



# SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 724)

## FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the “Directors”) is pleased to present the audited consolidated financial statements of Sino-Tech International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2007, together with comparative figures for the year ended 31 December 2006 as follows:

### CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		2007	2006
	Notes	HK\$'000	HK\$'000
Turnover	3	795,909	636,237
Cost of sales		(662,766)	(505,839)
Gross profit		133,143	130,398
Other income		8,692	10,370
Distribution costs		(12,335)	(13,655)
Administrative expenses		(39,208)	(41,131)
Other expenses		(3,589)	(9,102)
Finance costs	4	(86)	(77)
Profit before taxation	5	86,617	76,803
Taxation	6	(16,132)	(14,606)
Profit for the year attributable to equity holders of the Company		70,485	62,197
Dividends	7	9,494	24,525
Earnings per share (in Hong Kong cents):	8		
Basic		1.86	1.73
Diluted		1.76	1.73

\* For identification purpose only

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>102,354</b>	99,313
Prepaid lease payments		<b>1,628</b>	1,554
Other intangible assets		<b>632</b>	1,031
Interest in a jointly controlled entity		<b>(1,435)</b>	(1,928)
Deposits for acquisition of property, plant and equipment		<b>16,364</b>	1,556
		<hr/> <b>119,543</b>	<hr/> 101,526
Current assets			
Inventories		<b>159,489</b>	156,394
Trade and bills receivables	9	<b>207,608</b>	157,345
Prepaid lease payments		<b>39</b>	36
Prepayments, deposits and other receivables		<b>29,467</b>	7,458
Bank balances and cash		<b>59,374</b>	86,588
		<hr/> <b>455,977</b>	<hr/> 407,821
Current liabilities			
Trade and bills payables	10	<b>113,207</b>	104,421
Other payables and accruals		<b>22,028</b>	16,582
Tax payable		<b>9,902</b>	5,329
Obligations under finance leases – due within one year		<b>474</b>	273
		<hr/> <b>145,611</b>	<hr/> 126,605
Net current assets		<hr/> <b>310,366</b>	<hr/> 281,216
Total assets less current liabilities		<hr/> <b>429,909</b>	<hr/> 382,742

	<b>2007</b>	2006
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Obligations under finance leases		
– due after one year	<b>885</b>	526
Employee benefits	<b>394</b>	437
Deferred tax liabilities	<b>10,285</b>	11,606
	<u><b>11,564</b></u>	<u>12,569</u>
	<u><b>418,345</b></u>	<u>370,173</u>
<b>Capital and reserves</b>		
Share capital	<b>37,975</b>	37,975
Reserves	<b>380,370</b>	332,198
	<u><b>418,345</b></u>	<u>370,173</u>
Equity attributable to equity holders of the Company	<b>418,345</b>	370,173
Minority interests	<u>–</u>	<u>–</u>
	<u><b>418,345</b></u>	<u>370,173</u>

NOTES :

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1st January 2007. The adoption of the new HKFRSs has no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Cost <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC)-INT 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC)-INT 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-INT 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

### **3. TURNOVER AND SEGMENT INFORMATION**

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment, and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products. Details of the business segments are as follows:

- a) Electronic product segment engages in the manufacture and trading of electronic and electrical parts and components.
- b) Lighter product segment engages in the design, manufacture and sale of cigarette lighters and related accessories.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(a) *Business segments*

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

For the year ended 31 December:

	Electronic products		Lighter products		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	658,777	503,416	137,132	132,821	795,909	636,237
Other income	1,368	914	6,650	8,310	8,018	9,224
Total segment revenue	<u>660,145</u>	<u>504,330</u>	<u>143,782</u>	<u>141,131</u>	<u>803,927</u>	<u>645,461</u>
Segment results	<u>89,885</u>	<u>78,409</u>	<u>(2,062)</u>	<u>(1,136)</u>	<u>87,823</u>	<u>77,273</u>
Unallocated corporate income					674	1,146
Net unallocated expenses					(1,794)	(1,539)
Finance costs					(86)	(77)
Profit before taxation					86,617	76,803
Taxation					(16,132)	(14,606)
Profit for the year					<u>70,485</u>	<u>62,197</u>

