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 2010

HIGHLIGHTS

- Revenue and net profit reached record highs at HK$1.7 billion and HK$303 million respectively (FY2009: HK$1.0 billion and HK$32 million respectively)
- Basic earnings per share was HK42.6 cents (FY 2009: HK4.8 cents)
- Gross and net profit margin returned to the normal level before financial tsunami
- Final dividend of HK5.0 cents (FY2009: HK0.81 cents) per share, together with an issue of bonus shares on the basis of 1 bonus share for every 1 existing share
- Huge success in the strategic shift from focusing on export to catering for the domestic market in China
- Completion of a new production base in Zhongshan to tap the domestic automobile and home appliance markets
- Continuous effort in upgrading quality of workforce to maintain pricing power and improve productivity
- Earthquake in Japan is likely to result in a slowdown of orders placed to us in the short-term but resurgent growth is likely when rebuilding and restocking start again in the aftermath

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenue	*4*	**1,703,099**	1,026,097
Cost of sales		**(1,161,501)**	(821,888)
Gross profit		**541,598**	204,209
Other income		**229**	7
Selling and marketing costs		**(65,147)**	(50,226)
General and administrative expenses		**(120,009)**	(105,204)
Operating profit	*5*	**356,671**	48,786
Finance income	*6*	**1,184**	1,684
Finance costs	*6*	**(6,101)**	(11,862)
Profit before income tax		**351,754**	38,608
Income tax expense	*7*	**(48,336)**	(7,089)
Profit for the year and attributable to equity holders of the Company		**303,418**	31,519
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**303,418**	31,519

	Note	**2010**	2009
		HK$'000	*HK$'000*
Profit attributable to:			
– Equity holders of the Company		**302,664**	31,519
– Non-controlling interest		**754**	–
		303,418	31,519
Total comprehansive income attributable to:			
– Equity holders of the Company		**302,664**	31,519
– Non-controlling interest		**754**	–
		303,418	31,519
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**42.6**	4.8
– diluted	*8*	**40.3**	4.5
Dividends	*9*	**95,383**	10,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

		As at 31 December		As at 1 January
		2010	2009	2009
			(note 2a)	*(note 2a)*
			(Restated)	(Restated)
	Note	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment		**1,086,132**	948,843	937,562
Leasehold land and land use rights		**50,781**	51,703	52,478
Prepayments, deposits and other receivables		**54,323**	6,350	21,916
Other assets		**1,607**	1,607	1,607
		1,192,843	1,008,503	1,013,563
Current assets				
Inventories		**150,947**	96,266	179,204
Trade receivables	*10*	**325,122**	205,870	203,232
Prepayments, deposits and other receivables		**50,393**	18,924	9,894
Pledged bank deposits		**4,090**	1,136	1,134
Cash and cash equivalents		**501,074**	224,427	251,828
		1,031,626	546,623	645,292
Current liabilities				
Trade payables	*11*	**225,972**	170,713	158,214
Accruals and other payables		**93,563**	72,279	31,801
Bank borrowings		**202,062**	259,813	269,991
Finance lease liabilities		**32,684**	41,877	50,968
Current income tax liabilities		**44,537**	16,894	15,388
		598,818	561,576	526,362
Net current assets/(liabilities)		**432,808**	(14,953)	118,930
Total assets less current liabilities		**1,625,651**	993,550	1,132,493

	As at 31 December **2010**	As at 31 December 2009	As at 1 January 2009
		(note 2a)	*(note 2a)*
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Bank borrowings	**16,879**	45,674	74,594
Finance lease liabilities	**13,247**	45,931	85,714
Deferred taxation	**5,129**	5,129	5,129
	35,255	96,734	165,437
Net assets	**1,590,396**	896,816	967,056
EQUITY			
Capital and reserves			
Share capital	**81,629**	61,802	69,813
Reserves			
– Proposed final dividend	**43,905**	5,039	14,561
– Others	**1,455,532**	829,975	882,682
	1,499,437	835,014	897,243
Non-controlling interests	**9,330**	–	–
Total equity	**1,590,396**	896,816	967,056

