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 2012

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 2012 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	**2012**	2011
		HK$'000	*HK$'000*
Revenue	*4*	**2,367,023**	1,977,845
Cost of sales	*5*	**(1,855,961)**	(1,489,145)
Gross profit		**511,062**	488,700
Other income		**63**	58
Other gains – net		**8,031**	14,535
Selling and marketing costs	*5*	**(112,963)**	(79,784)
General and administrative expenses	*5*	**(302,419)**	(179,070)
Operating profit		**103,774**	244,439
Finance income	*6*	**4,807**	3,504
Finance costs	*6*	**(23,512)**	(8,635)
Share of loss of a jointly controlled entity		**(999)**	–
Profit before income tax		**84,070**	239,308
Income tax expense	*7*	**(14,462)**	(29,535)
Profit for the year		**69,608**	209,773
Other comprehensive income for the year, net of tax		**1,000**	677
Total comprehensive income for the year		**70,608**	210,450

	Note	**2012** **HK$'000**	2011 *HK$'000*
Profit attributable to:			
– Equity holders of the Company		**70,889**	210,379
– Non-controlling interests		**(1,281)**	(606)
		69,608	209,773
Total comprehensive income attributable to:			
– Equity holders of the Company		**71,889**	211,056
– Non-controlling interests		**(1,281)**	(606)
		70,608	210,450
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**4.1**	12.8
– diluted	*8*	**4.1**	12.7
Dividends	*9*	**21,345**	59,783

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,702,098**	1,404,846
Leasehold land and land use rights		**176,296**	121,525
Goodwill		**2,545**	2,545
Investments in a jointly controlled entity		**9,538**	–
Prepayments, deposits and other receivables		**142,518**	168,341
Other assets		**1,607**	1,607
		2,034,602	1,698,864
Current assets			
Inventories		**270,185**	302,398
Trade receivables	*10*	**429,156**	393,311
Prepayments, deposits and other receivables		**78,246**	69,226
Financial assets at fair value through profit or loss		**17,277**	16,708
Short-term bank deposits		**102,362**	–
Restricted cash		**2,913**	2,418
Cash and cash equivalents		**888,994**	514,871
		1,789,133	1,298,932
LIABILITIES			
Current liabilities			
Trade payables	*11*	**392,158**	388,280
Accruals and other payables		**154,278**	118,546
Bank borrowings		**530,150**	309,256
Finance lease liabilities		**27,435**	13,184
Current income tax liabilities		**25,654**	38,703
		1,129,675	867,969
Net current assets		**659,458**	430,963
Total assets less current liabilities		**2,694,060**	2,129,827

	Note	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**539,804**	62,364
Finance lease liabilities		**56,082**	63
Deferred taxation		**22,498**	22,988
		618,384	85,415
Net assets		**2,075,676**	2,044,412
EQUITY			
Capital and reserves			
Share capital		**167,947**	175,905
Reserves			
– Proposed final dividend		**9,239**	28,145
– Others		**1,836,464**	1,826,879
Equity attributable to owners of the Company		**2,013,650**	2,030,929
Non-controlling interests		**62,026**	13,483
Total equity		**2,075,676**	2,044,412

NOTE:

1. BASIS OF PRESENTATION

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

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2013.

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, unless otherwise stated.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2012.

HKAS 12 (Amendment)	Income taxes
HKFRS 1 (Amendment)	First time adoption
HKFRS 7 (Amendment)	Financial instruments: Disclosures

The update of the HKFRS amendments has not had a material impact on the preparation of the Group's financial statements.

(b) New standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the financial year beginning 1 January 2012 and that have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation – Presentation of items of other comprehensive income	1 July 2012
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate financial statements	1 January 2013
HKAS 28 (2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKFRS 1 (Amendment)	First time adoption – Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, Joint arrangements and disclosure of interests in other entities: Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
Annual improvements project	Annual improvements 2009-2011 cycle	1 January 2013

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

3. SEGMENT INFORMATION

Operating segments are reported on a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources. They consider the business from a product perspective.

At 31 December 2012, 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 consolidated financial statements.

