COMPX INTERNATIONAL INC
Form 10-K
February 26, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 – For the fiscal year ended December 31, 2007

Commission file number 1-13905

COMPX INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of Incorporation or organization)	57-0981653 (IRS Employer Identification No.)
5430 LBJ Freeway, Suite 1700, Three Lincoln Centre, Dallas, Texas (Address of principal executive offices)	75240-2697 (Zip Code)
Registrant's telephone number, including area code	(972) 448-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A common stock ($.01 par value per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark:

If the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No S

If the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No S

Whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

If disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. S

Whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act). Large accelerated filer £ Accelerated filer £ Non-accelerated filer S Smaller reporting company £

Whether the Registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No S

The aggregate market value of the 1.8 million shares of voting stock held by nonaffiliates of CompX International Inc. as of June 30, 2007 (the last business day of the Registrant’s most recently completed second fiscal quarter) approximated $32.5 million.

As of February 25 2008, 2,435,160 shares of Class A common stock were outstanding.

Documents incorporated by reference

The information required by Part III is incorporated by reference from the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

PART I

ITEM 1. BUSINESS

General

CompX International Inc. (NYSE:CIX), incorporated in Delaware in 1993, is a leading manufacturer of security products, precision ball bearing slides, and ergonomic computer support systems used in the office furniture, transportation, postal, tool storage, appliance and a variety of other industries. We are also a leading manufacturer of stainless steel exhaust systems, gauges, and throttle controls for the performance marine industry. Our products are principally designed for use in medium to high-end product applications, where design, quality and durability are critical to our customers.

At December 31, 2007, (i) NL Industries, Inc. (NYSE: NL) owned 86% of our outstanding common stock; (ii) Valhi, Inc. (NYSE: VHI) holds approximately 83% of NL's outstanding common stock; and (iii) a subsidiary of Contran Corporation holds approximately 93% of Valhi's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, (for which Mr. Simmons is sole trustee) or is held by Mr. Simmons or persons or other entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control each company and us.

Our corporate offices are located at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240. Our telephone number is (972) 448-1400. We maintain a website at www.compx.com.

Unless otherwise indicated, references in this report to “we”, “us”, or “our” refer to CompX International Inc. and its subsidiaries taken as a whole.

Forward Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Annual Report on Form 10-K that are not historical in nature are forward-looking in nature about our future, and are not statements of historical fact. Such statements are found in this report, including, but not limited to, statements found in Item 1 – "Business," Item 1A – “Risk Factors,” Item 3 - "Legal Proceedings," Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A - "Quantitative and Qualitative Disclosures About Market Risk." These statements are forward-looking statements that represent our beliefs and assumptions based on currently available information. In some cases you can identify these forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology or by discussions of strategies or trends. Although we believe the expectations reflected in forward-looking statements are reasonable, we do not know if these expectations will be correct. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. Among the factors that could cause actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Annual Report and those described from time to time in our other filings with the SEC including, but not limited to, the following:

- Future supply and demand for our products,
- Changes in our raw material and other operating costs (such as steel and energy costs),
- General global economic and political conditions, (such as changes in the level of gross domestic product in various regions of the world),
- Demand for office furniture,

- Service industry employment levels,
- The possibility of labor disruptions,
- Competitive products and prices, including increased competition from low-cost manufacturing sources (such as China),
- Substitute products,
- Customer and competitor strategies,
- Costs and expenses associated with compliance with certain requirements of the Sarbanes-Oxley Act of 2002 relating to the evaluation of our internal control over financial reporting,
- The introduction of trade barriers,
- The impact of pricing and production decisions,
- Fluctuations in the value of the U.S. dollar relative to other currencies (such as the Canadian dollar and New Taiwan dollar),
- Potential difficulties in integrating completed or future acquisitions,
- Decisions to sell operating assets other than in the ordinary course of business,
- Uncertainties associated with new product development,
- Environmental matters (such as those requiring emission and discharge standards for existing and new facilities),
- Our ability to comply with covenants contained in our revolving bank credit facility,
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters,
- The impact of current or future government regulations,
- Possible future litigation,
- Possible disruption of our business or increases in the cost of doing business resulting from terrorist activities or global conflicts,
- Operating interruptions (including, but not limited to labor disputes, leaks, natural disasters, fires, explosions, unscheduled, or unplanned downtime and transportation interruptions); and
- Government laws and regulations and possible changes therein.

Should one or more of these risks materialize or if the consequences worsen, or if the underlying assumptions prove incorrect, actual results could differ materially from those currently forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

Industry Overview

We manufacture components that are sold to a variety of industries including office furniture, recreational transportation (including performance boats), mailboxes, tool boxes, appliances, banking equipment, vending equipment and computers and related equipment. Approximately 32% of our total sales are to the office furniture manufacturing industry, which decreased from 36% in 2006 and 43% in 2005. The decrease in the percentage of sales to the office furniture industry is partially the result of our strategy to diversify our sales in order to strengthen our customer base. We believe that our emphasis on new product development and sales of our products to additional markets has resulted in our potential for higher rates of earnings growth and diversification of risk. See also Item 6 – "Selected Financial Data" and Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Business Segments

We currently have three operating business segments – Security Products, Furniture Components, and Marine Components. For additional information regarding our segments, see “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 2 to our Consolidated Financial Statements.

Manufacturing, Operations, and Products

Security Products. Our Security Products segment, with a manufacturing facility in South Carolina and a facility in Illinois shared with Marine Components, manufactures locking mechanisms and other security products for sale to the postal, transportation, office furniture, banking, vending, and other industries. We believe we are a North American market leader in the manufacture and sale of cabinet locks and other locking mechanisms. Our security products are used in a variety of applications including ignition systems, mailboxes, vending and gaming machines, parking meters, electrical circuit panels, storage compartments, office furniture and medical cabinet security. These products include:

- disc tumbler locks which provide moderate security and generally represent the lowest cost lock to produce;
- pin tumbler locking mechanisms which are more costly to produce and are used in applications requiring higher levels of security, including our KeSet high security system, which allows the user to change the keying on a single lock 64 times without removing the lock from its enclosure; and
- our innovative eLock electronic locks which provide stand alone security and audit trail capability for drug storage and other valuables through the use of a proximity card, magnetic stripe, or keypad credentials.

A substantial portion of our Security Products' sales consist of products with specialized adaptations to individual manufacturer's specifications, some of which are listed above. We also have a standardized product line suitable for many customers which is offered through a North American distribution network with our STOCK LOCKS distribution program to lock distributors and for smaller original equipment manufacturers ("OEMs").

Furniture Components. Our Furniture Components segment, with manufacturing facilities in Canada, Michigan and Taiwan, manufactures a complete line of precision ball bearing slides and ergonomic computer support systems for use in applications such as computer related equipment, tool storage cabinets, imaging equipment, file cabinets, desk drawers, automated teller machines, appliances and other applications. These products include:

- our patented Integrated Slide Lock which allows a file cabinet manufacturer to reduce the possibility of multiple drawers being opened at the same time;
- our patented adjustable Ball Lock which reduces the risk of heavily-filled drawers, such as auto mechanic tool boxes, from opening while in movement;
- our Self-Closing Slide, which is designed to assist in closing a drawer and is used in applications such as bottom mount freezers;
- articulating computer keyboard support arms (designed to attach to desks in the workplace and home office environments to alleviate possible strains and stress and maximize usable workspace), along with our patented LeverLock keyboard arm, which is designed to make ergonomic adjustments to the keyboard arm easier;
- CPU storage devices which minimize adverse effects of dust and moisture; and
- complementary accessories, such as ergonomic wrist rest aids, mouse pad supports and flat screen computer monitor support arms.

Marine Components. Our Marine Components segment, with a manufacturing facility in Wisconsin and a facility in Illinois shared with Security Products, manufactures and distributes marine instruments, hardware and accessories for performance boats. Our specialty marine component products are high performance components designed to operate within precise tolerances in the highly corrosive marine environment. These products include:

- original equipment and aftermarket stainless steel exhaust headers, exhaust pipes, mufflers, other exhaust components and billet accessories; and
- high performance gauges and related components such as GPS speedometers, throttles, controls, tachometers and panels.

Our business segments operated six manufacturing facilities at December 31, 2007 including one facility in Grayslake, Illinois that houses operations relating to Security Products and Marine Components. For additional information, see also "Item 2 – Properties", including information regarding leased and distribution-only facilities.

Security Products	Furniture Components	Marine Components
Mauldin, SC	Kitchener, Ontario	Neenah, WI
Grayslake, IL	Byron Center, MI	Grayslake, IL
	Taipei, Taiwan	

Raw Materials

Our primary raw materials are:

- zinc (used in the Security Products segment for the manufacture of locking mechanisms);
- coiled steel (used in the Furniture Components segment for the manufacture of precision ball bearing slides and ergonomic computer support systems);
- stainless steel (used in the Marine Components segment for the manufacture of exhaust headers and pipes and other components; and
- plastic resins (used primarily in the Furniture Components segment for injection molded plastics in the manufacturer of ergonomic computer support systems).

These raw materials are purchased from several suppliers and are readily available from numerous sources.

