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EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 838)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Revenue	4	**1,084,982**	952,030
Cost of sales		**(811,606)**	(649,373)
Gross profit		**273,376**	302,657
Other income		**114**	1,678
Selling and marketing costs		**(56,719)**	(55,481)
General and administrative expenses		**(107,294)**	(75,841)
Operating profit	5	**109,477**	173,013
Finance income	6	**2,022**	1,488
Finance costs	6	**(9,884)**	(7,521)
Profit before income tax		**101,615**	166,980
Income tax expense	7	**(19,037)**	(13,124)
Profit for the year and attributable to equity holders of the Company		**82,578**	153,856
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	8	**11.5**	22.5
– diluted	8	**11.5**	21.9
Dividends	9	**28,796**	46,127

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**931,106**	595,456
Leasehold land and land use rights		**58,934**	80,314
Prepayments, deposits and other receivables		**21,916**	60,195
Other assets		**1,607**	1,607
		1,013,563	737,572
Current assets			
Inventories		**179,204**	154,198
Trade receivables	*10*	**203,232**	209,525
Prepayments, deposits and other receivables		**9,894**	11,775
Pledged bank deposits		**1,134**	8,437
Cash and cash equivalents		**251,828**	133,729
		645,292	517,664
Current liabilities			
Trade payables	*11*	**158,214**	153,730
Accruals and other payables		**31,801**	39,622
Bank borrowings		**189,463**	32,052
Finance lease liabilities		**50,968**	24,607
Current income tax liabilities		**15,388**	13,783
		445,834	263,794
Net current assets		**199,458**	253,870
Total assets less current liabilities		**1,213,021**	991,442
Non-current liabilities			
Bank borrowings		**155,122**	27,445
Finance lease liabilities		**85,714**	33,278
Deferred taxation		**5,129**	–
		245,965	60,723
Net assets		**967,056**	930,719
EQUITY			
Capital and reserves			
Share capital		**69,813**	72,124
Reserves			
– Proposed final dividend		**14,561**	24,522
– Others		**882,682**	834,073
Total equity		**967,056**	930,719

Note:

1. BASIS OF PRESENTATION

The Group is principally engaged in the design and fabrication of metal stamping and plastic injection moulds and 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 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention. 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.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated, and have been approved for issue by the Board of Directors on 15 April 2009.

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) Amendment and interpretations effective in 2008

The following amendment and interpretations to published standards is mandatory for accounting periods beginning on or after 1 January 2008:

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) – Int 12, 'Service concession arrangements', deals primarily with public to private service concession arrangements for the delivery of the public services. It applies only to concession arrangements where the use of the infrastructure and significant residual interest in the infrastructure are controlled by the grantor. The interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have an impact on the Group's financial statements as none of the group companies operate a defined benefit pension scheme.

(b) Standard, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standard, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them but it is not expected to have any material impact in the consolidated financial statements of the Group.

- HKAS 1 (Revised), 'Presentation of financial statements' (effective for accounting period starting from 1 January 2009).

- HKAS 23 (Revised), 'Borrowing costs' (effective for accounting period starting from 1 January 2009).

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective for accounting period starting from 1 July 2009).

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective for accounting period starting from 1 January 2009).

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective for accounting period starting from 1 July 2009).

- HKFRS 2 (Amendment), 'Share-based payment' (effective for accounting period starting from 1 January 2009).

- HKFRS 3 (Revised), 'Business combinations' (effective for accounting period starting from 1 July 2009).

- HKFRS 8, 'Operating segments' (effective for accounting period starting from 1 January 2009).

- HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation' (effective for accounting period starting from 1 October 2008).

(c) Interpretations and amendment to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendment to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- HKAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective for accounting period starting from 1 July 2009).

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective for accounting period starting from 1 July 2008).

- HK(IFRIC) – Int 17 – 'Distributions of non-cash assets to owners' (effective for accounting period starting from 1 July 2009).

- HK(IFRC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009).

Apart from the above, the Hong Kong Institute of Certified Public Accountants has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. These amendments are primarily effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect adoption of these amendments to have a significant effect on the consolidated financial statements.