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

The segment results and other segment items are as follows:

	2012			2011		
	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	**1,704,710**	**886,214**	**2,590,924**	1,386,655	668,240	2,054,895
Inter-segment revenue	**(154,829)**	**(69,072)**	**(223,901)**	(68,080)	(8,970)	(77,050)
Revenue	**1,549,881**	**817,142**	**2,367,023**	1,318,575	659,270	1,977,845
Segment results	**55,804**	**47,253**	**103,057**	152,428	80,886	233,314
Unallocated (expenses)/income, net			**(282)**			11,125
Finance income			**4,807**			3,504
Finance costs			**(23,512)**			(8,635)
Profit before income tax			**84,070**			239,308
Income tax expense			**(14,462)**			(29,535)
Profit for the year			**69,608**			209,773
Depreciation	**107,342**	**40,017**	**147,359**	73,601	26,789	100,390
Amortisation	**2,638**	**113**	**2,751**	1,529	112	1,641

For the year ended 31 December 2012, unallocated (expenses)/income, net represent corporate (expenses)/income (2011: represent corporate (expense)/income and excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost amounting to HK$11,458,000).

The segment assets and liabilities are as follows:

	2012				2011			
	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	**2,842,479**	**852,290**	**128,966**	**3,823,735**	2,306,361	684,979	6,456	2,997,796
Liabilities	**102,091**	**414,912**	**1,231,056**	**1,748,059**	352,758	122,249	478,377	953,384
Capital expenditure	**425,286**	**102,378**	**89**	**527,753**	433,805	57,090	–	490,895

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

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

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2012 as follows:

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

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

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

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

An analysis of the Group's four (2011: four) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**308,804**	298,865
Customer B	**587,347**	443,155
Customer C	**273,505**	263,198
Customer D	**246,895**	261,896
Total	**1,416,551**	1,267,114

4 REVENUE

	2012	2011
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**167,308**	140,489
Manufacturing of metal stamping components	**1,191,526**	1,008,841
Manufacturing of lathing components	**155,515**	138,817
Design and fabrication of plastic injection moulds	**81,199**	74,067
Manufacturing of plastic injection components	**732,710**	578,394
Others	**38,765**	37,237
	2,367,023	1,977,845

Others mainly represent sales of scrap materials.

5 OPERATING PROFIT

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

	2012	2011
	HK$'000	*HK$'000*
Depreciation		
– Owned assets	**141,265**	93,142
– Leased assets	**6,094**	7,248
	147,359	100,390
Employment expenses		
– research and development	**23,043**	–
– others	**467,192**	328,147
Amortisation of leasehold land and land use rights	**2,751**	1,641
Auditor's remuneration	**3,546**	3,546
Changes in inventories of finished goods and work in progress	**30,567**	(112,983)
Raw materials and consumables used	**1,260,984**	1,200,819
(Reversal of provision)/provision for inventory obsolescence	**(155)**	2,805
Research and development	**43,091**	–
Subcontracting expenses	**43,171**	36,878
Utilities expenses	**56,873**	45,354
Transportation expenses	**25,791**	30,275
Packaging expenses	**61,469**	38,117
Marketing expenses	**8,219**	2,675
Office expenses	**19,735**	16,824
Operating lease payments for property	**2,204**	389
Others	**75,503**	53,122
	2,271,343	1,747,999

6 FINANCE INCOME/COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**4,807**	3,504
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**7,452**	5,406
Bank borrowings not wholly repayable within five years	**14,182**	2,496
Finance lease liabilities	**1,878**	733
	23,512	8,635

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 2012 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,528,000 and HK$2,026,000 respectively.

7 INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**812**	2,553
– Mainland China corporate income tax	**14,965**	29,015
Over-provision in prior years	**(825)**	(1,876)
Deferred income tax credited for the year	**(490)**	(157)
	14,462	29,535

(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 (2011: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for China corporate income tax was calculated on the statutory rate of 25% (2011: 25%) on the assessable income of each of the group's entities except that certain subsidiaries of the Company operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period. Accordingly, the China corporate income tax for such subsidiaries has been provided for after taking into account of their tax exemptions and concessions.

(ii) During the year ended 31 December 2009 and 31 December 2011, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., respectively, were recognised by the Chinese Government as a "National High and New Technology Enterprise" and were therefore subject to a preferential tax rate of 15% during the three-year period starting from the year ended 31 December 2009 and 31 December 2011 respectively.