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 *HK$'000*	2009 *HK$'000*
Cash flows from operating activities		
Cash generated from operations	**319,595**	258,970
Interest received	**1,184**	1,684
Interest paid	**(6,161)**	(12,323)
Hong Kong profits tax paid	**(529)**	(2,378)
Overseas income tax paid	**(20,164)**	(3,205)
Net cash generated from operating activities	**293,925**	242,748
Cash flows from investing activities		
Purchases of property, plant and equipment	**(207,841)**	(68,565)
Deposits for property, plant and equipment	**(54,128)**	(5,974)
Net cash outflow for acquisition of subsidiaries	**(4,928)**	–
Proceeds from sales of property, plant and equipment	**108**	56
Net cash used in investing activities	**(266,789)**	(74,483)
Cash flows from financing activities		
Proceeds from borrowings	**154,361**	162,000
Repayments of borrowings	**(240,907)**	(201,098)
Repayments of capital element of finance lease liabilities	**(42,067)**	(51,891)
Increase in pledged bank deposits	**(2,954)**	(2)
Repurchase of shares	**–**	(91,965)
Proceeds from exercise of share options	**83,469**	6,992
Dividends paid	**(56,829)**	(19,702)
Proceeds from issuance of warrants	**1,040**	–
Proceeds from issuance of shares pursuant to the warrant subscription	**77,140**	–
Proceeds from issuance of share placement and subscription arrangement	**276,258**	–
Net cash generated from/(used in) financing activities	**249,511**	(195,666)
Net increase/(decrease) in cash and cash equivalents	**276,647**	(27,401)
Cash and cash equivalents at beginning of the year	**224,427**	251,828
Cash and cash equivalents at end of the year	**501,074**	224,427

Note:

1. BASIS OF PRESENTATION

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

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

The consolidated financial statements 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.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2011.

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 2010:

HKFRS 3 (revised)	Business combinations
HKAS 17 (Amendment)	Leases
HKAS 27	Consolidated and separate financial statements
HK-Int 5	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause

HKAS 17 (Amendment)

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights" and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively with effect from 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land interests and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land interests in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land interests from operating leases (within leasehold land and land use rights) to finance lease (within property, plant and equipment).

The land interests of the Group that are held for own use are accounted for as property, plant and equipment and are depreciated from the date an interest is available for its intended use over the shorter of the useful live of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	31 December 2010	31 December 2009	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Decrease in leasehold land and land use rights	**(6,116)**	(6,286)	(6,456)
Increase in property, plant and equipment	**6,116**	6,286	6,456

HK-Int 5

In November 2010 the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued Hong Kong Interpretation 5 'Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause' ("HK-Int 5"). HK-Int 5 is effective immediately and is a clarification of an existing standard, HKAS 1, 'Presentation of financial statements' ("HKAS 1"). It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK-Int 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

The effect of the adoption of HK-Int 5 on the consolidated statement of financial position is as below:

	31 December 2010 *HK$'000*	31 December 2009 *HK$'000*	1 January 2009 *HK$'000*
Current liabilities			
Increase in bank borrowings	**78,447**	39,688	80,528
Non-current liabilities			
Decrease in bank borrowings	**(78,447)**	(39,688)	(80,528)

The other new standards, amendments to standards and interpretation above do not have any significant impact on the results and financial position of the Group.

(b) New standards, amendments and interpretation to existing standards effective in 2010 but not relevant to the Group

HK(IFRIC) 9	Reassessment of embedded derivatives and IAS/HKAS 39, Financial instruments: Recognition and measurement
HK(IFRIC) 16	Hedges of a net investment in a foreign operation
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(IFRIC) 18	Transfers of assets from customers
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 36 (Amendment)	Impairment of assets
HKAS 39	Financial instruments: recognition and measurement
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations

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

(c) New standards, amendments and interpretations to existing standards have been issued but are not yet effective for the financial year beginning 1 January 2010 and have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2012
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HKFRS 1 (Amendment)	Hyperinflation and fixed dates	1 July 2011
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) Int – 14	Prepayments of a minimum funding requirement	1 January 2011
HK (IFRIC) Int – 19	Extinguishing financial liabilities with equity instruments	1 July 2010

