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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 2009

HIGHLIGHTS

- Revenue amounted to HK$1,026.1 million (Year ended 31 December 2008: HK$1,085.0 million)
- Profit attributable to shareholders amounted to HK$31.5 million (Year ended 31 December 2008: HK$82.6 million)
- Basic earnings per share was HK4.8 cents (Year ended 31 December 2008: Basic earnings per share of HK11.5 cents)
- Final dividend per share of HK0.81 cents declared (Year ended 31 December 2008: Final dividend per share of HK2.2 cents)
- Lacklustre 2009 results but strong earnings rebound in sight
- Strategic focus shifting to the domestic China market to re-vitalise profits growth
- Strong cash flows generated in FY2009 despite a drop in net profits

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 2009 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Revenue	*4*	**1,026,097**	1,084,982
Cost of sales		**(821,888)**	(811,606)
Gross profit		**204,209**	273,376
Other income		**7**	114
Selling and marketing costs		**(50,226)**	(56,719)
General and administrative expenses		**(105,204)**	(107,294)
Operating profit	*5*	**48,786**	109,477
Finance income	*6*	**1,684**	2,022
Finance costs	*6*	**(11,862)**	(9,884)
Profit before income tax		**38,608**	101,615
Income tax expense	*7*	**(7,089)**	(19,037)
Profit for the year and attributable to equity holders of the Company		**31,519**	82,578
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**31,519**	82,578
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**4.8**	11.5
– diluted	*8*	**4.5**	11.5
Dividends	*9*	**10,360**	28,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**942,557**	931,106
Leasehold land and land use rights		**57,989**	58,934
Prepayments, deposits and other receivables		**6,350**	21,916
Other assets		**1,607**	1,607
		1,008,503	1,013,563
Current assets			
Inventories		**96,266**	179,204
Trade receivables	*10*	**205,870**	203,232
Prepayments, deposits and other receivables		**18,924**	9,894
Pledged bank deposits		**1,136**	1,134
Cash and cash equivalents		**224,427**	251,828
		546,623	645,292
Current liabilities			
Trade payables	*11*	**170,713**	158,214
Accruals and other payables		**72,279**	31,801
Bank borrowings		**220,125**	189,463
Finance lease liabilities		**41,877**	50,968
Current income tax liabilities		**16,894**	15,388
		521,888	445,834
Net current assets		**24,735**	199,458
Total assets less current liabilities		**1,033,238**	1,213,021
Non-current liabilities			
Bank borrowings		**85,362**	155,122
Finance lease liabilities		**45,931**	85,714
Deferred taxation		**5,129**	5,129
		136,422	245,965
Net assets		**896,816**	967,056
EQUITY			
Capital and reserves			
Share capital		**61,802**	69,813
Reserves			
– Proposed final dividend		**5,039**	14,561
– Others		**829,975**	882,682
Total equity		**896,816**	967,056

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
Cash flows from operating activities		
Cash generated from operations	**258,970**	159,384
Interest received	**1,684**	2,022
Interest paid	**(12,323)**	(9,541)
Hong Kong profits tax paid	**(2,378)**	(2,653)
Overseas income tax paid	**(3,205)**	(9,650)
Net cash generated from operating activities	**242,748**	139,562
Cash flows from investing activities		
Purchase of property, plant and equipment	**(68,565)**	(212,692)
Deposits for property, plant and equipment	**(5,974)**	(21,360)
Proceeds from disposal of land use right	**–**	21,930
Proceeds from sale of property, plant and equipment	**56**	420
Net cash used in investing activities	**(74,483)**	(211,702)
Cash flows from financing activities		
Proceeds from borrowings	**162,000**	437,784
Repayments of borrowings	**(201,098)**	(152,696)
Repayments of capital element of finance lease liabilities	**(51,891)**	(44,332)
(Increase)/decrease in pledged bank deposits	**(2)**	7,303
Repurchase of shares	**(91,965)**	(19,771)
Proceeds from exercise of share options	**6,992**	710
Dividends paid	**(19,702)**	(38,759)
Net cash (used in)/generated from financing activities	**(195,666)**	190,239
Net (decrease)/increase in cash and cash equivalents	**(27,401)**	118,099
Cash and cash equivalents at beginning of the year	**251,828**	133,729
Cash and cash equivalents at end of the year	**224,427**	251,828

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. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2010.

