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

ANNUAL REPORT 2011 年報

聚力以億 齊之以和

GATHER AND HARMONISE BILLIONS OF STRENGTHS

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 five production facilities in Shenzhen, Suzhou, Zhongshan and Chongqing. Further, another production facility is under construction in Wuhan which is scheduled for completion in early 2013.

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 fast growing China domestic market, with particular attention given to the huge automotive sector. To this end, the Group's production facilities in Chongqing and Wuhan are destined for serving the automobile market.

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).

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－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－二零零四年最佳協力獎) and "Very Valuable Vendor (Improvement) Award" (VVV獎－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準優秀獎) 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 Enterprises 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 Enterprises 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 ISO9001:2000 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.

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" (二零零七年中國製造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 ISO14001:2004 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).

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" (優秀供應商獎) from General Electric. EVA Precision Industrial Holdings Limited was granted with: – "Outstanding Enterprise in China Machinery Industry" (中國機械工業優秀企業) award and "Most Influential Brand Name in China Machinery Industry" (中國機械工業最具影響力的品牌) award by China Machinery Industry Federation (中國機械工業聯合會); – "Employee Care" (關愛員工獎) award by Golden Bee CSR China Honour Roll (金蜜蜂企業社會責任中國榜); – "Great Love in Guangming" (大愛光明獎) award by the charity committee of Shenzhen Guangming New District; – "Hong Kong Outstanding Enterprises" (香港傑出企業獎) award by Hong Kong Economic Digest (香港經濟一週); and – "Chairman Enterprise" (會長企業) accreditation by 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); – "Outstanding Culture Building Organisation in Shenzhen" (深圳企業文化建設優秀單位) award from Shenzhen Enterprises 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) accreditation by Shenzhen General Chamber of Commerce (深圳市商業聯合會).

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, 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 (深圳市國家税務局) and Municipal Tax Bureau of Shenzhen (深圳市地方税務局).
	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).
	Shenzhen EVA Mould Manufacturing Limited was awarded with ISO/TS16949:2009 certification in respect of the production of automobile parts by the BSI Group.

Year	Event
2011	EVA Precision Industrial Holdings Limited acquired Chongqing Digidie Auto Body Ltd. (重慶數碼模車身模具有限公司) in mid 2011 as part of its strategic plan to expand into the huge China automotive sector. As a wholly-owned subsidiary of the Group, Digidie Stamping Technology (Wuhan) Limited (數碼模衝壓技術(武漢)有限公司) was established in September 2011, targeted at serving international and domestic automobile brand names located in Wuhan and its adjacent cities. EVA Precision Industrial Holdings Limited received: – "Golden Quality Award" (品質金獎) from Konica Minolta; – "Premiere Partner (2011) Award" (卓越合作夥伴) from Fuji Xerox; – "Qualification Certificate in Factory Monitoring Standard for the Management of Special Chemical Substances" (特定化學物質管理工場監察基準合格證) from Brother; – "Green River Delta Environmental Award" (珠三角環保大獎) and was accredited as "Green Medalist" (綠色獎章公司) by the Federation of Hong Kong Industries and Hang Seng Bank; – OHSAS18001:2007 certificate in occupational health and safety management system from the BSI Group; – "AAA Credit Rating Enterprise in China" (中國AAA級信用企業) award from China Cooperative Trade Enterprises Association (中國合作貿易企業協會), China Enterprise Reform and Development Society (中國企業改革與發展研究會) and China Enterprise Credit Evaluation Centre (中國企業信用評價中心); and – "Reputable Enterprise in Guangdong Province" (廣東省著名企業) award from China Quality Brand Evaluation Centre (中國質量品牌測評中心), the Guangdong Branch of the Society of Social Investigation of China (中國社會調查所廣東分所) and CSA Credit Appraisal Centre (中品評（北京）品牌管理顧問中心).

Year	Event
2011 *(Cont'd)*	In addition, EVA Precision Industrial Holdings Limited entered into joint development programs and became the education, research and production practice bases of Huazhong University of Science and Technology (華中科技大學), Shenzhen Polytechnic (深圳職業技術學院) and Henan University of Technology (河南工業大學). It was also recognised as one of the "100 Model Enterprises in Baoan District for Vocational Training" (寶安區百家企業培訓示範基地) by Shenzhen Baoan District Vocational Abilities Development Bureau (深圳市寶安區職業能力開發局). 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. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with Supplier QCC Forum – First Class Award (供應商QCC發表會一等獎) by Kyocera Mita. It also received "Certificate of Honor for Donation" (捐贈榮譽證書) and was accredited as "Charity Enterprise" (愛心企業) by Shenzhen Machinery Association (深圳市機器行業協會) and Shenzhen Youth Development Foundation (深圳市青少年發展基金會). Chongqing Digidie Auto Body Ltd. received "China Businessmen Contribution Award" (華商貢獻獎) from The United Front Bureau of Chongqing Municipal Committee of the Communist Party of China (中共重慶市委統戰部), Chongqing Municipal Commission of Economy and Information (重慶市經濟和信息化委員會) and Chongqing Daily (重慶日報報業集團). It was also accredited as "Executive Council Member Enterprise" (常務理事單位) by Chongqing Metal Forming Industry Association (重慶鑄造行業協會). EVA Precision Industrial (Suzhou) Limited was recognised as a "National High and New Technology Enterprise".
2012	EVA Precision Industrial (Suzhou) Limited received "Special Contribution Award" (特殊貢獻獎) from Canon. The Group's production base in Wuhan, which is targeted at automobile components business, commenced construction in March 2012 and is scheduled for completion in 2013.

FINANCIAL HIGHLIGHTS

		2011	2010	2009	2008	2007
OPERATING RESULTS						
Turnover	HK$'000	**1,977,845**	1,703,099	1,026,097	1,084,982	952,030
Earnings before interest and taxation (EBIT)	HK$'000	**244,439**	356,671	48,786	109,477	173,013
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	HK$'000	**346,470**	445,037	130,363	170,249	223,076
Profit attributable to equity holders of the Company	HK$'000	**210,379**	302,664	31,519	82,578	153,856
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**259,371**	319,595	258,970	159,384	157,457
Net current assets (liabilities)	HK$'000	**430,963**	432,808	(14,953)	118,930	253,870
Shareholders' equity	HK$'000	**2,044,412**	1,590,396	896,816	967,056	930,719
PER SHARE DATA						
Earnings per share						
– Basic (Note 1 and 3)	HK cents	**12.8**	21.3	2.4	5.8	11.2
– Diluted (Note 2 and 3)	HK cents	**12.7**	20.2	2.3	5.7	10.9
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**17.5**	26.1	12.7	15.7	23.4
Net profit margin	(%)	**10.6**	17.8	3.1	7.6	16.2
Return on shareholders' equity	(%)	**10.3**	19.0	3.5	8.5	16.5
Net debt-to-equity ratio (Note 4)	(%)	**Net cash**	Net cash	18.7	23.6	Net cash

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 1,370,380,000 ordinary shares, 1,432,958,000 ordinary shares, 1,318,888,000 ordinary shares, 1,419,912,000 ordinary shares and 1,640,697,000 ordinary shares in issue during the year ended 31 December 2007, 2008, 2009, 2010 and 2011 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 1,405,374,000 ordinary shares, 1,437,994,000 ordinary shares, 1,387,340,000 ordinary shares, 1,501,750,000 ordinary shares and 1,652,069,000 ordinary shares respectively for the years ended 31 December 2007, 2008, 2009, 2010 and 2011 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: On 27 May 2011, the Company issued bonus shares on the basis of 1 bonus share for every 1 existing share pursuant to a shareholders' resolution passed at the Company's annual general meeting on 20 May 2011. Accordingly, the basic and diluted earnings per share as shown above were also adjusted to reflect the impact of bonus share issue on earnings per share.

Note 4: 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. Choy Tak Ho *(Chairman)*
Mr. Zhang Hwo Jie
Dr. Lui Sun Wing

NOMINATION COMMITTEE

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

HEAD OFFICE

Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza
No.1 Science Museum Road, Kowloon, Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

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

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

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

Mainland China

Industrial and Commercial Bank of China
Shenzhen Development Bank

LEGAL ADVISOR

Minter Ellison

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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CHAIRMAN'S STATEMENTS

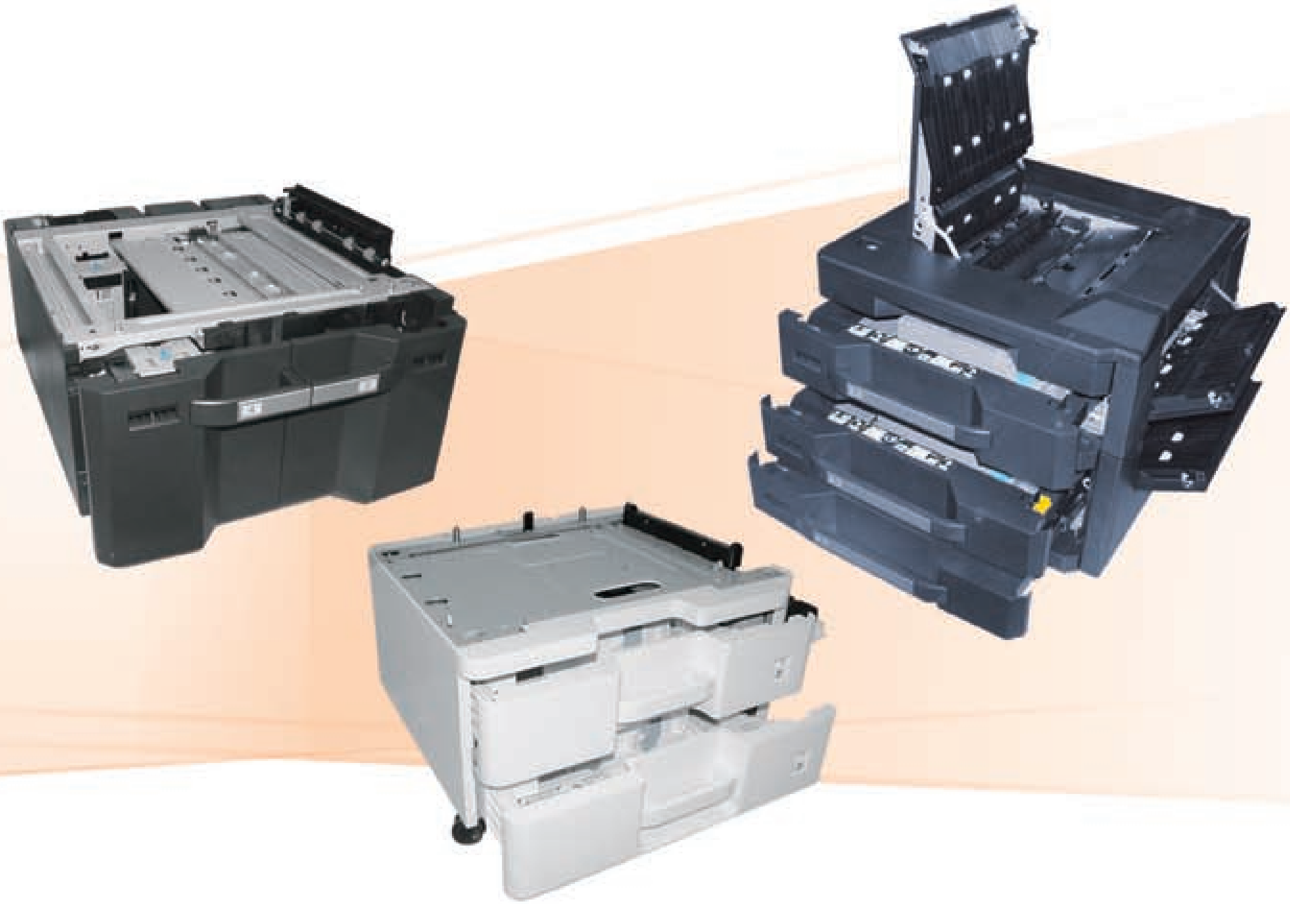
Zhang Hwo Jie
Chairman

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 2011.

