K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 675)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

RESULTS

The Board of Directors (the "Board") of K & P International Holdings Limited (the "Company") herein announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with the comparative figures for the corresponding year in 2005 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2006

	Notes	2006 HK$	2005 HK$
REVENUE	4	**392,434,673**	388,117,918
Cost of sales		**(312,618,152)**	(311,319,794)
Gross profit		**79,816,521**	76,798,124
Other income and gains	4	**9,177,340**	26,812,564
Selling and distribution costs		**(38,525,888)**	(37,021,619)
Administrative expenses		**(36,052,548)**	(36,539,825)
Other expenses		**(2,929,762)**	(800,124)
Finance costs	6	**(7,847,329)**	(7,590,829)
Share of loss of an associate		**–**	(5,836,506)
PROFIT BEFORE TAX	5	**3,638,334**	15,821,785
Tax	7	**(2,251,374)**	(2,134,723)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,386,960**	13,687,062
DIVIDENDS	8		
Interim		**–**	1,327,524
Proposed final		**–**	1,327,524
		–	2,655,048
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**0.52 cent**	5.16 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
31 December 2006

	Notes	**2006** **HK$**	2005 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**78,070,224**	74,756,541
Prepaid land lease payments		**20,747,231**	20,935,727
Other intangible assets		**10,405,833**	9,312,500
Available-for-sale investment		**680,000**	680,000
Total non-current assets		**109,903,288**	105,684,768
CURRENT ASSETS			
Inventories		**48,073,068**	49,306,427
Prepayments, deposits and other receivables		**19,084,685**	17,141,423
Trade and bills receivables	*10*	**70,267,865**	87,166,280
Investment at fair value through profit or loss		**–**	1,989,000
Pledged time deposits		**–**	8,374,121
Cash and cash equivalents		**41,569,534**	39,699,878
Total current assets		**178,995,152**	203,677,129
CURRENT LIABILITIES			
Trade payables	*11*	**39,181,472**	51,873,868
Accrued liabilities and other payables		**28,274,501**	27,627,027
Derivative financial instrument		**1,444,685**	–
Interest-bearing bank and other borrowings		**60,524,148**	80,081,066
Tax payable		**3,388,279**	1,495,571
Total current liabilities		**132,813,085**	161,077,532
NET CURRENT ASSETS		**46,182,067**	42,599,597
TOTAL ASSETS LESS CURRENT LIABILITIES		**156,085,355**	148,284,365
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**16,522,557**	7,439,537
Deferred tax liabilities		**2,951,481**	3,611,481
Total non-current liabilities		**19,474,038**	11,051,018
Net assets		**136,611,317**	137,233,347
EQUITY			
Issued capital		**26,550,480**	26,550,480
Reserves		**110,060,837**	109,355,343
Proposed final dividend	*8*	**–**	1,327,524
Total equity		**136,611,317**	137,233,347

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings, a derivative financial instrument and an available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(b) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 *Leases*. However, the adoption of this interpretation has had no material impact on these financial statements.