2. ACCOUNTING POLICIES

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

(a) New and amended standards adopted by the Group

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendment)	Share-based payment – Vesting conditions and cancellations	1 January 2009
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 October 2008

HK(IFRIC) – Int 18 "Transfer of assets from customers" is effective to transfers of assets from customers received on or after 1 July 2009.

The adoption of the above new standards, amendments to standards and interpretations have no significant impact on the results and financial position of the Group.

In addition, HKICPA also published a number of amendments for the existing standards under its annual improvement project. These amendments are also not expected to have a significant financial impact on the results and financial position of the Group.

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

(i) The following new standards, amendments to standards and interpretations have been issued but are not effective for the period beginning on 1 January 2009 and are relevant to the Group's operations and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	1 July 2009

Whether the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) has any material impact on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010. The directors anticipate that the adoption of other new standards, amendments and interpretations to standards will not result in a significant impact on the results and financial position of the Group.

(ii) The following new standards, amendments to standards and interpretations have been issued but are not effective for the period beginning on 1 January 2009 and are not relevant to the Group's operations and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Classification of right issues	1 February 2010
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Reassessment of embedded derivatives	30 June 2009
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

(iii) HKICPA's improvements to HKFRS have been published in October 2008 but are not effective for the period beginning on 1 January 2009 and have not been early adopted by the Group. Amendment has been made to the following standard according to the improvements:

		Effective for accounting periods beginning on or after
HKFRS 5	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, First time adoption of Hong Kong Financial Reporting Standards)	1 July 2009

(iv) HKICPA's improvements to HKFRS have been published in May 2009 but are not effective for the period beginning on 1 January 2009 and have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2010
HKAS 7	Statements of cash flows	1 January 2010
HKAS 17	Leases	1 January 2010
HKAS 18	Revenue	1 January 2010
HKAS 36	Impairment of assets	1 January 2010
HKAS 38	Intangible assets	1 July 2009
HKAS 39	Financial instruments: Recognition and measurement	1 January 2010
HKFRS 2	Share-based payments – Scope of HKFRS 2 and HKFRS 3 (Revised)	1 July 2009
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2010
HK – Int 4 (Revised)	Leases – Determination of the length of lease term in respect of Hong Kong Land Leases	1 January 2010
HK(IFRIC) – Int 9	Reassessment of embedded derivatives	1 July 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 July 2009

The directors anticipate that the adoption of the above amendments to HKFRS mentioned in Note (ii), (iii) and (iv) will not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these new/revised standards, amendments and interpretation to the standards when they become effective.

3. SEGMENT INFORMATION

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

At 31 December 2009, the Group is organised into two main business segments:

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

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

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

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

The segment results and other segment items are as follows:

	2009			2008		
	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	**699,685**	**362,385**	**1,062,070**	825,323	299,802	1,125,125
Inter-segment revenue	**(31,296)**	**(4,677)**	**(35,973)**	(35,264)	(4,879)	(40,143)
Revenue	**668,389**	**357,708**	**1,026,097**	790,059	294,923	1,084,982
Segment results	**31,945**	**17,225**	**49,170**	79,421	30,570	109,991
Unallocated expenses, net			**(384)**			(514)
Finance income			**1,684**			2,022
Finance costs			**(11,862)**			(9,884)
Profit before income tax			**38,608**			101,615
Income tax expense			**(7,089)**			(19,037)
Profit for the year			**31,519**			82,578
Depreciation	**59,470**	**21,162**	**80,632**	42,574	17,327	59,901
Amortisation	**812**	**133**	**945**	717	154	871

Unallocated expenses, net represented net corporate expenses.

