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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 2013

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	2013 *HK$'000*	2012 *HK$'000*
Revenue	*4*	**2,655,715**	2,367,023
Cost of sales	*5*	**(2,015,939)**	(1,855,961)
Gross profit		**639,776**	511,062
Other income		**155**	63
Other gains – net		**25,144**	8,031
Selling and marketing costs	*5*	**(139,150)**	(112,963)
General and administrative expenses	*5*	**(432,296)**	(302,419)
Operating profit		**93,629**	103,774
Finance income	*6*	**10,418**	4,807
Finance costs	*6*	**(28,716)**	(23,512)
Share of loss of investments accounted for using the equity method		**(3,072)**	(999)
Profit before income tax		**72,259**	84,070
Income tax expense	*7*	**(12,784)**	(14,462)

	Note	**2013**	2012
		HK$'000	*HK$'000*
Profit for the year		**59,475**	69,608
Other comprehensive income for the year, net of tax item that may be reclassified subsequently to profit or loss			
Currency translation differences		**12,246**	1,000
Total comprehensive income for the year		**71,721**	70,608
Profit attributable to:			
– Equity holders of the Company		**55,427**	70,889
– Non-controlling interests		**4,048**	(1,281)
		59,475	69,608
Total comprehensive income attributable to:			
– Equity holders of the Company		**66,053**	71,889
– Non-controlling interests		**5,668**	(1,281)
		71,721	70,608
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**3.3**	4.1
– diluted	*8*	**3.2**	4.1
Dividends	*9*	**16,630**	21,345

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,883,099**	1,702,098
Leasehold land and land use rights		**167,500**	176,296
Goodwill		**2,545**	2,545
Investments accounted for using the equity method		**17,858**	9,538
Prepayments, deposits and other receivables		**140,372**	142,518
Other assets		**1,607**	1,607
		2,212,981	2,034,602
Current assets			
Inventories		**309,935**	270,185
Trade receivables	*10*	**552,603**	422,990
Loan and interest receivables	*11*	**135,830**	6,166
Prepayments, deposits and other receivables		**120,988**	78,246
Financial assets at fair value through profit or loss		**–**	17,277
Short-term bank deposits		**50,876**	102,362
Restricted cash		**12,205**	2,913
Cash and cash equivalents		**953,426**	888,994
		2,135,863	1,789,133
LIABILITIES			
Current liabilities			
Trade payables	*12*	**514,317**	392,158
Accruals and other payables		**228,647**	154,278
Bank borrowings		**653,393**	530,150
Finance lease liabilities		**52,344**	27,435
Current income tax liabilities		**26,167**	25,654
		1,474,868	1,129,675
Net current assets		**660,995**	659,458
Total assets less current liabilities		**2,873,976**	2,694,060

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**586,379**	539,804
Finance lease liabilities		**95,638**	56,082
Deferred taxation		**22,008**	22,498
		704,025	618,384
Net assets		**2,169,951**	2,075,676
EQUITY			
Capital and reserves			
Share capital		**167,977**	167,947
Reserves			
– Proposed final dividend		**8,567**	9,239
– Others		**1,925,713**	1,836,464
Equity attributable to owners of the Company		**2,102,257**	2,013,650
Non-controlling interests		**67,694**	62,026
Total equity		**2,169,951**	2,075,676

Note:

1. BASIS OF PRESENTATION

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of precision manufacturing services in China, focusing on the production of moulds and components with high quality standard and dimensional accuracy. The Group also has a 60% owned subsidiary which engages in the micro lending business in China.

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 by the revaluation of financial assets at fair value through profit or loss, which are carried 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 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 26 March 2014.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2013:

HKAS 1 (Amendment)	Financial statements presentation regarding other comprehensive income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	First-time adoption of HKFRSs – government loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurements
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Apart from certain additional disclosures, the adoption of the amendments to HKFRS has not had a material impact on the preparation of the Group's consolidated financial statements.

(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 2013 and that have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 10, HKFRS 12 and HKAS 27	Exemption from Consolidation for Investment Entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016

The Group has already commenced an assessment of the likely 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 reported results of operations and financial position. The Group plans to adopt these new standards, amendments and interpretations to existing standards when they become effective.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. 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. They consider the business from a product perspective.

At 31 December 2013, the Group is organised into three main business segments:

(i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components ("Metal stamping");

(ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components ("Plastic injection"); and

(iii) micro lending business in China ("Microcredit') (being a new segment in second half of 2012 and commencing operation in 2013).

