

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



EVA Precision Industrial Holdings Limited

億和精密工業控股有限公司

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 838)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the “Company”) are pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2011 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Revenue	4	1,977,845	1,703,099
Cost of sales		(1,489,145)	(1,161,501)
Gross profit		488,700	541,598
Other income		58	229
Other gains/(losses) – net		14,535	2,841
Selling and marketing costs		(79,784)	(65,147)
General and administrative expenses		(179,070)	(122,850)
Operating profit	5	244,439	356,671
Finance income	6	3,504	1,184
Finance costs	6	(8,635)	(6,101)
Profit before income tax		239,308	351,754
Income tax expense	7	(29,535)	(48,336)
Profit for the year		209,773	303,418
Other comprehensive income for the year, net of tax		677	–
Total comprehensive income for the year		210,450	303,418
Profit attributable to:			
– Equity holders of the Company		210,379	302,664
– Non-controlling interest		(606)	754
		209,773	303,418
Total comprehensive income attributable to:			
– Equity holders of the Company		211,056	302,664
– Non-controlling interest		(606)	754
		210,450	303,418

	<i>Note</i>	2011 HK\$'000	2010 (Restated) (note 8) HK\$'000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	8	<u><u>12.8</u></u>	<u><u>21.3</u></u>
– diluted	8	<u><u>12.7</u></u>	<u><u>20.2</u></u>
Dividends	9	<u><u>59,783</u></u>	<u><u>95,383</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

		As at 31 December	
		2011	2010
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,404,846	1,086,132
Leasehold land and land use rights		121,525	50,781
Goodwill		2,545	–
Prepayments, deposits and other receivables		168,341	54,323
Other assets		1,607	1,607
		1,698,864	1,192,843
Current assets			
Inventories		302,398	150,947
Trade receivables	10	393,311	325,122
Prepayments, deposits and other receivables		69,226	50,393
Financial assets at fair value through profit or loss		16,708	–
Pledged bank deposits		2,418	4,090
Cash and cash equivalents		514,871	501,074
		1,298,932	1,031,626
LIABILITIES			
Current liabilities			
Trade payables	11	388,280	225,972
Accruals and other payables		118,546	93,563
Bank borrowings		309,256	202,062
Finance lease liabilities		13,184	32,684
Current income tax liabilities		38,703	44,537
		867,969	598,818
Net current assets		430,963	432,808
Total assets less current liabilities		2,129,827	1,625,651

As at 31 December
2011 2010
HK\$'000 *HK\$'000*

LIABILITIES

Non-current liabilities

Bank borrowings	62,364	16,879
Finance lease liabilities	63	13,247
Deferred taxation	22,988	5,129
	<u>85,415</u>	<u>35,255</u>

Net assets	<u>2,044,412</u>	<u>1,590,396</u>
-------------------	-------------------------	-------------------------

EQUITY

Capital and reserves

Share capital	175,905	81,629
Reserves		
– Proposed final dividend	28,145	43,905
– Others	1,826,879	1,455,532
	<u>1,826,879</u>	<u>1,455,532</u>

Equity attributable to owners of the Company	2,030,929	1,581,066
---	------------------	-----------

Non-controlling interests	13,483	9,330
	<u>13,483</u>	<u>9,330</u>

Total equity	<u>2,044,412</u>	<u>1,590,396</u>
---------------------	-------------------------	-------------------------

Note:

1. BASIS OF PRESENTATION

The Group is principally engaged in the design and fabrication of metal stamping and plastic injection moulds and the manufacturing of metal stamping and plastic injection components and lathing components.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention, as modified for financial assets at fair value through profit or loss, which are stated at fair value. The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2012.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, other than those described below.

(a) New and amended standards adopted by the Group

The following new and revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011. The adoption of these revised standards, amendments to standards and interpretations has not had any significant financial impact on the results of operation and financial position of the Group.