The segment assets and liabilities are as follows:

	2009				2008			
	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	**1,164,601**	**381,291**	**9,234**	**1,555,126**	1,161,936	496,515	404	1,658,855
Liabilities	**155,203**	**51,905**	**451,202**	**658,310**	144,154	45,724	501,921	691,799
Capital expenditure	**75,859**	**17,083**	**–**	**92,942**	229,334	166,682	–	396,016

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 2009 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**1,545,892**	**207,108**
Unallocated:		
Cash and cash equivalents	**7,251**	**–**
Prepayments, deposits and other receivables	**1,983**	**–**
Current income tax liabilities	**–**	**16,894**
Deferred taxation	**–**	**5,129**
Current borrowings	**–**	**220,125**
Non-current borrowings	**–**	**85,362**
Current finance lease liabilities	**–**	**41,877**
Non-current finance lease liabilities	**–**	**45,931**
Accruals and other payables	**–**	**35,884**
Total	**1,555,126**	**658,310**

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2008 as follows:

	Assets *HK$'000*	Liabilities *HK$'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

4. REVENUE

	2009 ***HK$'000***	2008 *HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**72,576**	59,574
Manufacturing of metal stamping components	**508,083**	617,788
Manufacturing of lathing components	**67,849**	82,392
Design and fabrication of plastic injection moulds	**51,154**	35,692
Manufacturing of plastic injection components	**303,729**	257,357
Others	**22,706**	32,179
	1,026,097	1,084,982

Others mainly represent sales of scrap materials.

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the followings:

	2009 *HK$'000*	2008 *HK$'000*
Crediting –		
Net exchange gains	**–**	3,844
Gain on disposal of land use right	**–**	1,421
Charging –		
Employment expenses	**146,524**	154,701
Depreciation		
– Owned assets	**66,677**	48,005
– Leased assets	**13,955**	11,896
	80,632	59,901
Amortisation of leasehold land and land use rights	**945**	871
Net exchange losses	**50**	–
Provision for inventories	**4,015**	750
Auditors' remuneration	**1,768**	1,768
Loss on disposal of property, plant and equipment	**803**	45

6. FINANCE INCOME/COSTS

	2009 *HK$'000*	2008 *HK$'000*
Finance income		
Interest income on bank deposits	**1,684**	2,022
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**8,148**	10,197
Bank borrowings not wholly repayable within five years	**128**	127
Finance lease liabilities	**3,586**	4,629
	11,862	14,953
Less: amount capitalised	**–**	(5,069)
	11,862	9,884

The capitalisation rate was nil (2008: 2.5% per annum), representing the weighted average rate of the costs of borrowings used to finance the related assets.

7. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,315**	6,593
– Mainland China corporate income tax	**6,118**	7,359
Over-provision in prior years	**(344)**	(44)
Deferred taxation		
– Mainland China withholding income tax	**–**	5,129
	7,089	19,037

(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 (2008: 16.5%).

(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 starting from 2008 to 2012.

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at a rate of 20% for the year ended 31 December 2009 (2008: 18%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years 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, 2007 and 2008, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2007 and June 2008, respectively, and had no taxable profits during the year ended 31 December 2009.

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 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

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**31,519**	82,578
Weighted average number of ordinary shares in issue ('000)	**659,444**	716,479
Basic earnings per share (HK cents per share)	**4.8**	11.5

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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**31,519**	82,578
Weighted average number of ordinary shares in issue ('000)	**659,444**	716,479
– adjustment for share options ('000)	**34,226**	2,518
Weighted average number of ordinary shares for diluted earnings per share ('000)	**693,670**	718,997
Diluted earnings per share (HK cents per share)	**4.5**	11.5

9. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend paid of HK0.82 cents (2008: HK2.0 cents) per ordinary share	**5,321**	14,235
Proposed final dividend of HK0.81 cents (2008: HK2.2 cents) per ordinary share	**5,039**	14,561
	10,360	28,796

10. TRADE RECEIVABLES

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

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**198,347**	176,453
91 to 180 days	**7,435**	20,152
181 to 365 days	**1,276**	7,815
	207,058	204,420
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
	205,870	203,232

11. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
0 to 90 days	**157,005**	146,800
91 to 180 days	**12,999**	10,416
181 to 365 days	**709**	998
	170,713	158,214

The amounts of trade payables have a maturity period within 90 days. The carrying amounts of trade payables approximate their fair values and majority of which is denominated in US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

The year 2009 saw a very challenging start for the Group. At the beginning of the year, the effect of the financial tsunami continued to take its toll on the Group's business and de-stocking by manufacturers globally continued. Nevertheless, thanks to the Stimulus Package initiated by the Chinese Government, business started to substantially improve in the second half of the year. Starting from the fourth quarter of FY2009, the Group saw a strong resurgence of order flows from both international and domestic brand owners practically all of whom have shifted their focus to the China Market. The fulfillment and delivery of these orders are expected to lead to a quantum leap in the Group's results in FY2010.