3. SEGMENT INFORMATION

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

	Precision parts and components		Consumer electronic products		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:										
Sales to external customers	**197,552,370**	205,741,362	**194,882,303**	182,376,556	**–**	–	**–**	–	**392,434,673**	388,117,918
Intersegment sales	**6,138,645**	7,173,851	**–**	–	**–**	–	**(6,138,645)**	(7,173,851)	**–**	–
Other income and gains	**6,970,957**	9,539,291	**927,267**	309,059	**27,459**	67,318	**–**	–	**7,925,683**	9,915,668
Total	**210,661,972**	222,454,504	**195,809,570**	182,685,615	**27,459**	67,318	**(6,138,645)**	(7,173,851)	**400,360,356**	398,033,586
Segment results	**16,289,813**	22,197,106	**(4,577,002)**	(7,377,540)	**(1,478,805)**	(2,467,342)	**–**	–	**10,234,006**	12,352,224
Bank interest income									**1,251,657**	586,812
Gain on disposal of an associate									**–**	16,310,084
Finance costs									(7,847,329)	(7,590,829)
Share of loss of an associate	**–**	(5,836,506)	**–**	–	**–**	–	**–**	–	**–**	(5,836,506)
Profit before tax									**3,638,334**	15,821,785
Tax									**(2,251,374)**	(2,134,723)
Profit for the year									**1,386,960**	13,687,062
Assets and liabilities										
Segment assets	**144,115,251**	148,836,248	**88,695,733**	95,469,019	**16,207,651**	16,501,556	**(1,689,729)**	(1,507,925)	**247,328,906**	259,298,898
Unallocated assets									**41,569,534**	50,062,999
Total assets									**288,898,440**	309,361,897
Segment liabilities	**32,629,196**	37,994,253	**33,825,671**	40,595,744	**1,001,090**	910,881	**16**	16	**67,455,973**	79,500,894
Unallocated liabilities									**84,831,150**	92,627,656
Total liabilities									**152,287,123**	172,128,550
Other segment information:										
Depreciation and amortisation	**15,311,849**	16,674,646	**10,248,241**	8,115,583	**373,501**	339,486	**–**	–	**25,933,591**	25,129,715
Impairment of trade receivables	**250,060**	253,240	**85,017**	544,479	**–**	–	**–**	–	**335,077**	797,719
Impairment of other receivable	**–**	–	**–**	–	**1,150,000**	–	**–**	–	**1,150,000**	–
Provision for slow-moving inventories	**218,089**	100,000	**404,253**	574,216	**–**	–	**–**	–	**622,342**	674,216
Surplus on revaluation of buildings credited to the asset revaluation reserve	–	–	**–**	–	**760,060**	424,648	**–**	–	**760,060**	424,468
Recognition of prepaid land lease payments	**283,766**	245,133	**–**	–	**199,602**	199,602	**–**	–	**483,368**	444,735
Capital expenditure	**18,243,611**	16,063,075	**11,135,851**	12,875,683	**70,670**	159,974	**–**	–	**29,450,132**	29,098,732

(b) ***Geographical segments***

The following table presents revenue, and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	Segment revenue Sales to external customers		**Other segment information**			
			Segment assets		**Capital expenditure**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Hong Kong	**102,456,554**	147,783,763	**101,189,142**	117,126,683	**6,012,299**	6,369,959
Mainland China	**29,250,519**	12,564,548	**141,938,843**	142,007,641	**23,265,285**	22,283,446
Total in the People's Republic of China (the "PRC")	**131,707,073**	160,348,311	**243,127,985**	259,134,324	**29,277,584**	28,653,405
Japan	**29,815,271**	28,537,084	**3,132,589**	3,500,258	**–**	–
Other Asian countries*	**12,497,500**	12,055,947	**5,971,405**	8,567,253	**6,162**	292,323
Total in Asia	**174,019,844**	200,941,342	**252,231,979**	271,201,835	**29,283,746**	28,945,728
Germany	**71,620,338**	70,691,098	**3,875,537**	20,501,377	**–**	–
Other European countries**	**108,908,257**	91,002,808	**15,295,221**	8,430,074	**–**	–
Total in Europe	**180,528,595**	161,693,906	**19,170,758**	28,931,451	**–**	–
North America	**26,960,340**	16,815,723	**10,559,663**	6,266,769	**166,386**	153,004
Others***	**10,925,894**	8,666,947	**6,936,040**	2,961,842	**–**	–
Consolidated	**392,434,673**	388,117,918	**288,898,440**	309,361,897	**29,450,132**	29,098,732

* Other Asian countries mainly comprise Taiwan, Singapore, Malaysia, Thailand, Indonesia and Korea.

** Other European countries mainly comprise Italy, the United Kingdom, France, the Netherlands, Austria, Switzerland, Denmark, Sweden and Spain.

*** Others mainly comprise South America, Australia and New Zealand.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2006	2005
	HK$	*HK$*
Revenue		
Sale of goods	**392,434,673**	388,117,918
Other income and gains		
Bank interest income	**1,251,657**	586,812
Tooling charge income	**3,215,023**	3,901,874
Sale of scrap	**1,248,606**	405,270
Sale commissions	**2,239,860**	4,427,638
Gain on disposal of items of property, plant and equipment	**5,359**	–
Gain on disposal of an associate	**–**	16,310,084
Subcontracting fee income	**79,604**	434,847
Others	**1,137,231**	746,039
	9,177,340	26,812,564