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK (IFRIC)-Int 14 (Amendment)	Prepayment of a minimum funding requirement
HK (IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendment)	Improvements to HKFRSs 2010

(b) New standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the financial year beginning 1 January 2011 and that have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Income taxes	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Amendment)	Separate financial statements	1 January 2013
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial instruments: Disclosures – transfers of financial assets	1 January 2012
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments and interpretations to existing standards but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new standards, amendments and interpretations to existing standards when they become mandatory.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. They consider the business from a product perspective.

At 31 December 2011, the Group is organised into two main business segments:

- (i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components (“Metal stamping”); and
- (ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components (“Plastic injection”).

The chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax. Information provided to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The segment results and other segment items are as follows:

	2011			2010		
	Metal stamping HK\$'000	Plastic injection HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Total HK\$'000
Total gross segment revenue	1,386,655	668,240	2,054,895	1,140,578	598,520	1,739,098
Inter-segment revenue	(68,080)	(8,970)	(77,050)	(26,748)	(9,251)	(35,999)
Revenue	<u>1,318,575</u>	<u>659,270</u>	<u>1,977,845</u>	<u>1,113,830</u>	<u>589,269</u>	<u>1,703,099</u>
Segment results	<u>152,428</u>	<u>80,886</u>	<u>233,314</u>	<u>226,815</u>	<u>130,228</u>	357,043
Unallocated expenses, net			11,125			(372)
Finance income			3,504			1,184
Finance costs			(8,635)			(6,101)
Profit before income tax			239,308			351,754
Income tax expense			(29,535)			(48,336)
Profit for the year			<u>209,773</u>			<u>303,418</u>
Depreciation	<u>73,601</u>	<u>26,789</u>	<u>100,390</u>	<u>64,092</u>	<u>23,352</u>	<u>87,444</u>
Amortisation	<u>1,529</u>	<u>112</u>	<u>1,641</u>	<u>787</u>	<u>135</u>	<u>922</u>

For the year ended 31 December 2011, unallocated expenses, net represent corporate income/(expenses) and excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost amounted HK\$11,458,000 (2010: nil).

The segment assets and liabilities are as follows:

	2011				2010			
	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Un- allocated <i>HK\$'000</i>	Total <i>HK\$'000</i>	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Un- allocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>2,306,361</u>	<u>684,979</u>	<u>6,456</u>	<u>2,997,796</u>	<u>1,668,749</u>	<u>549,053</u>	<u>6,667</u>	<u>2,224,469</u>
Liabilities	<u>352,758</u>	<u>122,249</u>	<u>478,377</u>	<u>953,384</u>	<u>200,595</u>	<u>73,459</u>	<u>360,019</u>	<u>634,073</u>
Capital expenditure	<u>433,805</u>	<u>57,090</u>	<u>-</u>	<u>490,895</u>	<u>177,661</u>	<u>47,100</u>	<u>-</u>	<u>224,761</u>

Segment assets consist primarily of property, plant and equipment and leasehold land and land use rights, goodwill, prepayments, deposits and other receivables, other assets, inventories, receivables, financial assets at fair value through profit or loss and operating cash.

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities, income tax liabilities, deferred taxation and certain accruals and other payables related to neither segments.

Capital expenditure comprises additions to property, plant and equipment and leasehold land and land use rights.

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2011 as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	2,991,340	475,007
Unallocated:		
Cash and cash equivalents	5,376	-
Prepayments, deposits and other receivables	1,080	-
Current income tax liabilities	-	38,703
Deferred taxation	-	22,988
Current borrowings	-	309,256
Non-current borrowings	-	62,364
Current finance lease liabilities	-	13,184
Non-current finance lease liabilities	-	63
Accruals and other payables	-	31,819
Total	<u>2,997,796</u>	<u>953,384</u>