Interestingly, despite the challenges brought about by the financial tsunami, it also presents various opportunities to the Group to revitalise its growth. Conscious efforts have been made by the Group to switch from its previous focus on office automation ("OA") equipment primarily destined for exports to catering for the consumer sector in China. In addition to the OA market, the Group has recently made significant inroads into new products lines including consumer electronics/durables, automobiles and sophisticated medical equipment, all of which are destined for the fast growing domestic consumption market.

The Group's competitive edge in the marketplace was also substantially strengthened as a result of the massive consolidation of China's manufacturing sector during the financial tsunami. A lot of small-sized factories went out of business, primarily due to liquidity problems, which caused a sudden disruption in the supply chain for many of our customers. Having learnt the lesson, many customers have started to place orders to large manufacturers such as ourselves in order to avoid disruptions in the supply chain. Not only does this result in new businesses for us, but it also further enhances our pricing power.

The Group's business model is such that brand owners would normally require us to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in our production plants for future mass production of components and semi-finished products. In other words, the Group's mould revenue is a leading indicator of its future component revenue. It is worth noting that, despite an overall decrease in turnover in FY2009, our revenue from the manufacture of moulds actually went up by as much as 30% YOY to over HK$123 million. This is expected to lead to substantially increased sales of components and semi-finished products in FY2010.

We had been engaging in building new plants to allow capacity expansion in the years prior to 2008. Unfortunately, the financial tsunami that took place in late 2008/early 2009 led to under-utilised capacity in FY2009, thus adversely affecting our bottom-line in the last two financial years. Going forward though, this provides us with adequate production capacity to cope with the substantial increase in order flows starting from the fourth quarter of FY2009. In addition, our construction of new production plant in Zhongshan, Guangdong Province, is scheduled to start operating towards the end of this year – perfect timing for us to have the new capacity to cater for the burgeoning demand from high-end domestic consumer product manufacturers.

As part of the Group's strategic shift to focus on domestic consumption, we have recently established a sales office in Chongqing in March 2010, which is intended to source orders from domestic automobile makers such as Changan Ford, Qingling Motors and Suzuki. In the years to come, the Group plans to set up sales offices in various other cities in China including Changchun, Tianjin and Huizhou (for high tech consumer electronics).

As part of our efforts to maintain a healthy balance sheet and cash flows, we have taken steps to minimise inventory levels. Our inventory balance actually saw a significant decrease of 46.3% from approximately HK$179 million as at 31 December 2008 to approximately HK$96 million as at 31 December 2009. This allows us to reduce our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) from approximately 78 days for the year ended 31 December 2008 to approximately 40 days for the year ended 31 December 2009. Also, our conscious efforts to streamline working capital requirement resulted in significantly increased cash generated from operations despite a decrease in net profits. As a proof, cash generated from operations actually increased to approximately HK$258 million in FY2009 as compared to HK$159 million in FY2008. During the year, we also utilised our internally generated cash flows to pay down bank borrowings, and accordingly our net debt-to-equity reduced from approximately 0.24x as at 31 December 2008 to approximately 0.19x as at 31 December 2009.

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 30% to 35% of net profit, and FY2009 is no exception. In order to enhance future earnings per share, the Group took advantage of the unreasonably low share price levels brought about by the financial tsunami by implementing a share buyback program since 2008. In 2008 and 2009, we repurchased a total of 123,608,000 shares from the market, representing approximately 17.1% of our issued share capital.

Our superior quality standards and expertise have not only been recognised by our customers, but also by the Chinese government which is now encouraging technological innovation and upgrade. During 2009, Yihe Precision Hardware (Shenzhen) Co., Ltd., our major subsidiary, was recognised by the Chinese Government as a "National High and New Technology Enterprise", entitling it to a preferential tax rate of 15% commencing from 1 January 2010. In the coming years, we will adhere to our philosophy of continuous technological improvement, whilst maximising returns to our shareholders at the same time.