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

3. SEGMENT INFORMATION

Segment information

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

At 31 December 2010, 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:

	2010			2009 (Restated)		
	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	**1,140,578**	**598,520**	**1,739,098**	699,685	362,385	1,062,070
Inter-segment revenue	**(26,748)**	**(9,251)**	**(35,999)**	(31,296)	(4,677)	(35,973)
Revenue	**1,113,830**	**589,269**	**1,703,099**	668,389	357,708	1,026,097
Segment results	**226,815**	**130,228**	**357,043**	31,945	17,225	49,170
Unallocated expenses, net			**(372)**			(384)
Finance income			**1,184**			1,684
Finance costs			**(6,101)**			(11,862)
Profit before income tax			**351,754**			38,608
Income tax expense			**(48,336)**			(7,089)
Profit for the year			**303,418**			31,519
Depreciation	**64,092**	**23,352**	**87,444**	59,640	21,162	80,802
Amortisation	**787**	**135**	**922**	642	133	775

Unallocated expenses, net represent corporate (expenses)/income.

The segment assets and liabilities are as follows:

	2010				2009			
	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	**1,668,749**	**549,053**	**6,667**	**2,224,469**	1,164,601	381,291	9,234	1,555,126
Liabilities	**200,595**	**73,459**	**360,019**	**634,073**	155,203	51,905	451,202	658,310
Capital expenditure	**177,661**	**47,100**	**–**	**224,761**	75,859	17,083	–	92,942

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 2010 as follows:

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2009 as follows:

	Assets	Liabilities (Restated)
	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	–	259,813
Non-current borrowings	–	45,674
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

4 REVENUE

Revenue

	2010	2009
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**196,015**	72,576
Manufacturing of metal stamping components	**787,490**	508,083
Manufacturing of lathing components	**98,315**	67,849
Design and fabrication of plastic injection moulds	**127,626**	51,154
Manufacturing of plastic injection components	**456,175**	303,729
Others	**37,478**	22,706
	1,703,099	1,026,097

5 OPERATING PROFIT

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

	2010	2009
		(Restated)
	HK$'000	*HK$'000*
Depreciation		
– Owned assets	**76,969**	66,847
– Leased assets	**10,475**	13,955
	87,444	80,802
Employment expenses	**230,567**	146,524
Amortisation of leasehold land and land use rights	**922**	775
Auditor's remuneration	**2,222**	1,768
(Gain)/loss on disposal of property, plant and equipment	**(80)**	803
Net exchange (gains)/losses	**(2,761)**	50
Changes in inventories of finished goods and work in progress	**(51,316)**	16,883
Raw materials and consumables used	**897,997**	560,598
(Reversal of)/provision for inventories	**(1,610)**	4,015
Packaging expenses	**34,513**	27,268
Others	**148,759**	137,832
	1,346,657	977,318

6 FINANCE INCOME/COSTS

	2010	2009
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**1,184**	1,684
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**2,173**	8,148
Bank borrowings not wholly repayable within five years	**2,198**	128
Finance lease liabilities	**1,730**	3,586
	6,101	11,862

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2010 and 2009, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,610,000 and HK$2,437,000 respectively.

7 INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**15,707**	1,315
– Mainland China corporate income tax	**32,825**	6,118
Over-provision in prior years	**(196)**	(344)
	48,336	7,089

(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 (2009: 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 22% and 25%, respectively for the year ended 31 December 2010 (2009: 20% and 25%, respectively). 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 years after offsetting prior year tax losses of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited were 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2007 and June 2008, respectively, and Shenzhen EVA Mould Manufacturing Limited had taxable profits during the year ended 31 December 2010 which its profits were offset to prior year tax losses. On 31 December 2009, Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% during the year ended 31 December 2010.

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

(c) Overseas income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

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

	2010	2009
	HK$'000	*HK$'000*
Profit before income tax	**351,754**	38,608
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**65,845**	7,464
Tax exemption	**(15,395)**	(2,277)
Expenses not deductible for tax purpose	**132**	189
Utilisation of previously unrecognised tax losses	**(2,201)**	–
Tax losses for which no deferred income tax asset was recognised	**151**	2,057
Over-provision in prior years	**(196)**	(344)
Tax charge	**48,336**	7,089

The weighted average applicable tax rate for the year ended 31 December 2010 was approximately 18.7% (2009: 19.3%). The decrease is due to one of the Company's subsidiaries, Yihe Precision Hardware (Shenzhen) Co. Ltd., was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% during the year ended 31 December 2010.

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

	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**302,664**	31,519
Weighted average number of ordinary shares in issue *('000)*	**709,956**	659,444
Basic earnings per share *(HK cents per share)*	**42.6**	4.8

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 and warrants). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.

	2010	2009
Profit attributable to equity holders of the Company *(HK$'000)*	**302,664**	31,519
Weighted average number of ordinary shares in issue *('000)*	**709,956**	659,444
– adjustment for share options and warrants *('000)*	**40,919**	34,226
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**750,875**	693,670
Diluted earnings per share *(HK cents per share)*	**40.3**	4.5

9 DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid of HK6.5 cents (2009: HK0.82 cents) per ordinary share	**51,478**	5,321
Proposed final dividend of HK5.0 cents (2009: HK0.81 cents) per ordinary share	**43,905**	5,039
	95,383	10,360

10 TRADE RECEIVABLE

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

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**286,548**	198,347
91 to 180 days	**37,406**	7,435
181 to 365 days	**2,356**	1,276
	326,310	207,058
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**325,122**	205,870

11 TRADE PAYABLE

The ageing analysis of trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 to 90 days	**196,590**	157,005
91 to 180 days	**25,303**	12,999
181 to 365 days	**4,079**	709
	225,972	170,713

The amounts of trade payables have an average 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 Event and Development

The year of 2010 was another year of milestone events and achievements for the Group. Not only have we completely recovered from the trauma of the financial tsunami in 2008/2009, but our business fundamentals have improved by leaps and bounds.

In May 2010, the Group reached a mutual understanding with one of the world renowned brand owners of office automation (OA) equipments in Japan for the placement of a series of "integrated orders" up to approximately HK$3.6 billion over four years. These orders relate to the production of mechanical modules of new OA equipment models covering the relevant moulds, components and product assembly as a whole. Our key appeal to this customer is our ability to provide one-stop solution, thereby reducing logistic costs and production lead time. We believe the receipt of these integrated orders will provide us with the necessary credentials for obtaining integrated orders of similar nature from other Japanese brand owners. Up to the end of this financial year, the Group had recognized mould revenue of approximately HK$81,178,000 in respect of this customer (comprising metal mould revenue of approximately HK$53,076,000 and plastic mould revenue of approximately HK$28,102,000). These moulds are currently consigned in the Group's production bases for onward mass production of the mechanical modules and components. Trial production of the mechanical modules commenced since early November 2010. Up to the end of the financial year, total component revenue of approximately HK$37,018,000 was recognised.

After deduction of the revenue generated from the above-mentioned integrated orders, the Group's turnover was approximately HK$1,584,903,000, representing a spectacular increase of approximately 54.5% as compared to last year, thanks to the resurgence of orders from both international and domestic customers who continued to shift their focus to the China market. In particular, it is worth noting that our revenue from the manufacture of moulds (after deducting the mould revenue from the new integrated orders as mentioned above) actually went up to approximately HK$242,463,000 – another historical high. The Group's business model is such that the brand owners would normally require us to jointly develop the relevant moulds with them right from the product development stages. Thereafter, the completed moulds would be consigned in our production bases for onward 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. The record level of mould revenue during the year is therefore expected to lead to a continuing growth in the results of the Group going forward.

As part of the Group's strategic move to devote more resources to penetrating the domestic market, the Group had completed the construction of a new production base in Zhongshan, Guangdong Province in December 2010. Apart from better serving certain of the existing OA equipment and home appliance customers located in Zhongshan, Zhuhai and Shunde which include Canon and Midea, the primary purpose of establishing this new production base in Zhongshan is to facilitate the Group's penetration into the domestic automobile and home appliance markets on the western bank of the Pearl River Delta Region. Target customers of the new Zhongshan production base include Gree, Hisense-Kelon, Guangzhou Automobile Group and the new production facilities of Dongfeng-Nissan and FAW-Volkswagen located in Guangzhou and Foshan which are currently under construction. In March 2010, we set up a new sales office in Chongqing in order to source orders from domestic automobile makers such as Changan Ford, Qingling Motors and Suzuki. Going forward, the Group plans to set up sales offices in various other cities in China including Changchun, Tianjin and Huizhou (for high tech consumer electronics). The Group is also actively looking for appropriate merger and acquisition opportunities.

The Group is also in the process of constructing another factory building within the Group's existing production base in Shiyan Town, Shenzhen, Guangdong Province. This is scheduled for completion by the end of 2011.

In order to maintain our pricing power and improve productivity, we have made conscious efforts to upgrade the quality of our workforce. The number of engineers employed by us increased from 1,091 people (representing 22% of our total workforce) as at 31 December 2009 to 1,618 people (representing 30% of our total workforce) as at 31 December 2010. Our total headcount (excluding engineers), however, was maintained at 3,830 people (2009: 3,883 people) despite a 66% increase in our total revenue this year. In addition, we have also started to replace labor intensive processes with robotic production lines so that we can maintain our cost advantage in the face of rising wage levels in China.

Our superior quality standards and devotion to continuous technological improvement have not only been recognised by our customers, but also by the Chinese government. In late 2009, one of our major subsidiaries, Yihe Precision Hardware (Shenzhen) Co., Ltd., was recognised by the Chinese government as a "National High and New Technology Enterprise", entitling it to a preferential tax rate of 15% commencing 1 January 2010. In December 2010, Yihe Precision Plastic and Electronics Products (Shenzhen) Co., Ltd., another major subsidiary of ours, was also recognised as a "National High and New Technology Enterprise" and thus eligible for a preferential tax rate of 15% starting from 1 January 2011.

During the year, we continued to devote substantial effort to maintaining a healthy balance sheet. Cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) for the year was 46 days (2009: 40 days). The slight increase in the cash conversion cycle as compared to last year was primarily caused by the significant surge in mould orders during the second half of 2010 which led to an increase in moulds under production being captured as part of our inventories as at year-end.

FINANCIAL REVIEW

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

	2010		2009	
	HK$'000	%	*HK$'000*	%
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**196,015**	**11.5%**	72,576	7.1%
Manufacturing of metal stamping components	**787,490**	**46.2%**	508,083	49.5%
Manufacturing of lathing components	**98,315**	**5.8%**	67,849	6.6%
Others *(Note 1)*	**32,010**	**1.9%**	19,881	1.9%
	1,113,830		668,389	
Plastic division				
Design and fabrication of plastic injection moulds	**127,626**	**7.5%**	51,154	5.0%
Manufacturing of plastic injection components	**456,175**	**26.8%**	303,729	29.6%
Others *(Note 1)*	**5,468**	**0.3%**	2,825	0.3%
	589,269		357,708	
Total	**1,703,099**		1,026,097	
Segment results				
Metal division	**226,815**		31,945	
Plastic division	**130,228**		17,225	
Operating profit	**357,043**		49,170	
Unallocated expenses	**(372)**		(384)	
Finance income	**1,184**		1,684	
Finance costs	**(6,101)**		(11,862)	
Income tax expense	**(48,336)**		(7,089)	
Non-controlling interest	**(754)**		–	
Profit attributable to equity holders of the Company	**302,664**		31,519	

Note 1: Others mainly represented sales of scrap materials

Turnover

The Group recorded a significant increase in revenue from the design and fabrication of metal stamping and plastic injection moulds during FY2009. These moulds had been consigned in the Group's production bases for the mass production of metal stamping and plastic injection components starting from early 2010. Accordingly, the Group's revenue from manufacturing of metal stamping and plastic injection components increased significantly by approximately 55.0% and 50.2% respectively during FY2010.

Revenue from design and fabrication of metal stamping and plastic injection moulds saw an increase of 161.6% during FY2010. The moulds produced during FY2010 will be used for the onward mass production of metal stamping and plastic injection components in FY2011 and beyond.

Gross profit

The Group's profitability was adversely affected by the aftermath of the financial tsunami during the last financial year. As struck by the global de-stocking activities of manufacturers worldwide, the Group's production facilities were significantly under-utilised which resulted in a reduction in gross profit margin of the Group during FY2009.

During FY2010, the Group experienced a strong resurgence in order flows as both international and domestic brand owners continued to shift their focus to the China market. With an increased turnover, the utilisation rate of the Group's production facilities returned to a normal level which resulted in a rebound in the Group's gross profit margin. During FY2010, gross profit margin of the Group was approximately 31.8%, which was comparable to our normal level before the financial tsunami in FY2008 and FY2009 during which the Group's gross profit margin was consistently above 30%.

Segment results

In FY2010, segment results of the Group's metal and plastic division amounted to approximately HK$226,815,000 and HK$130,228,000 respectively, representing an operating profit margin of approximately 20.4% and 22.1% respectively. Since the profit margin from mould revenue is generally higher than that from component revenue, the operating profit margin of the Group's plastic division is slightly higher as its proportion of mould revenue to total divisional turnover is higher than that for the metal division.

Finance costs

The Group's finance costs for FY2010 decreased to approximately HK$6,101,000, which was primarily caused by the reduction in bank borrowings and finance lease liabilities as part of the Group's continuing effort to reduce indebtedness.

Income tax expenses

During FY2010, income tax expenses amounted to approximately HK$48,336,000. In late 2009, one of the major subsidiaries of the Group 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 (FY2009: tax rate of 20%). As such, the Group's overall effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for FY2010 reduced to approximately 13.7%.

Profit attributable to equity holders of the Company

During FY2010, profit attributable to equity holders of the Company amounted to approximately HK$302,664,000, representing an increase of approximately 860.3% as compared to that for FY2009. The significant increase in net profit of the Group was primarily caused by the resurgence of orders flows from both existing and new customers targeting at the booming China's consumption market and the improvement in utilisation rate of our production facilities. Net profit margin of the Group for FY2010 was approximately 17.8%, which was comparable to our normal level before the financial tsunami in FY2008 and FY2009 during which the Group's net profit margin was consistently above 15%.

Liquidity, Financial Resources and Ratios

For the year ended 31 December 2010, the Group recorded net cash generated from operating activities of approximately HK$293,925,000, representing an increase of approximately 21.1% as compared to that of approximately HK$242,748,000 for the year ended 31 December 2009. During the year ended 31 December 2010, our turnover increased significantly to approximately HK$1,703,099,000 as compared to that of approximately HK$1,026,097,000 for the last year. Such a drastic increase in turnover inevitably necessitates an increase in our working capital requirements. Net cash used for investing activities, which primarily relates to the purchases of fixed assets, amounted to approximately HK$266,789,000 for the year ended 31 December 2010. This represents an increase of approximately 258.2% as compared to last year and was primarily due to the deposits of approximately HK$209,177,000 (recorded as construction-in-progress and prepayments, deposits and other receivables in the statement of financial position) made for the purchases of additional machinery in preparation for the continuous growth in orders in 2011. In addition, the Group recorded net cash generated from financing activities of approximately HK$249,511,000 during the year ended 31 December 2010. Net proceeds from the exercise of employee share options, warrant subscription, exercise of warrants and share placements totaled HK$437,907,000 during the year.

Bank loans as at 31 December 2010 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 2010 are as follows:

	2010	2009
Inventory turnover days *(Note 1)*	**47**	43
Debtors' turnover days *(Note 2)*	**70**	73
Creditors' turnover days *(Note 3)*	**71**	76
Cash conversion cycle *(Note 4)*	**46**	40
Current ratio *(Note 5)*	**1.72**	0.97
Net debt-to-equity ratio *(Note 6)*	**Net cash**	0.19

Note –

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

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

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

4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.

5. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.

6. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances divided by shareholders' equity.

Inventory turnover days

Our inventory turnover days remained at a low level of approximately 47 days. The slight increase in our inventory turnover days by 4 days as compared to last year was primarily caused by the significant growth in mould orders during the second half of 2010, which led to an increase in moulds under production. Moulds under production are captured as part of our inventories at the year end.