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2010 as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	2,217,802	274,054
Unallocated:		
Cash and cash equivalents	6,293	–
Prepayments, deposits and other receivables	374	–
Current income tax liabilities	–	44,537
Deferred taxation	–	5,129
Current borrowings	–	202,062
Non-current borrowings	–	16,879
Current finance lease liabilities	–	32,684
Non-current finance lease liabilities	–	13,247
Accruals and other payables	–	45,481
	<hr/>	<hr/>
Total	<u>2,224,469</u>	<u>634,073</u>

Substantially all of the Group's operations and assets are located in Mainland China and the Group's sales are primarily made in Mainland China

An analysis of the Group's four (2010: four) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Customer A	298,865	332,690
Customer B	443,155	232,948
Customer C	263,198	230,745
Customer D	261,896	227,315
	<hr/>	<hr/>
Total	<u>1,267,114</u>	<u>1,023,698</u>

4. REVENUE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sales		
Design and fabrication of metal stamping moulds	140,489	196,015
Manufacturing of metal stamping components	1,008,841	787,490
Manufacturing of lathing components	138,817	98,315
Design and fabrication of plastic injection moulds	74,067	127,626
Manufacturing of plastic injection components	578,394	456,175
Others	37,237	37,478
	<u>1,977,845</u>	<u>1,703,099</u>

5. OPERATING PROFIT

Operating profit is stated after charging (crediting) the followings:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Depreciation		
– Owned assets	93,142	76,969
– Leased assets	7,248	10,475
	<u>100,390</u>	<u>87,444</u>
Employment expenses	328,147	230,567
Amortisation of leasehold land and land use rights	1,641	922
Auditor's remuneration	3,546	2,222
Changes in inventories of finished goods and work in progress	(112,983)	(51,316)
Raw materials and consumables used	1, 200,819	897,997
Provision/(reversal of provision) for inventory obsolescence	2,805	(1,610)
Subcontracting expenses	36,878	31,607
Utilities expenses	45,354	36,104
Transportation expenses	30,275	22,586
Packaging expenses	38,117	34,513
Marketing expenses	2,675	2,441
Office expenses	16,824	12,101
Others	53,511	43,920
	<u>1,747,999</u>	<u>1,349,498</u>

6. FINANCE INCOME/COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<i>Finance income</i>		
Interest income on bank deposits	<u>3,504</u>	<u>1,184</u>
<i>Finance costs</i>		
Interest expense on:		
Bank borrowings wholly repayable within five years	5,406	2,173
Bank borrowings not wholly repayable within five years	2,496	2,198
Finance lease liabilities	<u>733</u>	<u>1,730</u>
	<u>8,635</u>	<u>6,101</u>

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK\$2,026,000 and HK\$1,610,000 respectively.

7. INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current taxation		
– Hong Kong profits tax	2,553	15,707
– Mainland China corporate income tax	29,015	32,825
Over-provision in prior years	(1,876)	(196)
Deferred income tax credited for the year	<u>(157)</u>	<u>–</u>
	<u>29,535</u>	<u>48,336</u>

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2010: 16.5%).

(b) Mainland China corporate income tax

Income tax in the subsidiaries of the Group established in Mainland China has been provided at the following tax rate:

- (i) Under the new Corporate Income Tax Law of Mainland China, entities currently enjoying tax holidays will continue to enjoy them until they expire. The corporate income tax rate applicable to the subsidiaries under tax holiday and applying reduced rate will gradually increase to 25% in a 5-year period starting from 2008 to 2012. The subsidiaries established in Shenzhen,

Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at a rate of 24% and 25%, respectively for the year ended 31 December 2011 (2010: 22% and 25%, respectively).

- (ii) Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years. In accordance with the relevant income tax regulations of Mainland China, these entities are exempted from corporate income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in corporate income tax for the next three years. The first profitable years after offsetting prior year tax losses of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited were 2006 and 2007, respectively.
- (iii) EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2007 and June 2008, respectively, and Shenzhen EVA Mould Manufacturing Limited had taxable profits during the year ended 31 December 2010 which its profits were offset to prior year tax losses.
- (iv) On 31 December 2009 and 31 December 2010, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., respectively, were recognised by the Chinese Government as a “National High and New Technology Enterprise” and were therefore subject to a preferential tax rate of 15% during the year ended 31 December 2010 and 31 December 2011, respectively.