FINANCIAL REVIEW

Adversely affected by global de-stocking during the financial tsunami, our total component revenue decreased by approximately 8.1% to approximately HK$879,661,000, which dragged down our overall turnover by approximately 5.4%. Since the Group had been engaging in a rapid capacity expansion prior to the financial crisis, a slightly reduced turnover resulted in an under-utilisation of our production capacity and therefore our net profit declined by approximately 61.8% to approximately HK$31,519,000.

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

	2009		2008	
	HK$'000	*%*	*HK$'000*	*%*
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**72,576**	**7.1%**	59,574	5.5%
Manufacturing of metal stamping components	**508,083**	**49.5%**	617,788	56.9%
Manufacturing of lathing components	**67,849**	**6.6%**	82,392	7.6%
Others *(Note 1)*	**19,881**	**1.9%**	30,305	2.8%
	668,389		790,059	
Plastic division				
Design and fabrication of plastic injection moulds	**51,154**	**5.0%**	35,692	3.3%
Manufacturing of plastic injection components	**303,729**	**29.6%**	257,357	23.7%
Others *(Note 1)*	**2,825**	**0.3%**	1,874	0.2%
	357,708		294,923	
Total	**1,026,097**		1,084,982	
Segment results				
Metal division	**31,945**		79,421	
Plastic division	**17,225**		30,570	
Operating profit	**49,170**		109,991	
Unallocated expenses	**(384)**		(514)	
Finance income	**1,684**		2,022	
Finance costs	**(11,862)**		(9,884)	
Income tax expenses	**(7,089)**		(19,037)	
Profit attributable to equity holders of the Company	**31,519**		82,578	

Note 1: Others mainly represented sales of scrap materials

Turnover

Metal division

During the year ended 31 December 2009, the financial tsunami led to conscious de-stocking by manufacturers worldwide. As such, revenue from the manufacturing of metal stamping components and lathing components, which were primarily sold to customers for furthering processing into final products, decreased by approximately 17.7% to approximately HK$575,932,000.

However, with a view to capturing the next wave of growth in China, both our existing and new customers have been developing new models, primarily for sales in China. This was reflected by a 21.8% YOY increase in our revenue from the design and fabrication of metal stamping moulds during the year under review.

Plastic division

We commenced our business as a metal mould producer in 1993 and subsequently set up the plastic division in 2005, which was under initial development stage prior to 2008. As the plastic division is a relatively new division with lower revenue base, the plastic division had been able to achieve satisfactory growth since its establishment. Despite the financial tsunami, revenue from the manufacturing of plastic injection components for the year ended 31 December 2009 still achieved growth of approximately 18%, amounted to approximately HK$303,729,000.

At the same time, revenue from the design and fabrication of plastic injection moulds increased by 43.3% to approximately HK$51,154,000, which was primarily caused by the continuing development of new models by our customers.

Gross profit and segment results

Prior to 2009, the Group had been engaging in a rapid capacity expansion plan. In particular, a new mould development centre was established and commenced commercial production in November 2008. Coupled with the additions of various machineries in our existing Shenzhen and Suzhou production plants, our production capacity was significantly expanded by the end of 2008 and the net book value of the Group's property, plant and equipment increased by 56.4% from approximately HK$595,456,000 as at 31 December 2007 to approximately HK$931,106,000 as at 31 December 2008.

Unfortunately, by the end of 2008, global economy was struck by the financial tsunami and global de-stocking followed. Despite an expanded production capacity, the Group's total turnover decreased slightly by approximately 5.4% to approximately HK$1,026,097,000, a level similar to that for the years ended 31 December 2007 and 2008 prior to the completion of capacity expansion. As such, the Group's production facilities were significantly under-utilised. Although the Group had devoted substantial effort to cost control, certain costs such as depreciation, overheads and other set-up costs associated with the expanded operations of the Group could not be avoided. These unavoidable costs had an adverse impact on the profitability of the Group for the year ended 31 December 2009.