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2006	2005
	HK$	*HK$*
Cost of inventories sold	**308,039,143**	307,705,578
Auditors' remuneration	**1,827,952**	1,250,000
Depreciation	**21,976,924**	22,189,715
Recognition of prepaid land lease payments	**483,368**	444,735
Minimum lease payments under operating leases on land and buildings	**3,444,966**	3,348,021
Amortisation of other intangible assets*	**3,956,667**	2,940,000
Provision for slow-moving inventories*	**622,342**	674,216
Staff costs (including directors' other emoluments):		
Wages and salaries	**93,150,148**	92,673,424
Equity-settled share option expense	**23,252**	69,285
Pension scheme contributions	**1,167,804**	1,241,425
	94,341,204	93,984,134
Less: Amount capitalised in deferred development costs	**(4,800,000)**	(4,200,000)
	89,541,204	89,784,134
Fair value loss on a derivative instrument – transaction not qualifying as a hedge	**1,444,685**	–
Foreign exchange differences, net	**1,136,871**	2,146,990

* The amortisation of other intangible assets and the provision for slow-moving inventories for the year are included in "Cost of sales" on the face of the consolidated income statement.

6. FINANCE COSTS

	Group 2006 HK$	2005 HK$
Interest on bank loans and overdrafts wholly repayable within five years	**7,395,403**	6,463,552
Interest on finance leases	**451,926**	917,316
Interest on convertible loan notes	**–**	209,961
	7,847,329	7,590,829

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 HK$	2005 HK$
Group:		
Current – Hong Kong	**2,310,156**	2,134,723
Current – Elsewhere	**601,218**	–
Deferred	**(660,000)**	–
Total tax charge for the year	**2,251,374**	2,134,723

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	Group 2006 HK$	2005 HK$
Profit before tax	**3,638,334**	15,821,785
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**636,708**	2,768,812
Effect of different rates for companies operating in other jurisdictions	**282,390**	–
Loss attributable to an associate	**–**	1,021,389
Income not subject to tax	**(1,638,885)**	(4,405,767)
Expenses not deductible for tax	**952,344**	2,466,972
Tax losses utilised from previous periods	**(255,399)**	(149,431)
Tax losses not recognised	**2,266,407**	145,663
Others	**7,809**	287,085
Tax charge at the Group's effective rate of 61.9% (2005: 13.5%)	**2,251,374**	2,134,723

8. DIVIDENDS

	2006 HK$	2005 HK$
Interim – Nil (2005: HK0.5 cent) per ordinary share	–	1,327,524
Proposed final – Nil (2005: HK0.5 cent) per ordinary share	–	1,327,524
	–	2,655,048

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders for the year of HK$1,386,960 (2005:HK$13,687,062), and 265,504,800 (2005: 265,504,800) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been disclosed, as the share options outstanding during these years had anti-dilutive effect on the basic earnings per share for these years.

10. TRADE AND BILLS RECEIVABLES

	Group 2006 HK$	Group 2005 HK$
Trade receivables	**66,877,306**	75,191,309
Bills receivable discounted with recourse	**3,390,559**	11,974,971
	70,267,865	87,166,280

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. Bills receivable discounted with recourse are interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group 2006 HK$	Group 2005 HK$
Within 90 days	**56,097,927**	65,652,822
Between 91 and 180 days	**8,966,591**	7,823,104
Over 180 days	**1,812,788**	1,715,383
	66,877,306	75,191,309

An aged analysis of the bills receivable as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group 2006 HK$	Group 2005 HK$
Within 90 days	**3,390,559**	11,974,971

11. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$	*HK$*
Within 90 days	**38,132,629**	49,888,727
Between 91 and 180 days	**849,474**	1,947,621
Over 180 days	**199,369**	37,520
	39,181,472	51,873,868

The trade payables are non-interest-bearing and are normally settled on terms varying from 60 to 120 days.

12. POST BALANCE SHEET EVENT

A subsidiary 西城（清新）電子有限公司 was incorporated in the People's Republic of China on 29 October 2006 with a registered capital of US$5 million (equivalent to HK$39 million). The first capital injection of US$750,000 (equivalent to HK$5,850,000) was made by the Group on 29 January 2007 and the remaining US$4.25 million (equivalent to HK$33.15 million) will be injected on or before 29 October 2009.

FINANCIAL RESULTS

For the year ended 31 December 2006, the Group's turnover reached HK$392.4 million, representing 1.1% increase over the previous year. Overall gross profit increased from approximately HK$76.8 million in the previous year to approximately HK$79.8 million this year. Profit attributable to equity holders was approximately HK$1.4 million (2005: HK$13.7 million).