Under the new Corporate Income Tax Law of Mainland China, dividend distributions out of profit of foreign invested enterprises earned after January 2008 will be subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for certain jurisdiction of foreign investor with tax treaty arrangement.

The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits on the consolidated entities as follows:

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>
Profit before income tax	<u>239,308</u>	<u>351,754</u>
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	42,589	65,845
Tax exemption	(8,328)	(15,395)
Expenses not deductible for tax purpose	–	132
Utilisation of previously unrecognised tax losses	(3,793)	(2,201)
Tax losses for which no deferred income tax asset was recognised	943	151
Over-provision in prior years	<u>(1,876)</u>	<u>(196)</u>
Tax charge	<u>29,535</u>	<u>48,336</u>

The weighted average applicable tax rate for the year ended 31 December 2011 was approximately 17.8% (2010: 18.7%). The decrease is due to one of the Company's subsidiaries, Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., being recognised by the Chinese Government as "National High and New Technology Enterprise" and therefore subject to a preferential tax rate of 15% during the year ended 31 December 2011.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue for the twelve months ended 31 December 2011 and 2010, the bonus issue of May 2011 is treated as if it had occurred prior to 1 January 2010, the earliest period presented, necessitating the restatement of the corresponding figures on a comparative basis.

Basic

	2011	2010 (Restated)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>210,379</u>	<u>302,664</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	<u>1,640,697</u>	<u>1,419,912</u>
Basic earnings per share (<i>HK cents per share</i>)	<u>12.8</u>	<u>21.3</u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding (as above) to assume conversion of all dilutive potential ordinary shares (i.e. share options and warrants). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

	2011	2010 (Restated)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>210,379</u>	<u>302,664</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,640,697	1,419,912
– adjustment for share options and warrants (<i>'000</i>)	<u>11,372</u>	<u>81,838</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>'000</i>)	<u>1,652,069</u>	<u>1,501,750</u>
Diluted earnings per share (<i>HK cents per share</i>)	<u>12.7</u>	<u>20.2</u>

9. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim dividend paid of HK1.8 cents (2010: HK6.5 cents) per ordinary share	31,638	51,478
Proposed final dividend of HK1.6 cents (2010: HK5.0 cents) per ordinary share	<u>28,145</u>	<u>43,905</u>
	<u>59,783</u>	<u>95,383</u>

10. TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 90 days. The ageing of the trade receivables is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 to 90 days	319,566	286,548
91 to 180 days	59,834	37,406
181 to 365 days	15,071	2,356
Over 365 days	<u>28</u>	<u>–</u>
	394,499	326,310
Less: provision for impairment of trade receivables	<u>(1,188)</u>	<u>(1,188)</u>
Trade receivables – net	<u><u>393,311</u></u>	<u><u>325,122</u></u>

11. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 to 90 days	316,311	196,590
91 to 180 days	61,595	25,303
181 to 365 days	6,409	4,079
Over 365 days	<u>3,965</u>	<u>–</u>
	<u><u>388,280</u></u>	<u><u>225,972</u></u>

The amounts of trade payables have an average maturity period within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

The Group underwent a period of challenges during 2011. Our business growth was delayed by the earthquake in Japan and the nuclear emission and massive power disruption that followed, which hit our customers' supply chain in Japan. As the components and mechanical modules sold by us to our customers' assembly plants require certain parts sourced from Japan to form the finished products, the disruption in the supply of such parts from Japan had inevitably resulted in a slowdown of the order flow. Nevertheless, thanks to the on-going trend of our customers to concentrate more purchases on large manufacturers such as ourselves, our turnover continued to record a 16.1% growth despite unfavourable external environment and amounted to approximately HK\$1,977,845,000 in 2011.