BUSINESS REVIEW

During the year under review, the manufacturing industry was adversely affected by the catastrophic earthquake in Japan, which is the global production hub of chips and electronic components. Whilst the production of other components had been relocated to other countries, the chips and electronic components from Japan are still indispensible. Accordingly, the disruption in supply of such parts from Japan following the earthquake had resulted in a temporary slowdown in global manufacturing activities. However, such temporary setbacks had not altered the on-going strategy of our customers to concentrate more of their purchases to large scale manufacturers like ourselves. Therefore, our turnover hit historical high once again and recorded a growth of 16.1% to HK$1,977,845,000 despite the unfavourable external environment.

Compared to the impact on our turnover, the impact of the earthquake on our profit margin was more obvious. The parts from Japan are needed by our customers to assemble with the components supplied by us to form the finished products, and the volatility in their output after the earthquake made it necessary for both our customers and us to change the production schedules frequently and rendered us unable to enjoy the benefits from detailed production planning. Production costs increased and accordingly, our net profit reduced by 30.5% to HK$210,379,000.



BUSINESS DEVELOPMENT

Despite the temporary impacts from the earthquake, our business fundamentals continued to make progresses. With a view to capitalising on China's consumption boom, the Group has initiated a strategic shift from its previous focus on just office automation (OA) equipment destined for exports to cater to the domestic market in China since late 2009. During the year, significant inroads had been made toward this direction. In mid 2011, we acquired 100% interests in Chongqing Digidie Auto Body Ltd., an automobile mould producer located in Chongqing, for the purpose of obtaining a platform to expand our business geographically to cover automobile brand names located in Chongqing and its adjacent cities, which include Ford, Mazda, Suzuki, Isuzu and Volvo. In March 2012, we commenced the construction of a new production base in Wuhan, which is targeted at providing component production and welding services to automobile brand names including Honda, Nissan, Citroen and Peugeot located in Wuhan and the surrounding regions. The development of our Wuhan production base is divided into phases and phase one is scheduled for completion in 2013.

On the other hand, we continue to see substantial growth potential in our traditional OA equipment business since our OA customers continue to consolidate the presently fragmented supplier base of this industry and concentrate more of their purchases to large scale manufacturers like ourselves. To cope with the increase in order flows, we have completed a new factory building within our existing production base in Shenzhen by end of 2011. This new factory building can provide adequate floor area for future capacity expansion. Going forward, the OA equipment business will continue to be our growth driver from which we can generate cash flows to fund our expansion in the automobile sector.

PROSPECTS

Although the negative impacts brought by the earthquake in Japan were now behind us, the year 2012 is not without challenges. Cautious about the economic outlook in developed countries, certain of our OA equipment customers had already publicised their plan to shift their near term growth drivers to lower end products for sales to emerging countries. This will definitely drive our turnover growth, but at the same time alter our product mix in 2012 which requires a change in production management. However, the launch of higher end OA equipment is only delayed, but remains necessary due to technological advancement and competition among brand owners.

Last but not the least, on behalf of the Board, 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, 27 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

The Group underwent a period of challenges during 2011. Our business growth was delayed by the earthquake in Japan and the nuclear emission and massive power disruption that followed, which hit our customers' supply chain in Japan. As the components and mechanical modules sold by us to our customers' assembly plants require certain parts sourced from Japan to form the finished products, the disruption in the supply of such parts from Japan had inevitably resulted in a slowdown of the order flow. Nevertheless, thanks to the on-going trend of our customers to concentrate more purchases on large manufacturers such as ourselves, our turnover continued to record a 16.1% growth despite unfavourable external environment and amounted to approximately HK$1,977,845,000 in 2011.

However, as compared to the impact on turnover, the Japan earthquake had a more prominent impact on our profit margin. Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. This situation continued until the end of 2011. Accordingly, production costs increased and, coupled with the increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake, the Group's net profit for the year ended 31 December 2011 decreased by approximately 30.5% to HK$210,379,000.

Nevertheless, in spite of the challenges, we continued to make progresses on our business fundamentals. In mid 2011, we entered into agreements to acquire 100% interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie"), an automobile moulds company established in Chongqing, China, at a consideration of RMB61,318,000. As mentioned in our 2009 and 2010 annual reports, the Group is in the process of strategically expanding from its previous focus on just office automation (OA) equipment to devoting more resources on the fast growing China domestic market, with particular attention given to the huge automobile sector. Accordingly, the acquisition of Chongqing Digidie was executed as part of this strategic plan of the Group, with a view to strengthening the business foundation of the Group in the automotive sector and providing a platform for the expansion of the Group's business in Chongqing and other regions in western China.

Currently, Chongqing is one of the major production hubs in China for automobiles. A number of international automobile brand names have established production bases in Chongqing or its adjacent cities, which includes Ford, Mazda, Suzuki, Isuzu and Volvo. Some of these are existing customers of Chongqing Digidie, whilst others are its target customers. We are confident that by acquiring Chongqing Digidie, and by combining the precision engineering expertise of the Group for products with high dimensional accuracy requirements which is also necessary for high quality automobile products and the existing engineering expertise of Chongqing Digidie, Chongqing Digidie can successfully serve as a platform for the Group to obtain businesses from its existing and target customers. At the same time, the acquisition of Chongqing Digidie can also facilitate the expansion of the Group geographically since the Group has no production base in the western region of China prior to the acquisition.

Further, the Group is also in the process of establishing a new production base in Wuhan, another automobile hub in central China region. The Wuhan production base is targeted at providing component production and welding services for automobile brand names located in Wuhan and its adjacent cities which include Dongfeng, Honda, Nissan, Citroen and Peugeot. The new Wuhan production base has a land area of approximately 166,000 square metres and its development is divided into phases. The construction of phase one of the Wuhan production base with a floor area of approximately 51,000 square metres had commenced in March 2012, and is scheduled for completion in 2013.

Our traditional OA equipment business also saw significant progresses during the year. Despite the unstable supply of parts from Japan following the earthquake, the new OA equipment models which were related to a series of "integrated orders" obtained by the Group in 2010 were finally launched by the relevant customer to the market in May 2011. Under these integrated orders, we offered one-stop solution to produce mechanical modules of the new OA equipment models covering the production of relevant moulds, components and product assembly for the first time. The initial production volume following the market launch of these new OA equipment models was less than originally expected, which primarily due to the supply chain disruption in Japan. However, on a brighter side, the successful market launch of these new OA equipment models shortly after the earthquake demonstrated our production capabilities, which are necessary credentials for us to obtain integrated orders of similar nature from other Japanese brand owners.

The Group had also completed the construction of a new factory building within the Group's existing production base in Shiyan Town, Shenzhen, China. Currently, certain of our production equipment had been relocated to this new factory building. However, should our production capacity be unable to cope with the surge in orders, the new factory building can provide adequate production floor area for further capacity expansion.

During the year, we continued to devote substantial efforts on maintaining a healthy balance sheet. Our inventory turnover days, however, increased from 47 days for the year ended 31 December 2010 to 74 days for the year ended 31 December 2011 which was primarily caused by the production of mechanical modules relating to the "integrated orders" obtained by the Group in 2010. Since the manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, they require longer production time as compared to other traditional orders which cover the production of components only and therefore led to the piling up of inventories at the end of the financial year. In light of this, we successfully negotiated with our major suppliers during the year for longer credit periods to match with the lengthening of our production time. Accordingly our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) increased only slightly from 46 days to 52 days. At year end, the Group continued to be in net cash position, which has a strong appeal to existing and target customers looking for manufacturing partners in China as financial viability is now one of the key criteria for supplier selection to ensure stability in their supply chain.

FINANCIAL REVIEW

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

	2011 HK$'000	**%**	2010 HK$'000	%
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**140,489**	**7.1%**	196,015	11.5%
Manufacturing of metal stamping components	**1,008,841**	**51.0%**	787,490	46.2%
Manufacturing of lathing components	**138,817**	**7.0%**	98,315	5.8%
Others (Note 1)	**30,428**	**1.5%**	32,010	1.9%
	1,318,575		1,113,830	
Plastic division				
Design and fabrication of plastic injection moulds	**74,067**	**3.8%**	127,626	7.5%
Manufacturing of plastic injection components	**578,394**	**29.2%**	456,175	26.8%
Others (Note 1)	**6,809**	**0.4%**	5,468	0.3%
	659,270		589,269	
Total	**1,977,845**		1,703,099	
Segment results				
Metal division	**152,428**		226,815	
Plastic division	**80,886**		130,228	
Operating profit	**233,314**		357,043	
Unallocated income (expenses), net	**11,125**		(372)	
Finance income	**3,504**		1,184	
Finance costs	**(8,635)**		(6,101)	
Income tax expense	**(29,535)**		(48,336)	
Non-controlling interest	**606**		(754)	
Profit attributable to equity holders of the Company	**210,379**		302,664	

Note 1: Others mainly represented sales of scrap materials

Turnover

The Group recorded a significant increase in the revenue from design and fabrication of metal stamping and plastic injection moulds during the last financial year. 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 2011. Accordingly, despite the negative impact from the earthquake in Japan, the Group's revenue from manufacturing of metal stamping and plastic injection components continued to record growth by approximately 28.1% and 26.8% respectively during the year ended 31 December 2011.

In 2010, the Group received large-scale "integrated orders" which relate to new office automation equipment models with planned product life cycle of four years. The mould development stage of such orders was completed in 2010, and mould revenue of approximately HK$81,178,000 was recorded during the last financial year. The Group had not received similar "integrated orders" this year and, coupled with the delay in our customers' production development activities following the earthquake, the Group's revenue from design and fabrication of metal stamping and plastic injection moulds decreased by approximately 33.7% during the year.

Gross profit

Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. This situation continued until the end of 2011. Together with (1) an increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake and (2) a reduction in the percentage of mould revenue, which are higher margin products, to total turnover, the Group's gross profit reduced to approximately HK$488,700,000 and gross profit margin was 24.7%.

Segment results

For the year ended 31 December 2011, segment results of the Group's metal and plastic division amounted to approximately HK$152,428,000 and HK$80,886,000, representing an operating profit margin of approximately 11.6% and 12.3% 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 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 the year ended 31 December 2011 increased to approximately HK$8,635,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities during the year.

Income tax expense

During the year ended 31 December 2011, income tax expense amounted to approximately HK$29,535,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year ended 31 December 2011 was 12.3%, which was comparable to that in 2010.

Profit attributable to equity holders of the Company

During the year ended 31 December 2011, profit attributable to equity holders of the Company amounted to approximately HK$210,379,000, representing a decrease of approximately 30.5% as compared to that for the year ended 31 December 2010. The reduction in profitability of the Group was primarily caused by the negative impact stemming from the earthquake in Japan as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the year ended 31 December 2011, the Group recorded net cash generated from operating activities amounting to approximately HK$218,826,000, representing a decrease by approximately 25.6% as compared to that for the year ended 31 December 2010, which was primarily caused by the reduction in the Group's net profit during the year. Net cash used in investing activities was approximately HK$565,550,000, which increased by approximately 112.0% as compared to last year due to (1) cash used in acquiring Chongqing Digidie Auto Body Ltd. of approximately HK$74,849,000; (2) deposits paid for the acquisition of land of our new production base in Wuhan of approximately HK$60,318,000; and (3) the purchases of additional equipments for the continuing development of the Group's existing production bases during the year. In addition, the Group borrowed additional bank loans and received net proceeds from exercise of warrants and share placement of HK$312,443,000. As such, net cash generated from financing activities increased to approximately HK$360,438,000 during the year.

Bank loans as at 31 December 2011 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 2011 is as follows:

	31 December 2011	31 December 2010
Inventory turnover days (Note 1)	**74**	47
Debtors' turnover days (Note 2)	**73**	70
Creditors' turnover days (Note 3)	**95**	71
Cash conversion cycle (Note 4)	**52**	46
Current ratio (Note 5)	**1.50**	1.72
Net debt-to-equity ratio (Note 6)	**Net cash**	Net cash

Note –

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

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

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

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

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

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

Inventory turnover days

During the year, the Group gradually rammed up its production of mechanical modules relating to the new "integrated orders" obtained by the Group in 2010. The manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, thus requires longer production time as compared to the traditional orders of the Group which cover the production of components only. As such, the Group's inventory turnover day increased by 27 days to 74 days during the year.

Debtors' and creditors' turnover days

During the year, the Group's debtors' turnover days were approximately 73 days, which was comparable to that for the last financial year. Creditors' turnover days increased to 95 days, which was primarily because the Group had successfully negotiated with its major suppliers during the year for longer credit periods to match with the longer production time as mentioned above.

Current ratio and net debt-to-equity ratio

During the year, the Group's current ratio decreased slightly to approximately 1.50 since the Group had obtained additional short-term bank borrowings to fund working capital requirements. Despite this, the Group continued to be in net cash position as at 31 December 2011.

FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the year ended 31 December 2011, approximately 35%, 56% and 9% (For the year ended 31 December 2010: 34%, 59% and 7%) of the Group's sales and approximately 13%, 70% and 17% (For the year ended 31 December 2010: 13%, 70% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2011, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$2,418,000 in favour of contractors of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book value of approximately HK$7,171,000 and HK$49,977,000 respectively for securing bank borrowings; and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$95,563,000 for securing finance lease liabilities.

HUMAN RESOURCES

As at 31 December 2011, the total number of employees of the Group was 6,673 employees, representing an increase of 22.5% as compared to 5,448 employees as at 31 December 2010. The increase in headcount was primarily caused by (1) the commencement of operations of the Group's new production base in Zhongshan which was completed by end of 2010; (2) additional employees brought by Chongqing Digidie Auto Body Ltd. and other new subsidiaries which were merged into the Group through acquisitions; and (3) 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

Although the catastrophic earthquake in Japan had brought about temporary impacts on our 2011 results, our business fundamentals remained intact. Our ability to assist the relevant customer launching the new OA equipment models relating to the "integrated orders" obtained by us in 2010 despite an unstable supply of parts from Japan in May 2011 was an obvious proof of our production capabilities, and our quick responses after the earthquake demonstrated to other existing and target customers the benefits of our unique one-stop production model. We completed an acquisition in mid 2011 and started construction of a new production base in Wuhan in March 2012 for automobile components sector, evidencing our progress toward the fast growing China domestic consumption sector. At the same time, our balance sheet remained strong despite our expansion.

The negative impacts brought by the earthquake in Japan were now behind us, but the year 2012 is not without challenges. Cautious about the economic outlook in developed countries, certain of our OA equipment customers had already publicised their plan to shift their near term growth drivers to lower end products for sales to emerging countries. This will definitely drive our turnover growth, but at the same time alter our product mix in 2012 which requires a change in production management. However, the launch of higher end OA equipment is only delayed, but remains necessary due to technological advancement and competition among brand owners.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 49, is the chairman of the Group and a member of the remuneration committee of the Company. 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 19 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 and the chairman of automobile components committee of the Chinese Manufacturers' Association of Hong Kong. Mr. Zhang 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 37, 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 39, 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 19 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 Association 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 70, 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 relations 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 61, is an independent non-executive director. He is the chairman of the Company's audit committee and a member of its remuneration committee and nomination 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 an executive director of Leeport (Holdings) Limited, a non-executive director of Eco-Tek Holdings Limited and an independent non-executive director of Shanghai Electric Group Company Limited. Dr. Lui was appointed as a director on 11 January 2005.

Mr. CHOY Tak Ho, aged 83, is an independent non-executive director. He is the chairman of the remuneration committee of the Company and a member of its audit committee and nomination committee. Mr. Choy has over 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. 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 and Industry Associations Limited 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 and China Solar Energy Holdings Limited. He was appointed as a director on 11 January 2005.

Mr. Leung Tai Chiu, aged 65, is an independent non-executive director. He is the chairman of the nomination committee of the Company and a member of its audit committee. 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 the independent non-executive director of Kingboard Laminates Holdings Limited and G-Vision International (Holdings) Limited. He was appointed as a director on 5 June 2006.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 39, is the chief financial officer and the company secretary of the Group. Mr. Wong is responsible for the accounting, taxation and financial affairs of the Group. Mr. Wong has over 16 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.

Ms. Sun Li, aged 35, 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 13 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).

Mr. CHEN Hong Bin, aged 44, 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 19 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 factories 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 41, 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 16 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. Liu Zhi Bin, aged 37, is the general manager of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. Mr. Liu is responsible for the overall management and operations of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. Mr. Liu joined the Group in November 1997, and had previously taken up various positions inside the Group including quality control, technology and sales management. Mr. Liu has extensive experience in the office automation equipment sector, particularly in the areas of market development and operations management. He also possesses comprehensive knowledge about production operations, quality control and logistic management. Mr. Liu holds a bachelor degree in business management from Jiangxi University of Science and Technology and a graduation certificate in business management and innovative leadership studies from the Research Institute of Tsinghua University Shenzhen Training Centre.

Mr. SONG Lei, aged 37, is the general manager of EVA Precision Industrial (Suzhou) Limited, a subsidiary of the Group. 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 14 years of marketing, corporate planning and management experience in manufacturing industry and has 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 39, is the general manager of EVA Precision Industrial (Zhongshan) Limited, a subsidiary of the Group. Mr. Liu is responsible for the overall management and operations of EVA Precision Industrial (Zhongshan) Limited. Mr. Liu joined the Group in December 2007. He has over 15 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 practices 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 expenditure;
- 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 comprise independent non-executive directors. The biographical information of directors are set out on page 28 to page 31 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 Officer 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 2011, 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 the system of internal control, including financial, operational and compliance control and risk management functions of the Group for the year ended 31 December 2011.

BOARD MEETING

During the year ended 31 December 2011, the Board held 17 meetings.

Name of directors	Number of attendance
Mr. Zhang Hwo Jie	17/17
Mr. Zhang Jian Hua	17/17
Mr. Zhang Yaohua	17/17
Mr. Nomo Kenshiro	17/17
Dr. Lui Sun Wing	17/17
Mr. Choy Tak Ho	17/17
Mr. Leung Tai Chiu	17/17

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 the directors 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 had 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 namely Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu 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 reporting system and internal control procedures. The terms of reference of the audit committee, which are aligned with the provisions set out in the Code on Corporate Governance Practices, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The audit committee held 2 meetings during the year ended 31 December 2011 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 2010 and the interim financial statements for the six months ended 30 June 2011 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 had 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 2011. 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

During the year ended 31 December 2011, the full Board was responsible for the selection and approval of candidates for the appointment of directors to the Board. On 31 January 2012, the Company had set up a nomination committee which comprises three independent non-executive directors namely Mr. Leung Tai Chiu, Dr. Lui Sun Wing and Mr. Choy Tak Ho with Mr. Leung Tai Chiu as the chairman. The nomination committee has authorities and duties consistent 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 nomination committee is principally responsible for the selection and assessment of candidates for the appointment of directors. In considering the nomination of new directors, the nomination committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. It will also assess the independence of candidates in the case of the appointment of independent non-executive directors. The terms of reference of the nomination committee are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The Company had established a remuneration committee on 22 June 2005 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. During the year ended 31 December 2011, Mr. Zhang Hwo Jie was the chairman of the remuneration committee, who was replaced by Mr. Choy Tak Ho pursuant to a resolution passed by the Board on 31 January 2012. The remuneration committee has authorities and duties consistent 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 remuneration committee is principally responsible for making recommendations to the Board on the Group's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The terms of reference of the remuneration committee are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

During the year ended 31 December 2011, the remuneration committee held 1 meeting with all members present at the meeting. The remuneration committee reviewed and discussed the remuneration packages of the directors and senior management by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. Details of the remuneration to directors and senior management for the year ended 31 December 2011 are set out in Note 23 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 2011, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$3,231,000. 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 55 to page 56 of this annual report.

During the year ended 31 December 2011, 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$937,000. The non-audit services comprised tax compliance and tax advisory services of approximately HK$622,000 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 confirm that they have complied with the required standards set out in the Model Code during the year ended 31 December 2011.

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2011.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2012

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 2011.

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 2011 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 2011 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	9.2%
Five largest suppliers combined	27.1%
Sales	
The largest customer	22.4%
Five largest customers combined	68.4%

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 2011 are set out in the consolidated statement of comprehensive income on page 60 to page 61.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1.6 cents per ordinary share, totaling approximately HK$28,145,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2012, the final dividend will be payable on or about 4 June 2012. Including the interim dividend of approximately HK$31,638,000 paid on 16 September 2011 in respect of the six months ended 30 June 2011, the total dividends declared for the year ended 31 December 2011 will be approximately HK$59,783,000.

FIXED ASSETS

Details of the movements in property, plant and equipment during the year ended 31 December 2011 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of borrowings are set out in Note 16 and Note 17 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group (if any) are set out in Note 24 to the consolidated financial statements.

RESERVES

Details of movements in reserves during the year ended 31 December 2011 are set out in Note 20 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2011 amounted to HK$1,071,000.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 23 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on page 146.

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 2011.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year ended 31 December 2011 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 Yaohua, Dr. Lui Sun Wing and Mr. Leung Tai Chiu 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 2011 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 32 to the consolidated financial statements, was entered into during the year ended 31 December 2011:

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 36.47% shareholder of the Company as at 31 December 2011 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. Up to 31 December 2011, the HKIRD had not finalised the results of such queries. However, the Companies had already paid approximately HK$12,488,000 in the form of estimated tax assessments, tax reserve certificates and other payments to the HKIRD in respect of the financial years prior to 31 December 2004. Payments of approximately HK$4,579,000 had been indemnified by the Indemnifiers. The remaining balance of approximately HK$7,909,000 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 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$5,000,000 as at 31 December 2011);

(ii) factoring facilities up to HK$90,000,000; and

(iii) finance lease facilities (the outstanding balance was approximately HK$4,412,000 as at 31 December 2011).

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$9,750,000 as at 31 December 2011); 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 2011).

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 to hold 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 the following facilities ("HSB Facilities Agreement"):

(i) a term loan facility up to HK$30,000,000 for a term of three years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$30,000,000 as at 31 December 2011); and

(ii) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 31 December 2011).

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 to hold 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 subsidiary of the Company is also a party to the loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. in respect of a four years term loan facility of up to HK$50,000,000 ("BTMU Facility Agreement"), and the total outstanding balance of the loan was approximately HK$50,000,000 as at 31 December 2011.

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

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

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively remain as single largest shareholder 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 3.59% of the issued share capital as at 31 December 2011) 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 2011 were as follows:

	As at 1 January 2011	Issued during the year	Exercised during the year	As at 31 December 2011	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
		(Note 1)			HK$ (Note 1)	HK$ (Note 1)	HK$ (Note 1)
Employees of the Group							
In aggregate							
– Granted on 1 February 2008	716,000	625,000	(1,341,000)	–	1.05	1.05	1.96
– Granted on 10 December 2008	4,662,100	3,700,100	(1,148,000)	7,214,200	0.165	0.175	3.08
– Granted on 2 October 2009	680,000	560,000	(120,000)	1,120,000	0.405	0.41	3.21
	6,058,100	4,885,100	(2,609,000)	8,334,200			

Note 1: On 27 May 2011, the Company issued bonus shares on the basis of 1 bonus share for every 1 existing share pursuant to a shareholders' resolution passed at the Company's annual general meeting on 20 May 2011. On the same basis, additional share options were issued on the basis of 1 share option for every 1 existing share option and the original exercise prices of HK$2.10, HK$0.35 and HK$0.82 were adjusted to HK$1.05, HK$0.175 and HK$0.41 respectively. The share prices immediately before offer date and the weighted average closing prices before exercise of options as shown above were also adjusted to reflect the impact of bonus share issue on share prices.

The fair value of the options granted on 10 December 2008 and 2 October 2009 with outstanding balances as at 31 December 2011 of 7,214,200 options and 1,120,000 options were HK$345,000 and HK$92,000 respectively. 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 1 February 2008	1.05	41.55%	1.5 years to 3.5 years	1.487% to 1.7965%	2.79%
Granted on 10 December 2008	0.175	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.41	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 1 February 2008 with exercise price of HK$1.05		
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$0.175		
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$0.41		
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 2011, 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 2011
Mr. Zhang Hwo Jie	641,480,000 (Note 1)	15,292,000	–	656,772,000	37.34%
Mr. Zhang Jian Hua	–	664,000	–	664,000	0.04%
Mr. Zhang Yaohua	5,648,000 (Note 2)	10,132,000	156,000	15,936,000	0.91%
Mr. Nomo Kenshiro	–	–	–	–	–
Dr. Lui Sun Wing	–	–	–	–	–
Mr. Choy Tak Ho	–	–	–	–	–
Mr. Leung Tai Chiu	–	4,600,000	–	4,600,000	0.26%

Notes:

1. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 36.47% of the entire issued capital of the Company as at 31 December 2011. 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 2011
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 2011, 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 register 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 2011
Prosper Empire Limited	Beneficial owner	641,480,000 (L)	36.47% (L)
Ms. Shen Chan Jie Lin	Interest of spouse (Note1)	656,772,000 (L)	37.34% (L)
Deutsche Bank Aktiengesellschaft	Investment manager	200,467,952 (L)	11.40% (L)
		60,266 (S)	0.00% (S)
		154,266,880 (P)	8.77% (P)
The Capital Group Companies, Inc.	Investment manager	141,717,000 (L)	8.06% (L)
Janus Capital Management LLC	Investment manager	125,336,000 (L)	7.13% (L)
FIL Limited	Investment manager	89,084,000 (L)	5.06% (L)
HSBC Global Asset Management (Hong Kong) Limited	Investment manager	87,930,000 (L)	5.00% (L)

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 641,480,000 shares of the Company held by Prosper Empire Limited.

2. (L): Long Position, (S): Short Position, (P): Lending Pool

PURCHASES, SALE AND REDEMPTION OF THE SHARES

1 Placing of new shares in March 2011

On 3 March 2011, the Company and CLSA Limited entered into a placing agreement pursuant to which CLSA Limited agreed to place up to 47,342,000 new shares of the Company (the "Placing Shares") at a price of HK$6.25 per share to Janus Capital Management LLC, an independent investment manager. 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.

The 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 Placing Shares. The Placing Shares were issued on 11 March 2011. The net proceeds from the placing of the Placing Shares were approximately HK$284,023,000. The net proceeds were intended to be applied for funding continuous business expansion and potential acquisition opportunities. As at the date of this report, approximately HK$151,028,000 was utilised for the intended purposes and the remaining balance was placed on interest-bearing short-term deposits for the intended future uses.

2 Issue of bonus shares

During the annual general meeting of the Company on 20 May 2011, the Company's shareholders passed a resolution to issue bonus shares on the basis of 1 bonus share for every 1 existing ordinary share. Accordingly, 878,808,900 shares were issued on 27 May 2011.

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 2011 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

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Monday, 21 May 2012, the register of members of the Company will be closed from Thursday, 17 May 2012 to Monday, 21 May 2012, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at 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 Wednesday, 16 May 2012.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on or about Monday, 4 June 2012 to shareholders whose names appear on the register of members on Monday, 28 May 2012. To determine eligibility for the final dividend, the register of members of the Company will be closed from Friday, 25 May 2012 to Monday, 28 May 2012, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at 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 Thursday, 24 May 2012.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 32 to page 38.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2011.

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 2011 and up to the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2012

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 57 to 145, which comprise the consolidated and company statement of financial position as at 31 December 2011, 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 consolidated 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 2011 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, 27 March 2012

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,404,846**	1,086,132
Leasehold land and land use rights	7	**121,525**	50,781
Goodwill	29	**2,545**	–
Prepayments, deposits and other receivables	11	**168,341**	54,323
Other assets		**1,607**	1,607
		1,698,864	1,192,843
Current assets			
Inventories	9	**302,398**	150,947
Trade receivables	10	**393,311**	325,122
Prepayments, deposits and other receivables	11	**69,226**	50,393
Financial assets at fair value through profit or loss	12	**16,708**	–
Pledged bank deposits	13	**2,418**	4,090
Cash and cash equivalents	13	**514,871**	501,074
		1,298,932	1,031,626
LIABILITIES			
Current liabilities			
Trade payables	14	**388,280**	225,972
Accruals and other payables	15	**118,546**	93,563
Bank borrowings	16	**309,256**	202,062
Finance lease liabilities	17	**13,184**	32,684
Current income tax liabilities		**38,703**	44,537
		867,969	598,818
Net current assets		**430,963**	432,808
Total assets less current liabilities		**2,129,827**	1,625,651

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	16	**62,364**	16,879
Finance lease liabilities	17	**63**	13,247
Deferred taxation	18	**22,988**	5,129
		85,415	35,255
Net assets		**2,044,412**	1,590,396
EQUITY			
Capital and reserves			
Share capital	19	**175,905**	81,629
Reserves	20		
– Proposed final dividend		**28,145**	43,905
– Others		**1,826,879**	1,455,532
Equity attributable to owners of the Company		**2,030,929**	1,581,066
Non-controlling interests		**13,483**	9,330
Total equity		**2,044,412**	1,590,396

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

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

	Note	As at 31 December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	8	**1,418,853**	1,118,186
Current assets			
Prepayments, deposits and other receivables	11	**1,080**	374
Cash and cash equivalents	13	**5,376**	6,293
		6,456	6,667
LIABILITIES			
Current liabilities			
Accruals and other payables	15	**31,819**	45,480
Net current liabilities		**25,363**	38,813
Net assets		**1,393,490**	1,079,373
EQUITY			
Capital and reserves			
Share capital	19	**175,905**	81,629
Reserves	20		
– Proposed final dividend		**28,145**	43,905
– Others		**1,189,440**	953,839
Total equity		**1,393,490**	1,079,373

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 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**1,977,845**	1,703,099
Cost of sales	22	**(1,489,145)**	(1,161,501)
Gross profit		**488,700**	541,598
Other income		**58**	229
Other gains/(losses) – net	21	**14,535**	2,841
Selling and marketing costs	22	**(79,784)**	(65,147)
General and administrative expenses	22	**(179,070)**	(122,850)
Operating profit		**244,439**	356,671
Finance income	24	**3,504**	1,184
Finance costs	24	**(8,635)**	(6,101)
Profit before income tax		**239,308**	351,754
Income tax expense	25	**(29,535)**	(48,336)
Profit for the year	26	**209,773**	303,418
Other comprehensive income for the year, net of tax		**677**	–
Total comprehensive income for the year		**210,450**	303,418
Profit attributable to:			
– Equity holders of the Company		**210,379**	302,664
– Non-controlling interest		**(606)**	754
		209,773	303,418
Total comprehensive income attributable to:			
– Equity holders of the Company		**211,056**	302,664
– Non-controlling interest		**(606)**	754
		210,450	303,418

	Note	**2011** **HK$'000**	2010 (Restated) (note 27) HK$'000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	27	**12.8**	21.3
– diluted	27	**12.7**	20.2
Dividends	28	**59,783**	95,383

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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 2011		**81,629**	**1,499,437**	**9,330**	**1,590,396**
Comprehensive income					
Profit for the year		**–**	**210,379**	**(606)**	**209,773**
Other comprehensive income					
Currency translation differences		**–**	**677**	**–**	**677**
Total comprehensive income for the year		**–**	**211,056**	**(606)**	**210,450**
Transactions with owners					
Employee share option scheme					
– value of employee services	19	**–**	**36**	**–**	**36**
– proceeds from shares issued	19&20	**261**	**1,710**	**–**	**1,971**
Proceeds from issuance of shares pursuant to the warrant subscription	19&20	**1,400**	**27,020**	**–**	**28,420**
Proceeds from issuance of shares pursuant to the placement and subscription arrangement	19&20	**4,734**	**279,289**	**–**	**284,023**
Dividends paid		**–**	**(75,643)**	**–**	**(75,643)**
Bonus issue of shares	19	**87,881**	**(87,881)**	**–**	**–**
Non-controlling interest arising on business combination	29(d)	**–**	**–**	**4,759**	**4,759**
		94,276	**144,531**	**4,759**	**243,566**
Balance at 31 December 2011		**175,905**	**1,855,024**	**13,483**	**2,044,412**

	Note	Attributable to equity holders of the Company			
		Share capital	**Reserves**	**Non-controlling interest**	**Total**
		HK$'000	HK$'000	HK$'000	HK$'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	19	–	508	–	508
– proceeds from shares issued	19&20	8,027	75,442	–	83,469
Issuance of warrants	20	–	1,040	–	1,040
Proceeds from issuance of shares pursuant to the warrant subscription	19&20	3,800	73,340	–	77,140
Proceeds from issuance of shares pursuant to the placement and subscription arrangement	19&20	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**259,371**	319,595
Interest received		**3,504**	1,184
Interest paid		**(8,523)**	(6,161)
Hong Kong profits tax paid		**(9,337)**	(529)
Overseas income tax paid		**(26,189)**	(20,164)
Net cash generated from operating activities		**218,826**	293,925
Cash flows from investing activities			
Purchases of property, plant and equipment		**(302,841)**	(207,841)
Purchases of leasehold land and land use rights		**(745)**	–
Deposits for property, plant and equipment		**(168,326)**	(54,128)
Net cash outflow for acquisition of subsidiaries	29	**(75,135)**	(4,928)
Proceeds from sales of property, plant and equipment	30	**–**	108
Purchases of unlisted equity securities		**(18,503)**	–
Net cash used in investing activities		**(565,550)**	(266,789)
Cash flows from financing activities			
Proceeds from borrowings		**309,000**	154,361
Repayments of borrowings		**(156,321)**	(240,907)
Repayments of capital element of finance lease liabilities		**(32,684)**	(42,067)
Decrease/(increase) in pledged bank deposits		**1,672**	(2,954)
Proceeds from exercise of share options		**1,971**	83,469
Dividends paid		**(75,643)**	(56,829)
Proceeds from issuance of warrants		**–**	1,040
Proceeds from issuance of shares pursuant to the warrant subscription		**28,420**	77,140
Proceeds from issuance of share placement and subscription arrangement		**284,023**	276,258
Net cash generated from financing activities		**360,438**	249,511
Net increase in cash and cash equivalents		**13,714**	276,647
Cash and cash equivalents at beginning of the year		**501,074**	224,427
Exchange gains on cash and cash equivalent		**83**	–
Cash and cash equivalents at end of the year		**514,871**	501,074

The accompanying notes are an integral part of these 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 are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2012.