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments

As at 31 December 2008, the Group was organised into two main business segments:

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

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

The segment results and other segment items are as follows:

	2008			2007		
	Metal stamping	**Plastic injection**	**Total**	Metal stamping	Plastic injection	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**825,323**	**299,802**	**1,125,125**	784,204	187,643	971,847
Inter-segment revenue	**(35,264)**	**(4,879)**	**(40,143)**	(17,831)	(1,986)	(19,817)
Revenue	**790,059**	**294,923**	**1,084,982**	766,373	185,657	952,030
Segment results	**79,421**	**30,570**	**109,991**	140,105	31,590	171,695
Unallocated (expenses)/income			**(514)**			1,318
Finance income			**2,022**			1,488
Finance costs			**(9,884)**			(7,521)
Profit before income tax			**101,615**			166,980
Income tax expense			**(19,037)**			(13,124)
Profit for the year			**82,578**			153,856
Depreciation	**42,574**	**17,327**	**59,901**	36,245	12,873	49,118
Amortisation	**717**	**154**	**871**	810	135	945

Unallocated (expenses)/income represented corporate (expenses)/income.

The segment assets and liabilities are as follows:

	2008				2007			
	Metal stamping	**Plastic injection**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**1,161,936**	**496,515**	**404**	**1,658,855**	960,671	291,715	2,850	1,255,236
Liabilities	**144,154**	**45,724**	**501,921**	**691,799**	155,138	38,147	131,232	324,517
Capital expenditure	**229,334**	**166,682**	**–**	**396,016**	182,261	42,850	–	225,111

Segment assets consist primarily of property, plant and equipment and leasehold land and land use rights, inventories, receivables, and operating cash.

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities and income tax liabilities.

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 2008 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**1,658,451**	**189,878**
Unallocated:		
Cash and cash equivalents	**404**	**–**
Current income tax liabilities	**–**	**15,388**
Deferred taxation	**–**	**5,129**
Current borrowings	**–**	**189,463**
Non-current borrowings	**–**	**155,122**
Current finance lease liabilities	**–**	**50,968**
Non-current finance lease liabilities	**–**	**85,714**
Accruals and other payables	**–**	**137**
Total	**1,658,855**	**691,799**

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2007 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	1,252,386	193,285
Unallocated:		
Cash and cash equivalents	2,663	–
Prepayments, deposits and other receivables	187	–
Current income tax liabilities	–	13,783
Current borrowings	–	32,052
Non-current borrowings	–	27,445
Current finance lease liabilities	–	24,607
Non-current finance lease liabilities	–	33,278
Accruals and other payables	–	67
Total	1,255,236	324,517

(b) Secondary reporting format – geographical segments

Analysis of the Group's revenue by geographical segment is determined based on destination of shipments/delivery of goods. Analysis of the Group's segment assets and capital expenditure is determined based on the location where the assets are located.

No geographical segment analysis of the Group's revenue, assets and capital expenditure is presented as substantially all of the Group's revenue is derived from Mainland China/Hong Kong, and substantially all of the Group's assets are located in Mainland China/Hong Kong.

4. REVENUE

	2008	2007
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**59,574**	83,463
Manufacturing of metal stamping components	**617,788**	600,763
Manufacturing of lathing components	**82,392**	55,025
Design and fabrication of plastic injection moulds	**35,692**	33,319
Manufacturing of plastic injection components	**257,357**	151,150
Others	**32,179**	28,310
	1,084,982	952,030

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2008	2007
	HK$'000	*HK$'000*
Crediting –		
Net exchange gains	**3,844**	7,064
Gain on disposal of land use right	**1,421**	–
Gain on disposal of property, plant and equipment	**–**	98
Charging –		
Employment expenses	**154,701**	123,109
Depreciation		
– Owned assets	**48,005**	39,574
– Leased assets	**11,896**	9,544
	59,901	49,118
Amortisation of leasehold land and land use rights	**871**	945
Provision for inventories	**750**	1,199
Auditor's remuneration	**1,768**	2,070
Loss on disposal of property, plant and equipment	**45**	–

6. FINANCE INCOME/COSTS

	2008	2007
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**2,022**	1,488
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**10,197**	6,479
Bank borrowings not wholly repayable within five years	**127**	211
Finance lease liabilities	**4,629**	4,406
	14,953	11,096
Less: amount capitalised	**(5,069)**	(3,575)
	9,884	7,521

The capitalisation rate was approximately 2.5% per annum (2007: 3.0% per annum), representing the weighted average rate of the costs of borrowings used to finance the related assets.