However, as compared to the impact on turnover, the Japan earthquake had a more prominent impact on our profit margin. Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. This situation continued until the end of 2011. Accordingly, production costs increased and, coupled with the increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake, the Group's net profit for the year ended 31 December 2011 decreased by approximately 30.5% to HK\$210,379,000.

Nevertheless, in spite of the challenges, we continued to make progresses on our business fundamentals. In mid 2011, we entered into agreements to acquire 100% interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie"), an automobile moulds company established in Chongqing, China, at a consideration of RMB61,318,000. As mentioned in our 2009 and 2010 annual report, the Group is in the process of strategically expanding from its previous focus on just office automation (OA) equipment to devoting more resources on the fast growing China domestic market, with particular attention given to the huge automobile sector. Accordingly, the acquisition of Chongqing Digidie was executed as part of this strategic plan of the Group, with a view to strengthening the business foundation of the Group in the automotive sector and providing a platform for the expansion of the Group's business in Chongqing and other regions in western China.

Currently, Chongqing is one of the major production hubs in China for automobiles. A number of international automobile brand names have established production bases in Chongqing or its adjacent cities, which includes Ford, Mazda, Suzuki, Isuzu and Volvo. Some of these are existing customers of Chongqing Digidie, whilst others are its target customers. We are confident that by acquiring Chongqing Digidie, and by combining the precision engineering expertise of the Group for products with high dimensional accuracy requirements which is also necessary for high quality automobile products and the existing engineering expertise of Chongqing Digidie, Chongqing Digidie can successfully serve as

a platform for the Group to obtain businesses from its existing and target customers. At the same time, the acquisition of Chongqing Digidie can also facilitate the expansion of the Group geographically since the Group has no production base in the western region of China prior to the acquisition.

Further, the Group is also in the process of establishing a new production base in Wuhan, another automobile hub in central China region. The Wuhan production base is targeted at providing components and welding services for automobile brand names located in Wuhan and its adjacent cities which include Dongfeng, Honda, Nissan, Citroen and Peugeot. The new Wuhan production base has a land area of approximately 166,000 square metres and its development is divided into phases. The construction of phase one of the Wuhan production base with a floor area of approximately 51,000 square metres had commenced in March 2012, and is scheduled for completion in 2013.

Our traditional OA equipment business also saw significant progresses during the year. Despite the unstable supply of parts from Japan following the earthquake, the new OA equipment models which were related to a series of “integrated orders” obtained by the Group in 2010 were finally launched by the relevant customer to the market in May 2011. Under these integrated orders, we offered one-stop solution to produce mechanical modules of the new OA equipment models covering the production of relevant moulds, components and product assembly for the first time. The initial production volume following the market launch of these new OA equipment models was less than originally expected, which primarily due to the supply chain disruption in Japan. However, on a brighter side, the successful market launch of these new OA equipment models shortly after the earthquake demonstrated our production capabilities, which are necessary credentials for us to obtain integrated orders of similar nature from other Japanese brand owners.

The Group had also completed the construction of a new factory building within the Group’s existing production base in Shiyan Town, Shenzhen, China. Currently, certain of our production equipment had been relocated to this new factory building. However, should our production capacity be unable to cope with the surge in orders, the new factory building can provide adequate production floor area for further capacity expansion.

During the year, we continued to devote substantial efforts on maintaining a healthy balance sheet. Our inventory turnover days, however, increased from 47 days for the year ended 31 December 2010 to 74 days for the year ended 31 December 2011 which was primarily caused by the production of mechanical modules relating to the “integrated orders” obtained by the Group in 2010. Since the manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, they require longer production time as compared to other traditional orders which cover the production of components only and therefore led to the piling up of inventories at the end of the financial year. In light of this, we successfully negotiated with our major suppliers during the year for longer credit periods to match with the lengthening of our production lead time. Accordingly our cash conversion cycle (defined as the total sum of inventory and debtors’ turnover days less creditors’ turnover days) increased only slightly from 46 days to 52 days. At year end, the Group continued to be in net cash position, which has a strong appeal to existing and target customers looking for manufacturing partners in China as financial viability is now one of the key criteria for supplier selection to ensure stability in their supply chain.