(iii) During the year ended 31 December 2012, EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited and Chongqing Digidie Auto Body Ltd. were recognised by the Chinese Government as a "National High and New Technology Enterprise" and, together with Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. were therefore subject to a preferential tax rate of 15% during the year ended 31 December 2012.

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

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits in the respective countries/places of business of the consolidated entities as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax	**84,070**	239,308
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**9,669**	42,589
Income not subject to tax	**(179)**	(8,328)
Expenses not deductible for tax purpose	**1,282**	–
Utilisation of previously unrecognised tax losses	**–**	(3,793)
Tax losses for which no deferred income tax asset was recognised	**4,515**	943
Over-provision in prior years	**(825)**	(1,876)
Tax charge	**14,462**	29,535

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company.

Basic

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**70,889**	210,379
Weighted average number of ordinary shares in issue ('000)	**1,733,043**	1,640,697
Basic earnings per share (HK cents per share)	**4.1**	12.8

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). 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.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**70,889**	210,379
Weighted average number of ordinary shares in issue ('000)	**1,733,043**	1,640,697
– adjustment for share options and warrants ('000)	**9,090**	11,372
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,742,133**	1,652,069
Diluted earnings per share (HK cents per share)	**4.1**	12.7

9 DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim dividend paid of HK0.7 cents (2011: HK1.8 cents) per ordinary share	**12,106**	31,638
Proposed final dividend of HK0.55 cents (2011: HK1.6 cents) per ordinary share	**9,239**	28,145
	21,345	59,783

A dividend in respect of the year ended 31 December 2012 of HK0.55 cents per share, amounting to a total dividend of HK$9,239,000, is to be proposed at the annual general meeting on 21 May 2013. These financial statements do not reflect this dividend payable.

10 TRADE RECEIVABLES

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

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**400,127**	319,566
91 to 180 days	**24,378**	59,834
181 to 365 days	**5,647**	15,071
Over 365 days	**192**	28
	430,344	394,499
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**429,156**	393,311

11 TRADE PAYABLES

The ageing of trade payables is as follows:

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**327,603**	316,311
91 to 180 days	**52,041**	61,595
181 to 365 days	**6,063**	6,409
Over 365 days	**6,451**	3,965
	392,158	388,280

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

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

Since late 2009, the Group has been engaging in a strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diversity of products for the fast growing Chinese consumption market, with particular attention given to the huge automobile sector. During the year, the Group continued to make significant progress towards this direction. As one of the milestone events in such expansion, the Group commenced the construction of a new production base in Wuhan in March 2012 which is targeted at providing component production and welding services to automobile brand names located in Wuhan and adjacent cities. Since the Group's business in automobile sector was only confined to the production of moulds in the past, the construction of the new Wuhan production base signifies the Group's expansion into supplying automobile components on a large scale basis, a business which is much more voluminous than just supplying moulds and underscores our next step forward into the automobile market.

Currently, Wuhan is one of the major production hubs in China for automobiles. A number of international automobile brand names have established or are planning to establish production bases in Wuhan or its adjacent cities, which includes Dongfeng, Honda, Nissan, Citroen, Peugeot and General Motors. We are confident that by establishing the new Wuhan production base, and by utilising our precision engineering and production management expertise obtained through 20 years of experience in serving Japanese brand owners in the OA industry who are well known for their demanding quality requirements, our new Wuhan production base can stand out in the domestic automobile supply chain and open up a new phase of development for the benefit of the Group.

The new Wuhan production base has a land area of approximately 166,000 square metres and its development is divided into phases. The construction of phase one of the Wuhan production base with a floor area of approximately 49,000 square metres, which commenced in March 2012, is scheduled for completion in mid 2013. Although initial costs of approximately HK$66,134,000 were incurred in 2012 in preparation for its launch of production which included salaries for additional engineers and materials used for technology development and testing, it is undoubted that the new Wuhan production base can serve as a platform for us to tap deeper into the voluminous but still expanding Chinese automobile market upon its completion and therefore our investment today will eventually translate into quantum leap in our profitability in the future.