We occasionally enter into raw material arrangements to mitigate the short-term impact of future increases in raw material costs. While these arrangements do not necessarily commit us to a minimum volume of purchases, they generally provide for stated unit prices based upon achievement of specified purchase volumes. We utilize purchase arrangements to stabilize our raw material prices provided we meet the specified minimum monthly purchase quantities. Raw materials purchased outside of these arrangements are sometimes subject to unanticipated and sudden price increases. Due to the competitive nature of the markets served by our products, it is often difficult to recover all increases in raw material costs through increased product selling prices or raw material surcharges. Consequently, overall operating margins can be affected by raw material cost pressures. Steel and zinc prices are cyclical, reflecting overall economic trends and specific developments in consuming industries and are currently at historically high levels.

Patents and Trademarks

We hold a number of patents relating to our component products, certain of which are believed to be important to us and our continuing business activity. Patents generally have a term of 20 years, and our patents have remaining terms ranging from less than one year to 15 years at December 31, 2007. Our major trademarks and brand names include:

Furniture Components	Security Products	Marine Components
CompX Precision Slides®	CompX Security Products®	Custom Marine®
CompX Waterloo®	National Cabinet Lock®	Livorsi Marine®
CompX ErgonomX®	Fort Lock®	CMI Industrial Mufflers™
CompX DurISLide®	Timberline®	Custom Marine Stainless Exhaust™
Dynaslide®	Chicago Lock®	The #1 Choice in Performance Boating®
Waterloo Furniture Components Limited®	STOCK LOCKS®	Mega Rim™
	KeSet®	Race Rim™
	TuBar®	CompX Marine™
	ACE II®	

Sales, Marketing and Distribution.

We sell components directly to large OEM customers through our factory-based sales and marketing professionals and engineers working in concert with field salespeople and independent manufacturers' representatives. We select manufacturers' representatives based on special skills in certain markets or relationships with current or potential customers.

A significant portion of our sales are also made through distributors. We have a significant market share of cabinet lock sales as a result of the locksmith distribution channel. We support our distributor sales with a line of standardized products used by the largest segments of the marketplace. These products are packaged and merchandised for easy availability and handling by distributors and end users. Due to our success with the STOCK LOCKS inventory program within the Security Products segment, similar programs have been implemented for distributor sales of ergonomic computer support systems within the Furniture Components segment.

In 2007, our ten largest customers accounted for approximately 31% of our total sales; however, no one customer accounted for sales of 10% or more in 2007. Of the 31%, 13% was related to Security Products and 18% was related to Furniture Components. Overall, our customer base is diverse and the loss of any single customer would not have a material adverse effect on our operations.

Competition

The markets in which we participate are highly competitive. We compete primarily on the basis of product design, including ergonomic and aesthetic factors, product quality and durability, price, on-time delivery, service and technical support. We focus our efforts on the middle and high-end segments of the market, where product design, quality, durability and service are valued by the customer.

Our Marine Components segment competes with small domestic manufacturers and is minimally affected by foreign competitors. Our Security Products and Furniture Components segments compete against a number of domestic and foreign manufacturers. Suppliers, particularly Asian based furniture component suppliers, have put intense price pressure on our products. In some cases, we have lost sales to these lower cost manufacturers. We have responded by

- shifting the manufacture of some products to our lower cost facilities,
- working to reduce costs and gain operational efficiencies through workforce reductions and lean process improvements in all of our facilities, and
- by working with our customers to be their value-added supplier of choice by offering customer support services which Asian based suppliers are generally unable to provide.

International Operations

We have substantial operations and assets located outside the United States, principally Furniture Component operations in Canada and Taiwan. The majority of our 2007 non-U.S. sales are to customers located in Canada. These operations are subject to, among other things, currency exchange rate fluctuations. Our results of operations have in the past been both favorably and unfavorably affected by fluctuations in currency exchange rates. Political and economic uncertainties in certain of the countries in which we operate may expose us to risk of loss. We do not believe that there is currently any likelihood of material loss through political or economic instability, seizure, nationalization or similar event. We cannot predict, however, whether events of this type in the future could have a material effect on our operations. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 7A – "Quantitative and Qualitative Disclosures About Market Risk" and Note 1 to the Consolidated Financial Statements.

Regulatory and Environmental Matters

Our operations are subject to federal, state, local and foreign laws and regulations relating to the use, storage, handling, generation, transportation, treatment, emission, discharge, disposal, remediation of and exposure to hazardous and non-hazardous substances, materials and wastes ("Environmental Laws"). Our operations also are subject to federal, state, local and foreign laws and regulations relating to worker health and safety. We believe that we are in substantial compliance with all such laws and regulations. To date, the costs of maintaining compliance with such laws and regulations have not significantly impacted our results. We currently do not anticipate any significant costs or expenses relating to such matters; however, it is possible future laws and regulations may require us to incur significant additional expenditures.

Employees

As of December 31, 2007, we employed the following number of people:

United States	636
Canada(1)	259
Taiwan	134
Total	1,029

(1) Approximately 75% of our Canadian employees are represented by a labor union covered by a collective bargaining agreement that expires in January 2009 which provides for annual wage increases from 1% to 2.5% over the term of the contract. We believe our labor relations are good at all of our facilities.

Available Information

Our fiscal year ends December 31. We furnish our stockholders with annual reports containing audited financial statements. In addition, we file annual, quarterly and current reports, proxy and information statements and other information with the SEC. We also make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments thereto, available free of charge through our website at www.compx.com as soon as reasonably practical after they have been filed with the SEC. We also provide to anyone, without charge, copies of such documents upon written request. Requests should be directed to the attention of the Corporate Secretary at our address on the cover page of this Form 10-K.

Additional information, including our Audit Committee Charter, our Code of Business Conduct and Ethics and our Corporate Governance Guidelines, can also be found on our website. Information contained on our website is not a part of this Annual Report.

The general public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F. Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. We are an electronic filer. The SEC maintains an Internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including us.

Item 1A. RISK FACTORS

Listed below are certain risk factors associated with us and our businesses. In addition to the potential effect of these risk factors discussed below, any risk factor which could result in reduced earnings or operating losses, or reduced liquidity, could in turn adversely affect our ability to service our liabilities or pay dividends on our common stock or adversely affect the quoted market prices for our securities.

Many of the markets in which we operate are mature and highly competitive resulting in pricing pressure and the need to continuously reduce costs.

Many of the markets we serve are highly competitive, with a number of competitors offering similar products. We focus our efforts on the middle and high-end segment of the market where we feel that we can compete due to the importance of product design, quality and durability to the customer. However, our ability to effectively compete is impacted by a number of factors. The occurrence of any of these factors could result in reduced earnings or operating losses.

- Competitors may be able to drive down prices for our products because their costs are lower than our costs, especially those sourced from Asia.
- Competitors' financial, technological and other resources may be greater than our resources, which may enable them to more effectively withstand changes in market conditions.
- Competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements.
- Consolidation of our competitors or customers in any of the markets in which we compete may result in reduced demand for our products.
- New competitors could emerge by modifying their existing production facilities to manufacture products that compete with our products.
- Our ability to sustain a cost structure that enables us to be cost-competitive.
- Our ability to adjust costs relative to our pricing.
- Customers may no longer value our product design, quality or durability over lower cost.

Sales for certain precision slides and ergonomic products are concentrated in the office furniture industry, which has periodically experienced significant reductions in demand that could result in reduced earnings or operating losses.

Sales of our products to the office furniture manufacturing industry accounted for approximately 32%, 36% and 43% for 2007, 2006 and 2005, respectively. The future growth, if any, of the office furniture industry will be affected by a variety of macroeconomic factors, such as service industry employment levels, corporate cash flows and non-residential commercial construction, as well as industry factors such as corporate reengineering and restructuring, technology demands, ergonomic, health and safety concerns and corporate relocations. There can be no assurance that current or future economic or industry trends will not materially and adversely affect our business.

Our failure to enter into new markets with our current businesses would result in the continued significant impact of fluctuations in demand within the office furniture manufacturing industry on our operating results.

In an effort to reduce our dependence on the office furniture market for certain products and to increase our participation in other markets, we have been devoting resources to identifying new customers and developing new applications for those products in markets outside of the office furniture industry, such as home appliances and tool boxes. Developing these new applications for our products involves substantial risk and uncertainties due to our limited experience with customers and applications in these markets as well as facing competitors who are already established in these markets. We may not be successful in developing new customers or applications for our products outside of the office furniture industry. Significant time may be required to develop new applications and uncertainty exists as to the extent to which we will face competition in this regard.

Our development of new products as well as innovative features for current products is critical to sustaining and growing our sales.

Historically, our ability to provide value-added custom engineered products that address requirements of technology and space utilization has been a key element of our success. The introduction of new products and features requires the coordination of the design, manufacturing and marketing of the new products with current and potential customers. The ability to coordinate these activities with current and potential customers may be affected by factors beyond our control. While we will continue to emphasize the introduction of innovative new products that target customer-specific opportunities, there can be no assurance that any new products we introduce will achieve the same degree of success that we have achieved with our existing products. Introduction of new products typically requires us to increase production volume on a timely basis while maintaining product quality. Manufacturers often encounter difficulties in increasing production volumes, including delays, quality control problems and shortages of qualified personnel or raw materials. As we attempt to introduce new products in the future, there can be no assurance that we will be able to increase production volume without encountering these or other problems, which might negatively impact our financial condition or results of operations.