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 consolidated 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:

	2013				2012		
	Metal stamping	**Plastic injection**	**Microcredit**	**Total**	Metal stamping	Plastic injection	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**1,851,831**	**1,400,610**	**24,239**	**3,276,680**	1,704,710	886,214	2,590,924
Inter-segment revenue	**(322,789)**	**(298,176)**	**–**	**(620,965)**	(154,829)	(69,072)	(223,901)
Revenue	**1,529,042**	**1,102,434**	**24,239**	**2,655,715**	1,549,881	817,142	2,367,023
Segment results	**44,769**	**31,477**	**15,011**	**91,257**	55,804	47,253	103,057
Unallocated income, net				**2,372**			717
Finance income				**10,418**			4,807
Finance costs				**(28,716)**			(23,512)
Share of loss of investment accounted for using the equity method				**(3,072)**			(999)
Profit before income tax				**72,259**			84,070
Income tax expense				**(12,784)**			(14,462)
Profit for the year				**59,475**			69,608
Depreciation	**135,140**	**60,182**	**45**	**195,367**	107,342	40,017	147,359
Amortisation	**2,711**	**223**	**–**	**2,934**	2,638	113	2,751

For the years ended 31 December 2012 and 2013, unallocated income, net represents corporate income.

The segment assets and liabilities are as follows:

	2013					2012			
	Metal stamping *HK$'000*	**Plastic injection** *HK$'000*	**Microcredit** *HK$'000*	**Un-allocated** *HK$'000*	**Total** *HK$'000*	Metal stamping *HK$'000*	Plastic injection *HK$'000*	Un-allocated *HK$'000*	Total *HK$'000*
Assets	**2,714,347**	**1,489,145**	**142,250**	**3,102**	**4,348,844**	2,842,479	852,290	128,966	3,823,735
Liabilities	**100,886**	**611,661**	**823**	**1,465,523**	**2,178,893**	102,091	414,912	1,231,056	1,748,059
Capital expenditure	**313,190**	**58,637**	**2,291**	**-**	**374,118**	425,286	102,378	89	527,753

Segment assets consist primarily of certain property, plant and equipment, leasehold land and land use rights, goodwill, certain prepayments, deposits and other receivables, other assets, inventories, trade receivables, loan and interest 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 any of the above segments.

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

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2013 as follows:

	Assets *HK$'000*	**Liabilities** *HK$'000*
Segment assets/liabilities	**4,345,742**	**713,370**
Unallocated:		
Cash and cash equivalents	**3,102**	**–**
Current income tax liabilities	**–**	**26,167**
Deferred taxation	**–**	**22,008**
Current borrowings	**–**	**653,393**
Non-current borrowings	**–**	**586,379**
Current finance lease liabilities	**–**	**52,344**
Non-current finance lease liabilities	**–**	**95,638**
Accruals and other payables	**–**	**29,594**
Total	**4,348,844**	**2,178,893**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2012 as follows:

	Assets *HK$'000*	Liabilities *HK$'000*
Segment assets/liabilities	3,694,769	517,003
Unallocated:		
Cash and cash equivalents	121,939	–
Prepayments, deposits and other receivables	6,938	–
Property, plant and equipment	89	–
Current income tax liabilities	–	25,654
Deferred taxation	–	22,498
Current borrowings	–	530,150
Non-current borrowings	–	539,804
Current finance lease liabilities	–	27,435
Non-current finance lease liabilities	–	56,082
Accruals and other payables	–	29,433
Total	3,823,735	1,748,059

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 three (2012: four) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Customer A	**349,815**	308,804
Customer B	**581,651**	587,347
Customer C	**331,448**	273,505

4. REVENUE

	2013	2012
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**284,133**	167,308
Manufacturing of metal stamping components	**1,079,193**	1,191,526
Manufacturing of lathing components	**138,276**	155,515
Design and fabrication of plastic injection moulds	**110,879**	81,199
Manufacturing of plastic injection components	**979,292**	732,710
Income from micro lending business	**24,239**	–
Others	**39,703**	38,765
	2,655,715	2,367,023

Others mainly represent sales of scrap materials.

5. OPERATING PROFIT

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

	2013	2012
	HK$'000	*HK$'000*
Depreciation		
– Owned assets	**178,319**	141,265
– Leased assets	**17,048**	6,094
	195,367	147,359
Employment expenses		
– research and development	**32,086**	23,043
– share options granted	**39,648**	3,884
– others	**563,271**	463,308
Amortisation of leasehold land and land use rights	**2,934**	2,751
Auditor's remuneration	**3,546**	3,546
Changes in inventories of finished goods and work in progress	**(35,034)**	30,567
Raw materials and consumables used	**1,380,508**	1,260,984
Provision/(reversal of provision) for inventory obsolescence	**3,639**	(155)
Research and development	**15,880**	43,091
Subcontracting expenses	**72,985**	43,171
Utilities expenses	**63,073**	56,873
Transportation expenses	**34,755**	25,791
Packaging expenses	**115,431**	61,469
Marketing expenses	**4,079**	8,219
Office expenses	**28,537**	19,735
Operating lease payments for properties	**3,421**	2,204
Others	**63,259**	75,503
	2,587,385	2,271,343

6. FINANCE INCOME/COSTS

	2013	2012
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**10,418**	4,807
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**3,078**	7,452
Bank borrowings not wholly repayable within five years	**22,189**	14,182
Finance lease liabilities	**3,449**	1,878
	28,716	23,512

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 2013 and 2012, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$615,000 and HK$1,528,000 respectively.

7. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**15**	812
– Mainland China corporate income tax	**17,843**	14,965
Over-provision in prior years	**(4,584)**	(825)
Deferred income tax credited for the year	**(490)**	(490)
	12,784	14,462

(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 (2012: 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) Provision for China corporate income tax was calculated on the statutory rate of 25% (2012: 25%) on the assessable income of each of the group's entities except that certain subsidiaries of the Company operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period. Accordingly, the China corporate income tax for such subsidiaries has been provided for after taking into account of their tax exemptions and concessions.

(ii) During the years ended 31 December 2012 and 2013, EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongging Digidie Auto Body Ltd., Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. 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 years ended 31 December 2012 and 2013.

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.

(c) Overseas income tax

The Company is incorporated in the Cayman Islands 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 and, accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

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 excluding ordinary shares purchased by the company.

Basic

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**55,427**	70,889
Weighted average number of ordinary shares in issue ('000)	**1,679,760**	1,733,043
Basic earnings per share (HK cents per share)	**3.3**	4.1

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). 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. 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.

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**55,427**	70,889
Weighted average number of ordinary shares in issue ('000)	**1,679,760**	1,733,043
– adjustment for share options ('000)	**61,646**	9,090
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,741,406**	1,742,133
Diluted earnings per share (HK cents per share)	**3.2**	4.1

9. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid of HK0.48 cent (2012: HK0.7 cent) per ordinary share	**8,063**	12,106
Proposed final dividend of HK0.51 cent (2012: HK0.55 cent) per ordinary share	**8,567**	9,239
	16,630	21,345

A dividend in respect of the year ended 31 December 2013 of HK0.51 cent per share, amounting to a total dividend of HK$8,567,000, is to be proposed at the annual general meeting on 21 May 2014. These consolidated financial statements do not reflect this dividend payable.

10. TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 180 days. The ageing of the trade receivables is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**511,978**	393,961
91 to 180 days	**41,813**	24,378
181 to 365 days	**–**	5,647
Over 365 days	**–**	192
	553,791	424,178
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**552,603**	422,990

11. LOAN AND INTEREST RECEIVABLES

The small and micro loans to customers arising under the Group's micro credit business have loan periods ranging from 3 days to 7 months. Loan and interest receivables in respect of loans, by repayment period, were set as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**137,195**	6,166
Less: provision	**(1,365)**	–
	135,830	6,166

The loans provided to customers bear fixed interest rate ranging from 18% to 24% per annum (2012: 24%), and were repayable according to the loan agreements.

As at 31 December 2013, no loan and interest receivables are overdue (2012: nil).

12. TRADE PAYABLES

The ageing of trade payables is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 90 days	**418,550**	327,603
91 to 180 days	**95,767**	52,041
181 to 365 days	**–**	6,063
Over 365 days	**–**	6,451
	514,317	392,158

The amounts of trade payables have an average maturity period within 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

During the year, the Group continued to make progresses in its strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diversity of products for the Chinese consumption market, particularly the huge automobile sector. As one of the milestone events in such expansion, we had completed the construction of our new automobile component production base in Wuhan by end of 2013. The new Wuhan production base has land area of approximately 166,000 square metres and construction area (phase one) of approximately 49,000 square metres, and is targeted at providing component production and welding services to automobile makers located in Wuhan and adjacent cities. Taking into account the concentration of automobile makers in that area and our outstanding engineering expertise accumulated through more than 20 years of experience in serving the precision equipment industry which is also essential for high quality automobile products, we are confident that our new Wuhan production base can stand out in the domestic automobile supply chain and open up a new phase of development for the benefit of the Group.

Prior to the completion of the new Wuhan production base, the Group's businesses in automobile sector were primarily derived from the production of moulds. Accordingly, the completion of the new Wuhan production base signifies our first step toward supplying automobile components on a large scale basis, a business which is much more voluminous than supplying moulds. To drive revenue growth, our existing production base in Chongqing (which primarily produces automobile moulds at present) is also steered toward this direction. We have recently completed the construction of phase 2 of our Chongqing production base, which is planned to be fitted out with equipment for automobile component production gradually. The expansion of our Chongqing production base into manufacturing automobile components on a large scale basis greatly magnifies its capability to receive sale orders, since it is an industry practice for customers to request mould producers to also take up subsequent component production for quality and logistics reasons.

Further, the Group's new micro lending company in Shenzhen, in which the Group has a 60% stake, commenced commercial operations in early 2013. This company is a non-deposit taking institution. To control credit risk, loans are only made to individuals or companies whose backgrounds are well known to the Group, and therefore no bad debt occurred (although a general provision for loan impairment based on 1% of outstanding loan balance was made solely for the purpose of complying with the guideline issued by the Ministry of Finance of China). In the future, we expect the new micro lending company to provide an auxiliary source of income to the Group but we will nonetheless remain focused on our manufacturing business, which is well established and still undergoing rapid development.

Under the Group's business model, our customers will normally require us to jointly co-develop the relevant moulds with them during their product development stages. The completed moulds will then be consigned in our production bases for future mass production of components when new products are launched to the market. In other words, mould revenue is a leading indicator of our future production volume of components. Since late 2012, our customers in OA equipment sector have been engaging in new product development activities and therefore our production and sales of moulds were robust. Certain of the moulds produced by us in 1H2013 had started to be used for the mass production of components since late 2013. Therefore, despite a reduction in component revenue in 1H2013, sales of components rebounded strongly in the second half of 2013 and finally component revenue for the full year of 2013 exceeded that of 2012. At the same time, the demand for our moulds remained strong throughout the year. Mould revenue in 2013 increased by 59% and reached HK$395,012,000, another historical high. Total revenue of the Group in 2013 amounted to HK$2,655,715,000, representing an increase of 12.2% as compared to 2012.

The percentage of our mould revenue to total revenue also increased to 14.9% in 2013 (2012: 10.5%). Since moulds are high margin products, our gross profit margin increased to 24.1% for the year (2012: 21.6%). However, in preparation for the increase in order flows, we added a new production base in Tiaoliao, Shenzhen in 2012, which commenced operations in 2H2012. The Group's new management headquarter located at Shenzhen (Shiyan) production base was also put into use in early 2013. Therefore, depreciation and other operating costs in 2013 increased on a year-on-year basis. Further, the Group incurred share option costs of HK$39,648,000 in relation to stock options granted in 2012 and 2013 (but recognition of such costs had already ended on 31 December 2013). Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's net profit reduced by approximately 21.8% to HK$55,427,000.

Despite the aforesaid, our revenue from the manufacture of moulds was robust throughout the year of 2013 and reached historical high again. This is very likely to lead to a substantial increase in our future component revenue, which can outweigh the above-mentioned costs, being either semi-fixed or non-recurring in nature, and enable us to revitalise profit growth.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2013 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, whilst maximising returns to our shareholders.

FINANCIAL REVIEW

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

	2013 *HK$'000*	**%**	2012 *HK$'000*	%
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**284,133**	**10.7%**	167,308	7.1%
Manufacturing of metal stamping components	**1,079,193**	**40.6%**	1,191,526	50.3%
Manufacturing of lathing components	**138,276**	**5.2%**	155,515	6.6%
Others *(Note 1)*	**27,440**	**1.0%**	35,532	1.5%
	1,529,042		1,549,881	
Plastic division				
Design and fabrication of plastic injection moulds	**110,879**	**4.2%**	81,199	3.4%
Manufacturing of plastic injection components	**979,292**	**36.9%**	732,710	31.0%
Others *(Note 1)*	**12,263**	**0.5%**	3,233	0.1%
	1,102,434		817,142	
Income from micro lending business	**24,239**	**0.9%**	–	–
Total	**2,655,715**		2,367,023	
Segment results				
Metal division	**44,769**		55,804	
Plastic division	**31,477**		47,253	
Micro lending business	**15,011**		–	
Operating profit	**91,257**		103,057	
Unallocated income	**2,372**		717	
Finance income	**10,418**		4,807	
Finance costs	**(28,716)**		(23,512)	
Share of loss of investments accounted for using the equity method	**(3,072)**		(999)	
Income tax expense	**(12,784)**		(14,462)	
Non-controlling interests	**(4,048)**		1,281	
Profit attributable to equity holders of the Company	**55,427**		70,889	

Note 1: Others mainly represented sales of scrap materials

Turnover

During the year ended 31 December 2013, our customers were developing new office automation equipment models and required us to jointly co-develop the relevant moulds for them. Accordingly, mould revenue from metal and plastic divisions increased by approximately 59% to HK$395,012,000, another historical high. Driven by the strong growth in mould revenue, our total turnover for the year ended 31 December 2013 increased by 12.2% to HK$2,655,715,000.

Gross profit

As mentioned above, our mould revenue was strong in 2013 and its percentage to our total turnover increased to 14.9%. Since the profit margin from mould production is generally higher than that from component production, our gross profit margin increased to 24.1% (2012: 21.6%).

Segment results

To prepare for the increase in order flows, we added a new production base in Tianliao, Shenzhen in 2012, which commenced operations in 2H2012. The Group's new management headquarter located at Shenzhen (Shiyan) production base was also put into use in early 2013. Therefore, depreciation and other operating costs in 2013 increased on a year-on-year basis. Further, the Group incurred share option costs of HK$39,648,000 in relation to share options granted in 2012 and 2013 (but recognition of such costs had already ended on 31 December 2013). Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's operating profit margin from metal and plastic divisions decreased in 2013.

The operating profit margin of the Group's newly established micro lending business was 61.9%. Since its loans made to customers were solely funded by its own capital and reserves, this business had no significant cost and therefore its operating profit margin was high.

Finance costs

The Group's finance costs for the year ended 31 December 2013 increased to approximately HK28,716,000, 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 2013, income tax expense amounted to approximately HK$12,784,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 17.7%, which was comparable to that for the previous year.

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company decreased by 21.8% to HK$55,427,000, which was primarily attributable to the reduction in the Group's operating profit margin as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

The Group's new micro lending company in Shenzhen, which was incorporated in late 2012, commenced commercial operations in early 2013. Accordingly, loans advanced to third parties and interest receivables under this new micro lending business increased from HK$6,166,000 as at 31 December 2012 to HK$135,830,000 as at 31 December 2013, which led to a reduction of the Group's net cash generated from operating activities for the year to HK$142,086,000. However, excluding this, the Group had net operating cash inflow from its traditional manufacturing business of HK$271,750,000, which increased as compared to 2012 due to the continuous effort of the Group to streamline its working capital requirements. During the year, the Group's fixed deposits of HK$51,486,000, which were placed in banks as at 31 December 2012, became mature and were not extended. Therefore, the Group recorded a cash inflow from investing activities of the same amount. At the same time, although the construction of the Group's new production base in Wuhan was still on-going until end of 2013, the majority of the related capital expenditure such as land and construction costs had already been paid before 2013. Accordingly, the Group's net cash used in investing activities reduced to HK$206,503,000. Since capital expenditure decreased, less new bank borrowings were drawn by the Group during the year ended 31 December 2013, which resulted in a reduction in net cash generated from financing activities to HK$125,290,000 during the year.

Bank loans as at 31 December 2013 were denominated in Hong Kong and United States 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 2013 is as follows:

	31 December 2013	31 December 2012
Inventory turnover days *(Note 1)*	**56**	53
Debtors' turnover days *(Note 2)*	**77**	65
Creditors' turnover days *(Note 3)*	**93**	77
Cash conversion cycle *(Note 4)*	**40**	41
Current ratio *(Note 5)*	**1.45**	1.58
Net debt-to-equity ratio *(Note 6)*	**17.7%**	7.9%

Notes:

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 days 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 days 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 divided by shareholders' equity.

Inventory turnover days

During the year, the Group's inventory turnover days was 56 days, which was comparable to that for the year ended 31 December 2012.

Debtors' and creditors' turnover days

Since late 2013, certain of the moulds produced by us in 1H2013 started to be used for mass production of components, which led to a notable increase in the sales of the Group during the same period. As such sales were still within normal credit periods and were therefore unpaid at year-end, the balance of trade receivables increased which resulted in an increase in debtors' turnover days to 77 days. Creditors' turnover days increased to 93 days, which was primarily because the Group had successfully negotiated with certain of its suppliers for longer credit periods with a view to streamlining its working capital requirements.

Current ratio and net debt-to-equity ratio

During the year, the Group obtained additional borrowings for future capital expenditure and working capital requirements, which resulted in an increase in the Group's net debt-to-equity ratio as at 31 December 2013. Certain of such borrowings were short-term bank loans. Coupled with an increase in trade payables owing to the longer credit periods granted by suppliers as mentioned above, current liabilities increased which led to a reduction in the Group's current ratio as at 31 December 2013.

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 (which are pegged). For the year ended 31 December 2013, the Group's sales and purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	31.1%	12.5%
US dollars	52.4%	66.0%
Renminbi	15.0%	21.5%
Euro	1.5%	–

Although the majority of the Group's revenue and expenditure are in the same currencies, 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 and United States dollars 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 2013, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK$6,620,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$290,121,000 for securing finance lease liabilities.

HUMAN RESOURCES

As at 31 December 2013, the total number of employees of the Group was 8,257 employees, which increased as compared to 7,595 employees as at 31 December 2012. The increase in headcount was primarily caused by the recruitment of additional employees for the new Wuhan production base which commenced production by end of 2013.

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. Training programmes are offered to employees for their continuous development. Besides, 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

By end of 2013, the construction of our new automobile component production base in Wuhan was completed and started production. Together with our existing Chongqing production base, we can now extend our precision manufacturing services from the coastal area of China to two other major automobile hubs in the interior region. The completion of our Wuhan production base also signifies our first step forward from primarily producing automobile moulds in the past to also manufacturing automobile components on a large scale basis, a business that is much more voluminous and can therefore provide a platform for a quantum leap in revenue going forward. At the same time, our outstanding engineering expertise accumulated through more than 20 years of experience in the precision equipment industry differentiates ourselves from other domestic suppliers, and thus put us in a very favourable position to capitalise on the next phase of development in China's automobile industry, as consumer demand is now rapidly shifting from low cost vehicles to vehicles with higher quality and better performance.

In addition, our traditional OA business is still on a growth track, which is evidenced by the robust growth in mould revenue in 2013. It is worth noting that, although the moulds produced by us in 1H2013 only started to be used for component production in late 2013, we already saw a sharp rebound in our component revenue in 2H2013. Looking forward to the coming year, the growth in our revenue is likely to be more prominent as the launch of new products by our customers continues.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2013.

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 HK0.51 cent per ordinary share, totaling approximately HK$8,567,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2014, the final dividend will be payable on or about 4 June 2014. Including the interim dividend of approximately HK$8,063,000 paid on 24 September 2013 in respect of the six months ended 30 June 2013, the total dividends declared for the year ended 31 December 2013 will be approximately HK$16,630,000.

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 Wednesday, 21 May 2014, the register of members of the Company will be closed from Monday, 19 May 2014 to Wednesday, 21 May 2014, 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 Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16 May 2014.

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 Wednesday, 4 June 2014 to shareholders whose names appear on the register of members on Wednesday, 28 May 2014. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 27 May 2014 to Wednesday, 28 May 2014, 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 Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 May 2014.

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 2013 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2013.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code 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. Prior to 11 January 2013, the audit committee was chaired by Dr. Lui Sun Wing and its members comprised Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu, the three independent non-executive directors of the Company. On 11 January 2013, Dr. Lui Sun Wing ceased to be the Company's independent non-executive director and a member and the chairman of the audit committee. With effect from 11 January 2013, Mr. Leung Tai Chiu replaced Dr. Lui Sun Wing as the chairman of the audit committee and the vacancy left by Dr. Lui Sun Wing in the audit committee was filled by Mr. Lam Hiu Lo, who was appointed as an independent non-executive director of the Company on the same day. 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 2013.

AUDITORS

The consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor 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, 26 March 2014

As at the date of this announcement, the Board comprises three executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice Chairman) and Mr. Zhang Yaohua (Chief Executive Officer) and three independent non-executive directors, being Mr. Choy Tak Ho, Mr. Leung Tai Chiu and Mr. Lam Hiu Lo.