FINANCIAL REVIEW

An analysis of the Group's turnover and results by segment is as follows:

	2011		2010	
	<u>HK\$'000</u>	<u>%</u>	<u>HK\$'000</u>	<u>%</u>
By business segment				
Turnover				
<i>Metal division</i>				
Design and fabrication of metal stamping moulds	140,489	7.1%	196,015	11.5%
Manufacturing of metal stamping components	1,008,841	51.0%	787,490	46.2%
Manufacturing of lathing components	138,817	7.0%	98,315	5.8%
Others (<i>Note 1</i>)	30,428	1.5%	32,010	1.9%
	<u>1,318,575</u>		<u>1,113,830</u>	
<i>Plastic division</i>				
Design and fabrication of plastic injection moulds	74,067	3.8%	127,626	7.5%
Manufacturing of plastic injection components	578,394	29.2%	456,175	26.8%
Others (<i>Note 1</i>)	6,809	0.4%	5,468	0.3%
	<u>659,270</u>		<u>589,269</u>	
Total	<u>1,977,845</u>		<u>1,703,099</u>	
Segment results				
Metal division	152,428		226,815	
Plastic division	80,886		130,228	
Operating profit	233,314		357,043	
Unallocated income (expenses), net	11,125		(372)	
Finance income	3,504		1,184	
Finance costs	(8,635)		(6,101)	
Income tax expenses	(29,535)		(48,336)	
Non-controlling interest	606		(754)	
Profit attributable to equity holders of the Company	<u>210,379</u>		<u>302,664</u>	

Note 1: Others mainly represented sales of scrap materials

Turnover

The Group recorded a significant increase in the revenue from design and fabrication of metal stamping and plastic injection moulds during the last financial year. These moulds had been consigned in the Group's production bases for the mass production of metal stamping and plastic injection components starting from early 2011. Accordingly, despite the negative impact from the earthquake in Japan, the Group's revenue from manufacturing of metal stamping and plastic injection components continued to record growth by approximately 28.1% and 26.8% respectively during the year ended 31 December 2011.

In 2010, the Group received large-scale "integrated orders" which relate to new office automation equipment models with planned product life cycle of four years. The mould development stage of such orders was completed in 2010, and mould revenue of approximately HK\$81,178,000 was recorded during the last financial year. The Group had not received similar "integrated orders" this year and, coupled with the delay in our customers' production development activities following the earthquake, the Group's revenue from design and fabrication of metal stamping and plastic injection moulds decreased by approximately 33.7% during the year.

Gross profit

Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. This situation continued until the end of 2011. Together with (1) an increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake and (2) a reduction in the percentage of mould revenue, which are higher margin products, to total turnover, the Group's gross profit reduced to approximately HK\$488,700,000 and gross profit margin was 24.7%.

Segment results

For the year ended 31 December 2011, segment results of the Group's metal and plastic division amounted to approximately HK\$152,428,000 and HK\$80,886,000, representing an operating profit margin of approximately 11.6% and 12.3% respectively. Since the profit margin from mould revenue is generally higher than that from component revenue, the operating profit margin of the Group's plastic division is higher as its proportion of mould revenue to total divisional turnover is higher than that for the metal division.

Finance costs

The Group's finance costs for the year ended 31 December 2011 increased to approximately HK\$8,635,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities during the year.

Income tax expense

During the year ended 31 December 2011, income tax expense amounted to approximately HK\$29,535,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year ended 31 December 2011 was 12.3%, which was comparable to that in 2010.