Basic earnings per share for the year ended 31 December 2006 amounted to HK0.52 cent (2005: HK5.16 cents) per share.

FINAL DIVIDEND

The directors have resolved not to recommend the payment of a final dividend for the year ended 31 December 2006 (2005: HK0.5 cent per share).

CLOSURE OF REGISTERS

The Register of Members will be closed from Monday, 28 May 2007 to Thursday, 31 May 2007, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for attending the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 25 May 2007.

BUSINESS REVIEW

The Group's core businesses including consumer electronic products and precision parts and components have faced some challenges during the year 2006. Despite the local electronics sector slowed down during the year under review, the Group's total sales turnover of the year under review has increased slightly from the previous year and has achieved another new record level since the incorporation of the Company.

The sales turnover of the consumer electronic products segment of our Group increased by 6.9% from HK$182.3 million of last year to HK$194.9 million this year. As in previous years, the overall growth in sales turnover resulted from a combination of several factors including sales revenue generated by new products, increased turnover to certain existing customers and to the new customers. The sales to the North American market have been growing. Although the total sales turnover to the North American market for the year is below the target level, it has increased by approximately 68% from last year.

The sales turnover of the precision parts and components segment decreased by 4.0% from HK$205.8 million of last year to HK$197.6 million this year. The drop in the sales turnover of this segment is partly caused by the decrease in demand of the local electronics sector. Moreover, during the year, we have ended certain low end products so as to improve the gross profit margin of this segment. As a result, the total sales to both local and the People's Republic of China ("PRC") market decreased by HK$25.6 million from last year. However, we have expanded our marketing activities for the overseas markets and are pleased to report that the sales to overseas customers increased by 35% from HK$49.6 million last year to HK$66.9 million this year.

Similar to the previous years, we have been facing with challenges of escalated production costs in particular the increased workers' wages and appreciation of Reminbi. The segmental results of both of the consumer electronics products and the precision parts and components for the year 2006 are unsatisfactory. The results of the precision parts and components segment decreased from HK$22.2 million for the last year to HK$16.3 million this year. On the other hand, the consumer electronic products segment enhanced its results by HK$2.8 million but still incurred a loss of HK$4.6 million for the current year.

The increases in production costs have led to decrease in gross profit margin of certain existing products. However, we have launched certain new products with better gross profit margin into the market in the second half of year 2006. As a result, the overall gross profit margin of the Group has been improved from 19.8% of last year to 20.3% of the current year.

During the year, we entered into an agreement with a third party for acquiring the land use right of a piece of land in Qingyuan, the PRC. This land use right was acquired for a cash consideration of RMB6.4 million. This piece of land would be used for future expansion of the Group's production facilities.

In June 2006, a USA company (the "Complainant"), that filed a patent infringement complaint against the Company and two of the Company's subsidiaries and then subsequently withdrew its complaints in 2005, filed another patent infringement complaint (the "Complaint") with the United States District Court (the "USDC") against the Company and two of the Company's subsidiaries on the ground as before. In October 2006, the Complainant and the Group have agreed to dismiss the Complaint voluntarily without prejudice (the "Dismissal"). Moreover, it was further agreed that no further action shall be initiated until the earlier of (a) a reexamination of the patents is concluded; (b) a reissue patent is issued or (c) the expiration of eighteen months from the date of the Dismissal. Subsequent to the year end in 2007, the United States Patent and Trademark Office has been requested by a subsidiary of the Company and it has agreed to reexamine the patents that were involved in the Complaint. In the prior year, the Group has sought legal and licensed patent counsel's opinions on the patent infringement as previously claimed by the Complainant and been advised that the features of the Group's weather forecasting products do not infringe the patent rights held by the Complainant.

FUTURE PLAN AND PROSPECT

Though the sales turnover for the year under review has not grown satisfactorily in accordance with our business plan, we strongly believe that our core businesses has room for expansion. We will continue our focus on developing our core businesses and explore opportunities to expand it further.

With the dismissal of the Complaint in the USA, we expect that our sales of consumer electronic products under the licensed brand "HONEYWELL" and our own brands to the North American market will further improve. Moreover, the new products launched in the second half of 2006 have been well accepted by the market and shipment of these new products orders have started since the launch dates. Accordingly, we believe that the results for the consumer electronic product segment will turn around in year 2007.