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax *(Note a)*	**6,593**	5,954
– Mainland China corporate income tax *(Note b)*	**7,359**	7,275
Over-provision in prior years	**(44)**	(105)
Deferred taxation		
– Mainland China withholding income tax *(Note c)*	**5,129**	–
	19,037	13,124

(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 (2007: 17.5%).

(b) Mainland China corporate income tax

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 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 18% for the year ended 31 December 2008 (2007: 15%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, 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 year after offsetting prior year tax losses of Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited was 2003, 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2006 and June 2007, respectively, and had no taxable profits during the year ended 31 December 2008.

(c) Mainland China withholding income tax

Under the new Corporate Income Tax Law of Mainland China, dividend distribution 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 deferred income tax liabilities represented the withholding tax that would be payable on the unremitted earnings of certain subsidiaries.

(d) Overseas income taxes

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.

Basic

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**82,578**	153,856
Weighted average number of ordinary shares in issue ('000)	**716,479**	685,190
Basic earnings per share (HK cents per share)	**11.5**	22.5

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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**82,578**	153,856
Weighted average number of ordinary shares in issue ('000)	**716,479**	685,190
– adjustment for share options ('000)	**2,518**	17,497
Weighted average number of ordinary shares for diluted earnings per share ('000)	**718,997**	702,687
Diluted earnings per share (HK cents per share)	**11.5**	21.9

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK2.0 cents (2007: HK3.0 cents) per ordinary share	**14,235**	21,605
Proposed final dividend of HK$2.2 cents (2007: HK3.4 cents) per ordinary share	**14,561**	24,522
	28,796	46,127

10. TRADE RECEIVABLES

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

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**176,453**	184,087
91 to 180 days	**20,152**	23,313
181 to 365 days	**7,815**	3,313
	204,420	210,713
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
	203,232	209,525

11. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**146,800**	141,287
91 to 180 days	**10,416**	12,122
181 to 365 days	**998**	321
	158,214	153,730

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2008, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. A review of the Group's operations for the year ended 31 December 2008 is as follows:

METAL DIVISION

During the year ended 31 December 2008, the turnover of the Group's metal division increased by 3.1% to approximately HK$790,059,000 as compared to that of approximately HK$766,373,000 for the year ended 31 December 2007. During the year, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother and sales to Japanese customers accounted for approximately 86.4% of the Group's total sales for the year ended 31 December 2008 (For the year ended 31 December 2007: 83.6%).

As a service provider to reputable international brand owners, management believes that the Group's business is strongly influenced by the characteristics of its major customer group. Management believes that the key characteristics of Japanese and international brand owners, which are currently the Group's major customer group, include (i) a strong emphasis on product quality, in particular for office automation equipment such as copiers, printers and multi functional peripherals whose components require high precision standards to ensure the effective functioning of the equipment; (ii) emphasis on production efficiency to minimise production lead time and just-in-time inventory management and (iii) a strong involvement in the production process of its suppliers to ensure product quality and frequent mutual communications with a view to improving the production efficiency of its suppliers. To meet the stringent requirements of its customers, the Group has been following the Japanese style of management since the early stage of its establishment, which includes the implementation of the Japanese 7S management framework (Strategy; Structure; Systems; Style; Staff; Super-ordinate goals and Skills). Further, to manufacture components with high precision standards for its customers, the Group had invested in high quality equipment and a substantial portion of the Group's production machinery are first-tier equipment produced by international renowned brand names such as Aida, Sodick, Agie, Nomura, Sumitomo and Mitsubishi. The Group also maintains a strong quality control team with a headcount of 385 employees and other engineers and technicians of 851 employees as at 31 December 2008.

Such investment in quality and production management has proven to be beneficial to the Group. Despite the outbreak of financial crisis, sales of the Group's metal division continued to increase moderately during the year ended 31 December 2008. Apart from Japanese customers, the remaining 13.6% of the Group's total sales was derived from reputable Hong Kong or international companies during the year ended 31 December 2008. To broaden its customer base, the Group will continue to source new customers. However, it is the policy of the Group to be selective in the sourcing of new customers and management will take into account a number of factors which include the pricing of products and credibility of potential customers in its decision making process.