Profit attributable to equity holders of the Company

During the year ended 31 December 2011, profit attributable to equity holders of the Company amounted to approximately HK\$210,379,000, representing a decrease of approximately 30.5% as compared to that for the year ended 31 December 2010. The reduction in profitability of the Group was primarily caused by the negative impact stemming from the earthquake in Japan as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the year ended 31 December 2011, the Group recorded net cash generated from operating activities amounting to approximately HK\$218,826,000, representing a decrease by approximately 25.6% as compared to that for the year ended 31 December 2010, which was primarily caused by the reduction in the Group's net profit during the year. Net cash used in investing activities was approximately HK\$565,550,000, which increased by approximately 112.0% as compared to last year due to (1) cash used in acquiring Chongqing Digidie Auto Body Ltd. of approximately HK\$74,849,000; (2) deposits paid for the acquisition of land of our new production base in Wuhan of approximately HK\$60,318,000; and (3) the purchases of additional equipments for the continuing development of the Group's existing production bases during the year. In addition, the Group borrowed additional bank loans and received net proceeds from exercise of warrants and share placement of HK\$312,443,000. As such, net cash generated from financing activities increased to approximately HK\$360,438,000 during the year.

Bank loans as at 31 December 2011 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 31 December 2011 is as follows:

	31 December 2011	31 December 2010
Inventory turnover days (<i>Note 1</i>)	74	47
Debtors' turnover days (<i>Note 2</i>)	73	70
Creditors' turnover days (<i>Note 3</i>)	95	71
Cash conversion cycle (<i>Note 4</i>)	52	46
Current ratio (<i>Note 5</i>)	1.50	1.72
Net debt-to-equity ratio (<i>Note 6</i>)	<u>Net cash</u>	<u>Net cash</u>

Note –

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the year.
2. Calculation of debtors' turnover is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the year.
3. Calculation of creditors' turnover is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the year.
4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days
5. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.
6. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances and divided by shareholders' equity.

Inventory turnover days

During the year, the Group gradually rammmed up its production of mechanical modules relating to the new "integrated orders" obtained by the Group in 2010. The manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, thus requires longer production time as compared to the traditional orders of the Group which cover the production of components only. As such, the Group's inventory turnover day increased by 27 days to 74 days during the year.

Debtors' and creditors' turnover days

During the year, the Group's debtors' turnover days were approximately 73 days, which was comparable to that for the last financial year. Creditors' turnover days increased to 95 days, which was primarily because the Group had successfully negotiated with its major suppliers during the year for longer credit periods to match with the longer production time as mentioned above.

Current ratio and net debt-to-equity ratio

During the year, the Group's current ratio decreased slightly to approximately 1.50 since the Group had obtained additional short-term bank borrowings to fund working capital requirements. Despite this, the Group continued to be in net cash position as at 31 December 2011.

FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the year ended 31 December 2011, approximately 35%, 56% and 9% (For the year ended 31 December 2010: 34%, 59% and 7%) of the Group's sales and approximately 13%, 70% and 17% (For the year ended 31 December 2010: 13%, 70% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Although the settlement currencies between the Group's revenue and expenditure are basically matched, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi to match repayment currency with operating cash inflows. Management will continue to closely monitor the Group's foreign currency exposure to safeguard the Group from any potential risks that may arise from the fluctuation in exchange rates.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2011, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK\$2,418,000 in favour of contractors of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book value of approximately HK\$7,171,000 and HK\$49,977,000 respectively for securing bank borrowings; and (iii) mortgage of equipment under finance lease liabilities with net book value of HK\$95,563,000 for securing finance lease liabilities.