Recent and future acquisitions could subject us to a number of operational risks.

A key component of our strategy is to grow and diversify our business through acquisitions. Our ability to successfully execute this component of our strategy entails a number of risks, including:

- the identification of suitable growth opportunities;
- an inaccurate assessment of acquired liabilities that were undisclosed or not properly disclosed;
- the entry into markets in which we may have limited or no experience;
- the diversion of management's attention from our core businesses;
- the potential loss of key employees or customers of the acquired businesses;
- difficulties in realizing projected efficiencies, synergies and cost savings; and
- an increase in our indebtedness and a limitation in our ability to access additional capital when needed.

Higher costs of our raw materials may decrease our liquidity.

Certain of the raw materials used in our products are commodities that are subject to significant fluctuations in price in response to world-wide supply and demand. Coiled steel is the major raw material used in the manufacture of precision ball bearing slides and ergonomic computer support systems. Plastic resins for injection molded plastics are also an integral material for ergonomic computer support systems. Zinc is a principal raw material used in the manufacture of security products. Stainless steel tubing is the major raw material used in the manufacture of marine exhaust systems. These raw materials are purchased from several suppliers and are generally readily available from numerous sources. We occasionally enter into raw material supply arrangements to mitigate the short-term impact of future increases in raw material costs. Materials purchased outside of these arrangements are sometimes subject to unanticipated and sudden price increases. Should our vendors not be able to meet their contractual obligations or should we be otherwise unable to obtain necessary raw materials, we may incur higher costs for raw materials or may be required to reduce production levels, either of which may decrease our liquidity as we may be unable to offset the higher costs with increased selling prices for our products.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in approximately 1,000 square feet of leased space at 5430 LBJ Freeway, Dallas, Texas 75240. The following table sets forth the location, size, business operating segment and general product types produced for each of our operating facilities.

Facility Name	Business Segment	Location	Size (square feet)	Products Produced
Owned Facilities:				
Waterloo(1)	FC	Kitchener, Ontario	276,0000	Slides/ergonomic products
Durislide(1)	FC	Byron Center, MI	143,0000	Slides
National (1)	SP	Mauldin, SC	198,0000	Security products
Dynaslide(2)	FC	Taipei, Taiwan	45,5000	Slides
Custom(2)	MC	Neenah, WI	95,0000	Specialty marine products
Grayslake(1)	SP/MC	Grayslake, IL	120,0000	Security products/specialty marine products
Leased Facilities:				
Dynaslide	FC	Taipei, Taiwan	36,0000	Slides
Dynaslide	FC	Taipei, Taiwan	22,0000	Slides
Distribution Center	SP/FC/MC	Rancho Cucamonga, CA	12,0000	Product distribution

FC – Furniture Components business segment
SP – Security Products business segment
MC – Marine Components business segment
(1) ISO-9001 registered facilities
(2) ISO-9002 registered facilities

We believe all of our facilities are well maintained and satisfactory for their intended purposes. During 2007, we built a larger facility at the site of our Marine Components subsidiary, Livorsi Marine, in Grayslake, Illinois. We moved two of our Security Products operations to the new facility during the third and fourth quarters of 2007. One of the vacated properties was sold in 2006 and the other is currently held for sale.

ITEM 3. LEGAL PROCEEDINGS

We are involved, from time to time, in various environmental, contractual, product liability, patent (or intellectual property) and other claims and disputes incidental to our business. Currently no material environmental or other material litigation is pending or, to our knowledge, threatened. We currently believe that the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Common Stock and Dividends. Our Class A common stock is listed and traded on the New York Stock Exchange (symbol: CIX). As of February 25, 2008, there were approximately 18 holders of record of CompX Class A common stock. The following table sets forth the high and low closing sales prices per share for our Class A common stock for the periods indicated, according to Bloomberg, and dividends paid during each period. On February 25, 2008, the closing price per share of our Class A common stock according to Bloomberg was $10.08.

	High	Low	Dividends paid
Year ended December 31, 2006			
First Quarter	$ 18.36	$ 14.62	$ .125
Second Quarter	17.90	15.25	.125
Third Quarter	17.66	15.44	.125
Fourth Quarter	20.50	14.89	.125
Year ended December 31, 2007			
First Quarter	$ 20.44	$ 15.19	$ .125
Second Quarter	20.37	16.00	.125
Third Quarter	20.87	14.23	.125
Fourth Quarter	20.13	12.05	.125
January 1, 2008 through February 25, 2008	$ 14.14	$ 8.94	-

We paid regular quarterly dividends of $.125 per share during 2006 and 2007. In February of 2008, our board of directors declared a first quarter 2008 dividend of $.125 per share, to be paid on March 21, 2008 to CompX shareholders of record as of March 11, 2008. However, declaration and payment of future dividends and the amount thereof, if any, is discretionary and is dependent upon our results of operations, financial condition, cash requirements for our businesses, contractual requirements and restrictions and other factors deemed relevant by our board of directors. The amount and timing of past dividends is not necessarily indicative of the amount or timing of any future dividends which we might pay. In this regard, our revolving bank credit facility places certain restrictions on the payment of dividends. We are limited to (i) a $.125 per share quarterly dividend, not to exceed $8.0 million in any calendar year, plus (ii) $20.0 million plus 50% of net income since September 30, 2005 over the term of the credit facility.

Performance Graph. Set forth below is a line graph comparing the yearly change in our cumulative total stockholder returns on our Class A common stock against the cumulative total return of the Russell 2000 Index and an index of a self-selected peer group of companies for the period from December 31, 2002 through December 31, 2007. The peer group index is comprised of The Eastern Company and Leggett & Platt Inc. The graph shows the value at December 31 of each year assuming an original investment of $100 at December 31, 2002 and reinvestment of dividends.

	December 31,					
	2002	2003	2004	2005	2006	2007
CompX International Inc.	$ 100	$ 78	$ 203	$ 203	$ 263	$ 196
Russell 2000 Index	100	147	174	182	216	212
Peer Group	100	99	133	111	119	91

Equity compensation plan information. We have an equity compensation plan, which was approved by our stockholders, which provides for the discretionary grant to our employees and directors of, among other things, options to purchase our Class A common stock and stock awards. As of December 31, 2007, there were 349,000 options outstanding to purchase shares of our common stock, and approximately 673,000 shares of our Class A common stock were available for future grant or issuance. We do not have any equity compensation plans that were not approved by our stockholders. See Note 8 to the Consolidated Financial Statements.

Treasury Stock Purchases. In August 2007, our board of directors authorized the repurchase of up to 500,000 shares of our Class A common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. This authorization was in addition to the 467,000 shares of Class A common stock that remained available at the close of business on August 9, 2007 for repurchase under prior authorizations of our board of directors. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We will use cash on hand to acquire the shares. Repurchased shares will be added to our treasury and cancelled. See Note 8 to the Consolidated Financial Statements.

The following table discloses certain information regarding the shares of our common stock we purchased during the fourth quarter of 2007 (there were no purchases during December 2007). All of these purchases were made under the repurchase program in open market transactions, except for the net 2.7 million shares we repurchased and/or cancelled in a related party transaction as discussed in Note 12 to the Consolidated Financial Statements.

Period	Total number of shares purchased	Average price paid per share, including commissions	Total number of shares purchased as part of a publicly-announced plan	Maximum number of shares that may yet be purchased under the publicly-announced plan at end of period
October 1, 2007 to October 31, 2007	2,715,520	$ 19.50	19,100	850,400
November 1, 2007 to November 30, 2007	46,000	$ 16.14	46,000	804,400
	2,761,520		65,100	

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our Consolidated Financial Statements and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our operations are comprised of a 52 or 53-week fiscal year. 2004 was a 53-week year, all other years shown are 52-week years.

	Years ended December 31,				
	2003	2004	2005	2006	2007
	($ in millions, except per share data)				
Statements of Operations Data:					
Net sales	$ 174.0	$ 182.6	$ 186.3	$ 190.1	$ 177.7
Gross Margin	$ 31.1	$ 39.8	$ 43.8	$ 46.5	$ 45.2
Operating income	$ 8.8	$ 15.4	$ 19.1	$ 20.3	$ 15.6
Provision for income taxes	$ 3.4	$ 7.8	$ 18.6	$ 9.7	$ 6.9
Income from continuing operations	$ 5.8	$ 9.5	$ 0.9	$ 11.7	$ 9.0
Discontinued operations	(4.5)	(12.5)	(0.5)	-	-
Net income (loss)	$ 1.3	$ (3.0)	$ 0.4	$ 11.7	$ 9.0
Diluted Earnings Per Share Data:					
Income (loss) from:					
Continuing operations	$ .38	$ .63	$ .06	$ .76	$ .61
Discontinued operations	(.30)	(.83)	(.03)	-	-
	$ .08	$ (.20)	$ .03	$ .76	$ .61
Cash dividends	$ .125	$ .125	$ .50	$ .50	$ .50
Weighted average common shares Outstanding	15.1	15.2	15.2	15.3	14.8
Balance Sheet Data (at year end):					
Cash and other current assets	$ 80.2	$ 78.3	$ 80.8	$ 76.2	$ 68.2
Total assets	210.7	186.3	188.6	192.0	187.7
Current liabilities	24.5	26.0	20.3	17.8	18.9
Long-term debt and note payable to affiliate, including current maturities	26.0	0.1	1.6	-	50.0
Stockholders' equity	154.4	155.3	150.1	153.7	104.1

Statements of Cash Flow Data:

Cash provided by (used in):										
Operating activities	$	24.4	$	30.2	$	20.0	$	27.4	$	11.9
Investing activities		(8.2)		(3.2)		(3.7)		(19.3)		(12.4)
Financing activities		(7.3)		(27.1)		(7.2)		(8.8)		(11.7)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

We are a leading manufacturer of security products, precision ball bearing slides, and ergonomic computer support systems used in the office furniture, transportation, postal, tool storage, home appliance and a variety of other industries. We are also a leading manufacturer of stainless steel exhaust systems, gauges and throttle controls for the performance boat industry.