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, as modified for financial assets at fair value through profit or loss, which are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The 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 and revised standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011. The adoption of these revised standards, amendments to standards and interpretations has not had any significant financial impact on the results of operation and financial position of the Group.

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK (IFRIC)-Int 14 (Amendment)	Prepayment of a minimum funding requirement
HK (IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendment)	Improvements to HKFRSs 2010

(b) *New standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the financial year beginning 1 January 2011 and that have not been early adopted*

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Income taxes	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Amendment)	Separate financial statements	1 January 2013
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial instruments: Disclosures – transfers of financial assets	1 January 2012
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013

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

2.1 Basis of preparation (Continued)

(b) *New standards, amendments and interpretations to existing standards that have been issued but are not yet effective for the financial year beginning 1 January 2011 and that have not been early adopted* (Continued)

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 mandatory.

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*

2.2.1 Consolidation

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.2 Consolidation (Continued)

(a) *Subsidiaries* (Continued)

2.2.2 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

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

2.2 Consolidation (Continued)

(a) *Subsidiaries* (Continued)

2.2.3 Separate financial statements (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) *Transactions with non-controlling interests*

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is as transactions with the owners in their capacity as owners. The difference between fair value of 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, any retained interest in the entity is remeasured to its fair value at the date when control is lost, 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 executive directors and senior management that make strategic decisions.

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

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.

(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 costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses)-net'.

(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 in other comprehensive income.

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

2.4 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

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. Exchange differences arising are recognised in equity.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that include a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposals (that is, reduction in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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.

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

2.5 Property, plant and equipment (Continued)

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

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

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.

2.8 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitor at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Financial assets/liabilities

2.9.1 Classification

The Group classifies its financial assets and liabilities in the following categories: at fair value through profit or loss, 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.

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

2.9 Financial assets/liabilities (Continued)

2.9.1 Classification (Continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) 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', 'other receivables', 'pledged bank deposits' and 'cash and cash equivalents' in the consolidated statement of financial position.

(c) 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 'bank borrowings', 'finance lease liabilities', 'other payables' and 'trade payables' in the consolidated statement of financial position.

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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.9 Financial assets/liabilities (Continued)

2.9.2 Recognition and measurement (Continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains/(losses) – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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.

2.11 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, default or delinquency in payments and where observable data indicate that there is a measurable decrease in the estimate future cash flows, such as changes in arrears or economic condition that correlate with default are considered indicators that the trade receivable is impaired.

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

2.11 Trade and other receivables (Continued)

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.

2.15 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.

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

2.15 Borrowings (Continued)

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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates 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.

(b) Deferred income tax

Inside basis differences

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.

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

2.16 Current and deferred income tax (Continued)

(b) *Deferred income tax* (Continued)

Outside basis differences

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.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 service and non-market 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.

(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.

2.18 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.

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

2.18 Provisions (Continued)

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.

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

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowings costs are recognised in profit or loss in the period in which they are incurred.

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. In accordance with HKFRS 4, Insurance Contracts, the 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 and price 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.

	Note	**2011** **HK$'000**	2010 HK$'000
Chinese Renminbi 4.08% (2010: 4.05%) appreciation against Hong Kong dollars	(a)	**2,695**	5,796
Japanese Yen 5.46% (2010: 14.21%) appreciation against Hong Kong dollars	(b)	**40**	(1,730)
Increase in post-tax profit		**2,735**	4,066

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

(b) The change in post-tax profit is mainly as a result of the revaluation of other receivables 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 and finance lease liabilities. Borrowings and finance lease liabilities at variable rates expose the Group to cash flow interest rate risk. Borrowings and finance lease liabilities at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings and finance lease liabilities have been disclosed in Notes 16 and 17 to the consolidated financial statements.

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

At 31 December 2011, 72.0% (2010: 59.0%) 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 2011 would increase or decrease the profit and equity by approximately HK$3,849,000 (2010: by HK$2,649,000), mainly as a result of lower/higher interest expense on floating rate borrowings. Accordingly, there would be no material impact on equity.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments classified on the consolidated statement of financial position as fair value through profit or loss. At 31 December 2011, if there had been a 5% change in the market value of financial assets at fair value through profit or loss with all other variables held constant, the Group's profit for the year would have been increased/decreased by approximately HK$835,000. The Group has not entered into any derivatives to manage such exposures.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 2010 and 2011, 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:

	2011	2010
	HK$'000	HK$'000
Deposits and other receivables	**217,684**	92,183
Trade receivables	**393,311**	325,122
Pledged bank deposits	**2,418**	4,090
Cash and cash equivalents	**514,871**	501,074

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.

Credit quality of deposits and other receivables has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have default in the past.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 date 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 HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group						
At 31 December 2011						
Bank borrowings	**–**	**225,584**	**35,185**	**25,901**	**1,278**	**287,948**
Term loans subject to a repayment on demand clause	**83,672**	**–**	**–**	**–**	**–**	**83,672**
Finance lease liabilities	**–**	**13,184**	**63**	**–**	**–**	**13,247**
Interest payable	**1,636**	**3,781**	**1,123**	**810**	**57**	**7,407**
Trade payables	**–**	**388,280**	**–**	**–**	**–**	**388,280**
Other payables	**–**	**7,939**	**–**	**–**	**–**	**7,939**
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

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 above. 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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 2011	–	41,340	20,794	23,174	–	85,308
31 December 2010	–	45,695	57,091	22,963	–	125,749

The contractual undiscounted cash flows of the Company's financial liabilities amounting to HK$20,574,000 (2010: HK$18,920,000) are due within 12 months and equal their carrying balances, as the impact of discounting is not significant.

3.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011 and 2010.

	Level 2	
	2011	2010
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**16,708**	–

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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 and finance lease liabilities as disclosed in Note 16 and Note 17 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 associated 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 and finance lease liabilities (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 2011 and 2010 were as follows:

	2011	2010
	HK$'000	HK$'000
Total borrowings and finance lease liabilities (Notes 16 and 17)	**384,867**	264,872
Total equity	**2,044,412**	1,590,396
Gearing ratio	**18.8%**	16.7%

The increase in the gearing ratio during 2011 resulted primarily from the decrease in current year profit and the increase in 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) Impairment of long-lived assets

The Group conducts impairment reviews of assets when events of changes in circumstances indicate that their carrying amounts may not be recoverable or annually in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price on the value in use. In determining the value in use, management assessed the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate.

(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.

(e) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. For the year ended 31 December 2011, no impairment charge was recorded against goodwill.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2011 HK$'000	2010 HK$'000
Sales		
Design and fabrication of metal stamping moulds	140,489	196,015
Manufacturing of metal stamping components	1,008,841	787,490
Manufacturing of lathing components	138,817	98,315
Design and fabrication of plastic injection moulds	74,067	127,626
Manufacturing of plastic injection components	578,394	456,175
Others	37,237	37,478
	1,977,845	1,703,099

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 2011, 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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

The segment results and other segment items are as follows:

	2011 Metal stamping HK$'000	2011 Plastic injection HK$'000	2011 Total HK$'000	2010 Metal stamping HK$'000	2010 Plastic injection HK$'000	2010 Total HK$'000
Total gross segment revenue	**1,386,655**	**668,240**	**2,054,895**	1,140,578	598,520	1,739,098
Inter-segment revenue	**(68,080)**	**(8,970)**	**(77,050)**	(26,748)	(9,251)	(35,999)
Revenue	**1,318,575**	**659,270**	**1,977,845**	1,113,830	589,269	1,703,099
Segment results	**152,428**	**80,886**	**233,314**	226,815	130,228	357,043
Unallocated expenses, net			**11,125**			(372)
Finance income			**3,504**			1,184
Finance costs			**(8,635)**			(6,101)
Profit before income tax			**239,308**			351,754
Income tax expense			**(29,535)**			(48,336)
Profit for the year			**209,773**			303,418
Depreciation	**73,601**	**26,789**	**100,390**	64,092	23,352	87,444
Amortisation	**1,529**	**112**	**1,641**	787	135	922

For the year ended 31 December 2011, unallocated expenses, net represent corporate income/(expenses) and excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost amounted HK$11,458,000 (2010: nil).

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	2011				2010			
	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	2,306,361	684,979	6,456	2,997,796	1,668,749	549,053	6,667	2,224,469
Liabilities	352,758	122,249	478,377	953,384	200,595	73,459	360,019	634,073
Capital expenditure	433,805	57,090	–	490,895	177,661	47,100	–	224,761

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

An analysis of the Group's four (2010: four) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2011	2010
	HK$'000	HK$'000
Customer A	**298,865**	332,690
Customer B	**443,155**	232,948
Customer C	**263,198**	230,745
Customer D	**261,896**	227,315
Total	**1,267,114**	1,023,698

6 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2010						
Cost	252,775	694,893	46,565	14,850	213,423	1,222,506
Accumulated depreciation	(34,993)	(209,357)	(20,584)	(8,729)	–	(273,663)
Net book amount	217,782	485,536	25,981	6,121	213,423	948,843
Year ended 31 December 2010						
Opening net book amount	217,782	485,536	25,981	6,121	213,423	948,843
Acquisition of subsidiaries	–	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)

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Year ended 31 December 2011						
Opening net book amount	226,498	517,075	26,716	10,365	305,478	1,086,132
Exchange differences	236	206	5	3	35	485
Acquisition of subsidiaries (Note 29)	33,080	25,427	740	481	1,922	61,650
Additions	10,076	33,553	58,296	1,231	253,813	356,969
Transfers	1,172	74,184	10,172	–	(85,528)	–
Depreciation	(13,151)	(72,742)	(11,714)	(2,783)	–	(100,390)
Closing net book amount	257,911	577,703	84,215	9,297	475,720	1,404,846
At 31 December 2011						
Cost	317,678	926,280	124,836	22,962	475,720	1,867,476
Accumulated depreciation	(59,767)	(348,577)	(40,621)	(13,665)	–	(462,630)
Net book amount	257,911	577,703	84,215	9,297	475,720	1,404,846

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:

	2011 HK$'000	2010 HK$'000
Plant and machinery	**95,563**	136,250

Depreciation expense is analysed as follows:

	2011 HK$'000	2010 HK$'000
Cost of sales	**69,394**	62,718
Selling and marketing costs	**1,547**	1,244
General and administrative expenses	**29,449**	23,482
	100,390	87,444

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

	2011 HK$'000	2010 HK$'000
Land and building in Hong Kong, located on land with lease of 55 years	**7,171**	7,444
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years (Note 7)	**250,740**	219,054
	257,911	226,498

Land and buildings with a carrying amount of HK$7,171,000 (2010: HK$7,444,000) and machinery with a carrying amount of HK$49,977,000 (2010: HK$58,468,000) were pledged as collateral for the Group's borrowings (Note 16).

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

Analysis of construction-in-progress is as follows:

	2011 HK$'000	2010 HK$'000
Construction costs of buildings	**295,750**	195,424
Cost of machinery	**179,970**	110,054
	475,720	305,478

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:

	2011 HK$'000	2010 HK$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**121,525**	50,781

Movements are:

	2011 HK$'000	2010 HK$'000
At 1 January	**50,781**	51,703
Acquisition of subsidiaries (Note 29)	**71,531**	–
Exchange differences	**109**	–
Additions	**745**	–
Amortisation	**(1,641)**	(922)
End of the year	**121,525**	50,781

7 LEASEHOLD LAND AND LAND USE RIGHTS – GROUP (CONTINUED)

	2011 HK$'000	2010 HK$'000
Representing –		
Cost	**127,314**	54,916
Accumulated amortisation	**(5,789)**	(4,135)
Net book amount	**121,525**	50,781

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**125,850**	123,351
Amounts due from subsidiaries	**1,293,003**	994,835
	1,418,853	1,118,186

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

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

The following is a list of the principal subsidiaries at 31 December 2011:

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
Digidie Auto Components (BVI) Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Metal Mould Products 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
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

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (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
Digidie Auto Components 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	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$195,000,000	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	US$30,000,000	100%	Manufacturing of metal and plastic moulds and parts
EVA Precision Industrial (Zhongshan) Limited (億和精密工業(中山)有限公司) (b) (c)	Mainland China, limited liability company	HK$88,000,000	100%	Manufacturing of metal and plastic moulds and parts

8 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (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
Shenzhen EVA Mould Manufacturing Limited (深圳億和模具製造有限公司) (b) (c)	Mainland China, limited liability company	HK$160,000,000	100%	Manufacturing of metal and plastic moulds
Chongqing Digidie Auto Body Limited (重慶數碼模車身模具有限公司) (b)	Mainland China, limited liability company	RMB66,250,000	100%	Design and manufacturing of lathing components
Shenzhen Xunneng Stamping Die Manufacturing Co., Limited (深圳迅能模具制造有限公司) (b)	Mainland China, limited liability company	RMB5,000,000	100%	Manufacturing of metal and plastic moulds and parts
Shenzhen Lingyu Precision Manufacturing Co., Limited (深圳市領域精密制造有限公司) (b)	Mainland China, limited liability company	RMB6,500,000	51%	Manufacturing of metal and plastic moulds and parts
Digidie Stamping Technology (Wuhan) Limited (數碼模沖壓技術(武漢)有限公司) (b)	Mainland China, limited liability company	US$7,710,700	100%	Design and manufacturing of lathing components

Notes:

(a) The shares of Digidie Auto Components (BVI) Limited, EVA Metal Mould Products 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.

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

Notes: (Continued)

(b) The Group's wholly foreign owned enterprises in Mainland China and their respective terms of business are as follows:

Name	**Place of establishment**	**Terms of business**
Yihe Precision Hardware (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to May 2021
Yihe Precision Plastic and Electronics Products (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to July 2024
EVA Precision Industrial (Suzhou) Limited	Suzhou, Jiangsu Province, Mainland China	50 years up to August 2055
EVA Precision Industrial (Zhongshan) Limited	Zhongshan, Guangdong Province, Mainland China	50 years up to June 2057
Shenzhen EVA Mould Manufacturing Limited	Shenzhen, Guangdong Province, Mainland China	50 years up to June 2057
Chongqing Digidie Auto Body Limited	Chongqing, Sichuan Province, Mainland China	20 years up to March 2026
Shenzhen Xunneng Stamping Die Manufacturing Co., Limited	Shenzhen, Guangdong Province, Mainland China	10 years up to October 2014
Shenzhen Lingyu Precision Manufacturing Co., Limited	Shenzhen, Guangdong Province, Mainland China	10 years up to September 2016
Digidie Stamping Technology (Wuhan) Limited	Wuhan, Wubei Province, Mainland China	30 years up to August 2031

(c) At 31 December 2011, the Group was committed to making capital contributions to the following subsidiaries:

Name	**Committed capital injection** HK$'000	**Due date**
EVA Precision Industrial (Zhongshan) Limited	32,000	July 2013
Shenzhen EVA Mould Manufacturing Limited	80,000	May 2013

9 INVENTORIES – GROUP

	2011 **HK$'000**	2010 HK$'000
Raw materials	**76,022**	30,916
Work-in-progress	**190,467**	92,022
Finished goods	**49,831**	35,293
	316,320	158,231
Less: provision for impairment of inventories	**(13,922)**	(7,284)
Inventories – net	**302,398**	150,947

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,087,836,000 (2010: HK$846,681,000).

The Group made an inventory provision of HK$6,638,000 for slow moving inventories for the year ended 31 December 2011. Such provision has been included in cost of sales in the consolidated statement of comprehensive income.

During the year ended 31 December 2011, the Group reversed HK$3,833,000 (2010: 1,610,000) of a previously written down inventory as the Group was able to utilise the inventory items that were previously written down and to sell them to independent third parties. The amount reversed was included in cost of sales in the consolidated statement of comprehensive income.

10 TRADE RECEIVABLES – GROUP

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**394,499**	326,310
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**393,311**	325,122

10 TRADE RECEIVABLES – GROUP (CONTINUED)

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

	2011	2010
	HK$'000	HK$'000
0 to 90 days	**319,566**	286,548
91 to 180 days	**59,834**	37,406
181 to 365 days	**15,071**	2,356
Over 365 days	**28**	–
	394,499	326,310
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**393,311**	325,122

The top five customers and the largest customer accounted for 84.6% (2010: 53.4%) and 35.3% (2010: 27.6%) of the trade receivables balance as at 31 December 2011, 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 2011.

10 TRADE RECEIVABLES – GROUP (CONTINUED)

As at 31 December 2011, trades receivables of HK$152,628,000 (2010: HK$66,714,000) were past due but not considered impaired. These relate to a number of independent customers for whom there is no recent history of default and based on past experience, the overdue amount can be fully recovered. The ageing of trade receivables past due but not considered impaired is as follows:

	2011 HK$'000	2010 HK$'000
0 to 90 days	**128,080**	63,628
91 to 180 days	**12,366**	3,021
181 to 365 days	**12,182**	65
	152,628	66,714

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

	2011 HK$'000	2010 HK$'000
Hong Kong dollars ("HK$")	**188,148**	141,164
United States dollars ("US$")	**167,743**	170,609
Chinese Renminbi ("RMB")	**38,524**	14,310
Other	**84**	227
	394,499	326,310

There is no movement on the provision for impairment of trade receivables in the current year (2010: nil).

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Deposits for purchase of property, plant and equipment	**168,326**	54,128	**–**	–
Others	**15**	195	**–**	–
	168,341	54,323	**–**	–
Current				
Prepayments for purchase of raw materials	**10,264**	2,586	**–**	–
VAT recoverable	**39,677**	18,993	**–**	–
Deposits for customs department	**2,258**	12,721	**–**	–
Prepayment of utilities expenses	**1,406**	2,035	**–**	–
Prepayment of tax reserve certificate	**7,909**	4,880	**–**	–
Others	**7,712**	9,178	**1,080**	374
	69,226	50,393	**1,080**	374

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2011	2010
	HK$'000	HK$'000
Unlisted equity securities		
Unlisted investment fund, at fair value	**16,708**	–

Financial assets at fair value through profit or loss are presented within 'investing activities' as part of changes in working capital in the consolidated statement of cash flows.

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'other gains/(losses) – net' in the consolidated statement of comprehensive income.

The fair value of the investment securities is based on observable market data (Note 3.2).

13 PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged bank deposits	**2,418**	4,090	**–**	–
Short-term bank deposits	**–**	109,891	**–**	–
Cash at banks and on hand	**514,871**	391,183	**5,376**	6,293
Cash and cash equivalents	**514,871**	501,074	**5,376**	6,293
	517,289	505,164	**5,376**	6,293

Bank deposits amounting to HK$2,418,000 (2010: HK$4,090,000) were pledged in favour of contractors of construction work.

The effective interest rate on pledged bank deposits was 0.5% (2010: 0.3%) per annum. These deposits have an average maturity of 130 days (2010: 147 days).

As at 31 December 2011, the Group did not have any short-term bank deposits. As at 31 December 2010, the effective interest rate on short-term bank deposits was 1.18% per annum and these deposits have an average maturity of 64 days.

The effective interest rate on cash at bank was 0.2% per annum (2010: 0.2% per annum).

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

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**239,798**	200,948	**5,315**	6,233
RMB	**186,333**	242,681	**–**	–
US$	**90,629**	58,925	**61**	60
Japanese yen	**210**	1,234	**–**	–
Euro dollars	**246**	1,376	**–**	–
Macau Patacas	**73**	–	**–**	
	517,289	505,164	**5,376**	6,293

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.

14 TRADE PAYABLES – GROUP

The ageing analysis of trade payables is as follows:

	2011	2010
	HK$'000	HK$'000
0 to 90 days	**316,311**	196,590
91 to 180 days	**61,595**	25,303
181 to 365 days	**6,409**	4,079
Over 365 days	**3,965**	–
	388,280	225,972

14 TRADE PAYABLES – GROUP (CONTINUED)

The amounts of trade payables have an average maturity period within 90 days. The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies:

	2011	2010
	HK$'000	HK$'000
HK$	**50,480**	33,699
US$	**198,936**	117,799
RMB	**138,864**	74,474
	388,280	225,972

15 ACCRUALS AND OTHER PAYABLES

	Group		**Company**	
	2011	2010	**2011**	2010
	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	**2,461**	9,081	**–**	–
Accrued wages, salaries and welfare	**50,754**	49,465	**11,242**	26,556
Deposits from customers	**45,557**	6,093	**–**	–
Accrued operating expenses	**8,991**	5,143	**–**	–
Payable for share options exercised	**4,954**	18,920	**20,574**	18,920
Other payables	**2,017**	1,049	**3**	4
	118,546	93,563	**31,819**	45,480

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

16 BANK BORROWINGS – GROUP

	2011 **HK$'000**	2010 HK$'000
Current		
Short-term bank loans	**184,000**	50,000
Portion of long-term loans from banks due for repayment within one year	**81,882**	73,195
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	**42,954**	78,447
Mortgage loan, current portion	**420**	420
	309,256	202,062
Non-current		
Portion of long-term loans from banks due for repayment after one year which do not contain a repayment on demand clause	**59,405**	13,500
Mortgage loan, non-current portion	**2,959**	3,379
	62,364	16,879
Total bank borrowings	**371,620**	218,941

All bank borrowings are interest-bearing and carried of 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.

16 BANK BORROWINGS – GROUP (CONTINUED)

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

	2011 HK$'000	2010 HK$'000
Within 1 year	**266,302**	123,615
Between 1 and 2 years	**55,652**	69,881
Between 2 and 5 years	**48,386**	23,747
Wholly repayable within 5 years	**370,340**	217,243
Repayable over 5 years	**1,280**	1,698
	371,620	218,941

Note (a): 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 clauses.

The carrying amounts of bank borrowings approximate their fair values as the impact of discounting is not significant.

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

	2011 HK$'000	2010 HK$'000
HK dollars	**371,620**	218,941

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	
	2011	2010	2011	2010	2011	2010
HK dollars	**2.9%**	1.6%	**1.7%**	2.0%	**2.4%**	2.4%

16 BANK BORROWINGS – GROUP (CONTINUED)

The Group has undrawn floating rate borrowing facilities of approximately HK$206,740,000 (2010: HK$443,397,000).

As at 31 December 2011, 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$7,171,000 and HK$49,977,000 respectively (2010: HK$7,444,000 and HK$58,468,000, respectively), and corporate guarantees provided by the Company.

Certain 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). During the year ended December 2011, none of the covenants relating to drawn down facilities had been breached (2010: nil).

17 FINANCE LEASE LIABILITIES – GROUP

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**13,318**	33,717
In the second year	**63**	13,318
In the third to fifth year	**–**	63
	13,381	47,098
Less: Future finance charges on finance leases	**(134)**	(1,167)
Present value of finance lease liabilities	**13,247**	45,931

17 FINANCE LEASE LIABILITIES – GROUP (CONTINUED)

The present value of finance lease liabilities is as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**13,184**	32,684
In the second year	**63**	13,184
In the third to fifth year	**–**	63
Total finance lease liabilities	**13,247**	45,931
Less: Amount included in current liabilities	**(13,184)**	(32,684)
	63	13,247

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

As at 31 December 2011, the effective interest rate of the Group's finance lease liabilities was 2.92% (2010: 2.69%) 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$95,563,000 (2010: HK$136,250,000). The finance lease liabilities are not additionally secured by corporate guarantees provided by the Company in respect of these liabilities (2010: HK$1,479,000).

18 DEFERRED TAXATION – GROUP

The analysis of deferred tax liabilities is as follows:

	2011	2010
	HK$'000	HK$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**22,516**	5,129
Deferred tax liability to be recovered within 12 months	**472**	–
	22,988	5,129

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

	Fair value gains	**Withholding tax**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2010 and at 31 December 2010	–	5,129	5,129
Acquisition of subsidiaries (Note 29)	18,016	–	18,016
Charged to profit or loss (Note 25)	(157)	–	(157)
At 31 December 2011	17,859	5,129	22,988

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 liabilities of HK$35,086,000 (2010: HK$21,542,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled HK$587,783,000 at 31 December 2011 (2010: HK$430,836,000).

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$6,583,000 (2010: HK$2,209,000) in respect of losses amounting to HK$28,395,000 (2010: HK$12,934,000) that can be carried forward against future taxable income. Tax losses of HK$5,787,000 (2010: HK$3,492,000) can be carried forward indefinitely. Tax losses of HK$5,708,000, HK$3,603,000, HK$2,577,000, HK$6,175,000, HK$4,545,000 will expire in 2012, 2013, 2014, 2015 and 2016 respectively. (2010: tax losses of HK$1,576,000 and HK$7,866,000 will expire in 2012 and 2013 respectively).

19 SHARE CAPITAL

	Note	Number of ordinary shares (thousands)	Nominal value HK$'000
Authorised			
At 1 January 2010 and 31 December 2010		**1,000,000**	100,000
At 1 January 2011		**1,000,000**	100,000
Increased in authorised share capital	(a)	**199,000,000**	19,900,000
31 December 2011		**200,000,000**	20,000,000
Issued and fully paid			
At 1 January 2010		**618,021**	61,802
Issue of shares pursuant to			
– share option scheme	(b)	**80,273**	8,027
– warrant subscription	(c)	**38,000**	3,800
– placement and subscription arrangement	(d)	**80,000**	8,000
At 31 December 2010		**816,294**	81,629
Issue of shares pursuant to			
– share option scheme	(e)	**2,609**	261
– warrant subscription	(c)	**14,000**	1,400
– placement and subscription arrangement	(f)	**47,342**	4,734
– bonus issue of shares	(g)	**878,809**	87,881
At 31 December 2011		**1,759,054**	175,905

Notes:

(a) Pursuant to a shareholder's resolution passed on 20 May 2011, the authorised share capital was increased from HK$100,000,000 to HK$20,000,000,000 by the creation of an additional 199,000,000,000 ordinary shares of HK$0.1 each.

19 SHARE CAPITAL (CONTINUED)

(b) 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.

(c) 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. During 2011, the independent third parties exercised the remaining right attaching to the warrants and subscribed for the remaining 14,000,000 of the Company's new shares. As at 31 December 2011, there was no outstanding warrant.

(d) 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.

(e) During 2011, 2,609,000 new ordinary shares of HK$0.10 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at exercise prices ranging from HK$0.18 to HK$2.10 per share.

(f) On 3 March 2011, the Company entered into an agreement (the "March 2011 Placing Agreement") with a placing agent (the "March 2011 Placing Agent") whereby the March 2011 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. The gross proceeds arising from this placing was HK$295,887,000 and the net proceeds arising from this placing (after deducting share issue expenses of HK$11,864,000) was amounted to approximately HK$284,023,000 which is intended to be used for funding continuous business expansion and potential acquisition opportunities. The Placing Shares had an aggregate nominal value of HK$4,734,000.

(g) During 2011, the Company allotted and issued 878,808,900 shares in May 2011 by way of bonus issue (the "Bonus Issue") on the basis of one new bonus share for every one existing share held by the shareholders. The number of share options and their exercise prices (as stated in Note 19 below) are restated accordingly as a result of the Bonus Issue.

19 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 were fully vested at the date of grant. No options were granted in 2010 and 2011.

During the year, 2,609,000 share options were exercised (2010: 80,273,000 share options). No option lapsed during the year ended 31 December 2011 (2010: A total of 13,070,000 options lapsed). No options were granted during the years ended 31 December 2011 and 2010. Share options outstanding at 31 December 2011 are exercisable at prices ranging from HK$0.18 to HK$0.41 per share and will expire from January 2011 to September 2019.

19 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

	2011		2010	
	Average exercise price per share (a) HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
At 1 January		**6,058**		86,331
Exercised	**0.35**	**(962)**	0.35	(41,569)
Exercised	**0.82**	**(120)**	0.82	(1,280)
Exercised	**–**	**–**	1.70	(22,430)
Exercised	**–**	**–**	1.71	(490)
Exercised	**–**	**–**	1.96	(11,120)
Exercised	**2.10**	**(91)**	2.10	(3,384)
Bonus issue of shares (a)	**0.31**	**4,885**	–	–
Exercised	**0.18**	**(186)**	–	–
Exercised	**1.05**	**(1,250)**	–	–
At 31 December		**8,334**		6,058
Exercisable as at 31 December	**–**	**–**	2.10	686
	0.18	**7,214**	0.35	4,662
	0.41	**1,120**	0.82	680

19 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	2011 Exercise Price (a) HK$	2011 Number of options '000	2010 Exercise Price HK$	2010 Number of options '000
2 February 2012	–	–	2.10	716
21 November 2018	0.18	7,214	0.35	4,662
30 September 2019	0.41	1,120	0.82	680
		8,334		6,058

Notes (a): As a result of the bonus issue of shares in May 2011 (Note 27), adjustments have been made to the exercise price and the outstanding share options of the Company granted under the option scheme of the Company.

No option was granted during the year ended 31 December 2011 and 2010. The amount charged to the consolidated statement of comprehensive income during the year ended 31 December 2011 was HK$36,000 (2010: HK$508,000).

20 RESERVES

(a) Group

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'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	19	–	–	–	–	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 (iv)		–	–	–	–	–	1,040	–	1,040
Proceeds from issuance of shares pursuant to the warrant subscription (iv)		73,340	–	–	–	–	–	–	73,340
Proceeds from issuance of shares pursuant to the placement and subscription arrangement (v)		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 interim dividend									43,905
– Others									1,455,532
									1,499,437

20 RESERVES

(a) Group (Continued)

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Translation HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2011		819,936	(735)	66,093	12,361	1,440	1,040	–	599,302	1,499,437
Profit for the year		–	–	–	–	–	–	–	210,379	210,379
Translation differences		–	–	–	–	–	–	677	–	677
Employee share option scheme										
– value of employee services	19	–	–	–	–	36	–	–	–	36
– proceeds from shares issued		1,710	–	–	–	–	–	–	–	1,710
Transfer to share premium upon exercise of share options		449	–	–	–	(449)	–	–	–	–
Transfer to share premium upon exercise of warrants		1,040	–	–	–	–	(1,040)	–	–	–
Dividends paid		–	–	–	–	–	–	–	(75,643)	(75,643)
Transfer to statutory reserves		–	–	17,295	–	–	–	–	(17,295)	–
Proceeds from issuance of shares pursuant to the warrant subscription (iv)		27,020	–	–	–	–	–	–	–	27,020
Proceeds from issuance of shares pursuant to the placement and subscription arrangement (vi)		279,289	–	–	–	–	–	–	–	279,289
Bonus issue of shares		(87,881)	–	–	–	–	–	–	–	(87,881)
Balance at 31 December 2011		1,041,563	(735)	83,388	12,361	1,027	–	677	716,743	1,855,024

Representing	
– Proposed final dividend	28,145
– Others	1,826,879
	1,855,024

20 RESERVES (CONTINUED)

(b) Company

	Note	Share premium HK$'000	Contributed surplus (i) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	(Accumulated deficit)/ Retained earnings HK$'000	Total HK$'000
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	19	–	–	–	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 (iv)		–	–	–	–	1,040	–	1,040
Proceeds from issuance of shares pursuant to the warrant subscription (iv)		73,340	–	–	–	–	–	73,340
Proceeds from issuance of shares pursuant to the placement and subscription arrangement (v)		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
Balance at 1 January 2011		**819,936**	**121,351**	**12,361**	**1,440**	**1,040**	**41,616**	**997,744**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**75,310**	**75,310**
Employee share option scheme								
– value of employee services	19	**-**	**-**	**-**	**36**	**-**	**-**	**36**
– proceeds from shares issued		**1,710**	**-**	**-**	**-**	**-**	**-**	**1,710**
Transfer to share premium upon exercise of share options		**449**	**-**	**-**	**(449)**	**-**	**-**	**-**
Transfer to share premium upon exercise of warrants		**1,040**	**-**	**-**	**-**	**(1,040)**	**-**	**-**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**(75,643)**	**(75,643)**
Proceeds from issuance of shares pursuant to the warrant subscription (iv)		**27,020**	**-**	**-**	**-**	**-**	**-**	**27,020**
Proceeds from issuance of shares pursuant to the placement and subscription arrangement (vi)		**279,289**	**-**	**-**	**-**	**-**	**-**	**279,289**
Bonus issue of shares		**(87,881)**	**-**	**-**	**-**	**-**	**-**	**(87,881)**
Balance at 31 December 2011		**1,041,563**	**121,351**	**12,361**	**1,027**	**-**	**41,283**	**1,217,585**
Representing								
– Proposed final dividend								**28,145**
– Others								**1,189,440**
								1,217,585

20 RESERVES (CONTINUED)

(b) Company (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) As at 31 December 2011, the Company repurchased a total of 12,361,000 of its own shares on The Stock Exchange of Hong Kong Limited. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of the share 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. During the year ended 31 December 2011 and 2010, the Company did not repurchase of any of its shares.