PLASTIC DIVISION

During the year ended 31 December 2008, the Group's plastic division continued to strengthen its foothold in the market. Turnover of the Group's plastic division for the year ended 31 December 2008 amounted to approximately HK$294,923,000, representing an increase of approximately 58.9% as compared to that for the year ended 31 December 2007.

HUMAN RESOURCES

As at 31 December 2008, the total number of employees of the Group was 3,847, which was approximately the same as compared to 3,961 employees as at 31 December 2007.

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. 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 build 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.

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 2008, approximately 35%, 57% and 8% (For the year ended 31 December 2007: 37%, 57% and 6%) of the Group's sales and approximately 19%, 67% and 14% (For the year ended 31 December 2007: 24%, 64% and 12%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

The Group's principal production facilities are located in Mainland China whilst its sale proceeds are primarily settled in Hong Kong dollars or US dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, Hong Kong dollars and Renminbi. Management has taken action to minimise the discrepancy in settlement currencies between its revenue and expenditure. In particular, despite the Group's substantial business operations in Mainland China, only a small portion of the Group's purchases are settled in Renminbi and all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi currently. Management will continue to evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimise the Group's exposure whenever necessary.

FINANCIAL REVIEW

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

	2008		2007	
	HK$'000	***%***	*HK$'000*	*%*
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**59,574**	**5.5%**	83,463	8.8%
Manufacturing of metal stamping components	**617,788**	**56.9%**	600,763	63.1%
Manufacturing of lathing components	**82,392**	**7.6%**	55,025	5.8%
Others *(Note 1)*	**30,305**	**2.8%**	27,122	2.8%
	790,059		766,373	
Plastic division				
Design and fabrication of plastic injection moulds	**35,692**	**3.3%**	33,319	3.5%
Manufacturing of plastic injection components	**257,357**	**23.7%**	151,150	15.9%
Others *(Note 1)*	**1,874**	**0.2%**	1,188	0.1%
	294,923		185,657	
Total	**1,084,982**		952,030	
Segment results				
Metal division	**79,421**		140,105	
Plastic division	**30,570**		31,590	
Operating profit	**109,991**		171,695	
Unallocated (expenses) income	**(514)**		1,318	
Finance income	**2,022**		1,488	
Finance costs	**(9,884)**		(7,521)	
Income tax expense	**(19,037)**		(13,124)	
Profit attributable to equity holders of the Company	**82,578**		153,856	

Note 1: Others mainly represented sales of scrap materials

Turnover

Metal division

Despite the outbreak of financial crisis, turnover of the Group's metal division continued to increase moderately by approximately 3.1% from approximately HK$766,373,000 for the year ended 31 December 2007 to approximately HK$790,059,000 for the year ended 31 December 2008. The continuous growth of the Group's metal division under tough economic environment was primarily caused by the on-going improvement in the Group's production management and its reputation among prominent international brand owners.

Plastic division

A substantial portion of the components inside the office automation equipment are made from plastics. As such, with a view to reducing the additional production logistic costs and excess production lead time that arise from the current practices of outsourcing the production of metal and plastic components to different suppliers, it is a trend for major office automation equipment brand owners to place more orders with comprehensive production service providers which are able to cover both metal and plastic components within the office automation equipment. As such, the turnover of the Group's plastic division continued to increase significantly from approximately HK$185,657,000 for the year ended 31 December 2007 to approximately HK$294,923,000 for the year ended 31 December 2008.