	Electronic products		Lighter products		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December:						
Segment assets	<b>457,432</b>	368,090	<b>59,717</b>	56,334	<b>517,149</b>	424,424
Interest in a jointly controlled entity	–	–	<b>(1,435)</b>	(1,928)	<b>(1,435)</b>	(1,928)
Unallocated assets					<b>59,806</b>	86,851
Total assets					<b>575,520</b>	<b>509,347</b>
Segment liabilities	<b>114,659</b>	98,598	<b>20,128</b>	22,355	<b>134,787</b>	120,953
Unallocated liabilities					<b>22,388</b>	18,221
Total liabilities					<b>157,175</b>	<b>139,174</b>
For year ended 31 December:						
Other segment information:						
Capital expenditures	<b>17,958</b>	23,529	<b>5,523</b>	962	<b>23,481</b>	24,491
Depreciation and amortisation	<b>16,260</b>	11,760	<b>5,086</b>	5,086	<b>21,346</b>	16,846
Write-down of inventories	<b>536</b>	213	–	1,300	<b>536</b>	1,513
Impairment on trade receivables	<b>1,918</b>	–	<b>1,059</b>	7,042	<b>2,977</b>	7,042
Written off of trade receivables	–	237	<b>612</b>	1,823	<b>612</b>	2,060
Reversal of impairment on trade receivables	–	368	<b>1,250</b>	77	<b>1,250</b>	445
Loss on disposal of property, plant and equipment	–	–	<b>28</b>	2,390	<b>28</b>	2,390

(b) *Geographical segments*

The following tables present revenue and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Asia Pacific		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December										
Segment revenue:										
Sales to external customers	<b>200,147</b>	182,027	<b>439,661</b>	316,122	<b>81,749</b>	79,299	<b>74,352</b>	58,789	<b>795,909</b>	636,237
Other income	<b>6,948</b>	8,135	<b>151</b>	902	-	-	<b>919</b>	187	<b>8,018</b>	9,224
Total segment revenue	<b>207,095</b>	190,162	<b>439,812</b>	317,024	<b>81,749</b>	79,299	<b>75,271</b>	58,976	<b>803,927</b>	645,461
Other segment information:										
At 31 December										
Segment assets	<b>312,697</b>	251,563	<b>261,107</b>	255,834	<b>1,716</b>	1,950	-	-	<b>575,520</b>	509,347
For the year ended 31 December										
Capital expenditures	<b>1,313</b>	1,863	<b>22,168</b>	22,628	-	-	-	-	<b>23,481</b>	24,491

The contribution to profit from operating activities by geographical area is substantially in line with the overall rate of contribution to turnover and, accordingly, a geographical analysis of contribution, which is discloseable pursuant to the Listing Rules is not presented.



#### 4. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on:		
Bank borrowings repayable within one year or on demand	–	18
Finance leases	<b>86</b>	59
	<u>86</u>	<u>77</u>

#### 5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of inventories sold	<b>662,766</b>	505,839
Staff costs	<b>22,768</b>	26,549
Depreciation of property, plant and equipment		
– Owned	<b>20,146</b>	15,793
– Leased	<b>700</b>	443
Amortisation of other intangible assets	<b>461</b>	574
Amortisation of prepaid lease payments	<b>39</b>	36
Auditors' remuneration	<b>680</b>	469
Write-down of inventories	<b>536</b>	1,513
Exchange losses, net	–	46
Share-based payment ( <i>note</i> )	–	7,748
Impairment on trade receivables	<b>2,977</b>	7,042
Written off of trade receivables	<b>612</b>	2,060
Loss on disposal of property, plant and equipment	<b>28</b>	2,390

*Note:* Share-based payment for the year ended 31 December 2006 included an amount of approximately HK\$2,326,000 to employees of the Group and was included in the disclosure of total staff costs of the Group.

## 6. TAXATION

The amount of taxation in the consolidated income statement represents:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax – provision for Hong Kong Profits Tax		
– tax for the year	16,758	13,473
– underprovision in respect of prior years	695	565
	<u>17,453</u>	<u>14,038</u>
Current tax – overseas		
– under-provision in respect of prior years	–	7
Deferred tax	(1,321)	561
	<u>16,132</u>	<u>14,606</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 7. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend of HK\$0.015 (2006: HK\$0.015) per share (without adjusted for the effect of the share subdivision of December 2007)	5,696	5,696
Proposed final dividend of HK\$0.001 per share (2006: HK\$0.045 per share (without adjusted for the effect of the share subdivision of December 2007))	3,798	17,089
Additional prior year's dividend paid on private placements subsequent to the issue of the annual report	–	1,740
	<u>9,494</u>	<u>24,525</u>

The Directors recommended a final dividend of HK\$0.001 per share (2006: HK\$0.045 per share (without adjusted for the effect of the share subdivision of December 2007)). This proposed dividend is not reflected as a dividend payable at 31 December 2007, but is reflected as an appropriation of accumulated profits for the year ended 31 December 2007.

This final dividend per share has been recommended by the Directors of the Company and is subject to approval by the shareholders in annual general meeting.

## 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders of the Company for the year of approximately HK\$70,485,000 (2006: HK\$62,197,000) and the following data:

Weighted average number of ordinary shares for the calculation of diluted earnings per share:

	<b>2007</b>	2006
	<i>Number of shares</i>	<i>Number of shares</i>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the calculation of basic earnings per share	<b>3,797,500</b>	3,592,510
Effect of deemed issue of shares under the Company's share option scheme for the year	<b>206,229</b>	860
	<hr/>	<hr/>
Weighted average number of ordinary shares for the calculation of diluted earnings per share	<b><u>4,003,729</u></b>	<b><u>3,593,370</u></b>

*Note:* The weighted average numbers of ordinary shares for the purpose of basic earnings per share and diluted earnings per share for both years have been adjusted for the share subdivision on 19 December 2007.

## 9. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 120 days to its trade customers. The following is an aged analysis of trade and bills receivables net of impairment at the balance sheet date:

	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>203,160</b>	143,313
4-6 months	<b>3,207</b>	7,915
7-12 months	<b>1,241</b>	5,752
13-24 months	–	316
Over 24 months	–	49
	<hr/>	<hr/>
	<b><u>207,608</u></b>	<b><u>157,345</u></b>

## 10. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet date:

	<b>2007</b>	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<b>68,960</b>	72,930
4-6 months	<b>20,233</b>	14,304
7-12 months	<b>23,569</b>	17,186
13-24 months	<b>404</b>	1
Over 24 months	<b>41</b>	–
	<hr/>	<hr/>
	<b><u>113,207</u></b>	<b><u>104,421</u></b>

## **RESULT OVERVIEW**

For the financial year 2007, turnover of the Group has risen to approximately HK\$795.9 million from HK\$636.2 million and represented an increase of 25.1% during the year. Net profit attributable to shareholders has increased 13.3% to approximately HK\$70.5 million.

## **DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board recommended the payment of a final dividend of HK0.1 cent per share for the year ended 31 December 2007, subject to the approval by shareholders at the forthcoming Annual General Meeting. This proposed final dividend together with the interim dividend will make a total of HK0.25 cents per share for the financial year 2007.

The register of members of the Company will be closed from 5 June 2008 to 10 June 2008, both days inclusive, during which period no transfer of share will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 4 June 2008.

## **BUSINESS REVIEW**

2007 is a tough but challenging year for all the PRC based manufacturing industry. The business environment remained very difficult for manufacturers especially with the intense labour shortage problem which we are facing together with the continuous increase in wages. The appreciation of Renminbi for more than 7% during the year has also complicated the matter. The Group has successfully stabilized the material cost through bulk purchase to minimize all these adverse impact on the performance for the year 2007 and to focus more on the high margin products for sustaining growth during the year.

The major contributor to the Group's turnover and profit was still the electronic components business segment. During the year 2007, its turnover accounted for HK\$658.8 million (2006: HK\$503.4 million) and the segment profit was HK\$89.9 million (2006: HK\$78.4 million). The strong demand from the electronic consumer products provided great business opportunities for the Group's products. In particular, with the development of quality products, our "ST" brand SMD SOD/SOT series products has experienced a growth of more than 90% during the year 2007 when compared with the year 2006.

Due to severe competition in the lighter business, the segment result was a loss of HK\$2.1 million (2006: loss of HK\$1.1 million) despite turnover for the segment experiencing a slight increase to HK\$137.1 million (2006: HK\$132.8 million). Plastics materials, one of the major components in producing lighters, increased significantly because of the surging global oil price. With the introduction of the New China Labour Law on 1 January 2008, we estimate that the performance of the labour intensive lighter business will be affected significantly, the Group will initiate cost-cutting and business restructuring program for the lighter business segment with a view to reduce the adverse impact in the year 2008.

## **FUTURE OUTLOOK**

The continuous strong demand in consumer electronics goods is an important momentum for the Group's products. With the formal launch of the digital TV broadcasting in Hong Kong and the PRC during 2007 and the up coming 2008 Beijing Olympic Games, a replacement cycle for digital TV has already started which in turn will boost the demand in the electronic components market. In the past few years, the Group has established and strengthened its relationship with many renowned brand manufacturers in the consumer electronics goods industry, we expect the Group, being a major player in the component market, will enjoy the stability in growth in the coming years.

Apart from the established product line, the Group's intention to enter the radio frequency identification (the "RFID") technology industry will start in the year 2008. The RFID tags and inlays production machines have just been shipped from Germany to the PRC, the installation will be completed in April 2008. Training of engineers and pilot run will start in the second quarter 2008, during the first stage of test run, the Group will initially produce tags for its own use especially for in house stock control and counterfeiting purposes. RFID technology is widely applied in product tracking, inventory control and drug authentication which is an inevitable trend in the future, we expect that with the Group's experience in the electronic components market, strong technical support and connection in the semiconductors industry, this new line of products will become another source of contribution in the foreseeable future.

The light emitting diodes ("LED") project has also commenced during the year 2007. The R&D team of the Group is now studying production plan and the machines installation for producing LED with our business counterpart, Harvatek Corporation, a leading manufacturer of surface mount LEDs in Taiwan and whose shares are listed on the Taiwan Stock Exchange. We estimate the pilot run will start in the second half of this year.

In August 2007, a wholly owned subsidiary of the Company has entered into a conditional sale and purchase agreement for an investment in Vietnam. In March 2008, the seller (reference is made to the Company's announcement dated 27 March 2008), Mr. Li, informed the Group to terminate the sale and purchase agreement due to repeatedly delay in meeting schedules by its joint venture partner in Vietnam, the project would be withdrawn by the Vietnamese Government. Mr. Li agreed to return the deposit paid within 3 months from the date of termination. The termination did not change the Group's intention of entering into the booming Vietnam business environment, especially in the mining industry. The Group will search for any other business opportunities to explore this market with the intent to increase the overall shareholders' wealth.

## **FINANCIAL REVIEW**

### **Liquidity, Financial Resources and Capital Structure**

The Group continued to maintain a healthy financial position. The Group does not have any outstanding bank loan nor overdraft as at 31 December 2007 (2006: Nil). The only borrowing refers to finance lease obligation of approximately HK\$1,359,000 (2006: HK\$799,000). The gearing ratio (defined as total interest bearing borrowing divided by shareholder's fund) was 0.32% (2006: 0.22%).

The Group's cash and bank balances amounted to HK\$59.4 million (2006: HK\$86.6 million) and its current ratio at year end dropped slightly from 3.22 to 3.13. The Group generally finances its operations with internally generated cash flows. At the present moment, the Directors believe that the Group has sufficient financial resources to satisfy its current operations and capital expenditures requirement.

### **Charges on Group's Assets**

The Group did not have any asset pledged at the balance sheet date (2006: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE PRACTICE**

The Company has complied throughout the year with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company (the "Model Code"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2007.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2007.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on our website at <http://www.irasia.com/listco/hk/sinotech/index.htm> and the website of the Stock Exchange. The 2007 Annual Report will be dispatched to Shareholders and will be available at the above websites in due course.



## **ACKNOWLEDGEMENTS**

On behalf of the Board, I would like to express my sincere gratitude to my fellow directors, dedicated employees for their commitment and contributions to the Group. I would also take this opportunity to thank all shareholders and business partners for their continued support to the Group.

By Order of the Board

**Lam Yat Keung**

*President*

Hong Kong

15 April 2008

*As at the date of this announcement, the Board comprises Mr. Lam Yat Keung, Ms. Lam Pik Wah and Mr. Lam Hung Kit as executive directors and Mr. Lo Wah Wai, Mr. Ho Chi Fai and Mr. Pai Te Tsun as independent non-executive directors.*