During the year ended 31 December 2009, the Group's gross profit decreased by approximately 25.3% to approximately HK$204,209,000. Gross profit margin was approximately 19.9%, as compared to that of approximately 25.2% for the year ended 31 December 2008. Segment results of the Group's metal and plastic division were approximately HK$31,945,000 and HK$17,225,000 respectively, representing decreases of approximately 59.8% and 43.7% respectively, as compared to that for the year ended 31 December 2008. The reduction in gross profit and segment results of the Group was primarily caused by global de-stocking and under-utilisation of the Group's newly added production capacities as mentioned above.

Finance costs

The Group's finance costs for the year ended 31 December 2009 amounted to approximately HK$11,862,000, representing an increase of approximately 20% as compared to the previous year. Finance costs increased because the Group's average borrowing balance (defined as the average balance of bank borrowings and finance lease liabilities as at beginning of year and end of year) for the year ended 31 December 2009 increased as compared to that for the year ended 31 December 2008.

Income tax expenses

During the year ended 31 December 2009, income tax expenses amounted to approximately HK$7,089,000. Effective tax rate (defined as the percentage of income tax expenses as compared to profit before income tax) for the year ended 31 December 2009 was approximately 18.4%, which was comparable to that of approximately 18.7% for the year ended 31 December 2008.

Profit attributable to equity holders of the Company

During the year ended 31 December 2009, profit attributable to equity holders of the Company was approximately HK$31,519,000, representing a decrease of approximately 61.8% as compared to the previous year. The reduction in profitability of the Group was primarily caused by the global de-stocking stemming from the financial tsunami and under-utilisation of the Group's newly added production capacities as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the year ended 31 December 2009, the Group recorded cash generated from operations amounting to approximately HK$258,970,000, representing an increase of approximately 62.5% as compared to that of approximately HK$159,384,000 for the year ended 31 December 2008. The increase in cash generated from operations was a result of the stringent cash flow management measures implemented by the Group following the financial tsunami. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK$74,483,000 for the year ended 31 December 2009, decreased by approximately 64.8% as compared to that of approximately HK$211,702,000 for the year ended 31 December 2008 due to the completion of the Group's capacity expansion plan prior to 2009. In addition, the Group recorded net cash used in financing activities of approximately HK$195,666,000 during the year ended 31 December 2009, which was primarily caused by the repayment of bank borrowings and share repurchases with a view to reducing the financial burden of the Group and enhancing shareholders' value.

Bank loans as at 31 December 2009 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 2009 are as follows:

	31 December 2009	31 December 2008
Inventory turnover days *(Note 1)*	**43**	81
Debtors' turnover days *(Note 2)*	**73**	68
Creditors' turnover days *(Note 3)*	**76**	71
Current ratio *(Note 4)*	**1.05**	1.45
Net debt-to-equity ratio *(Note 5)*	**0.19**	0.24

Note –

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the year.

2. Calculation of debtors' turnover is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the year.

3. Calculation of creditors' turnover is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the year.

4. 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

With a view to reducing the Group's working capital requirements for its next wave of growth, we devoted substantial effort on strengthening our inventory control during the year ended 31 December 2009. Inventories as at 31 December 2009 reduced substantially by 46.3% to approximately HK$96,266,000, as compared to that of approximately HK$179,204,000 as at 31 December 2008. Accordingly, the Group's inventory turnover days for the year ended 31 December 2009 was approximately 43 days, which decreased by 38 days as compared to that for the year ended 31 December 2008.

Debtors' and creditors' turnover days

During the year ended 31 December 2009, the Group's debtors' and creditors' turnover days remained relatively stable, which were approximately 73 days and 76 days respectively.

Current ratio and net debt-to-equity ratio

A substantial portion of the Group's bank borrowings and finance lease liabilities are repaid by instalments. With the gradual repayment of bank borrowings and finance lease liabilities, a higher percentage of these bank borrowings and finance lease liabilities became repayable with one year. Accordingly, the Group's current ratio reduced from approximately 1.45 as at 31 December 2008 to approximately 1.05 as at 31 December 2009. However, with such repayments, the total borrowings of the Group (bank borrowings and finance lease liabilities) as at 31 December 2009 decreased to approximately HK$393,295,000, as compared to that of approximately HK$481,267,000 as at 31 December 2008. As such, the Group's net debt-to-equity ratio reduced from approximately 0.24 as at 31 December 2008 to approximately 0.19 as at 31 December 2009.