Debtors' and creditors' turnover days

During the year ended 31 December 2010, the Group's debtors' and creditors' turnover days were approximately 70 days and 71 days respectively, which were in line with the previous year.

Current ratio and net debt-to-equity ratio

During the year ended 31 December 2010, the Group continued to record positive operating cash flows and gradually repaid its bank borrowings and finance lease liabilities. Further, the Group executed a share placement in July 2010 which raised net proceeds of approximately HK$276,074,000. As such, the Group's current ratio and net debt-to-equity ratio improved during the year. As at 31 December 2010, the Group's current ratio was approximately 1.72 and the Group was in a net cash position.

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 small portion of its sales and purchases are denominated in Renminbi. During the year ended 31 December 2010, approximately 34%, 59% and 7% (For the year ended 31 December 2009: 31%, 59% and 10%) of the Group's sales and approximately 13%, 70% and 17% (For the year ended 31 December 2009: 15%, 68% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Although the settlement currencies between the Group's revenue and expenditure are basically matched, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi. 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 2010, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book value of approximately HK$7,444,000 and HK$58,468,000 respectively for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$136,250,000 for securing finance lease liabilities.

Human Resources

As at 31 December 2010, the total number of employees of the Group was 5,448 employees, representing an increase of approximately 9.5% as compared to 4,974 employees as at 31 December 2009. The increase in headcount was primarily due to the recruitment of additional engineers during the year.

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

Outlook

Up until the recent catastrophic earthquake in Japan, our prospects had never been rosier. Our strategic move to cater for the domestic market in China has so far yielded very positive results and indeed served to reduce our previous over-reliance on the Japanese OA market. We successfully weathered through the financial tsunami, during which a lot of smaller and weaker manufacturers collapsed. We actually turned out to be a major beneficiary in the consolidation of China's manufacturing industry during the crisis. Our ability to provide one-stop solution for those brand owners seeking to consolidate their supply chain also allows us to win much larger and longer "integrated orders" from them.

At the time of writing, the nuclear emission and massive power disruption in Japan resulting from the earthquake in Japan are still ongoing. Whilst we are not yet in a position to ascertain the final impact on the global economy, there is no denying that there will at least be a temporary slowdown in the Group's rapid business growth seen thus far. As the components and mechanical modules sold to our customers' assembly plants require certain parts sourced from Japan to form the finished products, the disruption in the supply of such parts sourced from Japan is likely to result in a slowdown of orders placed to us.

We will continue to closely monitor the situation in Japan, and will take appropriate actions to minimise any negative impact on our business. Nonetheless, we are optimistic that the impact on the Group's growth track is likely to be relatively short term. On a brighter note, history tells us there will most likely be a resurgent growth in business when rebuilding and restocking starts again in the aftermath.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

(1) Placing of non-listed warrants in March 2010

On 22 March 2010, the Company entered into warrant subscription agreements with seven independent individuals 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 entitled the subscribers to subscribe for 52,000,000 new shares of the Company at an initial subscription price of HK$2.03 per new share (subject to adjustment for subdivision and consolidation of shares) for a period of one year commencing from the date of issue of the warrants. The initial subscription price represented (i) a discount of approximately 1.93% to the closing price of HK$2.07 per share as quoted on The Stock Exchange of Hong Kong Limited on 22 March 2010, the date of the warrant subscription agreements, and (ii) a premium of approximately 2.01% to the average closing price of HK$1.99 per share as quoted on The Stock Exchange of Hong Kong Limited for the last 5 trading days immediately before and including the date of the warrant subscription agreements.

Upon full exercise of the subscription rights attached to the warrants, 52,000,000 new shares of the Company would be issued which represented approximately 8.36% of the then existing issued share capital of the Company and approximately 7.71% of the Company's issued share capital as enlarged by the allotment and issue of all the new shares.

It was expected that all the proceeds from the warrant subscriptions, being HK$1,040,000, would be used for payment of the costs and expenses in connection with the warrant subscriptions. It was intended that the funds of approximately HK$105,560,000 so raised from the exercise of the subscription rights attaching to the warrants be applied as general working capital and as funds for future development of the Group.

During the year ended 31 December 2010, 38,000,000 warrants were exercised to subscribe for 38,000,000 new shares of the Company. Subsequent to 31 December 2010 and up to the date of this report, the remaining 14,000,000 warrants were exercised to subscribe for 14,000,000 new shares of the Company. The total net proceeds from subscription and exercise of warrants, totaling HK$106,600,000, had been utilised for their intended purposes.

(2) Placing of existing shares and subscription of new shares in July 2010

On 9 July 2010, the Company, Prosper Empire Limited (the "Vendor") and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua and CLSA Limited entered into a placing agreement pursuant to which CLSA Limited agreed to place up to an aggregate of 100,000,000 shares of the Company at a price of HK$3.60 per share ("July Placing Price") to not less than six independent professional institutional investors and other investors. These shares consisted of 80,000,000 shares under a top-up placing and 20,000,000 shares placed by the Vendor. The July Placing Price represented (i) a discount of 11.3% to the closing price of HK$4.06 per share as quoted on The Stock Exchange of Hong Kong Limited on 9 July 2010, the date of the placing agreement and (ii) a discount of approximately 7.7% to the average of the closing price of approximately HK$3.90 per share as quoted on The Stock Exchange of Hong Kong Limited for the last five consecutive trading days up to and including 9 July 2010.

On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for 80,000,000 new shares of the Company (the "July Subscription Shares") at HK$3.60 per share which is equivalent to the July Placing Price. The July Subscription Shares represented approximately 12.1% of the then existing issued share capital of the Company and approximately 10.8% of the Company's issued share capital as enlarged by the issue of the July Subscription Shares. The July Subscription Shares were issued on 22 July 2010.

The net proceeds from the subscription of the July Subscription Shares were approximately HK$276,074,000, or HK$3.45 per share. The net proceeds were intended to be applied by the Company for the continuing expansion of the existing business and potential acquisition opportunities. As at the date of this report, approximately HK$127,645,000 was utilised for expansion of existing business and the remaining balance was placed on interest-bearing short-term deposits for the intended future uses.

(3) Placing of new shares in March 2011

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

The March Placing Shares represented approximately 5.71% of the then existing share capital of the Company and approximately 5.40% of the Company's issued share capital as enlarged by the March Placing Shares. The March Placing Shares were issued on 11 March 2011.

The net proceeds from the placing of the March Placing Shares were approximately HK$283,800,000, or HK$6.00 per share. The net proceeds were intended to be applied for funding continuous business expansion and potential acquisition opportunities. As at the date of this report, the proceeds were placed on interest-bearing short-term deposits for the intended future uses.

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 2010 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

DIVIDENDS

The Board recommends the payment of a final dividend of HK5.0 cents per ordinary share, totaling approximately HK$43,905,000, together with an issue of bonus shares on the basis of 1 bonus share for every 1 existing ordinary share at par value of HK$0.1 each. Including the interim dividend of approximately HK$51,478,000 paid on 10 September 2010 in respect of the six months ended 30 June 2010, the total cash dividends declared for the year ended 31 December 2010 will be approximately HK$95,383,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 20 May 2011, the final dividends will be payable on or about 27 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2011 to 20 May 2011, 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 and the bonus shares, 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 16 May 2011.

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 except Mr. Zhang Jian Hua confirm that they have complied with the required standards set out in the Model Code during the year ended 31 December 2010 and up to the date of this report.

Mr. Zhang Jian Hua, a director of the Company, has omitted to obtain clearance from the chairman of the Company prior to his purchase in October 2010 of 2,000 shares of the Company in accordance with Rule 8 Of the Model Code. As soon as practicable after discovering the non-compliance, Mr Zhang notified the Company of his inadvertence in not complying with Rule 8 of the Model Code in relation to such purchase. Mr. Zhang will take care to avoid similar mishaps in the future.

Save as disclosed above, Mr Zhang confirms that throughout the year ended 31 December 2010 and up to the date of this report that he has complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2010.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements on 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 2010.

AUDITOR

The consolidated financial statements for the year ended 31 December 2010 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 30 March 2011

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.