Gross profit

The Group achieved a gross profit of approximately HK$273,376,000 for the year ended 31 December 2008, representing a decrease of approximately 9.7% as compared to that for the year ended 31 December 2007. Gross profit margin for year ended 31 December 2008 was approximately 25.2%, which decreased as compared to that of approximately 31.8% for the year ended 31 December 2007. The decrease in gross profit margin was primarily because (i) the Group's revenue from the design and fabrication of metal stamping and plastic injection moulds decreased by approximately 18.4% from approximately HK$116,782,000 for the year ended 31 December 2007 to approximately HK$95,266,000 for the year ended 31 December 2008 and its proportion to total turnover decreased from approximately 12.3% for the year ended 31 December 2007 to approximately 8.8% for the year ended 31 December 2008. At the same time, with the decrease in revenue from the design and fabrication of metal stamping and plastic injection moulds, the proportion of revenue from the manufacturing of metal stamping and plastic injection components and lathing components to total turnover increased from approximately 84.8% for the year ended 31 December 2007 to approximately 88.2% for the year ended 31 December 2008. Since the gross profit margin from the manufacture of components is lower than that from the design and fabrication of moulds, the decrease in the proportion of revenue from the design and fabrication of moulds to total turnover had resulted in a dilution in the Group's overall gross profit margin for the year ended 31 December 2008; (ii) taking into account the positive feedback from customers to the Group's production management and quality, management believes that the Group is poised to achieve further growth in revenue in the future. To establish a solid foundation for the Group's future growth, the Group has been expanding its scale of operations and in particular, the cost of the Group's plant and machinery increased from approximately HK$457,076,000 as at 31 December 2007 to approximately HK$630,421,000 as at 31 December 2008. Although the growth in the Group's turnover was less than expected due to the outbreak of financial crisis in 2008, the additional overhead and depreciation expenses caused by the expansion of the Group's scale of operations were semi-fixed in nature and were charged to the Group's cost of sales during the year ended 31 December 2008 which resulted in a reduction of the Group's gross profit margin during the year; and (iii) the selling price of scrap materials fell sharply during the latter half of 2008, which deteriorated the Group's profitability generated from sales of scrap materials.

Segment results

For the year ended 31 December 2008, segment result of the Group's metal division amounted to approximately HK$79,421,000, representing a 43.3% decrease as compared to that of approximately HK$140,105,000 for the year ended 31 December 2007. The operating profit margin of the Group's metal division for the year ended 31 December 2008 was approximately 10.1%, which decreased as compared to that of approximately 18.3% for the year ended 31 December 2007. The decrease in operating profit margin of the Group's metal division was mainly because (i) the proportion of revenue from the design and fabrication of metal stamping moulds to total turnover of the Group's metal division decreased from approximately 10.9% for the year ended 31 December 2007 to approximately 7.5% for the year ended 31 December 2008. As the gross profit margin from the design and fabrication of metal stamping moulds is higher than that from the manufacture of metal stamping components, the reduction in the proportion of revenue from design and fabrication of metal stamping moulds to total turnover of the Group's metal division had resulted in the decrease in its operating profit margin; (ii) the Group's mould development centre in Shenzhen had been newly completed during the year ended 31 December 2008, resulting in an initial loss amounting to approximately HK$9,816,000 of which approximately HK$3,204,000 was charged to the Group's metal division and (iii) a general increase in various operating costs following the continuous expansion of the Group's scale and production capacity during the year ended 31 December 2008.

Segment result of the Group's plastic division for the year ended 31 December 2008 was approximately HK$30,570,000, which decreased by approximately 3.2% as compared to that of approximately HK$31,590,000 for the year ended 31 December 2007. Operating profit margin of the Group's plastic division for the year ended 31 December 2008 was approximately 10.4%, which decreased as compared to that of approximately 17.0% for the year ended 31 December 2007. The reasons for the decrease in operating profit margin of the Group's plastic division were similar to that of the metal division, in particular that (i) the proportion of revenue from design and fabrication of plastic injection moulds to total turnover of the Group's plastic division had decreased from approximately 17.9% for the year ended 31 December 2007 to approximately 12.1% for the year ended 31 December 2008, which diluted the overall profit margin of the Group's plastic division and (ii) initial loss incurred by newly established mould development centre attributable to the Group's plastic division amounting to approximately HK$6,612,000.

Finance costs

The Group's finance costs for the year ended 31 December 2008 amounted to approximately HK$9,884,000, which increased by approximately 31.4% as compared to that for the year ended 31 December 2007 due to the increase in the Group's borrowings during the year ended 31 December 2008.