HUMAN RESOURCES

As at 31 December 2011, the total number of employees of the Group was 6,673 employees, representing an increase of 22.5% as compared to 5,448 employees as at 31 December 2010. The increase in headcount was primarily caused by (1) the commencement of operations of the Group's new production base in Zhongshan which was completed by end of 2010; (2) additional employees brought by Chongqing Digidie Auto Body Ltd. and other new subsidiaries which were merged into the Group through acquisitions; and (3) the recruitment of additional engineers during the year.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success. Various employee activities were organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

OUTLOOK

Although the catastrophic earthquake in Japan had brought about temporary impacts on our 2011 results, our business fundamentals remained intact. Our ability to assist the relevant customer launching the new OA equipment models relating to the "integrated orders" obtained by us in 2010 despite an unstable supply of parts from Japan in May 2011 was an obvious proof of our production capabilities, and our quick responses after the earthquake demonstrated to other existing and target customers the benefits of our unique one-stop production model. We completed an acquisition in mid 2011 and started construction of a new production base in Wuhan in March 2012 for automobile components sector, evidencing our progress toward the fast growing China domestic consumption sector. At the same time, our balance sheet remained strong despite our expansion.

The negative impacts brought by the earthquake in Japan were now behind us, but the year 2012 is not without challenges. Cautious about the economic outlook in developed countries, certain of our OA equipment customers had already publicised their plan to shift their near term growth drivers to lower end products for sales to emerging countries. This will definitely drive our turnover growth, but at the same time alter our product mix in 2012 which requires a change in production management. However, the launch of higher end OA equipment is only delayed, but remains necessary due to technological advancement and competition among brand owners.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

1 Placing of new shares in March 2011

On 3 March 2011, the Company and CLSA Limited entered into a placing agreement pursuant to which CLSA Limited agreed to place up to 47,342,000 new shares of the Company (the “Placing Shares”) at a price of HK\$6.25 per share to Janus Capital Management LLC, an independent investment manager. The placing price of HK\$6.25 represented (i) the closing price of HK\$6.25 per share as quoted on The Stock Exchange of Hong Kong Limited on 2 March 2011, being the last trading day immediately preceding the date of the placing agreement; (ii) a premium of approximately 3.65% to the average closing price of HK\$6.03 per share for the last 5 consecutive trading days up to and including 2 March 2011 and (iii) a premium of approximately 4.52% to the average closing price of HK\$5.98 per share for the last 10 consecutive trading days up to and including 2 March 2011.

The Placing Shares represented approximately 5.71% of the then existing share capital of the Company and approximately 5.40% of the Company’s issued share capital as enlarged by the Placing Shares. The Placing Shares were issued on 11 March 2011. The net proceeds from the placing of the Placing Shares were approximately HK\$284,023,000. The net proceeds were intended to be applied for funding continuous business expansion and potential acquisition opportunities. As at the date of this report, approximately HK\$151,028,000 was utilised for the intended purposes and the remaining balance was placed on interest-bearing short-term deposits for the intended future uses.

2 Issue of bonus shares

During the annual general meeting of the Company on 20 May 2011, the Company’s shareholders passed a resolution to issue bonus shares on the basis of 1 bonus share for every 1 existing ordinary share. Accordingly, 878,808,900 shares were issued on 27 May 2011.

Save for disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2011 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of Cayman Islands where the Company is incorporated.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1.6 cents per ordinary share, totaling approximately HK\$28,145,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2012, the final dividend will be payable on or about 4 June 2012. Including the interim dividend of approximately HK\$31,638,000 paid on 16 September 2011 in respect of the six months ended 30 June 2011, the total dividends declared for the year ended 31 December 2011 will be approximately HK\$59,783,000.

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Monday, 21 May 2012, the register of members of the Company will be closed from Thursday, 17 May 2012 to Monday, 21 May 2012, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 May 2012.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on or about Monday, 4 June 2012 to shareholders whose names appear on the register of members on Monday, 28 May 2012. To determine eligibility for the final dividend, the register of members of the Company will be closed from Friday, 25 May 2012 to Monday, 28 May 2012, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 May 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the year ended 31 December 2011.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2011.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2011.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2012

As at the date of this announcement, the Board comprises four executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice-Chairman), Mr. Zhang Yaohua (Chief Executive Officer) and Mr. Nomo Kenshiro and three independent non-executive directors, being Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu.