ANNUAL REPORT 2010 年報

SETTING A *NEW STANDARD* FOR MANUFACTURING

引領製造模式新標準

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：838

Contents

Group Profile

EVA Precision Industrial Holdings Limited (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 Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the provision of precision manufacturing services in China, focusing on the production of moulds and components with high quality standard and dimensional accuracy. The Group started its business as a mould producer in 1993, and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005. Currently, the Group operates two production facilities in Shenzhen and one production facility in Suzhou. Further, the construction of another production facility in Zhongshan was completed by the end of 2010 and is currently under trial production.

The Group is a vertically-integrated precision metal and plastic mould and component manufacturing service provider. The Group's existing services include mainly i) design and fabrication of precision metal stamping and plastic injection moulds; ii) manufacturing of precision metal stamping and plastic injection components by using tailor-made metal stamping and plastic injection moulds; iii) lathing of metal components and iv) assembly of precision metal and plastic components manufactured by the Group into semi-finished products.

The Group's business model is unique and different to ordinary OEMs/ODMs. Brand owners normally require the Group to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in the Group's production plants for future mass production of components and semi-finished products. Because of the high level of skills and technologies required to design and fabricate moulds with high degree of precision and dimensional accuracies, the Group has strong pricing power for its products.

Before 2010, the Group primarily focused on serving the office automation ("OA") equipment industry. Whilst the OA equipment industry is expected to continue providing substantial growth momentum to the Group, the Group is also making conscious effort for developing into the consumer sector in China. In addition to the OA market, the Group has made significant inroads into other products lines including consumer electronics/durables, automobiles and sophisticated medical equipment, all of which are destined for the fast growing domestic consumption market in China.

Corporate Milestone

Year	Event
1993	The Group started its business through the establishment of EVA Limited, a subsidiary of the Group, in Hong Kong. The Group established its first production plant in Shenzhen, the PRC in the same year. The Group started its business as a metal stamping mould manufacturer and its business was later extended to the manufacture of metal stamping components.
2002	Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group, was accredited as one of the "300 Enterprises with Highest Growth Potential in Shenzhen" (深圳市300家最具成長性企業) and "Shenzhen Top 10 Industry Practitioner" (深圳行業10強企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). The first factory building of the Group's Shenzhen (Shiyan) production plant with a construction area of approximately 21,000 sq.m. was completed. The Group's production lines were moved to the Group's Shenzhen (Shiyan) production plant in the same year.
2003	The second factory building of the Group's Shenzhen (Shiyan) production plant with a construction area of approximately 19,000 sq.m. was completed. Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with the ISO9001:2000 certification in respect of quality management system and ISO14001:1996 certification in respect of environmental management system by the BSI Group. It was also accredited as: – "Hi-Tech Enterprise in Shenzhen" (深圳市高新技術企業) by Shenzhen Science and Technology Bureau (深圳市科學技術局); – "Reliable and Credible Enterprise" (守合同重信用企業) by Shenzhen Bureau of Industry and Commerce Administration (深圳市工商行政管理局); – "Quality Assurance Honourable Enterprise in the PRC (Brand)" (中國質量承諾誠信經營企業(品牌)) by Quality Assurance Centre for PRC Light Industry Products (中國中輕產品質量保障中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).

Corporate Milestone

Year	Event
2004	Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the "Excellent Supplier Award" (優秀供應商獎) and "Acclamation Certificate" (表彰狀) by Toshiba and "Certificate of Green Activity" by Canon. EVA Limited was granted with "Very Valuable Vendor (Improvement) Award" (VVV獎一進步獎) by Canon. The Group expanded into plastic mould and component manufacturing business through the establishment of EVA Plastic Mould Products (HK) Limited in Hong Kong and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. in Shenzhen. The first production line of the Group's plastic production line was established and located in the second factory building of the Group's Shenzhen (Shiyan) production plant for trial production.
2005	EVA Precision Industrial Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited. EVA Limited was granted with "Very Valuable Vendor (2004 Best Assistance) Award" (VVV獎一二零零四年最佳協力獎) and "Very Valuable Vendor (Improvement) Award" (VVV獎一進步獎) by Canon and "Acclamation Certificate" (表彰狀) by Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with an approval certificate for chemical substances management (CMS) standard by Ricoh. EVA Precision Industrial Holdings Limited was granted with a gratitude trophy by Fuji Xerox. The construction of the third factory building of the Group's Shenzhen (Shiyan) production plant was completed and thereafter the Group's plastic production line was moved to the third factory building of the Group's Shenzhen (Shiyan) production plant and commenced commercial production. The Group started to establish a new production plant in Suzhou through the establishment of EVA Precision Industrial (Suzhou) Limited. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the "Shenzhen Most Respected and Influential Enterprise Award" (深圳最受尊敬(最具影響力)企業獎) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).

Year	Event
2006	The construction of phase one of the Group's new production plant in Suzhou was completed and commenced production. EVA Limited received "2006 First Round Southern China Quality Very Valuable Vendor Award" (VVV獎－二零零六年華南地區品質優秀獎) and "Very Valuable Vendor (Remarkable Effort) Award" (VVV獎－敢鬪獎) from Canon. EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received an approval certificate for chemical substances management (CMS) standard from Epson. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and Okuno Precision Metal Co., Limited received an approval certificate for chemical substances management (CMS) standard from Ricoh. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "High and New Technology Project" (高新技術項目) accreditation from Shenzhen Technology and Information Bureau (深圳市科技和信息局) and was accredited as "Enterprise with Highest Growth Potential in Human Resources" (深圳市最具人材成長價值企業) by Shenzhen Human Resources Exchange Services Centre (深圳市人材交流服務中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). EVA Precision Industrial Holdings Limited was accredited as "Enterprise with Highest Growth Potential in China" (中國最具成長性企業) by Chinese Enterprise Union (中國企業聯合會) and Chinese Entrepreneur Union (中國企業家協會), "Most Creative Enterprise in China" (中國最具創新力企業) by China Marketing Association (中國市場學會) and China Enterprises News Society (中國企業報社) and "Shenzhen Top 100 Enterprise" (深圳百強企業) by Shenzhen Enterprises Association (深圳市企業聯合會) and Shenzhen Business Daily (深圳商報). EVA Precision Industrial Holdings Limited was admitted to "the Database of Outstanding Enterprises in China" (中國優秀企業數據庫) by Chinese Enterprise Union (中國企業聯合會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO 9001: 2000 integrated certification from the BSI Group. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was awarded with TS16949:2002 certification in respect of the production of automobile parts by the BSI Group.

Corporate Milestone

Year	Event
2007	EVA Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "Encouragement Award"(鼓勵獎), "2006 Supplier Special Improvement Award" (二零零六年供應商特別改善獎) and "Environment Friendly Corporate Certificate" (環保企業証書) from Fuji Xerox. EVA Limited received "2007 Second Round Southern China Quality Very Valuable Vendor Award" (VVV獎－二零零七年華南地區品質準優秀獎) from Canon. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "P-DOAZ (Part-Defect on Arrival Zero) Award" (零部件零缺陷獎) and "Environmental Collaboration Program Certificate"(環保系統証書) from Konica Minolta. EVA Precision Industrial Holdings Limited was accredited as "2007 China's Manufacturing Top 500" (二零零七年中國制造500強) by World Company Competitiveness Laboratory (世界競爭力實驗室), China Industrial and Economic Academy (中國工業經濟研究院) and World Production Review China's Editorial Office (全球製造評論中文版編輯部). EVA Precision Industrial Holdings Limited received "Corporate Citizen – Responsibility for Society Award" (企業公民－責任獻社會獎) from China Social Welfare Association – China Committee of Corporate Citizenship (中國社會工作協會企業公民委員會). EVA Precision Industrial Holdings Limited received "Best Under a Billion" award from Forbes (Asia) magazine. Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Most Influential Enterprise" (深圳最具影響力企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO 14001: 2004 integrated certification from the BSI Group.

Year	Event
2008	The Group's mould development centre in Shenzhen commenced commercial operations in the fourth quarter of 2008. EVA Precision Industrial Holdings Limited was accredited as one of the "Top 50 Listed Companies with Highest Investment Value in Guangdong Province" (廣東最具投資價值上市公司50強) and "Top 100 Manufacturing Enterprises in Guangdong Province" (廣東省製造企業100強) by Guangdong Enterprises Confederation (廣東省企業聯合會) and Guangdong Entrepreneur Confederation (廣東省企業家協會). EVA Precision Industrial (Suzhou) Limited was accredited as an "Outstanding and Advanced Enterprise" (先進單位) by Suzhou Mould Industry Association (蘇州市模具行業協會). EVA Precision Industrial Holdings Limited and EVA Limited received the certificates of honour for donation from Shenzhen Machinery Association (深圳市機械行業協會) and the Hong Kong Mould and Die Technology Association (香港模具科技協會) for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake. Mr. Zhang Hwo Jie, chairman of the Group, was granted with the "Young Industrialist Award of Hong Kong" (香港青年工業家獎) by the Federation of Hong Kong Industries (香港工業總會).

Corporate Milestone

Year	Event
2009	EVA Plastic Mould Products (HK) Limited and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Golden Quality Award" (品質金獎) from Konica Minolta. EVA Limited received "2008 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (2008年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received distinguished supplier award (優秀供應商奬) from General Electric. EVA Precision Industrial Holdings Limited was granted with: – an "Outstanding Enterprise in China Machinery Industry" award (中國機械工業優秀企業) and the "Most Influential Brand Name in China Machinery Industry" award (中國機械工業最具影響力的品牌) by China Machinery Industry Federation (中國機械工業聯合會); – "Employee Care" award (關愛員工獎) by Golden Bee CSR China Honour Roll (金蜜蜂企業社會責任中國榜); – "Great Love in Guangming" award (大愛光明獎) by the charity committee of Shenzhen Guangming New District; – "Hong Kong Outstanding Enterprises" award (香港傑出企業獎) by Hong Kong Economic Digest (香港經濟一周); and – "Chairman Enterprise" (會長企業) by China Shenzhen Machinery Association (深圳市機械行業協會) Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). EVA Precision Industrial (Suzhou) Limited was accredited as a "Star Overseas Chinese Enterprise in Jiangsu Province" (江蘇省明星僑資企業) by the Overseas Chinese Office of the People's Government of Jiangsu Province (江蘇省人民政府僑務辦公室). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as a "National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment" (全國外商投資雙優企業) by China Association of Enterprises with Foreign Investment (中國外商投資企業協會) and Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會).

Year	Event
2010	The construction of the Group's new production plant in Zhongshan was completed by end of 2010 and commenced trial production. EVA Limited received "2009 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (2009年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received: – "Shenzhen Top 100 Enterprise" (深圳百強企業) award from Shenzhen Enterprises Association (深圳市企業聯合會) and Shenzhen Business Daily (深圳商報); and – "Outstanding Culture Building Organisation in Shenzhen" (深圳企業文化建設優秀單位) award from Shenzhen Enterprise Association (深圳市企業聯合會) and Shenzhen Media Group (深圳廣播電影電視集團) – "Charity Enterprise Award" (慈善企業獎) from the municipal government of Baoan District, Shenzhen (深圳市寶安區人民政府); – Banner of honour for student sponsorship (助學錦旗) from the School of Mechanical and Electrical Engineering, Shenzhen Polytechnic (深圳職業技術學院機電工程學院); – Certificate of honour for donation from the management committee of Shiyan Town, Baoan District, Shenzhen (寶安區石岩街道辦事處) and the Hong Kong Mould and Die Technology Association (香港模具科技協會) for its donations and efforts dedicated to the recovery work of the Qinghai Yushu Earthquake and the Gansu Zhouqu Landslides; and – "Vice Chairman Enterprise" (副會長企業) by Shenzhen General Chamber of Commerce (深圳市商業聯合會).

Corporate Milestone

Year	Event
2010 *(Cont'd)*	Shenzhen EVA Mould Manufacturing Limited was recognised as a qualified supplier (合格供應商) and was granted with "Special Contribution Award" (特殊貢獻獎) by Midea (美的). Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with Supplier QCC Forum – Second and Third Class Awards (第一回供應商QCC發表會二等獎及三等獎) respectively by Kyocera Mita (京瓷美達). EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2009 Quality Improvement Award" (2009年度品質改善獎) from Konica Minolta. EVA Precision Industrial Holdings Limited received "Product Assembly Service Certification" (成品組裝資格認證) from Kyocera Mita. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Environmental Collaboration Program Certificate" (環保系統證書) from Konica Minolta. Shenzhen EVA Mould Manufacturing Limited received "Precision Moulds First Class Award" (精模獎 – 一等獎) from China Die and Mould Industry Association (中國模具工業協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. received certificate of honour for donation (捐贈榮譽證書) from Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳青少年發展基金會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Municipal Research and Development Centre" (深圳市市級研究開發中心) by Shenzhen Science and Technology, Industry, Trade and Information Committee (深圳市科技工貿和信息化委員會), Shenzhen Development and Reform Commission (深圳市發展改革委員會), Shenzhen Finance Bureau (深圳市財政委員會), National Tax Bureau of Shenzhen (深圳市國家稅務局) and Municipal Tax Bureau of Shenzhen (深圳市地方稅務局). Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業).
2011	Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited received contribution awards for "P-DOAZ (Part-Defect on Arrival Zero)" activities (零部件零缺陷活動) from Konica Minolta. EVA Precision Industrial Holdings Limited received "Golden Quality Award" (品質金獎) from Konica Minolta.

Financial Highlights

		2010	2009	2008	2007	2006
OPERATING RESULTS						
Turnover	HK$'000	**1,703,099**	1,026,097	1,084,982	952,030	691,240
Earnings before interest and taxation (EBIT)	HK$'000	**356,671**	48,786	109,477	173,013	128,763
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	HK$'000	**445,037**	130,363	170,249	223,076	160,344
Profit attributable to equity holders of the Company	HK$'000	**302,664**	31,519	82,578	153,856	108,649
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**319,595**	258,970	159,384	157,457	108,480
Net current assets (liabilities)	HK$'000	**432,808**	(14,953)	118,930	253,870	30,746
Shareholders' equity	HK$'000	**1,590,396**	896,816	967,056	930,719	498,596
PER SHARE DATA						
Earnings per share – Basic (Note 1)	HK cents	**42.6**	4.8	11.5	22.5	18.5
– Diluted (Note 2)	HK cents	**40.3**	4.5	11.5	21.9	18.5
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**26.1**	12.7	15.7	23.4	23.2
Net profit margin	(%)	**17.8**	3.1	7.6	16.2	15.7
Return on shareholders' equity	(%)	**19.0**	3.5	8.5	16.5	21.8
Net debt-to-equity ratio (Note 3)	(%)	**Net cash**	18.7	23.6	Net cash	26.9

Financial Highlights

Note 1: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 587,288,000 ordinary shares, 685,190,000 ordinary shares, 716,479,000 ordinary shares, 659,444,000 ordinary shares and 709,956,000 ordinary shares in issue during the year ended 31 December 2006, 2007, 2008, 2009 and 2010 respectively.

Note 2: Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 587,617,000 ordinary shares, 702,687,000 ordinary shares, 718,997,000 ordinary shares, 693,670,000 ordinary shares and 750,875,000 ordinary shares respectively for the years ended 31 December 2006, 2007, 2008, 2009 and 2010 adjusted 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.

Note 3: 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.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*
Mr. Nomo Kenshiro

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Dr. Lui Sun Wing *(Chairman)*
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

REMUNERATION COMMITTEE

Mr. Zhang Hwo Jie *(Chairman)*
Dr. Lui Sun Wing
Mr. Choy Tai Ho

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

Mr. Zhang Hwo Jie
Mr. Wong Hoi Chu Francis *FCCA CPA*

HEAD OFFICE

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Cayman Islands

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited
KBC Bank Hong Kong Branch
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mainland China

Industrial and Commercial Bank of China

LEGAL ADVISOR

Minter Ellison

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.eva-group.com
www.irasia.com/listco/hk/evaholdings

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

Chairman's Statements

Zhang Hwo Jie
Chairman

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of EVA Precision Industrial Holdings Limited (the "Company" and together with its subsidiaries collectively referred to as the "Group") for the year ended 31 December 2010.

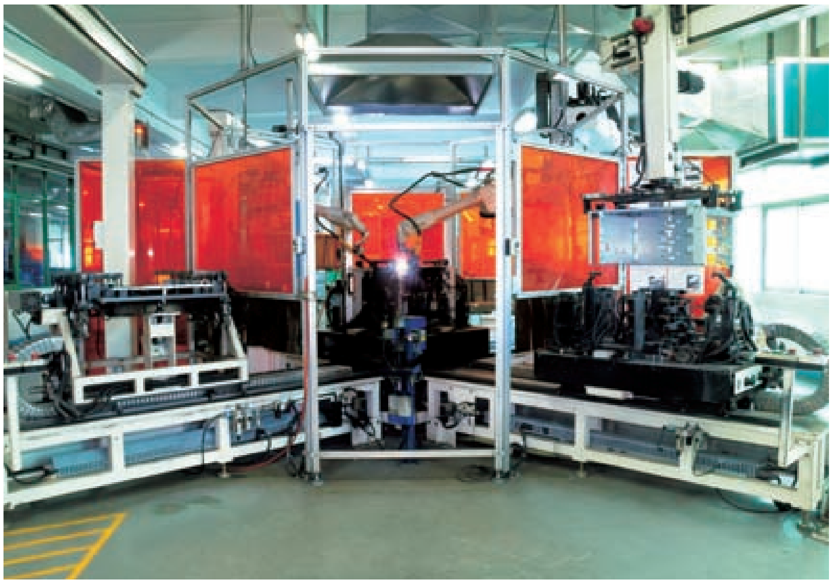
BUSINESS REVIEW

The Group saw a record breakthrough in FY2010. Turnover and net profit attributable to shareholders were HK$1.7 billion (FY2009: HK$1.0 billion) and HK$303 million (FY2009: HK$32 million) respectively. Both figures hit their historical highs since our public listing in 2005 and well surpassed the corresponding figures in FY2007, the year immediately prior to the financial tsunami.

Our spectacular performance this year was in part due to the global restocking after the financial crisis, but more so due to our strategic shift to catering for the domestic market in China. Goods destined for the domestic market was 40% in FY2010, as compared to 27% in FY2009 and 20% in FY2008.

Another important accomplishment during the year was that we reached a mutual understanding with a world renowned OA equipment brand owners in May 2010 for the placement of "integrated orders" up to HK$3.6 billion over four years. This involves the supply of the entire production chain including the entire mechanical modules, the moulds as well as the components and product assembly.

Effectively this provides an one-stop solution as well as much reduced risks of supply disruption for the brand owner. We are the only manufacturer in China capable of providing such integrated solution in the OA equipment industry. The benefits to us are increased pricing power as well as larger and steadier order flows. We believe the successful implementation of this order will lead to similar "integrated orders" from other brand owners for whom we are currently serving.



Our profit margin also returned to a normalized level. During the financial tsunami in 2008 and 2009, the Group's profit margin was negatively affected by an under-utilisation of our production capacity. With the significant increase in our turnover, utilisation of our production capacity resumed to a normal level, allowing us to benefit from the economies of scale. Net profit margin was 17.8% in FY2010 (FY2009: 3.1%) which is comparable to the normal profit margin achieved by us before the financial tsunami.

BUSINESS DEVELOPMENT

In order to capitalise on China's consumption boom, the Group has initiated a strategic shift from its previous focus on just OA equipment destined for exports to cater to the domestic market in China. During the year, significant progress had been made in the development of new product lines which included consumer electronics, automobiles and sophisticated medical equipment, all of which are destined for the domestic market. As part of this strategic move, we have completed a new production base in Zhongshan, Guangdong Province in December 2010, the purpose of which is to penetrate into the automobile and home appliance manufacturing hub located on the western bank of the Pearl River Delta region. In preparation for our future growth, we are also constructing a new factory building in our existing production base at Shiyan Town, Shenzhen, Guangdong Province. This factory building is due for completion towards the end of 2011.

In order to improve our productivity and competitiveness, 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.

PROSPECTS

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 is 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.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at 30% to 35% of net profit, and the year of 2010 is no exception. In addition to cash dividends, we are also proposing an issue of bonus shares on the basis of 1 bonus share for every one existing share.

Last but not the least, on behalf of the Board of Directors, I would like to take this opportunity to express our sincerest gratitude to our shareholders, customers, business partners and employees for their unwavering support, without which the Group's continuous success would not have been possible.

Zhang Hwo Jie
Chairman

Hong Kong, 30 March 2011

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 HK$'000	**%**	2009 HK$'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

Management Discussion and Analysis

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 expense

During FY2010, income tax expense 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.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 48, is the chairman of the Group. He is responsible for the overall strategic planning and marketing development of the Group. Prior to the establishment of the Group, Mr. Zhang had worked for a PRC joint venture company engaging in civil engineering projects. He started his first business in 1983 by acting as a contractor for civil engineering projects of the local government. In 1993, Mr. Zhang established EVA Limited and thereafter Mr. Zhang acquired extensive experience in customer relationship development and corporate management. He has over 18 years of experience in marketing, strategic planning and corporate management in manufacturing industry and was granted with the "Young Industrialist Award of Hong Kong" by the Federation of Hong Kong Industries in December 2008. He is also the honorary chairman of The Hong Kong Metals Manufacturers Association, vice president of Hong Kong Young Industrialists Council, vice president of Wong Tai Sin District Healthy and Safe City, executive committee members of The Hong Kong Mould and Die Technology Association and Hunan Overseas Friendship Association, vice president of Shenzhen Baoan Shiyan Association of Commerce and the first vice president of Shenzhen Gongming Chamber of Commerce. Mr. Zhang Hwo Jie is one of the founders of the Group in 1993. Mr. Zhang is a brother of Mr. Zhang Jian Hua and Mr. Zhang Yaohua. Mr. Zhang was appointed as a director on 27 July 2004.

Mr. ZHANG Jian Hua, aged 36, is the vice chairman of the Group. He is responsible for the overall supervision of day-to-day operations of the Group. Mr. Zhang graduated from the University of Shenzhen (深圳大學) with a diploma in finance and taxation. Prior to joining the Group, he operated his own business in the civil engineering industry where he obtained substantial experience in business development and management. He is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Yaohua. Mr. Zhang was appointed as a director on 14 September 2005.

Mr. ZHANG Yaohua, aged 38, is the chief executive officer of the Group. He is responsible for the operation and management of the Group. He joined the Group in 1993 and was one of the co-founders of the Group. Mr. Zhang has over 18 years of operational management experience in the industry of precision mould and component manufacturing. He is presently the president of the Shenzhen Machinery Association (深圳市機械行業協會), the vice president of the Shenzhen Baoan Entrepreneur Confederation (深圳市寶安區企業家協會), Guangdong Die & Mould Industry Association (廣東省模具工業協會), Shenzhen Council for the Promotion of International Investment (深圳市國際投資促進會), Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Associations of Enterprises with Foreign Investment (深圳市外商投資企業協會), and the council member of China Entrepreneur Association (中國企業家協會). Mr. Zhang has obtained the international chief human resource officer qualification from the Hong Kong International Enterprise Management Institute in September 2003 and was accredited as one of the outstanding people in machinery industry by the Shenzhen Machinery Association (深圳市機械行業協會) in 2004. Further, Mr. Zhang was accredited as a "Creative and Outstanding Person of China Enterprises" (中國企業創新優秀人物) by China Marketing Association (中國市場學會) and China Enterprises News Society (中國企業報社) in July 2006, an "Outstanding Entrepreneur in China Machinery Industry" (中國機械工業優秀企業家) by China Machinery Industry Federation (中國機械工

業聯合會) in January 2009 and a "Remarkable Person of Commerce in Shenzhen" (深商風雲人物) by Shenzhen General Chamber of Commerce (深圳市商業聯合會) and Shenzhen Business Daily (深圳商報) in August 2010. He was also accredited as a "Certified International Organisation Planning Consultant" (註冊國際企業規劃專家) by the American Certification Institute (美國認証協會), China Human Resources Expert Science and Economic Consultancy Centre (人事部中國專家科技經濟諮詢中心) and International Professional Qualification Certificate China Examination and Instruction Centre (國際職業資格証書中國考試指導中心). Mr. Zhang is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua. Mr. Zhang was appointed as a director on 11 January 2005.

Mr. NOMO Kenshiro, aged 69, is the executive director and senior consultant of the Group. Mr. Nomo is responsible for advising on the Group's production and operational management, business development and strategic planning. He is also a director of EVA Precision Industrial (Suzhou) Limited, a subsidiary of the Group. Mr. Nomo has over 40 years of solid experience in manufacturing, sales and marketing, public relationship and corporate management. Prior to joining the Group in June 2003, he held several managerial positions of various departments in Shenzhen Meiyang Plastic Injection Co., Ltd. (深圳美陽注塑有限公司), a subsidiary of Tenma Corporation in Japan, from 1991 to 2003. Mr. Nomo obtained a bachelor's degree in mechanical engineering from the Industrial Institution of Japan in 1963. Mr. Nomo was appointed as a director on 11 January 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI Sun Wing, aged 60, is an independent non-executive director and the chairman of the Company's audit committee. Dr. Lui was a branch director of the Hong Kong Productivity Council for the period from December 1992 to June 2000. He then joined the Hong Kong Polytechnic University as a vice president in 2000, responsible for technology transfer and partnership development, and he retired in 2010. Dr. Lui is also a non-executive director of Eco-Tek Holdings Limited and an independent non-executive directors of Leeport (Holdings) Limited and Shanghai Electric Group Company Limited. Dr. Lui was appointed as a director on 11 January 2005.

Mr. CHOY Tak Ho, aged 82, is an independent non-executive director. Mr. Choy has 40 years of experience in international trading business in Hong Kong. He is the president of Union International (H.K.) Co., Ltd., the founding chairman of Hong Kong Kwun Tong Industries and Commerce Association Limited and the honorary president of the Chinese Manufacturers' Association of Hong Kong Limited. He is also a member of National Committee of the 8th and 9th Chinese People's Political Consultation Conference, the honorary director of China Overseas Friendship Association, a member of the 6th, 7th and 8th executive committee of All China Federation of Industry and Commerce, the 4th honorary president of Guangdong Chamber of Foreign Investors, the honorary vice president of Pui Ching Commercial College, the charter president of Hong Kong and Overseas Chinese Association of Commerce Ltd., the honorary permanent president of Hong Kong Commerce Industrial Associations and the honorary life chairman of Chinese General Chamber of Commerce Hong Kong. He currently also serves as the independent non-executive director of Sino Golf Holdings Limited. He was appointed as a director on 11 January 2005.

Mr. Leung Tai Chiu, aged 64, is an independent non-executive director. Mr. Leung is a Fellow of the Institute of Chartered Accountants in England and Wales. He obtained his professional qualification in the United Kingdom in 1975 and has worked in the auditing profession for over 30 years, 20 years of which as a partner. Mr. Leung retired from PricewaterhouseCoopers effective from 1 May 2005. Mr. Leung is also an independent non-executive director of Kingboard Laminates Holdings Limited. He was appointed as a director on 5 June 2006.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 38, is the chief financial officer and company secretary of the Group. Mr. Wong is responsible for the accounting, taxation and financial affairs of the Group. Mr. Wong has over 15 years of experience in the field of auditing, accounting and taxation. He is a member of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in September 2004, he served as a senior manager of a major international accounting firm. Mr. Wong holds a bachelor's degree in business management from the Hong Kong University of Science and Technology and an Executive MBA degree from the Chinese University of Hong Kong.

Mr. LI Te Min, aged 43, is the chief strategic officer of the Group. Mr. Li is responsible for the planning and formation of the Group's business strategies, organisational structure, quality control methodologies, human resources management, performance evaluation systems and corporate culture. Mr. Li has over 18 years of experience in production and quality management in the industrial field. Prior to joining the Group in December 2005, Mr. Li held various technical supervision and senior management positions at Dong Feng Motor Corporation (東風汽車公司), Epson Precision (Shenzhen) Co., Ltd. (愛普生精密(深圳)有限公司), Haier Century (Qingdao) Precision Production Co., Ltd. (海爾世紀(青島)精密制品有限公司) and Sun Wing Hing Painting Industry (Shenzhen) Co., Ltd. (新永興噴塗製品(深圳)有限公司). Mr. Li holds a bachelor degree in material engineering from Dalian University of Technology (大連理工大學) and an Executive EMBA degree from Sun Yat-sen University (中山大學). Mr. Li received "Quality Control System Consultant Certificate" (品質管理體系諮詢師証書) from the National Accredited Committee of China Certification Personnel and Training Institute (中國認証人員與培訓機構國家認可委員會) and was also appointed as an expert advisor by the Shenzhen Expert Committee of The China High-Tech Industrialisation Corporation Organisation (全國高技術產業化協作組織深圳專業委員會).

Ms. Sun Li, aged 34, is the chief purchasing officer of the Group. Ms. Sun joined the Group in August 2008 and is responsible for the overall management of the purchasing function of the Group. Ms. Sun has over 11 years of quality management, production technology and purchasing experience in the office automation equipment industry and possesses extensive knowledge in supply chain and cost management. Ms. Sun holds a bachelor degree in Machinery Manufacturing Technology and Equipment from Hunan University (湖南大學).

Directors and Senior Management Profile

Mr. CHEN Hong Bin, aged 43, is the general manager of Shenzhen EVA Mould Manufacturing Limited, a subsidiary of the Group. Mr. Chen is responsible for the general operation and management of Shenzhen EVA Mould Manufacturing Limited. Mr. Chen has over 18 years of experience in manufacturing and operational management. Prior to joining the Group in July 2002, he served as the factory manager of the metal and plastic factory of ART Precision Industrial Ltd. (深圳藝晶五金實業有限公司). Mr. Chen holds a bachelor's degree in business and administration from the University of Shenzhen (深圳大學). Mr. Chen is also a director of Shenzhen EVA Mould Manufacturing Limited, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., subsidiaries of the Group.

Mr. HU Xiao Feng, aged 40, is the general manager of Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group. Mr. Li is responsible for the general operation and management of Yihe Precision Hardware (Shenzhen) Co., Ltd. Mr. Hu joined the Group in December 2004. He has over 15 years of experience in the metal stamping industry, specialising in the office automation equipment sector. Mr. Hu has extensive knowledge in various aspects of the manufacturing industry which include production operations, quality control and logistic management. Mr. Hu holds a high diploma in business administration from Peking University (北京大學) and has obtained a professional management qualification certificate from the Hong Kong Human Resource Accreditation Centre.

Mr. SONG Lei, aged 36, is the general manager of EVA Precision Industrial (Suzhou) Limited. Mr. Song is responsible for the overall operation and management of EVA Precision Industrial (Suzhou) Limited. Mr. Song joined the Group in 1997. He had previously taken up various positions inside the Group which included ERP system manager, human resources manager and sales manager and was appointed as the general manager of EVA Precision Industrial (Suzhou) Limited in December 2007. Mr. Song has over 13 years of marketing, corporate planning and management experience in manufacturing industry and have extensive knowledge in production operations, quality control and logistic management. Mr. Song holds a bachelor degree in Computer and Applications from Fushun Petroleum Institute (撫順石油學院), which is now renamed as Liaoning Shihua University (遼寧石油化工大學).

Mr. LIU You Wan, aged 37, is the general manager of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Zhongshan) Limited. Mr. Liu is responsible for the overall management and operations of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Zhongshan) Limited. Mr. Liu joined the Group in December 2007. He has over 14 years of quality control, technology, marketing and production management experience in the plastic and moulding industry, specialising in the office automation equipment sector. Mr. Liu has extensive knowledge in production operations, quality and logistic management. Mr. Liu holds a professional diploma in mechanical and electrical applications from Jiangxi Hailian University (江西海聯大學) and has obtained a professional management certificate from the Ministry of Labour and Social Security of the People's Republic of China.

Corporate Governance Report

The Group has strong intention to comply with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Company has its own code of conduct regarding corporate governance which is not less stringent than the provisions of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Company also has a policy of seeking to comply with established best practice in the field of corporate governance.

THE BOARD OF DIRECTORS

The Group is controlled by its Board. Accountable to the shareholders, the Board is collectively responsible for formulating the strategic business direction of the Group, setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the implementation of internal control procedures and the ensuring of compliance with relevant statutory requirements and other rules and regulations. The Board reviews the performance of the operating divisions on a regular basis and also exercises a number of reserved powers, including:

– formulating long-term strategy;

– approving public announcements including the interim and annual financial statements;

– setting dividend policy;

– approving major acquisitions, divestments and capital experience;

– reviewing the effectiveness of the Group's internal control system which cover all material controls, including financial, operational and compliance controls and risk management functions;

– approving appointments to the Board of Directors and the company secretary; and

– approving material borrowings and treasury policy.

The Board consists of seven directors including four executive directors and three independent non-executive directors:

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*
Mr. Nomo Kenshiro

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lui Sun Wing
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua are brothers. Save as aforesaid, the Board members have no financial, business, family or other material relationships with each other. A balanced board composition is formed to ensure strong independence exists across the Board and currently more than one-third of its members comprises independent non-executive directors. The biographical information of directors are set out on page 27 to page 30 under the section headed "Directors and Senior Management Profile" of the annual report.

The Group has arranged appropriate insurance cover in respect of relevant actions against its directors with the details and coverage of this insurance being reviewed each year.

Independent non-executive directors

The independent non-executive directors are persons of high caliber, with extensive experience in the field of accounting, financial management and trading and manufacturing businesses. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The Group has received from each of the independent non-executive directors an annual confirmation of his independence as required under Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. As such, the Group considers all independent non-executive directors to be independent. Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years and is also subject to retirement by rotation in the annual general meeting of the Company. These contracts are terminable by the Company within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

To ensure that a balance of power and authority, the role of the Chairman and Chief Executive Officer is segregated. The Chairman of the Board is Mr. Zhang Hwo Jie and the Chief Executive Offier is Mr. Zhang Yaohua. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are brothers. However, there is a clear distinction between the Chairman's responsibility for overall strategic planning and management of the Board and the Chief Executive Officer's responsibility for the management of day-to-day operations of the Group's business.

Directors' responsibilities for the financial statements

The directors acknowledged their responsibilities for the preparation of financial statements of the Group to ensure that these financial statements give a true and fair view of the state of affairs of the Group, its results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2010, the Board had selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements in accordance with relevant accounting standards and regulations and on a going concern basis. The directors are also responsible for ensuring that proper accounting records of the Group which disclose the Group's financial position are kept at all times and taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in the preparation of the financial statements. The Board has also reviewed and discussed the effectiveness of system of internal control, including financial, operational and compliance control and risk management functions of the Group for the year ended 31 December 2010.

BOARD MEETING

During the year ended 31 December 2010, the Board held 15 meetings.

Name of directors	Number of attendance
Mr. Zhang Hwo Jie	15/15
Mr. Zhang Jian Hua	15/15
Mr. Zhang Yaohua	14/15
Mr. Nomo Kenshiro	14/15
Dr. Lui Sun Wing	15/15
Mr. Choy Tak Ho	15/15
Mr. Leung Tai Chiu	15/15

The meetings of the Board are held on a regular and ad hoc basis. Regular meetings are convened by the Chairman at least four times a year, at approximately quarterly intervals and 14 days notice is given to all directors before such meetings. Agendas and related documents are sent to director at least three days prior to such meetings.

Board minutes are kept by the company secretary and are open for inspection by the directors. Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the company secretary and has the liberty to seek external professional advice if so required.

AUDIT COMMITTEE

The Company has set up an audit committee on 20 April 2005 in accordance with the requirements of the Code on Corporate Governance Practices 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 is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor and other matters relating to the resignation or dismissal of external auditor. The audit committee also reviews the interim and annual reports and financial statements of the Group and oversees the Group's financial report system and internal control procedures. The terms of reference of the audit committee, which are aligned with the provision set out in the Code on Corporate Governance Practices, are available on the Company's website www.irasia.com/listco/hk/evaholdings.

The audit committee held 2 meetings during the year ended 31 December 2010 and had attended to the following matters:

- discuss with external auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other financial reporting requirements; and

- discuss the internal controls, risk management and financial reporting matters relating to the annual financial statements for the year ended 31 December 2009 and the interim financial statements for the six months ended 30 June 2010 before recommending the financial statements to the Board for approval.

The external auditor of the Group also attended the meeting. Individual attendance of each audit committee member at the meeting is as follows:

Name of audit committee member	Attendance
Dr. Lui Sun Wing	2/2
Mr. Choy Tak Ho	2/2
Mr. Leung Tai Chiu	2/2

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. The audit committee has also considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

NOMINATION AND REMUNERATION OF DIRECTORS

In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. Furthermore, as the full Board is responsible for the selection and approval of candidate for the appointment of director to the Board, the Group therefore has not established a nomination committee at present. The Group had established a remuneration committee which comprises two independent non-executive directors, namely Dr. Lui Sun Wing and Mr. Choy Tak Ho and the chairman and executive director Mr. Zhang Hwo Jie on 22 June 2005. Mr. Zhang Hwo Jie is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in 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. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the directors and senior management and for providing advice and recommendations to the Board of Directors. The terms of reference of the remuneration committee are available on the Company's website www.irasia.com/listco/hk/evaholdings.

During the year ended 31 December 2010, the remuneration committee held one meeting with all members present at the meeting. The remuneration committee reviewed and discussed the remuneration package of the directors which is determined by reference to the prevailing market conditions, the business development of the Group and the responsibilities of individual directors. Details of the remuneration to directors for the year ended 31 December 2010 are set out in Note 21 to the consolidated financial statements.

The Company had conditionally adopted a share option scheme on 20 April 2005 which became unconditional on 11 May 2005. The purpose of the share option scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of the share option scheme include any executive, non-executive and independent non-executive directors of the Company. Further details in respect of the Group's share option scheme are set out in the sub-section headed "Share options" under the section headed "Report of the Directors" of the annual report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2010, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$1,907,000. The audit fee was approved by the audit committee. The statement made by the auditor in respect of their reporting responsibilities are set out on page 56 to page 57 of this annual report.

During the year ended 31 December 2010, the total remuneration for permissible non-audit services provided by the external auditor (including any entity under common control, ownership or management with the auditor) amounted to HK$755,000. The non-audit services comprised tax compliance and tax advisory services of approximately HK$440,000 and non-audit review of interim consolidated financial statements of approximately HK$315,000. The audit committee had been briefed in respect of the non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of external auditor. The re-appointment of PricewaterhouseCoopers as auditor of the Company has been recommended by the audit committee and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 30 March 2011

Report of the Directors

The directors of the Company are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2010 is set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2010 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	9.8%
Five largest suppliers combined	27.2%
Sales	
The largest customer	19.5%
Five largest customers combined	65.4%

None of the directors, their associates, or any shareholders (which, to the knowledge of the directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's major suppliers or customers noted above.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 61.

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.

FIXED ASSETS

Details of the movements in property, plant and equipment during the year ended 31 December 2010 are set out in Note 6 to the consolidated financial statements.

In preparation for the listing of the Group, certain of the leasehold land, land use right and buildings of the Group with cost of approximately HK$84,736,000 had been valued. The valuation of such leasehold land, land use right and buildings amounted to HK$121,100,000 as at 28 February 2005, the valuation date. The leasehold land, land use right and buildings had not been stated at valuation in the consolidated financial statements of the Group. In the consolidated financial statements of the Group, the up-front prepayments made for the leasehold land and land use right are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease or, where there is impairment, the impairment is expensed in the consolidated statement of comprehensive income. Buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Should the leasehold land, land use right and buildings be stated at valuation, the additional depreciation and amortisation that would be charged to the consolidated statement of comprehensive income for the year ended 31 December 2010 amounted to approximately HK$1,479,000.

BORROWINGS AND INTEREST

Details of borrowings are set out in Note 15 and Note 16 to the consolidated financial statements. Interest are set out in Note 22 to the consolidated financial statements.

RESERVES

Details of movements in reserves during the year ended 31 December 2010 are set out in Note 19 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2010 amounted to HK$752,000.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 21 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on page 138.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2010.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year ended 31 December 2010 and up to the date of this report were:

Executive Directors

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*
Mr. Nomo Kenshiro

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

In accordance with the Company's Articles of Association, Mr. Zhang Hwo Jie, Mr. Nomo Kenshiro and Mr. Choy Tak Ho shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save as the directors' service contracts, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries or holding companies was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2010 and up to the date of this report, none of the directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CONNECTED TRANSACTIONS

The following connected transaction, which also constitutes related party transaction set out in Note 30 to the consolidated financial statements, was entered into during the year ended 31 December 2010:

Deeds of tax indemnity provided by the directors and shareholders in favour of the Group

As disclosed in the Company's Prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 39.29% shareholder of the Company as at 31 December 2010 and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua who are directors and beneficial shareholders of the Company (together the "Indemnifiers") under which each of the Indemnifiers has jointly and severally undertaken to indemnify the Group in connection with, inter alia, any taxation falling on any member of the Group (other than those established subsequent to the listing of the Company) resulting from any income, profits, gains, transactions, events, matters, things or businesses earned, accrued, received, entered into, carried on, or occurring on or before the listing date of the Company. This deed of tax indemnity was approved by the Board of Directors on 20 April 2005.

In 2005, EVA Limited and EVA Holdings Limited (the "Companies"), wholly owned subsidiaries of the Group, proposed a settlement with The Hong Kong Inland Revenue Department (the "HKIRD") regarding the Companies' offshore claim queries raised by the HKIRD. There has been no response from the HKIRD to the Companies' proposal. However, up to 31 December 2010, the Companies had already paid approximately HK$8,068,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2003. The payments incurred before 2009 which amounted to approximately HK$3,187,000 had been indemnified by the Indemnifiers. The remaining balance of approximately HK$4,881,000 will also be indemnified by the Indemnifiers should the final determination of such tax liabilities be made by the HKIRD.

The above transaction constitutes a connected transaction in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires disclosure in the annual report of the Company.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

Some subsidiaries of the Company are parties to the loan agreements with DBS Bank (China) Limited, Shanghai Branch and DBS Bank (Hong Kong) Limited respectively in respect of the following banking facilities ("DBS Facilities Agreements"):

(i) a term loan facility up to HK$80,000,000 with a repayment term of four years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$25,000,000 as at 31 December 2010);

(ii) letters of credit, letters of credit (cargo receipt) and trust receipt loans in aggregate up to HK$30,000,000 (that was no outstanding balance as at 31 December 2010);

(iii) factoring facilities up to HK$60,000,000; and

(iv) finance lease facilities (the outstanding balance was approximately HK$11,203,000 as at 31 December 2010).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the DBS Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 35% of the issued shares of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua collectively shall remain as the single largest shareholder of the Company.

Further, a subsidiary of the Company is a party to the loan agreement with Bank of China (Hong Kong) Limited in respect of the following banking facilities ("BOC Facilities Agreement"):

(i) a term loan facility up to HK$40,000,000 with a repayment term of four years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$23,125,000 as at 31 December 2010); and

(ii) a revolving loan for an amount up to HK$40,000,000 (the outstanding loan balance was HK$40,000,000 as at 31 December 2010).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the BOC Facilities Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

In addition, a subsidiary of the Company is a party to the loan agreement with Hang Seng Bank Limited in respect of a total banking facilities of HK$55,000,000, comprising a term loan facility in the amount of HK$30,000,000 for a term of three years from the date of drawdown and combined documentary credits in the amount of HK$25,000,000 (HSB Facilities Agreement").

The following specific performance obligations are imposed on the controlling shareholders of the Company under the HSB Facilities Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in the cancellation of all or any part of the commitments under the relevant facilities agreements and all borrowed amounts outstanding becoming immediately due and payable.

SHARE OPTIONS

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 20 April 2005 which became unconditional on 11 May 2005.

The following is a summary of the Share Option Scheme disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

1. Purpose of the Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

2. **Participants of the Scheme**

   a. full-time or part-time employees of the Group;

   b. directors (including any executive, non-executive and independent non-executive directors) of the Group;

   c. substantial shareholders of each member of the Group;

   d. associates of directors or substantial shareholders of each member of the Group; and

   e. trustees of any trust pre-approved by the Board, the beneficiary of which includes any of the above-mentioned persons.

3. **Total number of shares available for issue under the Share Option Scheme and the percentage of issued share capital as at the date of this report**

   Pursuant to the terms of the Share Option Scheme adopted by the Company on 20 April 2005, the maximum number of shares in respect of which options may be granted thereunder must not exceed 52,000,000 shares ("Scheme Mandate Limit") unless the Company obtains a fresh approval from its shareholders. At the annual general meeting of the Company held on 18 May 2007 ("2007 AGM"), the Scheme Mandate Limit was refreshed with the shareholders' approval whereby the directors were authorised to grant options to subscribe for up to 72,000,000 shares, representing 10% of the Company's issued share capital as at the date of the 2007 AGM. The Scheme Mandate Limit was further refreshed at the annual general meeting of the Company held on 10 June 2009 ("2009 AGM") whereby the directors were authorised to grant options to subscribe for up to 65,166,200 shares, representing 10% of the issued share capital of the Company as at the date of the 2009 AGM. Subsequent to the 2009 AGM and up to the date of this report, options to subscribe for 1,960,000 shares have been granted by the directors. Accordingly, options to subscribe for up to 63,206,200 shares (representing approximately 7.74% of the issued share capital as at 31 December 2010) are available for issue under the Scheme Mandate Limit refreshed as aforesaid.

4. **Maximum entitlement of each participant under the Share Option Scheme:**

   The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each participant (including both exercised and outstanding options) in any twelve month period must not exceed 1% of the total number of the Company's shares in issue. Any further grant of options in excess of this limit must be subject to shareholders' approval in general meeting at which the relevant participant and his associates must abstain from voting.

5. The period within which shares must be taken up under an option;

Commencing on the date of grant of an option and expiring at 10 years from that date.

6. The minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid:

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. Any offer may be accepted or deemed to have been accepted in respect of less than the number of shares for which it is offered provided that it is accepted in respect of a board lot for dealing in shares on The Stock Exchange of Hong Kong Limited or an integral multiple thereof. To the extent that the offer is not accepted within 21 days from the date of offer, it will be deemed to have been irrevocably declined and the offer will lapse.

8. The basis of determining the exercise price:

The subscription price for the shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to the participant, provided that such price shall be at least the highest of (i) the closing price of shares as stated in the daily quotations of The Stock Exchange of Hong Kong Limited on the date of offer of an option which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations of The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

9. The remaining life of the Scheme:

The Scheme is valid and effective for a period of 10 years. It commenced on 20 April 2005 and will expire on 19 April 2015.

Details of the movements of the share options under the Share Option Scheme for the year ended 31 December 2010 were as follows:

	As at 1 January 2010	Exercised during the year	Cancelled during the year	As at 31 December 2010	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
					HK$	HK$	HK$
Executive directors							
Mr. Zhang Hwo Jie							
– Granted on 21 June 2006	1,300,000	(1,300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	1,200,000	(1,200,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	7,000,000	(7,000,000)	–	–	0.33	0.35	4.22
Mr. Zhang Jian Hua							
– Granted on 21 June 2006	1,300,000	(1,300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	1,400,000	(1,400,000)	–	–	1.95	1.96	2.40
Mr. Zhang Yaohua							
– Granted on 21 June 2006	1,300,000	(1,300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	1,400,000	(1,400,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	7,000,000	(7,000,000)	–	–	0.33	0.35	4.22
Mr. Nomo Kenshiro							
– Granted on 21 June 2006	900,000	(900,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	800,000	(800,000)	–	–	0.33	0.35	4.44

	As at 1 January 2010	Exercised during the year	Cancelled during the year	As at 31 December 2010	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
					HK$	HK$	HK$
Independent non-executive directors							
Dr. Lui Sun Wing							
– Granted on 21 June 2006	240,000	(240,000)	–	–	1.72	1.70	3.44
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	3.99
– Granted on 10 December 2008	1,000,000	(1,000,000)	–	–	0.33	0.35	3.99
Mr. Choy Tak Ho							
– Granted on 21 June 2006	300,000	(300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	2.44
– Granted on 10 December 2008	1,000,000	(1,000,000)	–	–	0.33	0.35	2.37
Mr. Leung Tai Chiu							
– Granted on 21 June 2006	300,000	(300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	2.44
– Granted on 10 December 2008	1,000,000	(1,000,000)	–	–	0.33	0.35	3.24
Employees of the Group							
In aggregate							
– Granted on 21 June 2006	16,790,000	(16,790,000)	–	–	1.72	1.70	2.41
– Granted on 10 August 2006	490,000	(490,000)	–	–	1.68	1.71	2.42
– Granted on 16 February 2007	5,920,000	(5,920,000)	–	–	1.95	1.96	2.68
– Granted on 1 February 2008	4,100,000	(3,384,000)	–	716,000	2.10	2.10	3.90
– Granted on 10 December 2008	28,431,000	(23,768,900)	–	4,662,100	0.33	0.35	4.03
– Granted on 2 October 2009	1,960,000	(1,280,000)	–	680,000	0.81	0.82	4.43
	86,331,000	(80,272,900)	–	6,058,100			

The fair value of the options granted on 1 February 2008 with outstanding balance as at 31 December 2010 of 716,000 options was approximately HK$357,000. The fair value of the options granted on 10 December 2008 with outstanding balance as at 31 December 2010 of 4,662,100 options was approximately HK$446,000. The fair value of the options granted on 2 October 2009 with outstanding balance as at 31 December 2010 of 680,000 options was approximately HK$112,000. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK$				
Granted on 21 June 2006	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007	1.96	27.14% to 30.89%	1.5 to 3.5 years	4.046% to 4.072%	2.17%
Granted on 1 February 2008	2.10	41.55%	1.5 to 3.5 years	1.487% to 1.7965%	2.79%
Granted on 10 December 2008	0.35	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.82	56.65%	1 year	0.16%	3.68%

The expected volatility is based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. Dividend paid-out rate is based on historical dividend paid-out rate. Changes in these subjective input assumptions could affect the fair value estimate. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

All options referred to the above are subject to vesting schedules and exercise periods as follows:

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 21 June 2006 with exercise price of HK$1.70		
20%	22 June 2007	22 June 2007 to 22 June 2010
30%	23 June 2008	23 June 2008 to 22 June 2010
50%	22 June 2009	22 June 2009 to 22 June 2010
With respect to the options granted on 10 August 2006 with exercise price of HK$1.71		
20%	13 August 2007	13 August 2007 to 11 August 2010
30%	11 August 2008	11 August 2008 to 11 August 2010
50%	11 August 2009	11 August 2009 to 11 August 2010
With respect to the options granted on 1 February 2007 with exercise price of HK$1.96		
20%	4 February 2008	4 February 2008 to 2 February 2011
30%	2 February 2009	2 February 2009 to 2 February 2011
50%	2 February 2010	2 February 2010 to 2 February 2011
With respect to the options granted on 1 February 2008 with exercise price of HK$2.10		
20%	2 February 2009	2 February 2009 to 2 February 2012
30%	2 February 2010	2 February 2010 to 2 February 2012
50%	2 February 2011	2 February 2011 to 2 February 2012
With respect to the options granted on 10 December 2008 with exercise price of HK$0.35		
100%	10 December 2008	10 December 2008 to 19 November 2018
With respect to the options granted on 2 October 2009 with exercise price of HK$0.82		
100%	5 October 2009	5 October 2009 to 1 October 2019

DISCLOSURE OF INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 December 2010, the interests and/or short positions of the directors or chief executive of the Company's in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the registrar referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Total interests	Approximate percentage of interest in the Company as at 31 December 2010
Mr. Zhang Hwo Jie	320,740,000 (Note 1)	7,646,000	–	328,386,000	40.23%
Mr. Zhang Jian Hua	–	332,000	–	332,000	0.04%
Mr. Zhang Yaohua	2,824,000 (Note 2)	5,066,000	78,000	7,968,000	0.98%
Mr. Nomo Kenshiro	–	–	–	–	–
Dr. Lui Sun Wing	–	–	–	–	–
Mr. Choy Tak Ho	–	–	–	–	–
Mr. Leung Tai Chiu	–	2,830,000	–	2,830,000	0.35%

Notes:

1. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 39.29% of the entire issued capital of the Company as at 31 December 2010. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

2. These shares are held under Billion Fortune Group Limited, a company incorporated in the British Virgin Islands and is 100% owned by Mr. Zhang Yaohua, a director of the Company.

(ii) Long position in shares of Prosper Empire Limited, an associated corporation of the Company

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 31 December 2010
Mr. Zhang Hwo Jie	Personal interests	38%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	29%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the registrar of interests kept by the Company under section 336 of the SFO are as follows:

Name	Capacity	Number of shares	Approximate percentage of interest as at 31 December 2010
Prosper Empire Limited	Beneficial owner	320,740,000	39.29%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	328,386,000	40.23%
FMR LLC	Investment manager	57,324,500	7.02%

Note:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 38% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 320,740,000 shares of the Company held by Prosper Empire Limited.

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.

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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 31 to page 37.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2010 and up to the date of this report.

AUDITORS

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

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
EVA PRECISION INDUSTRIAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 138, which comprise the consolidated and company statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2011

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 (note 2.1a) (Restated) HK$'000	As at 1 January 2009 (note 2.1a) (Restated) HK$'000
Non-current assets				
Property, plant and equipment	6	**1,086,132**	948,843	937,562
Leasehold land and land use rights	7	**50,781**	51,703	52,478
Prepayments, deposits and other receivables	11	**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	9	**150,947**	96,266	179,204
Trade receivables	10	**325,122**	205,870	203,232
Prepayments, deposits and other receivables	11	**50,393**	18,924	9,894
Pledged bank deposits	12	**4,090**	1,136	1,134
Cash and cash equivalents	12	**501,074**	224,427	251,828
		1,031,626	546,623	645,292
Current liabilities				
Trade payables	13	**225,972**	170,713	158,214
Accruals and other payables	14	**93,563**	72,279	31,801
Bank borrowings	15	**202,062**	259,813	269,991
Finance lease liabilities	16	**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

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	As at 31 December 2010 HK$'000	2009 (note 2.1a) (Restated) HK$'000	As at 1 January 2009 (note 2.1a) (Restated) HK$'000
Non-current liabilities				
Bank borrowings	15	**16,879**	45,674	74,594
Finance lease liabilities	16	**13,247**	45,931	85,714
Deferred taxation	17	**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	18	**81,629**	61,802	69,813
Reserves	19			
– 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

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Financial Position

	Note	As at 31 December 2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in and amounts due from subsidiaries	8	**1,118,186**	617,973
Current assets			
Prepayments, deposits and other receivables	11	**374**	1,983
Cash and cash equivalents	12	**6,293**	7,251
		6,667	9,234
Current liabilities			
Accruals and other payables	14	**45,480**	35,884
Net current liabilities		**38,813**	26,650
Net assets		**1,079,373**	591,323
EQUITY			
Capital and reserves			
Share capital	18	**81,629**	61,802
Reserves	19		
– Proposed final dividend		**43,905**	5,039
– Others		**953,839**	524,482
Total equity		**1,079,373**	591,323

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	**2010 HK$'000**	2009 HK$'000
Revenue	5	**1,703,099**	1,026,097
Cost of sales	20	**(1,161,501)**	(821,888)
Gross profit		**541,598**	204,209
Other income		**229**	7
Selling and marketing costs	20	**(65,147)**	(50,226)
General and administrative expenses	20	**(120,009)**	(105,204)
Operating profit		**356,671**	48,786
Finance income	22	**1,184**	1,684
Finance costs	22	**(6,101)**	(11,862)
Profit before income tax		**351,754**	38,608
Income tax expense	23	**(48,336)**	(7,089)
Profit for the year and attributable to equity holders of the Company	24	**303,418**	31,519
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**303,418**	31,519
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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	25	**42.6**	4.8
– diluted	25	**40.3**	4.5
Dividends	26	**95,383**	10,360

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the year ended 31 December 2010

	Note	Attributable to equity holders of the Company			
		Share capital HK$'000	Reserves HK$'000	Non-controlling interest HK$'000	Total HK$'000
Balance at 1 January 2010		**61,802**	**835,014**	**–**	**896,816**
Comprehensive income					
Profit for the year		**–**	**302,664**	**754**	**303,418**
Other comprehensive income		**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**302,664**	**754**	**303,418**
Transactions with owners					
Employee share option scheme					
– value of employee services	18	**–**	**508**	**–**	**508**
– proceeds from shares issued	18&19	**8,027**	**75,442**	**–**	**83,469**
Issuance of warrants	19	**–**	**1,040**	**–**	**1,040**
Proceeds from issuance of shares pursuant to the warrant subscription	18&19	**3,800**	**73,340**	**–**	**77,140**
Proceeds from issuance of shares pursuant to the placement and subscription arrangement	18&19	**8,000**	**268,258**	**–**	**276,258**
Dividends paid		**–**	**(56,829)**	**–**	**(56,829)**
Non-controlling interest arising on business combination		**–**	**–**	**8,576**	**8,576**
		19,827	**361,759**	**8,576**	**390,162**
Balance at 31 December 2010		**81,629**	**1,499,437**	**9,330**	**1,590,396**
Balance at 1 January 2009		69,813	897,243	–	967,056
Comprehensive income					
Profit for the year		–	31,519	–	31,519
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	31,519	–	31,519
Transactions with owners					
Repurchase of shares	18&19	(10,009)	(81,956)	–	(91,965)
Employee share option scheme					
– value of employee services	18	–	2,916	–	2,916
– proceeds from shares issued	18&19	1,998	4,994	–	6,992
Dividends paid		–	(19,702)	–	(19,702)
		(8,011)	(93,748)	–	(101,759)
Balance at 31 December 2009		61,802	835,014	–	896,816

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**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	27	**(4,928)**	–
Proceeds from sales of property, plant and equipment	28	**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	18	**–**	(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

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis of preparation and the principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of EVA Precision Industrial Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared 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 areas, involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

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

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group (Continued)

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 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(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.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) *Subsidiaries* (Continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The financial statements of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(b) *Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified collectively as the steering committee that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'general and administrative expenses'.

(c) *Group companies*

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land interests classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is written off. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the period in which they are incurred.

Leasehold land interests classified as finance leases commence amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land interests classified as finance leases and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land interests classified as finance leases	Shorter of remaining lease term of 30-40 years or useful life
Buildings	20 years
Plant and machinery	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Construction-in-progress, representing buildings, plant and machinery on which construction work has not been completed and machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and recognised in the consolidated statement of comprehensive income.

2.6 Leasehold land and land use rights

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired the right to use certain land in Mainland China. The premiums paid for leasehold land and land use rights are treated as prepayments for operating leases, recorded as leasehold land and land use rights, and are amortised over the lease/land use right periods using the straight-line method.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2.9 Financial assets/liabilities

2.9.1 Classification

The Group classifies its financial assets and liabilities in the following categories: loans and receivables and other financial liabilities at amortised cost. The classification depends on the purposes for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are classified as 'trade receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

(b) Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current liabilities. Other financial liabilities are classified as 'borrowings', 'finance lease liabilities', 'other payables' and 'trade payables' in the consolidated statement of financial position.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets/liabilities (Continued)

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.11.

Recognitions and measurements of other financial liabilities at amortised cost are described in Notes 2.14 (Trade payables), 2.15 (Borrowings) and 2.20 (Leases).

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the consolidated statement of comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred income tax (Continued)

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

Group companies participate in several defined contribution plans. The plans are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employment costs when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and sales growth targets and the requirement to remain an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

(d) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Revenue and other income

Revenue comprises the fair value of the consideration received and receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue and other income (Continued)

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.20 Leases (as the lessee)

The Group leases certain property, plant and equipment. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land interests and land use rights (note 2.6), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Each finance lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.21 Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. Group companies do not recognise liabilities for financial guarantees at inception, but perform liability adequacy tests at each reporting date by comparing respective net liabilities (if applicable) regarding the financial guarantees with the amounts that would be required if the financial guarantees were to result in a present legal or constructive obligation. If the respective liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated statement of comprehensive income immediately.

2.23 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi and Japanese Yen. Foreign exchange risk also arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and the Group has not arranged any hedges against foreign exchange exposures.

The following table details the Group's sensitivity of the Group's adjusted post-tax profit if a strengthening/weakening of the Group's major currency in which its net assets are exposed. The percentage movement applied to the currency is based on the average movements in the previous period. The analysis has been performed based on the movement occurring at the start of the reporting period.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	Note	**2010** **HK$'000**	2009 HK$'000
Chinese Renminbi 4.05% (2009: 0.2%) appreciation against Hong Kong dollars	(a)	**5,796**	5
Japanese Yen 14.21% appreciation (2009: 2.3% depreciation) against Hong Kong dollars	(b)	**(1,730)**	283
Increase in post-tax profit		**4,066**	288

(a) The change in post-tax profit is mainly as a result of the revaluation of bank deposits which is denominated in Chinese Renminbi.

(b) The change in post-tax profit is mainly as a result of the revaluation of finance lease liabilities which is denominated in Japanese Yen.

(ii) Cash flow and fair value interest rate risk

The Group' s income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Notes 15 and 16 to the consolidated financial statements.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

At 31 December 2010, 59.0% (2009: 66.6%) of the Group's gross borrowings were with a maturity date for a period of less than one year. A 100 basis points fall/rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2010 would increase or decrease the profit and equity by approximately HK$2,649,000 (2009: by HK$3,933,000), mainly as a result of lower/higher interest expense on floating rate borrowings. Accordingly, there would be no material impact on equity.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged bank deposits, trade receivables and deposits and other receivables. The carrying amounts of these balances represent the Company's maximum exposure to credit risk in relation to financial assets. The credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

As at 31 December 2009 and 2010, all the bank balances are deposited in high quality financial institutions, in the opinion of management, without significant credit risk. Management does not expect any losses from non-performance by these banks.

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit histories and the Group performs credit evaluations of its customers.

The Group considers its maximum exposure to credit risk to be as follows:

	2010	2009
	HK$'000	HK$'000
Deposits and other receivables	**92,183**	18,408
Trade receivables	**325,122**	205,870
Pledged bank deposits	**4,090**	1,136
Cash and cash equivalents	**501,074**	224,427

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from business customers. Refer to Note 10 for assessment on concentrations of credit risk.

Concentrations of credit risk with respect to deposits and other receivables are considered to be limited since no collectability issues have been identified in the past.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the banks' sole discretions, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group						
At 31 December 2010						
Bank borrowings	**–**	**78,795**	**13,920**	**1,261**	**1,698**	**95,674**
Term loans subject to a repayment on demand clause	**123,267**	**–**	**–**	**–**	**–**	**123,267**
Finance lease liabilities	**–**	**32,684**	**13,184**	**63**	**–**	**45,931**
Interest payable	**2,481**	**2,566**	**472**	**203**	**100**	**5,822**
Trade payables	**–**	**225,972**	**–**	**–**	**–**	**225,972**
Other payables	**–**	**28,332**	**–**	**–**	**–**	**28,332**
At 31 December 2009 (Restated)						
Bank borrowings	–	178,920	28,795	14,761	2,118	224,594
Term loans subject to a repayment on demand clause	80,893	–	–	–	–	80,893
Finance lease liabilities	–	41,877	32,684	13,247	–	87,808
Interest payable	3,198	5,536	1,759	587	155	11,235
Trade payables	–	170,713	–	–	–	170,713
Other payables	–	37,484	–	–	–	37,484

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in page 87. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash outflows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2010	–	45,695	57,091	22,963	–	125,749
31 December 2009	–	43,359	27,568	13,164	–	84,091

The contractual undiscounted cash flows of the Company's financial liabilities amounting to HK$18,920,000 (2009: HK$33,779,000) are due within 12 months and equal their carrying balances, as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, bank borrowings and finance lease liabilities) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Estimated discounted cash flows at the current market interest rate that is available to the Group for similar instruments are used.

The carrying values less impairment provisions of trade receivables and payables, pledged bank deposits and cash and cash equivalents are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings as disclosed in Note 15 and Note 16 net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associates with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as repayment of existing borrowings.

In addition, consistent with others in the industry, the Group also monitors capital structure on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Capital risk management (Continued)

The gearing ratios at 31 December 2010 and 2009 were as follows:

	2010	2009
	HK$'000	HK$'000
Total borrowings (Notes 15 and 16)	**264,872**	393,295
Total equity	**1,590,396**	896,816
Gearing ratio	**16.7%**	43.9%

The decrease in the gearing ratio during 2010 resulted primarily from the increase in current year profit and the continuous repayments of bank borrowings.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently the related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(d) Income taxes

The Group is subject to income taxes in Mainland China and Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2010 HK$'000	2009 HK$'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

Others mainly represent sales of scrap materials.

(b) 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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

	2010			2009 (Restated)		
	Metal stamping HK$'000	**Plastic injection HK$'000**	**Total HK$'000**	Metal stamping HK$'000	Plastic injection HK$'000	Total HK$'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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2010 as follows:

	Assets HK$'000	Liabilities HK$'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 HK$'000	Liabilities (Restated) HK$'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

6 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009						
Cost, as previously reported	235,864	630,421	34,542	14,147	208,488	1,123,462
Effect of adoption of HKAS 17 (Amendment)	7,537	–	–	–	–	7,537
Cost, as restated	243,401	630,421	34,542	14,147	208,488	1,130,999
Accumulated depreciation, as previously reported	(22,937)	(148,987)	(13,471)	(6,961)	–	(192,356)
Effect of adoption of HKAS 17 (Amendment)	(1,081)	–	–	–	–	(1,081)
Accumulated depreciation, as restated	(24,018)	(148,987)	(13,471)	(6,961)	–	(193,437)
Net book amount, as restated	219,383	481,434	21,071	7,186	208,488	937,562
Year ended 31 December 2009						
Opening net book amount, as previously reported	212,927	481,434	21,071	7,186	208,488	931,106
Effect of adoption of HKAS 17 (Amendment)	6,456	–	–	–	–	6,456
Opening net book amount, as restated	219,383	481,434	21,071	7,186	208,488	937,562
Additions	1,227	11,758	12,447	885	66,625	92,942
Transfers	8,957	52,714	–	–	(61,671)	–
Disposals	(631)	–	(191)	(18)	(19)	(859)
Depreciation, as restated	(11,154)	(60,370)	(7,346)	(1,932)	–	(80,802)
Closing net book amount, as restated	217,782	485,536	25,981	6,121	213,423	948,843

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

	Land and buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction-in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2009						
Cost, as previously reported	245,238	694,893	46,565	14,850	213,423	1,214,969
Effect of adoption of HKAS 17 (Amendment)	7,537	–	–	–	–	7,537
Cost, as restated	252,775	694,893	46,565	14,850	213,423	1,222,506
Accumulated depreciation, as previously reported	(33,742)	(209,357)	(20,584)	(8,729)	–	(272,412)
Effect of adoption of HKAS 17 (Amendment)	(1,251)	–	–	–	–	(1,251)
Accumulated depreciation, as restated	(34,993)	(209,357)	(20,584)	(8,729)	–	(273,663)
Net book amount, as restated	217,782	485,536	25,981	6,121	213,423	948,843
Year ended 31 December 2010						
Opening net book amount, as previously reported	211,496	485,536	25,981	6,121	213,423	942,557
Effect of adoption of HKAS 17 (Amendment)	6,286	–	–	–	–	6,286
Opening net book amount, as restated	217,782	485,536	25,981	6,121	213,423	948,843
Acquisition of subsidiaries (Note 27)	–	10,630	316	–	–	10,946
Additions	891	44,982	6,299	6,594	155,049	213,815
Transfers	19,412	41,211	2,371	–	(62,994)	–
Disposals	–	(8)	–	(20)	–	(28)
Depreciation	(11,587)	(65,276)	(8,251)	(2,330)	–	(87,444)
Closing net book amount	226,498	517,075	26,716	10,365	305,478	1,086,132
At 31 December 2010						
Cost	273,080	792,822	55,616	21,246	305,478	1,448,242
Accumulated depreciation	(46,582)	(275,747)	(28,900)	(10,881)	–	(362,110)
Net book amount	226,498	517,075	26,716	10,365	305,478	1,086,132

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

Plant and machinery and motor vehicles include the following net book amounts where the Group is a lessee under finance lease liabilities:

	2010 HK$'000	2009 HK$'000
Plant and machinery	136,250	188,560
Motor vehicles	–	840
	136,250	189,400

Depreciation expense is analysed as follows:

	2010 HK$'000	2009 (Restated) HK$'000
Cost of sales	62,718	71,564
Selling and marketing costs	1,244	1,002
General and administrative expenses	23,482	8,236
	87,444	80,802

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

The Group's interests in land and buildings are analysed as follows:

	2010 HK$'000	31 December 2009 (Restated) HK$'000	1 January 2009 (Restated) HK$'000
Land and building in Hong Kong, located on land with lease of between 10 and 50 years	**7,444**	7,703	7,962
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years	**219,054**	210,079	211,421
	226,498	217,782	219,383

Land and buildings with a carrying amount of HK$7,444,000 (2009: HK$7,703,000) and machinery with a carrying amount of HK$58,468,000 (2009: HK$67,006,000) were pledged as collateral for the Group's borrowings (Note 15).

Analysis of construction-in-progress is as follows:

	2010 HK$'000	2009 HK$'000
Construction costs of buildings	**195,424**	138,223
Cost of machinery	**110,054**	75,200
	305,478	213,423

7 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2010 HK$'000	31 December 2009 (Restated) HK$'000	1 January 2009 (Restated) HK$'000
In Mainland China, held on:			
Land use rights of between 10 and 50 years	**50,781**	51,703	52,478

Movements are:

	2010 HK$'000	2009 HK$'000
At 1 January, as previously reported	**57,989**	58,934
Effect of adoption of HKAS 17 (Amendment)	**(6,286)**	(6,456)
At 1 January, as restated	**51,703**	52,478
Amortisation	**(922)**	(775)
End of the year	**50,781**	51,703

	2010 HK$'000	31 December 2009 (Restated) HK$'000	1 January 2009 (Restated) HK$'000
Representing –			
Cost	**54,916**	54,916	54,916
Accumulated amortization	**(4,135)**	(3,213)	(2,438)
Net book amount	**50,781**	51,703	52,478

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**123,351**	123,351
Amounts due from subsidiaries	**994,835**	494,622
	1,118,186	617,973

The amounts due from subsidiaries are unsecured, non-interest bearing and without pre-determined terms of repayments. The directors of the Company considered them as quasi-equity contributions.

The following is a list of the principal subsidiaries at 31 December 2010:

Name	Place of incorporation/ establishment, operations and kind of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group (a)	Principal activities
EVA Metal Mould Products Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Mould Design & Manufacturing Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Plastic Mould Products Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Precision Industrial (Eastern China) Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Precision Industrial Zhongshan (BVI) Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation/ establishment, operations and kind of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group (a)	Principal activities
EVA Group Limited	Hong Kong, limited liability company	HK$15,000	100%	Investment holding
EVA Holdings Limited	Hong Kong, limited liability company	HK$10,000	100%	Trading of metal parts
EVA Limited	Hong Kong, limited liability company	HK$680,000	100%	Trading of metal parts
EVA Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of plastic moulds
EVA Mould Design & Manufacturing (HK) Limited	Hong Kong, limited liability company	HK$1	100%	Design of metal parts and plastic moulds
Okuno Precision Metal Co., Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of metal moulds
Yihe Precision Hardware (Shenzhen) Co., Ltd. (億和精密金屬製品(深圳)有限公司) (b)	Mainland China, limited liability company	HK$204,380,000 (c)	100%	Manufacturing of metal moulds and parts
Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. (億和塑膠電子製品(深圳)有限公司) (b)	Mainland China, limited liability company	HK$160,000,000	100%	Manufacturing of plastic moulds and parts
EVA Precision Industrial (Suzhou) Limited (億和精密工業(蘇州)有限公司) (b)	Mainland China, limited liability company	HK$156,000,000	100%	Manufacturing of metal and plastic moulds and parts

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (CONTINUED)

The following is a list of the principal subsidiaries at 31 December 2010: (Continued)

Name	Place of incorporation/ establishment, operations and kind of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group (a)	Principal activities
EVA Precision Industrial (Zhongshan) Limited（億和精密工業(中山)有限公司） (b)	Mainland China, limited liability company	HK$80,000,000	100%	Manufacturing of metal and plastic moulds and parts
Shenzhen EVA Mould Manufacturing Co., Ltd.（深圳億和模具製造有限公司）(b)	Mainland China, limited liability company	HK$124,000,000	100%	Manufacturing of metal and plastic moulds

Notes:

(a) The shares of EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited, EVA Plastic Mould Products Limited, EVA Precision Industrial (Eastern China) Limited and EVA Precision Industrial Zhongshan (BVI) Limited are held directly by the Company. The interests in other subsidiaries are held indirectly.

(b) Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronics Products (Shenzhen) Co., Ltd. are wholly foreign owned enterprises established in Shenzhen, Guangdong Province, Mainland China for a term of 20 years up to May 2021 and July 2024, respectively. EVA Precision Industrial (Suzhou) Limited is a wholly foreign owned enterprise established in Suzhou, Jiangsu Province, Mainland China for a term of 50 years up to August 2055. EVA Precision Industrial (Zhongshan) Limited is a wholly foreign owned enterprise established in Zhongshan, Guangdong Province, Mainland China for a term of 50 years up to August 2056. Shenzhen EVA Mould Manufacturing Co., Ltd. is a wholly foreign owned enterprise established in Shenzhen, Guangdong Province, Mainland China for a term of 50 years up to June 2057.

(c) At 31 December 2010, the Group was committed to making capital contributions to the following subsidiary

Name of subsidiary	Committed capital injection HK$'000	Due Date
Yihe Precision Hardware (Shenzhen) Co., Ltd.	17,500	August 2012

9 INVENTORIES – GROUP

	2010 HK$'000	2009 HK$'000
Raw materials	**30,916**	29,081
Work-in-progress	**92,022**	46,380
Finished goods	**35,293**	29,619
	158,231	105,080
Less: provision for impairment of inventories	**(7,284)**	(8,814)
Inventories – net	**150,947**	96,266

The cost of inventories recognised as expense and included in cost of sales amounted to HK$846,681,000 (2009: HK$622,754,000).

The Group has written back inventory provision of HK$1,610,000 for the year ended 31 December 2010 (2009: made an inventory provision of HK$4,015,000). Such provision has been included in cost of sales in the consolidated statement of comprehensive income.

10 TRADE RECEIVABLES – GROUP

	2010 HK$'000	2009 HK$'000
Trade receivables	**326,310**	207,058
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**325,122**	205,870

10 TRADE RECEIVABLES – GROUP (CONTINUED)

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 HK$'000	2009 HK$'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

The top five customers and the largest customer accounted for 53.4% (2009: 53.0%) and 27.6% (2009: 19.0%) of the trade receivables balance as at 31 December 2010, respectively. The management closely monitors the subsequent settlement of customers and does not grant long credit periods to the counterparties. In this regard, the directors consider that the Group's credit risk is significantly reduced. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The carrying amounts of trade receivables approximate their fair values as at 31 December 2010.

The ageing analysis of trade receivables past due but not impaired is as follows:

	2010 HK$'000	2009 HK$'000
0 to 90 days	**63,628**	42,069
91 to 180 days	**3,021**	607
181 to 365 days	**65**	380
	66,714	43,056

10 TRADE RECEIVABLES – GROUP (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Hong Kong dollars ("HK$")	**141,164**	56,803
United States dollars ("US$")	**170,609**	123,093
Chinese Renminbi ("RMB")	**14,310**	27,162
Other	**227**	–
	326,310	207,058

There is no movement on the provision for impairment of trade receivables in the current year (2009: nil).

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Non-current				
Deposits for purchase of property, plant and equipment	**54,128**	5,974	**–**	–
Others	**195**	376	**–**	–
	54,323	6,350	**–**	–
Current				
Prepayments for purchase of raw materials	**2,586**	2,140	**–**	–
VAT recoverable	**18,993**	6,948	**–**	–
Deposits for customs department	**12,721**	–	**–**	–
Others	**16,093**	9,836	**374**	1,983
	50,393	18,924	**374**	1,983

12 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Pledged bank deposits	**4,090**	1,136	**–**	–
Short-term bank deposits	**109,891**	50,887	**–**	–
Cash at banks and on hand	**391,183**	173,540	**6,293**	7,251
	501,074	224,427	**6,293**	7,251
	505,164	225,563	**6,293**	7,251

Bank deposits amounting to HK$4,090,000 (2009: HK$1,136,000) were pledged in favour of contractors of construction work.