FOREIGN CURRENCY EXPOSURE

Currently, 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 2009, approximately 31%, 59% and 10% (For the year ended 31 December 2008: 35%, 57% and 8%) of the Group's sales and approximately 15%, 68% and 17% (For the year ended 31 December 2008: 19%, 67% and 14%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Although the settlement currencies between the Group's revenue and expenditure are basically matched, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi. 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 2009, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$1,136,000 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$7,703,000 and HK$67,006,000, respectively, for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK189,400,000 for securing finance lease liabilities.

HUMAN RESOURCES

As at 31 December 2009, the total number of employees of the Group was 4,974 employees, representing an increase of 29.3% as compared to 3,847 employees as at 31 December 2008. The increase in headcount was primarily due to the recruitment of additional engineers and production personnel with a view to preparing for the next wave of boom in the Group's turnover in the coming years.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success. Various employee activities were organised to inspire the team spirit of the Group's staff, which included 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

Most economists and analysts have now concluded that the worst of the financial tsunami is now behind us. Thanks to the Chinese Government's efforts to boost domestic consumption and the maintenance of a stable exchange rate, China is expected to continue its strong GDP growth over the next few years, with the domestic consumption sector particularly benefited.

To revitalise growth, the Group has made conscious effort over the last 9 months to expand from its previous concentration on just office automation ("OA") equipment (primarily for exports) to a diversity of consumer products geared towards domestic consumption in China. Thus far, we have already made significant inroads in new product lines such as consumer electronics, automobiles and medical equipment.

As a leading indicator, our revenue from the manufacture of moulds actually went up by as much as 30% YOY to over HK$123 million in FY2009. This is expected to lead to a substantial increase in sales of components and semi-finished products in FY2010. We therefore expect to see a quantum leap in the results of the Group in FY2010 and beyond.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company repurchased its 100,086,000 listed shares on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2009. 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 2009 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*
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
April 2009	3,836,000	0.65	0.60	2,454
May 2009	4,804,000	0.80	0.75	3,721
June 2009	2,020,000	0.85	0.82	1,695
July 2009	4,022,000	0.80	0.76	3,155
September 2009	2,878,000	0.80	0.80	2,311
October 2009	1,336,000	0.90	0.80	1,160
November 2009	12,296,000	1.23	0.91	12,981
December 2009	32,438,000	1.36	1.25	42,804
	100,086,000			91,965

On 22 March 2010, the Company entered into warrant subscription agreements with seven individual and corporate investors whereby the Company agreed to issue and the subscribers agreed to subscribe for 52,000,000 warrants at a warrant issue price of HK$0.02 per warrant. The warrants entitle the subscribers to subscribe for 52,000,000 new shares of the Company at an initial subscription price of HK$2.03 per new shares (subject to adjustment for subdivision and consolidation of shares) for a period of one year commencing from the date of issue of the warrants.

It is expected that all the proceeds from the warrant subscription, being HK$1,040,000, will be used for payment of the costs and expenses in connection with the warrant subscription. Assuming the full exercise of the subscription rights attaching to the warrants at the initial subscription price of HK$2.03 per new share, the total funds to be raised is approximately HK$105,560,000. It is intended that the funds so raised be applied as general working capital and as funds for future development of the Group.

Save for disclosed above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares during the year ended 31 December 2009 and up to the date of this announcement.

DIVIDENDS

The Board recommends the payment of a final dividend of HK0.81 cents per ordinary share, totaling approximately HK$5,039,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 13 May 2010, the final dividends will be payable in cash on or about 24 May 2010. Including the interim dividend of HK$5,321,000 paid on 5 October 2009 in respect of the six months ended 30 June 2009, the total dividends declared for the year ended 31 December 2009 will be HK$10,360,000.

The register of members of the Company will be closed from 10 May 2010 to 13 May 2010, 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 2009, 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 7 May 2010.

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 2009.

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 2009 and up to the date of this report.

COMPLIANCE WITH THE CODE ON 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 2009.

AUDITOR

The consolidated financial statements for the year ended 31 December 2009 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 2010

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.