At the same time, there is also a soaring demand from the Chinese consumers for high quality and sophisticated consumer electronic products in recent years. With an outstanding engineering expertise, the Group is well equipped to capture the growing demand in high end consumer electronic market, in which product precision and engineering expertise are also essential. On the other hand, to save logistic and quality control costs, brand owners in our traditional OA equipment business continue to streamline their presently fragmented supplier bases and concentrate a higher percentage of their purchases from large scale manufacturers like ourselves. Therefore, we continued to see substantial growth potential in this market. To cope with the increase in order flows from both OA equipment and high end consumer electronic markets, we added another new production base in Shenzhen in 2012, which can provide additional floor areas for future capacity expansion.

In 2012, turnover of the Group hit historical high again and reached HK$2,367,023,000, thanks to the on-going trend for brand owners to concentrate a growing percentage of their purchases from manufacturers with proven quality standards and financial stability like ourselves. However, market sentiment about economic recovery remained fragile for most of the time in 2012. Cautious about the economic conditions in developed countries in 2012, the Group's customers in OA equipment business increased the production volume of relatively low end products for sales to emerging countries with a view to achieve business growth, which altered the type of orders received by the Group and adversely affected our profit margin. Gross profit margin for the year fell to 21.6% (2011: 24.7%). Further, as mentioned above, the Group incurred initial costs for the development of its new automobile component business during the year. At the same time, finance costs increased as the Group obtained new borrowings for its future capital expenditure and working capital requirements. Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's net profit reduced by approximately 66.3% to HK$70,889,000 during the year.

Despite the aforesaid, market sentiment started to improve since late 2012, which was also reflected in the mould revenue of the Group. Our production and sales of moulds had been robust in the second half of 2012. Under the Group's business model, 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 bases for future mass production of components and semi-finished products. In other words, mould revenue is a leading indicator of our future production volume of components and semi-finished products. It is worth noting that, despite a reduction of our mould revenue by 22.1% in 1H2012 which was caused by the lackluster sentiment about the economy during the same period, the production and sales of moulds rebounded strongly in the second half of the year and finally mould revenue for the full year of 2012 increased by 15.8% as compared to that of 2011. The robust resurgence of mould development in the second half of 2012 is an evident reflection of revival of confidence in economic outlook among our customers.

During the year, we continued to devote substantial efforts on maintaining a healthy balance sheet. Our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) improved from 52 days in 2011 to 42 days in 2012. The improvement in our cash conversion cycle was primarily caused by our conscious effort to control inventories and streamline working capital requirement. Our net gearing ratio remained low at 7.9%, which has a strong appeal to existing and target customers looking for manufacturing partners as financial stability has become one of their key criteria for supplier selection to ensure a reliable supply chain.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2012 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement and sound financial management, whilst maximising returns to our shareholders.

FINANCIAL REVIEW

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

	2012		2011	
	HK$'000	*%*	*HK$'000*	*%*
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**167,308**	**7.1%**	140,489	7.1%
Manufacturing of metal stamping components	**1,191,526**	**50.3%**	1,008,841	51.0%
Manufacturing of lathing components	**155,515**	**6.6%**	138,817	7.0%
Others *(Note 1)*	**35,532**	**1.5%**	30,428	1.5%
	1,549,881		1,318,575	
Plastic division				
Design and fabrication of plastic injection moulds	**81,199**	**3.4%**	74,067	3.8%
Manufacturing of plastic injection components	**732,710**	**31.0%**	578,394	29.2%
Others *(Note 1)*	**3,233**	**0.1%**	6,809	0.4%
	817,142		659,270	
Total	**2,367,023**		1,977,845	
Segment results				
Metal division	**55,804**		152,428	
Plastic division	**47,253**		80,886	
Operating profit	**103,057**		233,314	
Unallocated (expenses) income, net	**(282)**		11,125	
Finance income	**4,807**		3,504	
Finance costs	**(23,512)**		(8,635)	
Income tax expense	**(14,462)**		(29,535)	
Non-controlling interests	**1,281**		606	
Profit attributable to equity holders of the Company	**70,889**		210,379	

Note 1: Others mainly represented sales of scrap materials

Turnover

Driven by the on-going trend for brand owners to concentrate higher percentage of their purchases on suppliers with proven quality standards and financial stability like ourselves, our turnover hit historical high once again despite a sluggish external environment for most of the time in 2012. Turnover for the year amounted to approximately HK$2,367,023,000, representing an increase of approximately 19.7% as compared to 2011.