Operating Income Overview

We reported operating income of $15.6 million in 2007 compared to operating income of $20.3 million in 2006 and $19.1 million in 2005. We improved our product mix in 2007 as compared to 2006 through our emphasis on selling higher margin products and improving our operating efficiency through our continued focus on reducing costs. However, these improvements were more than offset by the unfavorable effects of costs related to the consolidation of three of our northern Illinois facilities into one newly completed facility, the unfavorable effect of relative changes in foreign currency exchange rates, lower sales to the office furniture industry due to competition from lower priced Asian manufacturers and lower order rates from many of our customers due to unfavorable economic conditions, all of which resulted in a net decrease in operating income from 2006 to 2007. We also experienced higher raw material costs in 2006 and 2007, although the unfavorable impact on gross margin was largely mitigated through the implementation of sales price increases on most products that were affected. Our operating income increased from 2005 to 2006 primarily due to a more favorable product mix, the impact of two marine acquisitions, and our on-going focus on reducing costs partially offset by the negative impact of changes in currency exchange rates.

Fluctuations in foreign currency exchange rates positively impacted sales in 2007 as compared to 2006 by $900,000, and negatively impacted operating income by $2.4 million. Fluctuations in foreign currency exchange rates positively impacted sales in 2006 as compared to 2005 by $1.1 million, and negatively impacted operating income by $1.1 million. The impact on net sales is primarily due to the strengthening Canadian dollar in relation to the U.S. dollar. The net impact on operating income primarily results from our Canadian operations, due to the relative increase in costs as a result of the stronger Canadian dollar.

Critical Accounting Policies and Estimates

We have based the accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations" upon our Consolidated Financial Statements. We prepared our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In preparing our Consolidated Financial Statements, we are required to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reported period. On an on-going basis, we evaluate our estimates, including those related to inventory reserves, the recoverability of long-lived assets (including goodwill and other intangible assets) and the realization of deferred income tax assets. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of assets, liabilities, revenues and expenses. Our actual future results might differ from previously-estimated amounts under different assumptions or conditions.

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We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements and are applicable to all of our operating segments:

- Inventory reserves - We provide reserves for estimated obsolete or unmarketable inventories equal to the difference between the cost of inventories and the estimated net realizable value using assumptions about future demand for our products and market conditions. We also consider the age and the quantity of inventory on hand in estimating the reserve. If actual market conditions are less favorable than those we projected, we may be required to recognize additional inventory reserves.

- Long-lived assets - We account for our long-lived assets, in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. We assess property, equipment and capitalized permit costs for impairment only when circumstances indicate an impairment may exist. Our determination is based upon, among other things, our estimates of the amount of future net cash flows to be generated by the long-lived asset and our estimates of the current fair value of the asset. During 2007, we consolidated certain of our operations and no longer utilized one of our owned manufacturing facilities. In November of 2007, this facility and related assets met the criteria for "assets held for sale" and we concluded that the carrying amount of the assets exceeded estimated fair value less costs to sell such assets, which resulted in a loss of $600,000 during the fourth quarter of 2007. See Note 9 to the Consolidated Financial Statements.

  In accordance with SFAS No. 142, Goodwill and other Intangible Assets, we review goodwill for impairment at least annually. We are also required to review goodwill for impairment at other times during each year when impairment indicators, as defined, are present. No goodwill impairments were deemed to exist as a result of our annual impairment review completed during the third quarter of 2007, as the estimated fair value of each reporting unit exceeded the net carrying value of the respective reporting unit. See Notes 1 and 4 to the Consolidated Financial Statements. The estimated fair values of these three reporting units are determined based on discounted cash flow projections.

  Significant judgment is required in estimating cash flows. Considerable management judgment is necessary to evaluate the impact of operating changes and to estimate future cash flows. Assumptions used in our impairment evaluations, such as forecasted growth rates and our cost of capital, are consistent with our internal projections and operating plans.

- Income taxes – Deferred taxes are recognized for future tax effects of temporary differences between financial and income tax reporting in accordance with the recognition criteria of SFAS No. 109, Accounting for Income Taxes. We record a reserve for uncertain tax positions in accordance with FIN No. 48, Accounting for Uncertain Tax Positions for tax positions where we believe it is more-likely-than-not our position will not prevail with the applicable tax authorities. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, it is possible that in the future we may change our estimate of the amount of the deferred income tax assets that would more-likely-than-not be realized in the future resulting in an adjustment to the deferred income tax asset valuation allowance that would either increase or decrease, as applicable, reported net income in the period the change in estimate was made.

  In addition, we make an evaluation at the end of each reporting period as to whether or not some or all of the undistributed earnings of our foreign subsidiaries are permanently reinvested (as that term is defined in GAAP). While we may have concluded in the past that some of the undistributed earnings are permanently reinvested, facts and circumstances can change in the future, and it is possible that a change in facts and circumstances, such as a change in the expectation regarding the capital needs of our foreign subsidiaries, could result in a conclusion that some or all of the undistributed earnings are no longer permanently reinvested. In such an event, we would be required to recognize a deferred income tax liability in an amount equal to the estimated incremental U.S. income tax and withholding tax liability that would be generated if all of the previously-considered permanently reinvested undistributed earnings were distributed to us in the U.S. In this regard, during 2005 we determined that certain of the undistributed earnings of our non-U.S. operations could no longer be considered permanently reinvested, and in accordance with GAAP we recognized an aggregate $9.0 million provision for deferred income taxes on the undistributed earnings of our foreign subsidiaries. See Note 8 to the Consolidated Financial Statements.

- Accruals - We record accruals for environmental, legal and other contingencies and commitments when estimated future expenditures associated with the contingencies become probable, and we can reasonably estimate the amounts of the future expenditures. However, new information may become available to us, or circumstances (such as applicable laws and regulations) may change, thereby resulting in an increase or decrease in the amount we are required to accrue for such matters (and, therefore, a corresponding decrease or increase of our reported net income in the period of such change.)

Results of Operations - 2006 Compared to 2007 and 2005 Compared to 2006

	Years ended December 31,			% Change	
	2005	2006	2007	2005-06	2006-07
	(Dollars in millions)				
Net sales	$ 186.3	$ 190.1	$ 177.7	2%	(7%)
Cost of good sold	142.6	143.6	132.5	1%	(8%)
Gross margin	43.7	46.5	45.2	6%	(3%)
Operating costs and expenses	24.6	26.2	29.6	7%	13%
Operating income	$ 19.1	$ 20.3	$ 15.6	6%	(23%)
Percent of net sales:					
Cost of goods sold	77%	76%	75%		
Gross margin	23%	24%	25%		
Operating costs and expenses	13%	14%	17%		
Operating income	10%	11%	9%		

Net Sales. Net sales decreased in 2007 as compared to 2006 principally due to lower sales of certain products to the office furniture market where Asian competitors have established selling prices at a level below which we consider would return a minimal margin as well as lower order rates from many of our customers due to unfavorable economic conditions, offset in part by the effect of sales price increases for certain products to mitigate the effect of higher raw material costs.

Net sales increased in 2006 as compared to 2005 principally due to new sales volumes generated from the August 2005 and April 2006 acquisitions of two Marine Components businesses, which increased sales by $11.3 million in 2006. Other factors contributing to the increase in sales include sales volume increases in Security Products resulting from improved demand and the favorable effects of currency exchange rates on Furniture Components sales; offset in part by sales volume decreases for certain Furniture Components products due to competition from lower priced Asian manufacturers.

Costs of Goods Sold and Gross Margin. Cost of goods sold as a percentage of net sales decreased from 2006 to 2007, and gross margin percentage increased from the prior year. During 2007, we experienced the favorable effects of an improved product mix and improvements in our operating efficiency through cost reductions partially offset by the unfavorable effect of relative changes in foreign currency exchange rates, lower sales to the office furniture industry due to competition from lower priced Asian manufacturers and lower order rates from many of our customers due to unfavorable economic conditions.

Cost of goods sold decreased as a percentage of net sales in 2006 compared to 2005, and as a result gross margin increased over the same period. The resulting improvement in gross margin was primarily due to an improved product mix, with a decline in lower-margin Furniture Components sales and an increase in sales of higher margin Security and Marine Components products, as well as a continued focus on reducing costs, offset in part by higher raw material costs and the unfavorable effect of changes in currency exchange rates.

