and a well-received brand is an identity that goes beyond recognition. Based on its 30 years' plus experience in original equipment manufacturing ("OEM") business, the Group has taken a step forward to develop original design manufacturing ("ODM") and original brand manufacturing ("OBM") business with an aim to increase its turnover and profitability. Building its own branding has become a long term business strategy of the Group in order to develop a new profit contributor and maximizes its return for shareholders.

The Group had established a marketing office in the United States of America in March 2011 to focus on the marketing of energy saving lighting products including light emitting plasma ("LEP") lighting products and expand its sales network in the North America. As there is an increasing demand for energy conservation and environmental protection, every nation has put more and more emphasis on energy saving products. "Energy-saving and carbon reduction" is also a core topic in the PRC's Twelve Five-Year Plan and therefore, there will be huge business opportunities for the development of energy saving products. Leveraging its advantages on magnesium alloy die casting, the Group will continue the research and development on using magnesium alloy to manufacture LEP lighting products in order to achieve higher efficiency on environmental protection and energy saving.

The Group is also active in pursuit of potential strategic partnerships as well as merger and acquisition opportunities so as to create added-value to its existing business by synergy effects.

The Group's strategy of continuous innovation of product design, increasing market share, diversifying geographically and maintaining operational excellence has seen fruitful results gradually. The Group's future business strategy is to engage new and high technology as well as innovative designs to gradually upgrade its OEM business to ODM business for higher value adding. At the same time, it will also provide a major support to the development of the Group's OBM business. This will enhance the Group's image and status as an innovative high-tech enterprise towards the goal of a long term business growth.

(E) Liquidity and Financial Resources

As at 31 December 2011, the Group had pledged bank deposits, restricted bank balances as well as bank and cash balances of approximately HK$179,433,000 (2010: HK$124,764,000), most of which were either denominated in US dollars, Renminbi or Hong Kong dollars.

Total interest-bearing borrowings of the Group as at 31 December 2011 were approximately HK$269,190,000 (2010: HK$136,804,000), comprising bank loans and overdrafts of approximately HK$256,796,000 (2010: HK$124,851,000) and obligations under finance leases of approximately HK$12,394,000 (2010: HK$11,953,000). All of these borrowings were either denominated in Renminbi or Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate.

As at 31 December 2011, the net gearing ratio (a ratio of the sum of total interest-bearing borrowings and obligations under finance leases less pledged bank deposits, restricted bank balances as well as bank and cash balances divided by total equity) of the Group was approximately 12.4% (2010: 2.0%)

As at 31 December 2011, the net current assets of the Group were approximately HK$195,428,000 (2010: HK$161,072,000), which consisted of current assets of approximately HK$676,071,000 (2010: HK$487,294,000) and current liabilities of approximately HK$480,643,000 (2010: HK$326,222,000), representing a current ratio of approximately 1.4 (2010: 1.5).

(F) Exposure to Foreign Exchange Risk

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars or Renminbi. As such, the Group is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, Hong Kong dollars and Renminbi. In order to mitigate the risks due to fluctuation of foreign currency exchange rates, the Group had entered into foreign currency forward contracts to manage its foreign currency exposure during the year under review.

(G) Contingent Liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

(H) Charge on Assets

As at 31 December 2011, the Group's banking facilities were secured by guarantees given by the following assets: (a) lessors' title to the leased assets under finance leases; and (b) a property situated in Hong Kong owned by the Group.

(I) Human Resources

As at 31 December 2011, the Group had approximately 4,800 full-time employees (2010: 4,700). 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK4.3 cents per share for the year ended 31 December 2011 to the shareholders whose names appear on the register of members of the Company on Tuesday, 22 May 2012. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 11 May 2012, the final dividend will be paid on or about Thursday, 31 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 May 2012 to Friday, 11 May 2012, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, 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 Tuesday, 8 May 2012.

The register of members will be closed from Friday, 18 May 2012 to Tuesday, 22 May 2012, 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 Thursday, 17 May 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2011, 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") for the year ended 31 December 2011.

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 four independent non-executive Directors, namely Mr. Yeow Hoe Ann, John, Mr. Sun Kai Lit Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *BBS, MH, JP* and Mr. Andrew Look 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 *BBS, MH, JP*, Mr. Yeow Hoe Ann John, Mr. Andrew Look 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 four independent non-executive directors, namely Mr. Sun Kai Lit Cliff *BBS, JP*, Ir Dr. Lo Wai Kwok *BBS, MH, JP*, Mr. Yeow Hoe Ann John, Mr. Andrew Look 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 for the year ended 31 December 2011.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2011.

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, 27 March 2012

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