Gross profit

Cautious about the economic conditions of developed countries in 2012, the Group's customers in office automation equipment sector increased the production volume of relatively low end products for sales to emerging countries with a view to achieving business growth, which altered the type of orders received by the Group and adversely affected its profit margin. Gross profit margin for the year fell to 21.6% (2011: 24.7%).

At the same time, the Group's turnover grew by 19.7%, which offset the impact from margin reduction. As a result, the amount of the Group's gross profit still increased slightly to approximately HK$511,062,000.

Segment results

For the year ended 31 December 2012, segment results of the Group's metal and plastic divisions amounted to approximately HK$55,804,000 and HK$47,253,000, representing an operating profit margin of approximately 3.6% and 5.8% respectively. During the year, the Group incurred initial costs of approximately HK$66,134,000 in preparation for its new automobile component business, which included salaries for additional engineers and materials used for technology development and testing. Coupled with the reduction in gross profit margin as mentioned above and a general increase in employment and other costs in China's manufacturing industry, the Group's operating profit margin for the year decreased as compared to that for 2011.

As the same time, as the initial costs for new automobile component business were mainly incurred by the Group's metal division, the operating profit margin of the Group's metal division was lower than that of the plastic division.

Finance costs

The Group's finance costs for the year ended 31 December 2012 increased to approximately HK23,512,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities during the year.

Income tax expense

During the year ended 31 December 2012, income tax expense amounted to approximately HK$14,462,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 17.2%, which increased as compared to that for 2011 because: (i) one of the major subsidiaries of the Group, EVA Precision Industrial (Suzhou) Limited, was entitled to the tax benefits of "tax exemption for the first two profitable years and 50% tax reduction for the ensuing three years" under the former tax laws in China during the period from 2007 to 2011. Tax rate of this subsidiary increased due to the expiry of such tax benefits on 31 December 2011 and (ii) certain subsidiaries incurred initial losses primarily caused by the Group's development in the new automobile business, and such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries.

Profit attributable to equity holders of the Company

During the year, the Group's gross profit margin decreased and the Group incurred initial costs for its new automobile component business. Coupled with the increase in finance costs and a general increase in employment and other costs in China's manufacturing industry, the profit attributable to equity holders of the Company decreased by approximately 66.3% to approximately HK$70,889,000.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

During the year, the Group devoted substantial effort to streamlining working capital requirements. Accordingly, net cash generated from operating activities only decreased by 17.6% to HK$180,268,000 despite a reduction in net profit by 66.3% during the year. Net cash used in investing activities was HK$448,114,000, which decreased by approximately 20.8% as compared to that of last year. In 2011, cash of approximately HK$74,849,000 was used in acquiring a subsidiary namely Chongqing Digidie Auto Body Ltd. No similar acquisition activity occurred in 2012. At the same time, although the Group started the construction of its new Wuhan production base only in 2012, certain deposits for acquisition of land and construction costs of the new Wuhan production base had already been paid by end of 2011. Accordingly, net cash used in investing activities decreased in 2012 despite the on-going expansion of the Group. In addition, the Group obtained new bank borrowings of approximately HK$852,000,000. Therefore, net cash generated from financing activities increased by 78.0% to approximately HK$641,427,000.

Bank loans as at 31 December 2012 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 2012 is as follows:

	31 December 2012	31 December 2011
Inventory turnover days *(Note 1)*	**53**	74
Debtors' turnover days *(Note 2)*	**66**	73
Creditors' turnover days *(Note 3)*	**77**	95
Cash conversion cycle *(Note 4)*	**42**	52
Current ratio *(Note 5)*	**1.58**	1.50
Net debt-to-equity ratio *(Note 6)*	**7.9%**	Net cash

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

With a view to streamlining the Group's working capital requirements, we devoted substantial effort to strengthening our inventory control during the year ended 31 December 2012. Accordingly, the Group's inventory turnover days reduced by 21 days to 53 days during the year.

Debtors' and creditors' turnover days

During the year, the Group's debtors' turnover days was 66 days, which reduced as compared to that of last year due to the stringent credit control of the Group. Creditors' turnover day reduced to 77 days, which was primarily caused by the measures adopted by the Group to lower the level of inventories and therefore the amount payable to inventories suppliers remained stable despite an increase in cost of sales during the year.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 31 December 2012 was similar to that as at 31 December 2011.