Operating Costs and Expenses. Operating costs and expenses consists primarily of salaries, commissions and advertising expenses directly related to product sales, as well as, gains and losses on plant, property and equipment and currency gains and losses. As a percentage of net sales, operating costs and expenses increased from 2006 to 2007 primarily as a result of lower sales volumes, the increase in foreign exchange transaction losses due to the strengthening of the Canadian dollar in relation to the U.S. dollar (a loss increase over 2006 of $1.2 million) as well as costs related to the consolidation of three of our northern Illinois facilities into one newly completed facility of approximately $2.7 million. These costs include abnormal manufacturing costs such as physical move costs, equipment installation, redundant labor and recruiting fees, and an impairment charge of $765,000 for fixed assets no longer in use. Approximately $600,000 of the impairment charge relates to the write-down of our vacated River Grove facility to its estimated net realizable value. See Note 9 to the Consolidated Financial Statements.

Operating costs and expenses as a percentage of net sales were comparable from 2005 to 2006.

Operating Income. Operating income for 2007 decreased $4.7 million, or 23% compared to 2006 and operating margins decreased to 9% in 2007 compared to 11% for 2006. As compared to 2006, in 2007 we improved our product mix through our emphasis on selling higher margin products and continued our focus on improving our operating efficiency by reducing costs. However, these improvements were more than offset by the unfavorable effects of the $2.7 million in costs noted above related to the consolidation of three of our northern Illinois facilities into one newly completed facility, a $2.4 million unfavorable effect of relative changes in foreign currency exchange rates (including the $1.2 million related to foreign exchange transaction losses noted above), lower sales to the office furniture industry due to competition from lower priced Asian manufacturers and lower order rates from many of our customers due to unfavorable economic conditions resulting in a net decrease in operating income from 2006 to 2007.

Operating income for 2006 increased $1.2 million, or 6% compared to 2005 and operating margins increased to 11% in 2006 compared to 10% for 2005. Our operating income increased from 2005 to 2006 primarily due to a more favorable product mix, the impact of two marine acquisitions, and our on-going focus on reducing costs partially offset by the negative impact of changes in currency exchange rates and higher raw material costs.

Currency. Our Furniture Components segment has substantial operations and assets located outside the United States (in Canada and Taiwan). The majority of sales generated from our non-U.S. operations are denominated in the U.S. dollar with the remainder denominated in other currencies, principally the Canadian dollar and the New Taiwan dollar. Most raw materials, labor and other production costs for our non-U.S. operations are denominated primarily in local currencies. Consequently, the translated U.S. dollar values of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect comparability of period-to-period operating results.

Our Furniture Components segment’s net sales were positively impacted while their operating income was negatively impacted by currency exchange rates in the following amounts as compared to the currency exchange rates in effect during the prior year.

	Increase (decrease) – Year ended December 31,		
	2005 vs 2006		2006 vs 2007
Impact on:	(In thousands)		
Net sales	$ 1,138	$	$ 886
Operating income	(1,132)		(2,384)

The positive impact on sales relates to sales denominated in non-U.S. dollar currencies translating into higher U.S. dollar sales due to a strengthening of the local currency in relation to the U.S. dollar. The negative impact on operating income results from the U.S. dollar denominated sales of non-U.S. operations converted into lower local currency amounts due to the weakening of the U.S. dollar. This negatively impacts margin as it results in less local currency generated from sales to cover the costs of non-U.S. operations which are denominated in the local currency.

General

Our profitability primarily depends on our ability to utilize our production capacity effectively, which is affected by, among other things, the demand for our products and our ability to control our manufacturing costs, primarily comprised of labor costs and raw materials such as zinc, copper, coiled steel, stainless steel and plastic resins. Raw material costs represent approximately 49% of our total cost of sales. During 2005, 2006 and 2007, worldwide raw material costs increased significantly. We occasionally enter into raw material supply arrangements to mitigate the short-term impact of future increases in raw material costs. While these arrangements do not necessarily commit us to a minimum volume of purchases, they generally provide for stated unit prices based upon achievement of specified volume purchase levels. This allows us to stabilize raw material purchase prices to a certain extent, provided the specified minimum monthly purchase quantities are met. We enter into such arrangements for zinc, coiled steel and plastic resins. We anticipate further significant changes in the cost of these materials, from their current levels for the next year. Materials purchased on the spot market are sometimes subject to unanticipated and sudden price increases. Due to the competitive nature of the markets served by our products, it is often difficult to recover increases in raw material costs through increased product selling prices or raw material surcharges. Consequently, overall operating margins may be affected by raw material cost pressures.

Other non-operating income (expense), net

As summarized in Note 11 to the Consolidated Financial Statements, “other non-operating income (expense), net” primarily includes interest income and was comparable from 2007 to 2006. Other non-operating income increased in 2006 compared to 2005 primarily due to higher interest rates on invested cash balances resulting in increased interest income.

Interest expense

Interest expense increased approximately $550,000 in 2007 compared to 2006 as a result of financing the October 2007 repurchase and/or cancellation of a net 2.7 million shares of our Class A common stock from an affiliate with a promissory note. We expect interest expense will be higher in 2008 as compared to 2007 due to the issuance of the promissory note. See Notes 9 and 13 to the Consolidated Financial Statements. Interest expense was comparable from 2006 to 2005.

Provision for income taxes

As a member of the Contran Tax Group, we compute our provision for income taxes on a separate company basis, using the tax elections made by Contran. One such election is whether to claim a deduction or a tax credit against U.S. taxable income with respect to foreign income taxes paid. Consistent with elections of the Contran Tax Group, in 2005, 2006 and 2007 we did not claim a credit with respect to foreign income taxes paid but instead we claimed a tax deduction. This resulted in an increase in our effective income tax rate.

Under GAAP, we are required to recognize a deferred income tax liability with respect to the incremental U.S. income taxes (federal and state) and foreign withholding taxes that we would incur when the undistributed earnings of our non-U.S. subsidiaries are subsequently repatriated, unless we determine that those undistributed earnings are permanently reinvested for the foreseeable future. Prior to the third quarter of 2005, we had not recognized a deferred tax liability related to such incremental income taxes on the undistributed earnings of certain of our non-U.S. operations, as those earnings were deemed to be permanently reinvested. GAAP requires us to reassess the permanent reinvestment conclusion on an ongoing basis to determine if our intentions have changed. As of September 30, 2005, and based primarily upon changes in our strategic plans for certain of our non-U.S. operations, we determined that the undistributed earnings of those subsidiaries could no longer be considered to be permanently reinvested except for the pre-2005 earnings in Taiwan. Accordingly, and in accordance with GAAP, in 2005 we recognized an aggregate $9.0

million provision for deferred income taxes on the aggregate undistributed earnings of these non-U.S. subsidiaries.

Our effective income tax rate in 2005, excluding the $9.0 million provision discussed above, decreased from 49% to 45% in 2006 primarily due to the geographic mix of our pre-tax earnings and a $142,000 income tax benefit recorded in 2006 related to the effect of the reduction in the Canadian federal income tax rate and the elimination of the federal surtax on our previously recorded net deferred income tax liability. Our effective income tax rate was comparable at 45% and 44% in 2006 and 2007, respectively. We currently expect our effective income tax rate for 2008 will approximate our effective income tax rate for 2007.

Segment Results

The key performance indicator for our segments is the level of their operating income (see discussion below). For additional information regarding our segments refer to Note 2 to the Consolidated Financial Statements.

Net sales and operating income

	Years ended December 31,			% Change	
	2005	2006	2007	2005 – 2006	2006 – 2007
		(In millions)			
Net sales:					
Security Products	$ 76.7	$ 81.7	$ 80.1	7%	(2%)
Furniture Components	105.5	93.0	81.3	(12%)	(13%)
Marine Components	4.1	15.4	16.3	276%	6%
Total net sales	$ 186.3	$ 190.1	$ 177.7	2%	(7%)
Gross margin:					
Security Products	$ 22.1	$ 23.9	$ 24.1	8%	1%
Furniture Components	20.8	18.9	16.7	(9%)	(12%)
Marine Components	0.9	3.7	4.4	311%	19%
Total gross margin	$ 43.8	$ 46.5	$ 45.2	6%	(3%)
Operating income:					
Security Products	13.1	14.6	12.2	11%	(16%)
Furniture Components	11.0	10.1	8.0	(8%)	(21%)
Marine Components	0.5	0.8	0.8	60%	-
Corporate operating expenses	(5.5)	(5.2)	(5.4)	(5%)	4%
Total operating income	$ 19.1	$ 20.3	$ 15.6	6%	(23%)
Operating income margin:					
Security Products	17%	18%	15%		
Furniture Components	10%	11%	10%		
Marine Components	12%	5%	5%		
Total operating income margin	10%	11%	9%		

Security Products. Security Products net sales decreased 2% to $80.1 million in 2007 compared to $81.7 million in 2006. Gross margin percentage was comparable year over year. Operating income margin percentage decreased in 2007 compared to 2006, which resulted in a 16% decrease in operating income. The margin percentage decrease was primarily due to $2.7 million in costs incurred relating to the consolidation of two of our northern Illinois Security Products facilities into a new facility shared with a Marine Components operation and lower sales volumes resulting from lower order rates from many of our customers due to unfavorable economic conditions.