Income tax expense

During the year ended 31 December 2008, income tax expense amounted to approximately HK$19,037,000. Effective tax rate (defined as the percentage of income tax expenses as compared to profit before income tax) for the year ended 31 December 2008 was approximately 18.7%, which increased as compared to that of approximately 7.9% for the year ended 31 December 2007. During the year ended 31 December 2007, Yihe Precision Hardware (Shenzhen) Co., Ltd, the principal subsidiary for the Group's metal business in Shenzhen, enjoyed a 50% reduction in PRC enterprise income tax at a rate of 7.5%. However, the tax reduction period expired during the year ended 31 December 2008 and accordingly Yihe Precision Hardware (Shenzhen) Co., Ltd. was subject to enterprise income tax at a rate of 18% during the year. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., the principal subsidiary for the Group's plastic business in Shenzhen, was exempted from PRC enterprise income tax during the year ended 31 December 2007. The tax exemption period of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. expired during the year ended 31 December 2008 and accordingly it was subject to enterprise income tax at a rate of 9% during the year. Further, in accordance with the new tax rules in Mainland China which became effective during the year ended 31 December 2008, dividends to be paid by the Group's subsidiaries in Mainland China to their respective overseas holding companies would be subject to withholding tax at a rate of 5% to 10%. As such, the Group's overall effective tax rate increased from approximately 7.9% for the year ended 31 December 2007 to approximately 18.7% for the year ended 31 December 2008.

Profit attributable to equity holders of the Company

During the year ended 31 December 2008, profit attributable to equity holders of the Company amounted to approximately HK$82,578,000, which decreased by approximately 46.3% as compared to approximately HK$153,856,000 for the year ended 31 December 2007. Net profit margin of the Group for the year ended 31 December 2008 was approximately 7.6%, which decreased as compared to that of 16.2% for the year ended 31 December 2007. The reduction in net profit margin of the Group was mainly caused by (i) the change in product mix of the Group and the decrease in the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover which diluted the Group's overall gross profit margin; (ii) the initial loss incurred by the Group's new mould development centre; (iii) a general increase in various operating costs following the continuing expansion of the Group's scale and production capacity during the year ended 31 December 2008; and (iv) the increase in finance costs and overall effective tax rate of the Group for the year ended 31 December 2008.

By geographical location

	2008 *HK$'000*	2007 *HK$'000*
Turnover		
Shenzhen (Shiyan) production plant	**901,870**	838,613
Shenzhen mould development centre	**1,743**	–
Suzhou production plant	**181,369**	113,417
	1,084,982	952,030
Profit attributable to equity holders of the Company		
Shenzhen (Shiyan) production plant	**71,817**	141,090
Shenzhen mould development centre	**(9,816)**	–
Suzhou production plant	**20,577**	12,766
	82,578	153,856

As indicated on the above, a substantial portion of the Group's turnover for the year ended 31 December 2008 was still derived from the Group's Shenzhen (Shiyan) production plant since the operating history of Suzhou production plant was relatively short as compared to that of the Group's Shenzhen (Shiyan) production plant. However, the Suzhou production plant was still able to contribute turnover of approximately HK$181,369,000 and net profit of approximately HK20,577,000 during the year ended 31 December 2008, representing approximately 16.7% and 24.9% of the Group's total turnover and net profit respectively during the year.

During the year ended 31 December 2008, the Group's Shenzhen mould development centre was established. Turnover generated by the newly established Shenzhen mould development centre was minimal and amounted to approximately HK$1,743,000. Initial loss incurred by the Shenzhen mould development centre during the year ended 31 December 2008 amounted to approximately HK$9,816,000, representing approximately 11.9% of the Group's total net profit during the year.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the year ended 31 December 2008, the Group recorded net cash generated from operating activities amounting to approximately HK$139,562,000, which was comparable to that of approximately HK$141,403,000 for the year ended 31 December 2007. Net cash used for investing activities, which was primarily related to the purchases of fixed assets, amounted to approximately HK$204,399,000 due to the continuous expansion of the Group's scale of operations. In addition, the Group recorded net cash generated from financing activities of approximately HK$182,936,000 during the year ended 31 December 2008, which was primarily caused by an increase in borrowings during the year.