During the year, the Group obtained new borrowings of approximately HK$852,000,000 for its future capital expenditure and working capital requirements, which led to an increase in net debt-to-equity ratio. However, despite this, the Group's net debt-to-equity ratio remained at a low level, which was approximately 7.9% as at 31 December 2012.

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. During the year ended 31 December 2012, approximately 33%, 54% and 13% (For the year ended 31 December 2011: 35%, 56% and 9%) of the Group's sales and approximately 13%, 71% and 16% (For the year ended 31 December 2011: 13%, 70% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2012, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of approximately HK$6,882,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$128,912,000 for securing finance lease liabilities.

HUMAN RESOURCES

As at 31 December 2012, the total number of employees of the Group was 7,595 employees, representing an increase of 13.8% as compared to 6,673 employees as at 31 December 2011. The increase in headcount was primarily caused by the recruitment of additional employees in preparation for the Group's new Wuhan production base and the completion of another newly established production base in Shenzhen in 2012.

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

OUTLOOK

Despite a general expectation for slower growth as compared to the past, China's automobile market is still in its ascending channel and far from saturation. With an increasing demand for higher end and sophisticated products from Chinese customers, China's automobile market is most likely to face a structural adjustment from previously focusing on low cost vehicles to vehicles with higher quality and better performance. Whilst our engineering expertise accumulated through 20 years of experience in precision equipment industry may be better than required for low cost vehicles, the shift in demand to higher quality vehicles opened up a doorway for the Group to enter into this huge but still expanding market. Going forward, we expect our investment in automobile business today will translate into a quantum leap in our profitability in the future. Meanwhile, our net gearing ratio remains at a low level, with cash position strong enough to fund our investment.

Last but not the least, turnover from our traditional OA business is still on a growth track, generating healthy cash flows for our new automobile business. Although our profitability was affected by the increase in production volume of lower end products for sales to emerging countries by our customers, we are optimistic that there will be a resurgence in our profitability as pace of economic recovery accelerates in developed countries, which are the primary market for higher end products.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2012, the Company repurchased its 79,680,000 listed shares on The Stock Exchange of Hong Kong Limited. 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 2012 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*
June 2012	350,000	0.60	0.57	208
July 2012	11,950,000	0.66	0.63	7,653
August 2012	37,196,000	0.63	0.61	23,141
September 2012	20,900,000	0.62	0.61	12,992
November 2012	9,284,000	0.95	0.93	8,823
	79,680,000			52,817

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 2012 and up to the date of this report.

PRE–EMPTIVE RIGHTS

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

DIVIDENDS

The Board recommends the payment of a final dividend of HK0.55 cents per ordinary share, totaling approximately HK$9,239,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2013, the final dividend will be payable on or about 4 June 2013. Including the interim dividend of approximately HK$12,106,000 paid on 14 September 2012 in respect of the six months ended 30 June 2012, the total dividends declared for the year ended 31 December 2012 will be approximately HK$21,345,000.

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on 21 May 2013, the register of members of the Company will be closed from Thursday, 16 May 2013 to Tuesday, 21 May 2013, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 May 2013.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on or about Tuesday, 4 June 2013 to shareholders whose names appear on the register of members on Tuesday, 28 May 2013. To determine eligibility for the final dividend, the register of members of the Company will be closed from Monday, 27 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 May 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the year ended 31 December 2012 and up to the date of this report.

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 (the "Former CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period from 1 January 2012 to 31 March 2012. On 1 April 2012, the Former CG Code was amended and renamed as the Corporate Governance Code (the "New CG Code"). The Company and the directors also confirm that the Company has complied with the New CG Code during the period from 1 April 2012 to 31 December 2012.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. During the year ended 31 December 2012, the audit committee was chaired by Dr. Lui Sun Wing and its members comprised Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu, the three independent non-executive directors of the Company. On 11 January 2013, Dr. Lui Sun Wing ceased to be the Company's independent non-executive director and a member and the chairman of the audit committee. With effect from 11 January 2013, Mr. Leung Tai Chiu replaced Dr. Lui Sun Wing as the chairman of the audit committee and the vacancy left by Dr. Lui Sun Wing in the audit committee was filled by Mr. Lam Hiu Lo, who was appointed as an independent non-executive director of the Company on the same day. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2012.

AUDITORS

The consolidated financial statements for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2013

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