Security Products net sales increased 7% to $81.7 million in 2006 compared to $76.7 million in 2005. Gross margin percentage and operating income margin percentage in 2006 also improved over 2005 resulting in an 11% increase in operating income from the combined sales growth and margin improvement. The margin percentage increases were the result of a more favorable product mix and the leveraging of the fixed cost structure over higher net sales.

Furniture Components. Furniture Components net sales decreased 13% to $81.3 million in 2007 from $93.0 million in 2006, primarily due to lower sales volumes to the office furniture industry where, for certain products Asian competitors have established selling prices at a level below which we consider would return a minimal margin and the effect of lower order rates from many of our customers due to unfavorable economic conditions. Gross margin percentage increased slightly in 2007 compared to 2006 due to an improved product mix from the replacement of high volume, low margin products sales lost to Asian competitors with lower volume, higher margin sales and a reduction of operating costs, lower depreciation expense and improvements in operational efficiencies through workforce reductions and process improvements.

Furniture Components net sales decreased 12% to $93.0 million in 2006 from $105.5 million in 2005. However, operating income margin declined only $900,000 due to reductions in operating costs and improvements in operational efficiencies through workforce reductions and process improvements, and an improved product mix from the replacement of high volume, low margin products sales lost to Asian competitors with lower volume, higher margin sales.

Marine Components. Marine Components net sales increased in 2007 from 2006 and in 2006 from 2005 due to the impact of acquisitions. We acquired an initial Marine Components company in August 2005 with an additional acquisition occurring in April 2006. Operating income increased in 2006 from 2005 as the result of the acquisitions and was comparable from 2006 to 2007.

Outlook

Demand is slowing across most product segments as customers react to the condition of the overall economy. Asian sourced competitive pricing pressures are expected to continue to be a challenge for us as Asian manufacturers, particularly those located in China, gain share in certain markets. We believe the impact of this environment will be mitigated through our on-going initiatives to expand both new products and new market opportunities. Our strategy in responding to the competitive pricing pressure has included reducing production costs through product reengineering, improving manufacturing processes through lean manufacturing techniques and moving production to lower-cost facilities, including our own Asian-based manufacturing facilities. In addition, we continue to develop sources for lower cost components for certain product lines to strengthen our ability to meet competitive pricing when practical. We also emphasize and focus on opportunities where we can provide value-added customer support services that Asian-based manufacturers are generally unable to provide. As a result of pursuing this strategy, we will forego certain segment sales in favor of developing new products and new market opportunities where we believe the combination of our cost control initiatives and value-added approach will produce better results for our shareholders. We also expect raw material cost volatility to continue during 2008, which we may not be able to fully recover through price increases or surcharges due to the competitive nature of the markets we serve.

Liquidity and Capital Resources

Summary.

Our primary source of liquidity on an on-going basis is our cash flow from operating activities, which is generally used to (i) fund capital expenditures, (ii) repay short-term or long-term indebtedness incurred primarily for working capital or capital expenditure purposes and (iii) provide for the payment of dividends (if declared). From time-to-time, we will incur indebtedness, primarily for short-term working capital needs, or to fund capital expenditures or business combinations. In addition, from time-to-time, we may also sell assets outside the ordinary course of business, the proceeds of which are generally used to repay indebtedness (including indebtedness which may have been collateralized by the assets sold) or to fund capital expenditures or business combinations.

Consolidated cash flows.

Operating activities. Trends in cash flows from operating activities, excluding changes in assets and liabilities, for 2005, 2006 and 2007 have generally been similar to the trends in our earnings. Depreciation and amortization expense decreased in 2007 compared to 2006 due to the timing of capital expenditures placed into service during 2007 versus 2006. Depreciation and amortization expense increased in 2006 compared to 2005 as the result of increased capital expenditures and the timing of assets and intangibles acquired through acquisitions. See Notes 1 and 4 to the Consolidated Financial Statements.

Changes in assets and liabilities result primarily from the timing of production, sales and purchases. Such changes in assets and liabilities generally tend to even out over time. However, year-to-year relative changes in assets and liabilities can significantly affect the comparability of cash flows from operating activities. The decrease in cash provided by operating activities in 2007 compared to 2006 is primarily the result of:

- higher cash paid for income taxes in 2007 of $6.9 million primarily relating to U.S. taxes on dividends repatriated from our non-U.S. subsidiaries,
- lower operating income of $4.7 million, and
- a $2.6 million increase in 2007 in cash used from relative changes in assets and liabilities (excluding taxes) primarily due to higher raw materials costs resulting in an increase in our inventory balance.

The increase in our cash provided by operating activities in 2006 as compared to 2005 is primarily the result of:

- lower cash paid for income taxes in 2006 of $2.0 million,
- higher operating income of $1.2 million, and
- a $2.3 million decrease in 2006 in cash used from relative changes in assets and liabilities (excluding taxes) primarily due to the timing of collections of accounts receivable and a lower inventory balance in 2006.

Our average days'-sales-outstanding ("DSO") at December 31, 2007 was 44 days compared to 41 days at December 31, 2006. The increase is primarily due to the timing of collections on the higher accounts receivable balance as of December 31, 2007. For comparative purposes, our average DSO was relatively flat at 41 days for December 31, 2006 and 40 days at December 31, 2005. Our average number of days-in-inventory ("DII") was 66 days at December 31, 2007 and 57 days at December 31, 2006. The increase in DII is primarily due to the higher cost of commodity raw materials during 2007. For comparative purposes our average DII was 57 days at December 31, 2006 and 59 days at December 31, 2005. The decrease is primarily due to reductions in raw materials during 2006 as we utilized the higher than normal balance in ending inventory at the end of 2005 that was acquired during 2005 as part of our efforts to mitigate the impact of volatility in raw material prices.

Investing activities. Net cash used by investing activities totaled $3.7 million, $19.3 million, and $12.4 million for the years ended December 31, 2005, 2006 and 2007, respectively. Capital expenditures in the past three years have primarily emphasized improving our manufacturing facilities and investing in manufacturing equipment which utilizes new technologies and increases automation of the manufacturing process to provide for increased productivity and efficiency. During 2007, we constructed a new facility and consolidated three of our northern Illinois facilities into one facility at a cost of approximately $9.6 million. The consolidation of three previously separate operations into one facility is expected to create opportunities to reduce operating costs and improve operating efficiencies. As a part of the facility consolidation project, the Lake Bluff, Illinois facility was sold in 2006 for approximately $1.3 million which approximated book value and was leased-back until we vacated the facility in October 2007. The River Grove, Illinois facility is no longer being utilized and met the "asset held for sale" criteria in November of 2007. We expect to dispose of the River Grove facility during 2008. See Note 9 to the Consolidated Financial Statements.

During 2006, we built a new facility for one of our Marine Components subsidiaries at a cost of $4.1 million. The new facility is expected to provide the subsidiary with sufficient capacity to take advantage of sales growth opportunities.

In April 2006, we completed the acquisition of a marine component products business for $9.8 million, net of cash acquired. In August 2005, we completed the acquisition of our initial marine component product business for $7.3 million, net of cash acquired. See Note 2 to the Consolidated Financial Statements.

On January 24, 2005, we completed the disposition of all of the net assets of our European Thomas Regout operations to members of Thomas Regout management for net proceeds of approximately $22.3 million. The proceeds consisted of cash (net of costs to sell) of approximately $18.1 million and a subordinated note for approximately $4.2 million. The subordinated note requires annual payments over a period of four years. In April of 2006 and 2007, we collected the first and second payments of $1.3 million, respectively. Historically, the Thomas Regout European operations did not contribute significantly to net cash flows from operations. See Note 10 to the Consolidated Financial Statements.

Capital expenditures for 2008 are estimated at approximately $12.6 million. Capital expenditure projects in 2007 emphasized improved production efficiency including replacement of equipment that is being retired and the facility consolidation discussed above.

Financing activities. Net cash used by financing activities totaled $7.2 million, $8.8 million, and $11.7 million in 2005, 2006 and 2007, respectively. Cash dividends paid totaled $7.3 million ($.50 per share) in 2007 and $7.6 million in each of 2006 and 2005 ($.50 per share). Dividends paid decreased in 2007 as a result of the repurchase and/or cancellation of a net 2.7 million shares of our Class A common stock held by TIMET, an affiliate. We purchased these shares for $19.50 per share, or aggregate consideration of $52.6 million, which we paid in the form of a consolidated promissory note. At December 31, 2007, we had prepaid approximately $2.6 million toward the promissory note. See Notes 9 and 13 to the Consolidated Financial Statements.

In addition to the TIMET repurchase and cancellation of shares discussed above, we also repurchased approximately 179,100 shares of our Class A common stock in market transactions for an aggregate of $3.3 million. See Note 8 to the Consolidated Financial Statements.

In 2006 we prepaid $1.6 million of indebtedness we assumed in our August 2005 marine components acquisition.