Bank loans as at 31 December 2008 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 2008 are as follows:

	31 December 2008	31 December 2007
Inventory turnover days *(Note 1)*	**81**	87
Debtors' turnover days *(Note 2)*	**68**	80
Creditors' turnover days *(Note 3)*	**71**	86
Current ratio *(Note 4)*	**1.45**	1.96
Net debt-to-equity ratio *(Note 5)*	**0.24**	Net cash

Note –

1. Calculation of inventory turnover days is based on the ending inventory 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. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.

5. 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

Substantially all of the Group's Japanese customers have their own designated raw material suppliers. These Japanese customers generally require the Group to purchase raw materials from their designated suppliers for the manufacture of metal and plastic components and delivery and pricing of raw materials are negotiated based on three-way communications among the Group, its customers and suppliers. This practice enables the Group to manage its inventories in an efficient manner despite a continuous increase in its turnover and business scale. The Group's inventory turnover days for the year ended 31 December 2008 was approximately 81 days, which decreased by 6 days as compared to that for the year ended 31 December 2007. The decrease was primarily driven by the improvement in the Group's inventory management during the year.

Debtors' and creditors' turnover days

During the year ended 31 December 2008, the Group's debtors' turnover days decreased from approximately 80 days for the year ended 31 December 2007 to approximately 68 days owing to the continuous improvement of the Group's cash flow management during the year. Creditors' turnover days for the year ended 31 December 2008 reduced to approximately 71 days, which was primarily caused by the shortened credit period granted by the suppliers during the year.

Current ratio and net debt-to-equity ratio

During the year ended 31 December 2008, the Group increased its short-term bank borrowings by approximately 491.1% with a view to providing working capital for the continuing operations of the Group. As such, the Group's current ratio reduced from approximately 1.96 as at 31 December 2007 to approximately 1.45 as at 31 December 2008. Total borrowings of the Group (bank borrowings and finance lease liabilities) as at 31 December 2008 increased by approximately 310.0% to approximately HK$481,267,000 and accordingly the Group's net debt-to-equity ratio increased to approximately 0.24 as compared to a net cash position as at 31 December 2007.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2008, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$1,134,000 which were pledged in favour of a contractor of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and equipment located in Suzhou with net book value of approximately HK$7,962,000 and HK$75,407,000, respectively, for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$232,945,000 for securing finance lease liabilities.

OUTLOOK

During the year ended 31 December 2008, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. The Group continued to focus on serving the office automation equipment market, with its revenue primarily derived from Japanese customers.

However, during the year under review, the global situation underwent unexpected change. The financial tsunami, as triggered off by the sub-prime mortgage crisis in the United States, has posed a negative influence on global economy. Looking back, the economic crises in the past, such as the Asian financial crisis and SARS, was only restricted to particular regions. However, the wave of this financial tsunami spread all over the world and the global financial and economic system came into crisis in succession. Although the Group did not invest in any derivatives and therefore was kept off from the adverse impact created by the global financial tsunami, the office automation equipment market was inevitably hit and demand shrank which was expected to have a negative impact on the Group's performance in near future.

Under the current economic situation, the Group has taken strategies to maintain a stable development. Fortunately, the Group has not fully explored all business opportunities relating to the office automation equipment market up to date and therefore there are still ample opportunities for the expansion of the Group in this market. As such, despite the possible shrinkage in global demand for office automation equipment in the near future, it is still possible for the Group to maintain a stable growth should it be able to expand its share in this market, particularly under the existing situation where a majority of the Group's Japanese customers are becoming more cost conscious and will probably outsource more production to non-Japanese suppliers.

As part of the Group's plan to continuously improve its production management and quality with a view to strengthening its market share within the office automation equipment industry, the Group established a new mould development centre in Shenzhen during the year ended 31 December 2008. Under the Group's existing business model, the Group's customers normally require the Group to design and manufacture the relevant moulds prior to the mass production of metal stamping and plastic injection components. Accordingly, the manufacturing capability and quality standards for the production of moulds are crucial determinants for securing an increase in sale orders from customers for the subsequent production of metal stamping and plastic injection components. Further, as all components are basically produced from moulds, the number of moulds manufactured by the Group has a significant impact on the Group's future component orders. With a view to increasing the Group's production capacity of moulds, the Group established the mould development centre. With an expanded mould production capability, the Group will not only be able to manufacture more moulds for future component orders but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers engaged not only in the office automation equipment industry, but also the automobile, home appliance and medical equipment industry.