The effective interest rate on pledged bank deposits was 0.3% (2009: 0.7%) per annum. These deposits have an average maturity of 147 days (2009: 365 days).

The effective interest rate on short-term bank deposits was 1.82% (2009: 1.6%) per annum. These deposits have an average maturity of 160 days (2009: 69 days). The effective interest rate on cash at bank was 0.2% per annum (2009: 0.7% per annum).

12 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS (CONTINUED)

Pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**200,948**	67,321	**6,233**	7,191
RMB	**242,681**	71,450	**–**	–
US$	**58,925**	85,158	**60**	60
Japanese yen	**1,234**	1,160	**–**	–
Euro dollars	**1,376**	474	**–**	–
	505,164	225,563	**6,293**	7,251

The carrying amounts of pledged bank deposits and cash and cash equivalents approximate their fair values.

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

13 TRADE PAYABLES – GROUP

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.

14 ACCRUALS AND OTHER PAYABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Payable for purchase of land use rights	**3,812**	3,812	**–**	–
Payable for property, plant and equipment	**9,081**	3,448	**–**	–
Accrued wages, salaries and welfare	**49,465**	18,719	**26,556**	2,090
Deposits from customers	**6,093**	7,256	**–**	–
Accrued operating expenses	**5,143**	4,140	**–**	–
Payable for share repurchase	**–**	28,080	**–**	28,080
Payable for share options exercised	**18,920**	5,699	**18,920**	5,699
Other payables	**1,049**	1,125	**4**	15
	93,563	72,279	**45,480**	35,884

The carrying amounts of accruals and other payables approximate their fair values.

15 BANK BORROWINGS – GROUP

	31 December 2010 HK$'000	31 December 2009 (Restated) HK$'000	1 January 2009 (Restated) HK$'000
Current			
Short-term bank loans	**50,000**	150,000	90,000
Trust receipts bank loans	**–**	–	10,226
Portion of long-term loans from banks due for repayment within one year	**73,195**	69,705	88,817
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	**78,447**	39,688	80,528
Mortgage loan, current portion	**420**	420	420
	202,062	259,813	269,991
Non-current			
Portion of long-term loans from banks due for repayment after one year which do not contain a repayment on demand clause	**13,500**	41,875	70,375
Mortgage loan, non-current portion	**3,379**	3,799	4,219
	16,879	45,674	74,594
Total bank borrowings	**218,941**	305,487	344,585

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

15 BANK BORROWINGS – GROUP (CONTINUED)

The Group's bank borrowings are repayable as follows (Note i):

	2010 HK$'000	2009 HK$'000
Within 1 year	**123,616**	220,125
Between 1 and 2 years	**69,880**	55,583
Between 2 and 5 years	**23,747**	27,661
	217,243	303,369
Wholly repayable within 5 years	**1,698**	2,118
	218,941	305,487

Note (i): The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of bank borrowings approximate their fair values.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
HK dollars	**218,941**	305,487

The effective interest rates (per annum) of the Group's bank borrowings at the statement of financial position date were as follows:

	Short-term bank loans		**Long-term bank loans**		**Mortgage loan**	
	2010	2009	**2010**	2009	**2010**	2009
HK dollars	**1.6%**	1.9%	**2.0%**	2.4%	**2.4%**	2.4%

The Group has undrawn floating rate borrowing facilities of approximately HK$443,397,000 (2009: HK$605,237,000).

15 BANK BORROWINGS – GROUP (CONTINUED)

As at 31 December 2010, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book amounts of approximately HK$7,444,000 and HK$58,468,000 respectively (2009: HK$7,703,000 and HK$67,006,000, respectively), and corporate guarantees provided by the Company.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the banks will exercise their discretions to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 3.1(c). As at 31 December 2010 none of the covenants relating to drawn down facilities had been breached (2009: $nil).

16 FINANCE LEASE LIABILITIES – GROUP

The Group's finance lease liabilities have maturity dates within five years and are repayable as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**33,717**	44,355
In the second year	**13,318**	33,717
In the third to fifth year	**63**	13,381
	47,098	91,453
Less: Future finance charges on finance leases	**(1,167)**	(3,645)
Present value of finance lease liabilities	**45,931**	87,808

The present value of finance lease liabilities is as follows:

	2010 HK$'000	2009 HK$'000
Within one year	**32,684**	41,877
In the second year	**13,184**	32,684
In the third to fifth year	**63**	13,247
Total finance lease liabilities	**45,931**	87,808
Less: Amount included in current liabilities	**(32,684)**	(41,877)
	13,247	45,931

Finance lease liabilities are denominated in Hong Kong dollars. The carrying amounts of finance lease liabilities approximate their fair values.

As at 31 December 2010, the effective interest rate of the Group's finance lease liabilities was 2.69% (2009: 3.2%) per annum.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. The net book amount of the leased assets is approximately HK$136,250,000 (2009: HK$189,400,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$1,479,000 (2009: HK$3,826,000).

17 DEFERRED TAXATION – GROUP

The movements on the deferred income tax liabilities are as follows:

	2010 HK$'000	2009 HK$'000
At 1 January	**5,129**	5,129
Charged to the consolidated statement of comprehensive income (Note 23)	**–**	–
At 31 December	**5,129**	5,129

The above deferred income tax liabilities represented the withholding tax that would be payable on the unremitted retained earnings of certain subsidiaries.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$2,209,000 (2009: HK$4,259,000) in respect of losses amounting to HK$12,934,000 (2009: HK$20,830,000) that can be carried forward against future taxable income. Tax losses of HK$3,492,000 (2009: HK$2,585,000) can be carried forward indefinitely. Tax losses of HK$1,576,000 (2009: HK$10,379,000) and HK$7,866,000 (2009: 7,866,000) will expire in 2012 and 2013 respectively.

18 SHARE CAPITAL

	Note	Number of ordinary shares (thousands)	Nominal value HK$'000
Authorised			
At 31 December 2009 and 2010		**1,000,000**	100,000
Issued and fully paid			
At 1 January 2009		**698,128**	69,813
Issue of shares pursuant to share option scheme	(a)	**19,979**	1,998
Repurchase of shares	(b)	**(100,086)**	(10,009)
At 31 December 2009		**618,021**	61,802
Issue of shares pursuant to share option scheme	(c)	**80,273**	8,027
Issue of shares pursuant to the warrant subscription	(d)	**38,000**	3,800
Issue of shares pursuant to the placement and subscription arrangement	(e)	**80,000**	8,000
At 31 December 2010		**816,294**	81,629

Notes:

(a) During 2009, 19,979,000 new ordinary shares of HK$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price at HK$0.35 per share.

(b) During 2009, the Company repurchased a total of 100,086,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.50 to HK$1.36 per share for a total consideration of approximately HK$91,965,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 10 June 2009. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

18 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(b) (Continued)

Month of repurchase	Number of shares of HK$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
April 2009	3,836,000	0.65	0.60	2,454
May 2009	4,804,000	0.80	0.75	3,721
June 2009	2,020,000	0.85	0.82	1,695
July 2009	4,022,000	0.80	0.76	3,155
September 2009	2,878,000	0.80	0.80	2,311
October 2009	1,336,000	0.90	0.80	1,160
November 2009	12,296,000	1.23	0.91	12,981
December 2009	32,438,000	1.36	1.25	42,804
	100,086,000			91,965

(c) During 2010, 80,273,000 new ordinary shares of HK$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price ranging from HK$0.35 to HK$2.10 per share.

(d) In March 2010, the Company entered into an agreement with an independent third party whereby the Company agreed to issue and the independent third party agreed to subscribe for 52,000,000 of warrants at a subscription price of HK$2.03 per warrant. Each warrant carried the right to subscribe for one new share of the Company. During 2010, the independent third party exercised its right attaching to the warrants and subscribed 38,000,000 of the Company's new shares.

(e) On July 9 2010, the Company, Prosper Empire Limited (the "Vendor") and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua and CLSA Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Placing Agent agreed to place up to an aggregate of 100,000,000 shares of the Company at a price of HK$3.60 ("Placing Price") to not less than six independent professional institutional investors and other investors. These shares consisted of 80,000,000 shares under top – up placing and 20,000,000 shares placed by the Vendor. 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 "Subscription Shares") at HK$3.60 which is equivalent to the Placing Price.

18 SHARE CAPITAL (CONTINUED)

Share options

In 2005, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant to any director or employee of the Group options to subscribe for shares of the Company at the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

On 18 May 2007, the shareholders of the Company approved the refreshment of the 10% limit under the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted after that date under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 72,000,000 shares, representing 10% of the shares of the Company in issue as at 18 May 2007.

On 2 October 2009, a total of 1,960,000 options were granted to the Company's directors and employees with an exercise price of HK$0.82 per share. These options vest according to a pre-determined schedule over three years. No options were granted during the year.

During the year, 80,273,000 share options were exercised (2009: 19,979,000 share options). No option lapsed during the year ended 31 December 2010 (2009: A total of 13,070,000 options lapsed). Share options outstanding at 31 December 2010 are exercisable at prices ranging from HK$0.35 to HK$2.10 per share and will expire from June 2010 to September 2019.

18 SHARE CAPITAL (CONTINUED)

Share options (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010 Average exercise price per share HK$	**2010** Number of options '000	2009 Average exercise price per share HK$	2009 Number of options '000
At 1 January		**86,331**		117,420
Granted	**–**	**–**	0.82	1,960
Exercised	**0.35**	**(41,569)**	0.35	(19,979)
Exercised	**0.82**	**(1,280)**	–	–
Exercised	**1.70**	**(22,430)**	–	–
Exercised	**1.71**	**(490)**	–	–
Exercised	**1.96**	**(11,120)**	–	–
Exercised	**2.10**	**(3,384)**	–	–
Lapsed	**–**	**–**	1.70	(2,080)
Lapsed	**–**	**–**	1.71	(100)
Lapsed	**–**	**–**	1.96	(9,800)
Lapsed	**–**	**–**	2.10	(390)
Lapsed	**–**	**–**	0.35	(700)
At 31 December		**6,058**		86,331
Exercisable as at 31 December	**–**	**–**	1.70	22,430
	–	**–**	1.71	490
	–	**–**	1.96	7,495
	2.10	**686**	2.10	820
	0.35	**4,662**	0.35	46,231
	0.82	**680**	0.82	1,960

18 SHARE CAPITAL (CONTINUED)

Share options (Continued)

Share options outstanding as at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK$	2010 Number of options '000	2009 Number of options '000
22 June 2010	1.70	–	22,430
11 August 2010	1.71	–	490
2 February 2011	1.96	–	11,120
2 February 2012	2.10	**716**	4,100
21 November 2018	0.35	**4,662**	46,231
30 September 2019	0.82	**680**	1,960
		6,058	86,331

No option was granted during the year ended 31 December 2010. The fair values of 1,960,000 options granted in October 2009, determined using the Black-Scholes Valuation Model, were approximately HK$324,000. The significant inputs into the model were the exercise price shown above, standard deviation of expected share price returns of 56.65%, expected life of options of 1 year, expected dividend paid out rate of 3.68%, and annual risk-free interest rate of 0.16% per annum. The amount charged to the consolidated statement of comprehensive income during the year ended 31 December 2010 was HK$508,000 (2009: HK$2,916,000).