Our $50 million secured revolving bank credit facility is collateralized by 65% of the ownership interests in our first-tier non-United States subsidiaries. Provisions contained in our Revolving Bank Credit Agreement could result in the acceleration of outstanding indebtedness prior to its stated maturity for reasons other than defaults from failing to comply with typical financial covenants. For example, our Credit Agreement allows the lender to accelerate the maturity of the indebtedness upon a change of control (as defined) of the borrower. The terms of the Credit Agreement could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside of the ordinary course of business. At December 31, 2007 we had no balances outstanding under the facility and the full $50 million was available for borrowing. See Note 6 to the Consolidated Financial Statements.

Off balance sheet financing arrangements. Other than certain operating leases discussed in Note 13 to the Consolidated Financial Statements, neither we nor any of our subsidiaries or affiliates are parties to any off-balance sheet financing arrangements.

Other

We believe that cash generated from operations and borrowing availability under our Credit Agreement, together with cash on hand, will be sufficient to meet our liquidity needs for working capital, capital expenditures, debt service and dividends (if declared). To the extent that our actual operating results or other developments differ from our expectations, our liquidity could be adversely affected.

We periodically evaluate our liquidity requirements, alternative uses of capital, capital needs and available resources in view of, among other things, our capital expenditure requirements, dividend policy and estimated future operating cash flows. As a result of this process, we have in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, issue additional securities, repurchase shares of our common stock, modify our dividend policy or take a combination of such steps to manage our liquidity and capital resources. In the normal course of business, we may review opportunities for acquisitions, joint ventures or other business combinations in the component products industry. In the event of any such transaction, we may consider using available cash, issuing additional equity securities or increasing our indebtedness or that of our subsidiaries.

Contractual obligations. As more fully described in the notes to the Consolidated Financial Statements, we are a party to various debt, lease and other agreements which contractually and unconditionally commit the Company to pay certain amounts in the future. See Notes 6 and 14 to the Consolidated Financial Statements. The following table summarizes such contractual commitments as of December 31, 2007 by the type and date of payment.

	Payments due by period				
	Total	2008	2009–2010	2011-2012	2013 and after
			(In thousands)		
Note and interest payable to affiliate	$ 68,991	$ 3,235	$ 7,797	$ 7,566	$ 50,393
Operating leases	1,112	435	528	149	-
Purchase obligations	16,224	16,224	-	-	-
Income taxes	452	452	-	-	-
Fixed asset acquisitions	3,648	3,648	-	-	-
Total contractual cash obligations	$ 90,427	$ 23,994	$ 8,325	$ 7,715	$ 50,393

The timing and amount shown for our commitments related to long-term debt, operating leases and fixed asset acquisitions are based upon the contractual payment amount and the contractual payment date for such commitments. The timing and amount shown for purchase obligations, which consist of all open purchase orders and contractual obligations (primarily commitments to purchase raw materials) is also based on the contractual payment amount and the contractual payment date for such commitments. The amount shown for income taxes is the consolidated amount of income taxes payable at December 31, 2007, which is assumed to be paid during 2008. Fixed asset acquisitions include firm purchase commitments for capital projects. We currently estimate that our unrecognized tax benefits will decrease by approximately $180,000 during the next twelve months due to the expiration of certain tax statues or the resolution of certain examinations and filing procedures related to one or more of our subsidiaries.

Commitments and contingencies. See Note 13 to the Consolidated Financial Statements.

Recent accounting pronouncements. See Note 14 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General. We are exposed to market risk from changes in currency exchange rates and interest rates. We periodically use currency forward contracts to manage a portion of currency exchange rate risk associated with receivables, or similar exchange rate risk associated with future sales, denominated in a currency other than the holder's functional currency. Otherwise, we do not generally enter into forward or option contracts to manage market risks, nor do we enter into any contract or other type of derivative instrument for trading or speculative purposes. Other than the contracts discussed below, we were not a party to any material forward or derivative option contract related to currency exchange rates or interest rates at December 31, 2006 and 2007. See Note 1 to the Consolidated Financial Statements.

Interest rates. We are exposed to market risk from changes in interest rates, primarily related to indebtedness.

At December 31, 2006 and 2007, we had no amounts outstanding under our secured Revolving Bank Credit Agreement. In conjunction with the repurchase and/or cancellation of a net 2.7 million shares of our class A common stock, during the fourth quarter of 2007, we issued a promissory note for $52.6 million. See Note 12 to the Consolidated Financial Statements. At December 31, 2007, there was $50.0 million outstanding on the promissory note which bears interest at LIBOR plus 1%, and the fair value of such indebtedness approximates its carrying value. The interest rate is reset quarterly based on the three month LIBOR.

Currency exchange rates. We are exposed to market risk arising from changes in currency exchange rates as a result of manufacturing and selling our products outside the United States (principally Canada and Taiwan). A portion of our sales generated from our non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the Canadian dollar and the New Taiwan dollar. In addition, a portion of our sales generated from our non-U.S. operations are denominated in the U.S. dollar. Most raw materials, labor and other production costs for these non-U.S. operations are denominated primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect comparability of period-to-period operating results.

As already mentioned certain of our sales generated by our Canadian operations are denominated in U.S. dollars. To manage a portion of the related currency exchange rate market risk associated with receivables or future sales, we periodically enter into short-term forward currency exchange contracts. At each balance sheet date, any outstanding forward currency contracts are marked-to-market with any resulting gain or loss recognized in income currently unless the contract is designated as a hedge upon which the mark-to-market adjustment is recorded in other comprehensive income. We had no forward currency contracts outstanding at December 31, 2006 or 2007.

Other. The above discussion includes forward-looking statements of market risk which assumes hypothetical changes in market prices. Actual future market conditions will likely differ materially from such assumptions. Accordingly, such forward-looking statements should not be considered to be our projections of future events, gains or losses. Such forward-looking statements are subject to certain risks and uncertainties some of which are listed in “Business-General.”

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is contained in a separate section of this Annual Report. See "Index of Financial Statements" (page F-1).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We maintain a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by regulations of the Securities and Exchange Commission (the "SEC"), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Act is accumulated and communicated to our management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of David A. Bowers, the Company's Vice Chairman of the Board, President and Chief Executive Officer, and Darryl R. Halbert, the Company's Vice President, Chief Financial Officer and Controller, have evaluated our disclosure controls and procedures as of December 31, 2007. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

Scope of Management Report on Internal Control Over Financial Reporting. We also maintain a system of internal control over financial reporting. The term “internal control over financial reporting,” as defined by regulations of the SEC, means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Section 404 of the Sarbanes-Oxley Act of 2002, requires us to include a management report on internal control over financial reporting in the Annual Report on Form 10-K for the year ended December 31, 2007. Our independent registered public accounting firm will also be required to annually attest to the effectiveness of our internal control over financial reporting, but under the rules of the SEC this attestation is not required until our Annual Report on Form 10-K for the year ended December 31, 2008. In addition, the SEC has proposed a rule that, if adopted, would not require our independent registered public accounting firm to issue its attestation until our Annual Report on Form 10-K for the year ended December 31, 2009.

Management’s Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our evaluation of the effectiveness of our internal control over financial reporting is based upon the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (commonly referred to as the “COSO” framework). Based on our evaluation under that framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2007. This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management’s report in this annual report. See “Scope of Management’s Report on Internal Control Over Financial Reporting” above.

Changes in Internal Control Over Financial Reporting. There has been no change to our system of internal control over financial reporting during the quarter ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, our system of internal control over financial reporting.

Certifications. Our chief executive officer is required to annually file a certification with the New York Stock Exchange ("NYSE"), certifying our compliance with the corporate governance listing standards of the NYSE. During 2007, our chief executive officer filed such annual certification with the NYSE, indicating we were in compliance with such listed standards. Our chief executive officer and chief financial officer are also required to, among other things, quarterly file a certification with the SEC regarding the quality of our public disclosures, as required by Section 302 of the Sarbanes-Oxley Act of 2002. We have filed the certifications for the quarter ended December 31, 2007 as exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report ("Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our Proxy Statement. See also Note 12 to the Consolidated Financial Statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to our Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) and (c) Financial Statements

The consolidated financial statements listed on the accompanying Index of Financial Statements (see page F-1) are filed as part of this Annual Report.

All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the notes to the consolidated financial statements.

(b) Exhibits

We have retained a signed original of any of these exhibits that contain signatures, and we will provide such exhibits to the Commission or its staff. Included as exhibits are the items listed in the Exhibit Index. We, upon request, will furnish a copy of any of the exhibits listed below upon payment of $4.00 per exhibit to cover our costs of furnishing the exhibits. Instruments defining the rights of holders of long-term debt issues which do not exceed 10% of consolidated total assets will be furnished to the Commission upon request. We, upon request, will also furnish, without charge, a copy of our Code of Business Conduct and Ethics, as adopted by the board of directors on February 24, 2004, upon request. Such requests should be directed to the attention of our Corporate Secretary at our corporate offices located at 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240.

Item No.	Exhibit Item
3.1	Restated Certificate of Incorporation of Registrant - incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).

Item No.	Exhibit Item (continued)
3.2	Amended and Restated Bylaws of Registrant, adopted by the Board of Directors October 24, 2007 – incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed October 30, 2007 (File No 1-13905).
10.1	Share Purchase Agreement with Subordinated Loan schedule between the Registrant and Anchor Holding B.V. dated January 24, 2005 - incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004. All related schedules and annexes will be provided to the SEC upon request.
10.2	Intercorporate Services Agreement between the Registrant and Contran Corporation effective as of January 1, 2004 – incorporated by reference to Exhibit 10.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
10.3*	CompX International Inc. 1997 Long-Term Incentive Plan – incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).
10.4*	CompX International Inc. Variable Compensation Plan effective as of January 1, 1999 – incorporated by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.
10.5	Tax Sharing Agreement between the Registrant, NL Industries, Inc. and Contran Corporation dated as of October 5, 2004 - incorporated by reference to Exhibit 10.6 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.
10.6	Stock Purchase Agreement dated October 16, 2007 between the Registrant and TIMET Finance Management Company – incorporated by reference to Exhibit 10.1 of the registrants Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.7	Agreement and Plan of Merger dated as of October 16, 2007 among Registrant, CompX Group, Inc. and CompX KDL LLC - incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.8	Form of Subordination Agreement among the Registrant, TIMET Finance Management Company, CompX Security Products Inc., CompX Precision Sildes Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association as administrative agent for itself, Compass Bank and Comerica Bank – incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.9	Subordinated Term Loan Promissory Note dated October 26, 2007 executed by the Registrant and payable to the order of TIMET Finance Management Company –

incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed on October 30, 2007 (File No. 1-13905).

10.10 Agreement Regarding Shared Insurance between the Registrant, Contran Corporation, Keystone Consolidated Industries, Inc., Kronos Worldwide, Inc., NL Industries, Inc., Titanium Metals Corporation, and Valhi, Inc. dated October 30, 2003 – incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.

10.11	$50,000,000 Credit Agreement between the Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated December 23, 2005 – incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 Certain exhibits, annexes and similar attachments to this Exhibit 10.12 have not been filed; upon request, the Registrant will furnish supplementally to the SEC a copy of any omitted exhibit, annex, or attachment.
10.12	First Amendment to Credit Agreement dated as of October 16, 2007 among CompX International Inc., CompX Security Products Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association for itself and as administrative agent for Compass Bank and Comerica Bank - incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
21.1	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers LLP.
31.1	Certification
31.2	Certification
32.1	Certification

* Management contract, compensatory plan or agreement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPX INTERNATIONAL INC.

Date: February 26, 2008 By: /s/ David A. Bowers_________________
David A. Bowers
Vice Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Glenn R. Simmons Glenn R. Simmons	Chairman of the Board	February 26, 2008
/s/ David A. Bowers David A. Bowers	Vice Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	February 26, 2008
/s/ Darryl R. Halbert Darryl R. Halbert	Vice President, Chief Financial Officer and Controller (Principal Financial and Accounting Officer)	February 26, 2008
/s/ Paul M. Bass, Jr. Paul M. Bass, Jr.	Director	February 26, 2008
/s/ Norman S. Edelcup Norman S. Edelcup	Director	February 26, 2008
/s/ Edward J. Hardin Edward J. Hardin	Director	February 26, 2008
/s/ Ann Manix	Director	February 26, 2008

Ann Manix

/s/ Steven L. Watson Steven L. Watson	Director	February 26, 2008

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Annual Report on Form 10-K

Items 8 and 15(a)

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All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the notes to the consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CompX International Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of CompX International Inc. and its Subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
February 26, 2008

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

ASSETS	December 31, 2006	December 31, 2007
Current assets:		
Cash and cash equivalents	$ 29,688	$ 18,399
Accounts receivable, less allowance for doubtful accounts of $682 and $648	19,986	20,447
Receivables from affiliates	259	223
Refundable income taxes	42	68
Inventories	21,733	24,277
Prepaid expenses and other current assets	1,130	1,324
Deferred income taxes	2,050	2,123
Current portion of note receivable	1,306	1,306
Total current assets	76,194	68,167
Other assets:		
Goodwill	40,759	40,784
Other intangible assets	3,174	2,569
Note receivable	1,567	261
Assets held for sale	-	3,117
Other	644	666
Total other assets	46,144	47,397
Property and equipment:		
Land	8,826	11,612
Buildings	35,284	38,990
Equipment	114,207	124,238
Construction in progress	2,559	2,659
	160,876	177,499
Less accumulated depreciation	91,188	105,348
Net property and equipment	69,688	72,151
Total assets	$ 192,026	$ 187,715

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2006	December 31, 2007
Current liabilities:		
Current maturities of note payable to affiliate	$ -	$ 250
Accounts payable and accrued liabilities	16,842	17,652
Interest payable to affiliate	-	559
Income taxes payable to affiliates	136	282
Income taxes	836	170
Total current liabilities	17,814	18,913
Noncurrent liabilities:		
Note payable to affiliate	-	49,730
Deferred income taxes	20,522	14,969
Total noncurrent liabilities	20,522	64,699
Stockholders' equity:		
Preferred stock, $.01 par value; 1,000 shares authorized, none issued	-	-
Class A common stock, $.01 par value; 20,000,000 shares authorized; 5,266,980 and 2,478,760 shares issued and outstanding	53	25
Class B common stock, $.01 par value; 10,000,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	110,106	55,824
Retained earnings	35,353	37,080
Accumulated other comprehensive income	8,078	11,074
Total stockholders' equity	153,690	104,103
Total liabilities and stockholders' equity	$ 192,026	$ 187,715

Commitments and contingencies (Notes 6 and 13)

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Years Ended December 31, 2005	2006	2007
Net sales	$ 186,349	$ 190,123	$ 177,683
Cost of goods sold	142,594	143,649	132,455
Gross margin	43,755	46,474	45,228
Selling, general and administrative expense	24,155	26,060	25,846
Facility consolidation expense	-	-	2,665
Other operating expense, net	538	113	1,161
Operating income	19,062	20,301	15,556
Other non-operating income, net	724	1,270	1,133
Interest expense	(336)	(219)	(760)
Income from continuing operations before income taxes	19,450	21,352	15,929
Provision for income taxes	18,568	9,696	6,949
Income from continuing operations	882	11,656	8,980
Discontinued operations, net of tax	(477)	-	-
Net income	405	11,656	8,980
Basic and diluted earnings (loss) per common share:			
Continuing operations	$ .06	$ .76	$ .61
Discontinued operations	$ (.03)	$ -	$ -
Earnings per share	$ .03	$ .76	$ .61
Cash dividends per share	$ .50	$ .50	$ .50
Shares used in the calculation of earnings per share amounts for:			
Basic earnings per share	15,212	15,244	14,764
Dilutive impact of stock options	19	13	8
Diluted shares	15,231	15,257	14,772

See accompanying Notes to Consolidated Financial Statements.

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COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Years Ended December 31, 2005	2006	2007
Net income	$ 405	$ 11,656	$ 8,980
Other comprehensive income, net of tax:			
Currency translation adjustment:			
Arising during the period	544	(883)	2,996
Disposal of business unit	739	-	-
	1,283	(883)	2,996
Impact from cash flow hedges, net	35	(110)	-
Total other comprehensive income, net	1,318	(993)	2,996
Comprehensive income	$ 1,723	$ 10,663	$ 11,976

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31, 2005	2006	2007
Cash flows from operating activities:			
Net income	$ 405	$ 11,656	$ 8,980
Depreciation and amortization	10,924	11,797	11,010
Deferred income taxes:			
Continuing operations	10,120	1,536	(6,549)
Discontinued operations	(187)	-	-
Other, net	1,849	1,375	1,079
Change in assets and liabilities:			
Accounts receivable	(133)	1,035	633
Inventories	(936)	2,258	(1,813)
Accounts payable and accrued liabilities	(520)	(2,891)	(619)
Accounts with affiliates	1,562	(274)	182
Income taxes	(2,770)	890	(715)
Other, net	(276)	63	(296)
Net cash provided by operating activities	20,038	27,445	11,892
Cash flows from investing activities:			
Capital expenditures	(10,490)	(12,044)	(13,820)
Acquisition, net of cash acquired	(7,342)	(9,832)	-
Cash of disposed business unit	(4,006)	-	-
Proceeds from disposal of assets held for sale	18,094	-	-
Proceeds from sale of fixed assets	27	1,316	73
Cash collected on note receivable	-	1,306	1,306
Net cash used by investing activities	(3,717)	(19,254)	(12,441)
Cash flows from financing activities:			
Long-term debt:			
Borrowings	18	-	-
Principal payments	(93)	(1,563)	-
Repayment of loan from affiliate	-	-	(2,600)
Issuance of common stock	639	347	1,395
Dividends paid	(7,608)	(7,623)	(7,294)
Tax benefit from exercise of stock options	-	111	73
Treasury stock acquired	-	-	(3,309)
Other, net	(114)	(110)	-

Net cash used by financing activities	(7,158)	(8,838)	(11,735)
Net increase (decrease)	$ 9,163	$ (647)	$ (12,284)

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

	Years Ended December 31, 2005	2006	2007
Cash and cash equivalents:			
Net increase (decrease) from:			
Operating, investing and financing activities	$ 9,163	$ (647)	$ (12,284)
Effect of exchange rate on cash	392	(257)	995
Balance at beginning of year	21,037	30,592	29,688
Balance at end of year	$ 30,592	$ 29,688	$ 18,399
Supplemental disclosures:			
Cash paid for:			
Interest	$ 259	$ 139	$ 109
Income taxes	9,390	7,418	