Another strategy for strengthening the Group's market share within the office automation equipment industry is to expand geographically. Under the just-in-time inventory management methodology adopted by a majority of the Group's Japanese customers, these Japanese customers will normally procure from suppliers located in the proximity of their manufacturing facilities for production and cost control purposes and therefore the Group's Shenzhen (Shiyan) production plant derives substantially all of its revenue from the Southern China region. To capture the business opportunities arising from the outsourcing of production from the manufacturing plants of the Group's existing and new customers located in the Eastern China region, the Group established a production plant in Suzhou in 2006. The development of the Group's Suzhou production plant is able to facilitate the Group to further penetrate into the office automation equipment market and explore new business opportunities by expanding the Group's geographical coverage. During the year ended 31 December 2008, the Group's Suzhou production plant continued to expand. With the continuing expansion of the Group's Suzhou production plant, its turnover and profit increased by approximately 59.9% and 61.2% to approximately HK$181,369,000 and HK$20,577,000 respectively during the year ended 31 December 2008.

Taking into account the huge potentials for the Group's business in the Eastern China region, the construction of phase two of the Group's Suzhou production plant with a planned construction area of approximately 59,000 square metres is currently in progress, with completion targeted by end of 2009.

The Group's existing Shenzhen (Shiyan) production plant is located in the eastern bank of the Pearl River Delta region. With a view to strengthening the Group's foothold in the office automation equipment industry and at the same time developing businesses from new customers located in the western bank of the Pearl River Delta region, the Group is in the process of establishing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a construction area of approximately 33,000 square metres is currently in progress and is expected to be completed by 2010. The establishment of a new production plant in Zhongshan which is in the proximity of the Group's customers located in the western bank of the Pearl River Delta region will not only reduce the transportation costs of the Group and its customers, but can also strengthen the Group's business relationship with its existing customers which will finally translate into higher market share and larger business volume for the Group.

Currently the Group is primarily serving as a mould and component supplier to reputable Japanese brand owners engaging in the production of office automation equipment which includes copiers and printers. Taking into account the outsourcing by Japanese brand owners to non-Japanese suppliers is still fairly new with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, the Group's market share within the office automation equipment market is still relatively small at this stage and management believes that there are still ample opportunities for the continuous expansion of the Group in this market. Therefore, in the near future, management will continue to focus a majority of its resources in the office automation equipment market and expects a substantial portion of its customer orders continues to come from office automation equipment brand owners. However, at the same time, the Group will continuously search for expansion opportunities in other industries including the automobile, home appliance and medical equipment markets and take necessary actions to explore into these new markets if appropriate.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company repurchased its 23,522,000 listed shares on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2008. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2008 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
July 2008	4,470,000	1.70	1.37	6,998
August 2008	5,390,000	1.43	1.20	7,380
October 2008	3,754,000	0.465	0.31	1,592
November 2008	7,742,000	0.34	0.31	2,518
December 2008	2,166,000	0.60	0.55	1,283
	23,522,000			19,771

Subsequent to 31 December 2008, the Company repurchased its 36,456,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2009 to the date of this announcement. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 31 December 2008 are summarised as follows:

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
	36,456,000			21,684

The directors believe that the repurchases were made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

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 2008 and up to date of this announcement.

DIVIDENDS

The Board recommends the payment of a final dividend of HK2.2 cents per ordinary share, totaling approximately HK$14,561,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held 10 June 2009, the final dividends will be payable in cash on or about 18 June 2009. Including the interim dividend of HK$14,235,000 paid on 20 October 2008 in respect of the six months ended 30 June 2008, the total dividends declared for the year ended 31 December 2008 will be HK$28,796,000.

The register of members of the Company will be closed from 5 June 2009 to 10 June 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 December 2008, 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 4 June 2009.

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 2008.

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 standard set out in the Model Code during the year ended 31 December 2008 and up to the date of this announcement.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company and the directors confirm, to the best of their knowledge, that the Company has compiled 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 2008.

AUDITOR

The consolidated financial statements for the year ended 31 December 2008 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, 15 April 2009

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.