19 RESERVES

(a) Group

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2009		458,456	(735)	40,571	2,352	23,158	–	373,441	897,243
Profit for the year		–	–	–	–	–		31,519	31,519
Premium on repurchase of shares		(81,956)	–	–	–	–	–	–	(81,956)
Capital redemption reserve arising from repurchase of shares		–	–	–	10,009	–	–	(10,009)	–
Employee share option scheme									
– value of employee services	18	–	–	–	–	2,916	–	–	2,916
– proceeds from shares issued		4,994	–	–	–	–	–	–	4,994
Transfer to retained earnings upon lapse of share options		–	–	–	–	(3,156)	–	3,156	–
Transfer to share premium upon exercise of share options		1,911	–	–	–	(1,911)	–	–	–
Dividends paid		–	–	–	–	–	–	(19,702)	(19,702)
Transfer to statutory reserves		–	–	3,350	–	–	–	(3,350)	–
Balance at 31 December 2009		383,405	(735)	43,921	12,361	21,007	–	375,055	835,014
Representing									
– Proposed final dividend									5,039
– Others									829,975
									835,014

19 RESERVES (CONTINUED)

(a) Group (Continued)

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2010		383,405	(735)	43,921	12,361	21,007	–	375,055	835,014
Profit for the year		–	–	–	–	–	–	302,664	302,664
Employee share option scheme									
– value of employee services	18	–	–	–	–	508	–	–	508
– proceeds from shares issued		75,442	–	–	–	–	–	–	75,442
Transfer to retained earning upon lapse of share options		–	–	–	–	(584)	–	584	–
Transfer to share premium upon exercise of share options		19,491	–	–	–	(19,491)	–	–	–
Dividends paid		–	–	–	–	–	–	(56,829)	(56,829)
Transfer to statutory reserves		–	–	22,172	–	–	–	(22,172)	–
Issuance of warrants (iii)		–	–	–	–	–	1,040	–	1,040
Proceeds from issuance of shares pursuant to the warrant subscription (iii)		73,340	–	–	–	–	–	–	73,340
Proceeds from issuance of shares pursuant to the placement and subscription arrangement (iv)		268,258	–	–	–	–	–	–	268,258
Balance at 31 December 2010		819,936	(735)	66,093	12,361	1,440	1,040	599,302	1,499,437
Representing									
– Proposed final dividend									43,905
– Others									1,455,532
									1,499,437

19 RESERVES (CONTINUED)

(b) Company

	Note	Share premium HK$'000	Contributed surplus (i) HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	(Accumulated deficit)/ Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2009		458,456	121,351	2,352	23,158	–	(1,472)	603,845
Profit for the year		–	–	–	–	–	19,424	19,424
Premium on repurchase of shares		(81,956)	–	–	–	–	–	(81,956)
Capital redemption reserve arising from repurchase of shares		–	–	10,009	–	–	(10,009)	–
Employee share option scheme								
– value of employee services	18	–	–	–	2,916	–	–	2,916
– proceeds from shares issued		4,994	–	–	–	–	–	4,994
Transfer to retained earnings upon lapse of share options		–	–	–	(3,156)	–	3,156	–
Transfer to share premium upon exercise of share options		1,911	–	–	(1,911)	–	–	–
Dividends paid		–	–	–	–	–	(19,702)	(19,702)
Balance at 31 December 2009		383,405	121,351	12,361	21,007	–	(8,603)	529,521
Representing								
– Proposed final dividend								5,039
– Others								524,482
								529,521
Balance at 1 January 2010		**383,405**	**121,351**	**12,361**	**21,007**	**-**	**(8,603)**	**529,521**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**106,464**	**106,464**
Employee share option scheme								
– value of employee services	18	**-**	**-**	**-**	**508**	**-**	**-**	**508**
– proceeds from shares issued		**75,442**	**-**	**-**	**-**	**-**	**-**	**75,442**
Transfer to retained earnings upon lapse of share options		**-**	**-**	**-**	**(584)**	**-**	**584**	**-**
Transfer to share premium upon exercise of share options		**19,491**	**-**	**-**	**(19,491)**	**-**	**-**	**-**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**(56,829)**	**(56,829)**
Issuance of warrants (iii)		**-**	**-**	**-**	**-**	**1,040**	**-**	**1,040**
Proceeds from issuance of shares pursuant to the warrant subscription (iii)		**73,340**	**-**	**-**	**-**	**-**	**-**	**73,340**
Proceeds from issuance of shares pursuant to the placement and subscription arrangement (iv)		**268,258**	**-**	**-**	**-**	**-**	**-**	**268,258**
Balance at 31 December 2010		**819,936**	**121,351**	**12,361**	**1,440**	**1,040**	**41,616**	**997,744**
Representing								
– Proposed final dividend								**43,905**
– Others								**953,839**
								997,744

19 RESERVES (CONTINUED)

Notes:

(i) Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

Contributed surplus of the Company represents the difference between the costs of investments in subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(ii) In accordance with the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reaches 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval of the corresponding subsidiaries' shareholders in general meetings, the subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.

(iii) On 22 March 2010, the Company entered into warrant subscription agreements with seven individual and corporate investor 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 proceeds from the warrant subscription amounted to HK$1,040,000. During the year ended 31 December 2010, 38,000,000 warrants were exercised to subscribe for 38,000,000 new shares of the Company. The total net proceeds from subscription and exercise of warrants were amounted to HK$73,340,000.

(iv) 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 ("July Placing Price") to not less than six independent professional institutional investors and other investors. These shares consisted of 80,000,000 shares under top-up placing and 20,000,000 share placed by the Vendor.

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 which was equivalent to the July Placing Price. The July Subscription Shares were issued on 22 July 2010. The net proceeds from the subscription of shares were approximately HK$276,258,000.

20 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	2010	2009
		(Restated)
	HK$'000	HK$'000
Depreciation (Note 6)		
– Owned assets	**76,969**	66,847
– Leased assets	**10,475**	13,955
	87,444	80,802
Employment expenses (Note 21)	**230,567**	146,524
Amortisation of leasehold land and land use rights (Note 7)	**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

21 EMPLOYMENT EXPENSES

	2010 HK$'000	2009 HK$'000
Wages, salaries and bonus	**215,449**	134,068
Share options granted (Note 18)	**508**	2,916
Staff welfare	**5,016**	2,789
Retirement benefit – defined contribution plans (a)	**9,594**	6,751
	230,567	146,524

(a) Retirement benefit – defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China, which is a defined contribution plan. The Group and its employees contribute approximately 8% and 5%, respectively, of the employees' salary as specified by the local government, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month.

During the year ended 31 December 2010, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$9,594,000 (2009: HK$6,751,000). As at 31 December 2010, the Group was not entitled to any forfeited contributions to reduce its future contributions (2009: nil).

21 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' emoluments

The remuneration of each director for the year ended 31 December 2010 is set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	2,040	300	7	12	2,359
Mr. Zhang Jian Hua	–	2,040	300	9	12	2,361
Mr. Zhang Yaohua	–	2,040	300	9	12	2,361
Mr. Nomo Kenshiro	–	345	37	2	–	384
Independent non-executive directors						
Dr. Lui Sun Wing	120	–	–	2	6	128
Mr. Choy Tak Ho	120	–	–	2	–	122
Mr. Leung Tai Chiu	120	–	–	2	6	128
	360	6,465	937	33	48	7,843

21 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2009 is set out below:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	2,040	300	139	12	2,491
Mr. Zhang Jian Hua	–	2,040	300	154	12	2,506
Mr. Zhang Yaohua	–	2,040	300	154	12	2,506
Mr. Nomo Kenshiro	–	438	37	56	–	531
Independent non-executive directors						
Dr. Lui Sun Wing	120	–	–	34	6	160
Mr. Choy Tak Ho	120	–	–	34	–	154
Mr. Leung Tai Chiu	120	–	–	34	6	160
	360	6,558	937	605	48	8,508

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2009: nil).

21 EMPLOYMENT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2009: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2009: one) individual is as follows:

	2010	2009
	HK$'000	HK$'000
Salaries	**1,080**	1,080
Bonus	**90**	90
Share options granted	**4**	101
Retirement benefit – defined contribution plans	**12**	12
	1,186	1,283

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	–
	1	1

During the year, no emolument was paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2009: nil).

22 FINANCE INCOME/COSTS

	2010 HK$'000	2009 HK$'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.

23 INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'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

23 INCOME TAX EXPENSE (CONTINUED)

(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.

23 INCOME TAX EXPENSE (CONTINUED)

(c) Overseas income tax (Continued)

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 HK$'000	2009 HK$'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.

24 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$106,464,000 (2009: HK$19,424,000).

25 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

26 DIVIDENDS

	2010 HK$'000	2009 HK$'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

27 BUSINESS COMBINATIONS

On 1 January 2010, the Group entered into an agreement with an independent third party to acquire 51% of the share capital of a company and its subsidiary (the "Third Party") for a consideration of Renminbi 7,650,000 (equivalent to HK$8,705,000). The Third Party is principally engaged in the design and fabrication of metal stamping and the manufacturing of metal stamping and its operations are mainly carried out by its subsidiary in the Mainland China. The acquired business contributed revenue of approximately HK$33,048,000 and profit attributable to the Group of approximately HK$2,082,000 for the twelve months ended 31 December 2010.

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	3,777
Trade receivables	13,210
Other receivables	342
Inventories	1,163
Property, plant and equipment	10,946
Trade payables	(10,331)
Other payables	(1,406)
Finance lease liabilities	(190)
Net identifiable assets acquired	17,511
Non-controlling interest (49%)	(8,580)
Fair value of net assets attributable to the Group	8,931
Excess of the Group's interest in the net fair value of the Third Party's identifiable assets, liabilities and contingent liabilities over cost	(226)
	8,705
Consideration paid	
Less: Cash and cash equivalents acquired	(3,777)
Cash outflow on acquisition	4,928

28 CASH GENERATED FROM OPERATIONS

	2010	2009 (Restated)
	HK$'000	HK$'000
Profit for the year	303,418	31,519
Adjustments for:		
– Income tax	48,336	7,089
– Depreciation	87,444	80,802
– Amortisation of leasehold land and land use rights	922	775
– (Gain)/loss on disposal of property, plant and equipment	(80)	803
– Excess of the Group's interest in the net fair value of the Third Party's identifiable assets, liabilities and contingent liabilities over cost	(226)	–
– Share-based payments	508	2,916
– Interest income	(1,184)	(1,684)
– Interest expense	6,101	11,862
Changes in working capital:		
– Inventories	(53,518)	82,938
– Trade receivables	(106,042)	(2,638)
– Prepayments, deposits and other receivables	(30,946)	(8,850)
– Trade payables	44,928	12,499
– Accruals and other payables	19,934	40,939
Cash generated from operations	319,595	258,970

28 CASH GENERATED FROM OPERATIONS (CONTINUED)

In the consolidated cash flow statement, proceeds from disposals of land use right and sales of property, plant and equipment comprise:

	Property, plant and equipment	
	2010	2009
	HK$'000	HK$'000
Net book amount	**28**	859
Gain/(loss) on disposal	**80**	(803)
Proceeds from disposal	**108**	56

29 CAPITAL COMMITMENTS – GROUP

Capital expenditure at the statement of financial position date contracted but not yet incurred are as follows:

	2010	2009
	HK$'000	HK$'000
Contracted but not provided for		
– Construction of buildings	**53,570**	44,284
– Purchase of motor vehicles	**–**	3,878
– Purchase of plant and machinery	**48,732**	8,317
	102,302	56,479

30 RELATED-PARTY TRANSACTIONS

Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited which owns 39.3% of the Company's shares as at 31 December 2010.

(a) The following transactions were carried out with related parties:

In 2005, EVA Limited and EVA Holdings Limited (the "Companies"), wholly owned subsidiaries of the Group, proposed a settlement with The Hong Kong Inland Revenue Department (the "HKIRD") regarding the Companies' offshore claim queries raised by the HKIRD. There has been no response from the HKIRD to the Companies' proposal. However, up to 31 December 2010, the Companies had already paid approximately HK$8,068,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2003. The payments incurred before 31 December 2010 which amounted to approximately HK$3,188,000 had been indemnified by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors of the Company, pursuant to the deed of the indemnity in connection with the listing of the Company's shares in 2005. The remaining balance of approximately HK$4,880,000 will also be indemnified by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua should the final determination of such tax liabilities be made by the HKIRD.

(b) Key management compensation

	2010 **HK$'000**	2009 HK$'000
Salaries, allowances and bonus	**9,386**	9,450
Share-based payments	**34**	861
Retirement benefits – defined contribution plans	**101**	87
	9,521	10,398

31 EVENTS AFTER THE BALANCE SHEET DATE

(a) Warrant exercise

On 22 March 2010, the Company entered into warrant subscription agreements with seven individual and corporate investors whereby the Company agreed to issue and the subscribers agreed to subscribe for 52,000,000 warrants at a warrant issue price of HK$0.02 per warrant. During 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 amounted to HK$106,600,000

(b) Placing of new shares

On 3 March 2011, the Company entered into an agreement (the "Placing Agreement") with a placing agent (the "Placing Agent") whereby the Placing Agent conditionally agreed to place on a best effort basis, as an agent for the Company, up to 47,342,000 new shares of the Company's shares (the "Placing Share") to a placee(s) at a price of HK$6.25 per Placing Share. On the assumption that all Placing Shares are fully placed, the gross proceeds arising from this placing will be HK$295,887,500 and the net proceeds arising from this placing will amount to approximately HK$283,800,000 which is intended to be used for funding continuous business expansion and potential acquisition opportunities. The Placing Shares will have an aggregate nominal value of HK$4,734,200.

Five Years Financial Summary

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
RESULTS					
Revenue	**1,703,099**	1,026,097	1,084,982	952,030	691,240
Profit for the period	**302,664**	31,519	82,578	153,856	108,649
Non-controlling interest	**754**	–	–	–	–
	303,418	31,519	82,578	153,856	108,649
CONSOLIDATED BALANCE SHEET					
Non-current assets	**1,192,843**	1,008,503	1,013,563	737,572	520,907
Current assets	**1,031,626**	546,623	645,292	517,664	357,695
Current liabilities	**(598,818)**	(561,576)	(526,362)	(263,794)	(326,949)
Non-current liabilities	**(35,255)**	(96,734)	(165,437)	(60,723)	(53,057)
Net assets	**1,590,396**	896,816	967,056	930,719	498,596
Share capital	**81,629**	61,802	69,813	72,124	60,000
Reserves	**1,499,437**	835,014	897,243	858,595	438,596
Non-controlling interest	**9,330**	–	–	–	–
Equity	**1,590,396**	896,816	967,056	930,719	498,596

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