The products of the precision electronic parts and components segment comprise keypads, synthetic rubber, plastics components and parts, and liquid crystal displays. We have been providing "One Stop Shopping" solution to our customers of the precision electronic parts and components segment in a way that they can procure more than one kind of precision components and parts effectively through us. In order to improve our services to our customers and hence to develop more business opportunities, we have planned to streamline and reorganize the group structure of this segment to meet our mission.

Construction of the new manufacturing facility in Zhongshan, the PRC has progressed smoothly. The construction costs of the new manufacturing facility are in line with our plan and the facility will be completed in the third quarter of 2007. Once the new facility is brought into use after its completion, the expanded production capacity of the precision parts and components segment will provide a strong support to our business growth plan.

Subsequent to the year end in April 2007, the ERP system for the electronic consumer products segment has been implemented. We have also planned to implement an ERP system for the electronics parts and components segment later. With the implementation of the ERP system, our strengthened resources planning, operational efficiency and cost controls would enable us to mitigate partly the impact arising from increased production and operating costs.

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2006.

- Turnover increased by 1.1% from the prior year to HK$392.4 million for the year.

- Gross profit slightly increased by approximately HK$3.0 million from 2005 to approximately HK$79.8 million for the year

- Profit from operating activities before the finance costs was HK$11.5 million, decreased by HK$11.9 million from last financial year

- Finance costs increased by HK$0.3 million from last year to HK$7.9 million

- Profit for the year was approximately HK$1.4 million

In the year under review, sales turnover of the precision parts and components segment has decreased by approximately 4.0% as compared with the previous financial year. On the other hand, the consumer electronic product segment has achieved approximately 6.9% increase in sales turnover from the previous year.

The Group's overall gross profit has improved by approximately 3.9% from the previous year.

The Group's finance costs increased to HK$7.9 million from the prior year due to the increased market interest rate and the Group's borrowings.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The total borrowings from banks and financial institutions include long term loans, finance leases, overdraft, import and export loans, amounted to approximately HK$77.0 million as at 31 December 2006, of which HK$60.5 million is repayable in 2007.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash and cash equivalents of the Group amounted to approximately HK$41.6 million.

The Group's borrowings are on a floating rate basis and are mainly denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts it business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to total assets as at 31 December 2006 is 52.7% (2005: 55.6%).

CHARGE ON THE GROUP ASSETS

As at 31 December 2006, none of the bank borrowings are secured by charges over the Group's assets.

CONTINGENT LIABILITIES

Except for corporate guarantees given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company has no other contingent liabilities as at the balance sheet date.

CAPITAL STRUCTURE

As at 31 December 2006, the Company had approximately 265.5 million shares in issue with total shareholders' fund of the Group amounting to approximately HK$136.6 million.

Pursuant to the share option scheme of the, the Board of Directors granted share options to certain supplier of services, senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 3.2 million additional shares and proceeds of approximately HK$0.81 million.

FUND RAISING

Other than obtaining additional general banking facilities to finance the Group's trading requirements, we arranged an instalment loan of HK$25 million with one of our principal bankers during the year 2006 for financing the construction of the new manufacturing facility in Zhongshan, the PRC.

EMPLOYEES

As at 31 December 2006, the Group had a total workforce of approximately 3,400 of which approximately 90 were based in Hong Kong, approximately 15 were based overseas and approximately 3,295 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to the employees of the Group.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group has operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code of Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules), throughout the year ended 31 December 2006 except for the deviation in respect of the separation of the roles of chairman and chief executive officer. Further information will also be included in the 2006 Annual Report.

REVIEW OF FINANCIAL STATEMENTS

The Audit committee has reviewed the Group's 2006 final results before they were tabled for the Board's review and approval.

By order of the Board
LAI PEI WOR
Chairman

Hong Kong, 24 April 2007

As at the date of this announcement, the Board comprises Messrs. Lai Pei Wor, Chan Yau Wah and Chung Yik Cheung, Raymond (being executive directors) and Messrs. Kung Fan Cheong, Leung Man Kay and Li Yuen Kwan, Joseph (being independent non-executive directors).

Please also refer to the published version of this announcement in The Standard.