20 RESERVES (CONTINUED)

(b) Company (Continued)

Notes: (Continued)

(iv) 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$77,140,000. The remaining 14,000,000 warrants were exercised during the twelve months ended 31 December 2011 to subscribe 14,000,000 new shares of the Company. The total net proceeds from subscription and exercise of warrants amounted HK$28,420,000 for the twelve months ended 31 December 2011.

(v) 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.

(vi) On 3 March 2011, the Company entered into the March 2011 Placing Agreement with the March 2011 Placing Agent whereby the March 2011 Placing Agent, up to 47,342,000 new shares of the Company's shares to a placee(s) at a price of HK$6.25 per Placing Share. For more details, refer to note 19(f) to the consolidated financial statements.

21 OTHER GAINS/(LOSSES) – NET

	2011 HK$'000	2010 HK$'000
Loss on financial assets at fair value through profit or loss	**(1,795)**	–
Excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost	**11,458**	–
Gain on disposal of property, plant and equipment	**–**	80
Net exchange gains	**4,872**	2,761
	14,535	2,841

22 EXPENSES BY NATURE

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

	2011 HK$'000	2010 HK$'000
Depreciation (Note 6)		
– Owned assets	**93,142**	76,969
– Leased assets	**7,248**	10,475
	100,390	87,444
Employment expenses (Note 23)	**328,147**	230,567
Amortisation of leasehold land and land use rights (Note 7)	**1,641**	922
Auditor's remuneration	**3,546**	2,222
Changes in inventories of finished goods and work in progress	**(112,983)**	(51,316)
Raw materials and consumables used	**1,200,819**	897,997
Provision/(reversal of provision) for inventory obsolescence	**2,805**	(1,610)
Subcontracting expenses	**36,878**	31,607
Utilities expenses	**45,354**	36,104
Transportation expenses	**30,275**	22,586
Packaging expenses	**38,117**	34,513
Marketing expenses	**2,675**	2,441
Office expenses	**16,824**	12,101
Others	**53,511**	43,920
	1,747,999	1,349,498

23 EMPLOYMENT EXPENSES

	2011 HK$'000	2010 HK$'000
Wages, salaries and bonus	**302,121**	215,449
Share options granted (Note 19)	**36**	508
Staff welfare	**12,387**	5,016
Retirement benefit – defined contribution plans (a)	**13,603**	9,594
	328,147	230,567

(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 2011, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$13,603,000 (2010: HK$9,594,000). As at 31 December 2011, the Group was not entitled to any forfeited contributions to reduce its future contributions (2010: nil).

23 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' emoluments

The remuneration of each director for the year ended 31 December 2011 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	400	-	12	2,452
Mr. Zhang Jian Hua	-	2,040	400	-	12	2,452
Mr. Zhang Yaohua	-	2,040	400	-	12	2,452
Mr. Nomo Kenshiro	-	480	60	-	-	540
Independent non-executive directors						
Dr. Lui Sun Wing	120	-	-	-	6	126
Mr. Choy Tak Ho	120	-	-	-	-	120
Mr. Leung Tai Chiu	120	-	-	-	2	122
	360	6,600	1,260	-	44	8,264

23 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' emoluments (Continued)

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

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2010: nil).

23 EMPLOYMENT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: four) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining one (2010: one) individual is as follows:

	2011	2010
	HK$'000	HK$'000
Salaries	**1,080**	1,080
Bonus	**110**	90
Share options granted	**–**	4
Retirement benefit – defined contribution plans	**12**	12
	1,202	1,186

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
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 (2010: nil).

24 FINANCE INCOME/COSTS

	2011 HK$'000	2010 HK$'000
Finance income		
Interest income on bank deposits	**3,504**	1,184
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**5,406**	2,173
Bank borrowings not wholly repayable within five years	**2,496**	2,198
Finance lease liabilities	**733**	1,730
	8,635	6,101

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 2011 and 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$2,026,000 and HK$1,610,000 respectively.

25 INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current taxation		
– Hong Kong profits tax	**2,553**	15,707
– Mainland China corporate income tax	**29,015**	32,825
Over-provision in prior years	**(1,876)**	(196)
Deferred income tax credited for the year	**(157)**	–
	29,535	48,336

25 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 (2010: 16.5%).

(b) Mainland China corporate income tax

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

(i) 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 24% and 25%, respectively for the year ended 31 December 2011 (2010: 22% and 25%, respectively).

(ii) 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. In accordance with the relevant income tax regulations of Mainland China, these entities 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.

(iii) 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.

(iv) On 31 December 2009 and 31 December 2010, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., respectively, were recognised by the Chinese Government as a "National High and New Technology Enterprise" and were therefore subject to a preferential tax rate of 15% during the year ended 31 December 2010 and 31 December 2011, respectively.

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.

25 INCOME TAX EXPENSE (CONTINUED)

(c) Overseas income tax

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

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

	2011 HK$'000	2010 HK$'000
Profit before income tax	**239,308**	351,754
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**42,589**	65,845
Tax exemption	**(8,328)**	(15,395)
Expenses not deductible for tax purpose	**–**	132
Utilisation of previously unrecognised tax losses	**(3,793)**	(2,201)
Tax losses for which no deferred income tax asset was recognised	**943**	151
Over-provision in prior years	**(1,876)**	(196)
Tax charge	**29,535**	48,336

The weighted average applicable tax rate for the year ended 31 December 2011 was approximately 17.8% (2010: 18.7%). The decrease is due to one of the Company's subsidiaries, Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., being recognised by the Chinese Government as "National High and New Technology Enterprise" and therefore subject to a preferential tax rate of 15% during the year ended 31 December 2011.

26 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$75,310,000 (2010: HK$106,464,000).

27 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. In determining the weighted average number of ordinary shares in issue for the twelve months ended 31 December 2011 and 2010, the bonus issue of May 2011 is treated as if it had occurred prior to 1 January 2010, the earliest period presented, necessitating the restatement of the corresponding figures on a comparative basis.

Basic

	2011	2010 (Restated)
Profit attributable to equity holders of the Company (HK$'000)	**210,379**	302,664
Weighted average number of ordinary shares in issue ('000)	**1,640,697**	1,419,912
Basic earnings per share (HK cents per share)	**12.8**	21.3

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding (as above) 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.

27 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

	2011	2010 (Restated)
Profit attributable to equity holders of the Company (HK$'000)	**210,379**	302,664
Weighted average number of ordinary shares in issue ('000)	**1,640,697**	1,419,912
– adjustment for share options and warrants ('000)	**11,372**	81,838
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,652,069**	1,501,750
Diluted earnings per share (HK cents per share)	**12.7**	20.2

28 DIVIDENDS

	2011 HK$'000	2010 HK$'000
Interim dividend paid of HK1.8 cents (2010: HK6.5 cents) per ordinary share	**31,638**	51,478
Proposed final dividend of HK1.6 cents (2010: HK5.0 cents) per ordinary share	**28,145**	43,905
	59,783	95,383

29 BUSINESS COMBINATIONS

During the year ended 31 December 2011, the Group made the following four acquisitions:

(a) January 2011 acquisition

On 1 January 2011, the Group entered into an agreement with an independent third party to acquire 100% of the share capital of a company (the "Target Company"), which is principally engaged in trading activities of metal parts and plastic moulds, for a cash consideration of HK$2,500,000. The acquired business contributed goodwill of approximately HK$2,510,000 to the Group, attributable to expected synergies resulting from cost savings. None of the goodwill recognised is expected to be deductible for income tax purpose.

29 BUSINESS COMBINATIONS (CONTINUED)

(b) August 2011 acquisition

On 31 August 2011, the Group entered into three separate agreements with Chongqing Iron and Steel Group Company Limited, Chongqing Kaichuang High Technology Venture Investment Company Limited and DSI Digidie Systems (Chongqing) Ltd. to acquire an aggregate of 100% of the equity interest in Chongqing Digidie Auto Body Limited ("Digidie") at an aggregate cash consideration of RMB61,318,000 (equivalent to HK$74,849,000).

Digidie is principally engaged in the development, manufacture and sale of moulds for automobiles. The acquisitions were executed as part of the Group's strategic plan to expand from its previous focus on just office automation equipment to devoting more resources on the fast growing China domestic market, in particular the automotive sector, as disclosed in the Group's 2010 annual report.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed:

	Carrying amount HK$'000	**Fair value** HK$'000
Cash and cash equivalents	8,470	8,470
Trade receivables	813	813
Prepayments and other receivables	11,153	11,153
Inventories	53,349	53,349
Property, plant and equipment	43,152	53,720
Land use rights	10,035	71,531
Trade payables	(29,482)	(29,482)
Other payables	(65,388)	(65,388)
Deferred tax liabilities	–	(18,016)
Net identifiable assets acquired		86,150
Excess of the Group's interest in the net fair value of Digidie's identifiable assets, liabilities and contingent liabilities over cost (Note 21)		(11,301)
Consideration paid		74,849
Less: Cash and cash equivalents acquired		(8,470)
Cash outflow on acquisition		66,379

29 BUSINESS COMBINATIONS (CONTINUED)

(b) August 2011 acquisition (Continued)

The revenue included in the consolidated statement of comprehensive income since the date of acquisition contributed by Digidie was HK$32,603,000. Digidie also contributed loss of HK$6,177,000 over the same period. Had Digidie been consolidated from 1 January 2011, the consolidated statement of comprehensive income would show revenue of HK$1,984,421,000 and profit for the year of HK$200,313,000.

(c) September 2011 acquisition

On 30 September 2011, the Group entered into an agreement with independent third parties to acquire an aggregate of 100% of the equity interest in Shenzhen Xunneng Stamping Die Manufacturing Co., Limited ("Xunneng") at an aggregate cash consideration of RMB5,000,000 (equivalent to HK$6,068,000). Xunneng is principally engaged in the design and fabrication of metal stamping and the manufacturing of metal stamping and its operation are mainly carried out in Mainland China.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed:

	Carrying amount HK$'000	**Fair value** HK$'000
Cash and cash equivalents	2,196	2,196
Trade receivables	4,861	4,861
Prepayments and other receivables	9,833	9,833
Inventories	2,902	2,902
Property, plant and equipment	3,984	3,984
Trade payables	(7,869)	(7,869)
Other payables	(9,682)	(9,682)
Net identifiable assets acquired		6,225
Excess of the Group's interest in the net fair value of Xunneng's identifiable assets, liabilities and contingent liabilities over cost (Note 21)		(157)
Consideration paid		6,068
Less: Cash and cash equivalents acquired		(2,196)
Cash outflow on acquisition		3,872

29 BUSINESS COMBINATIONS (CONTINUED)

(c) September 2011 acquisition (Continued)

The revenue included in the consolidated statement of comprehensive income since the date of acquisition contributed by Xunneng was HK$3,406,000. Xunneng also contributed loss of HK$740,000 over the same period. Had Xunneng been consolidated from 1 January 2011, the consolidated statement of comprehensive income would show revenue of HK$1,985,631,000 and profit for the year of HK$210,021,000.

(d) November 2011 acquisition

On 30 November 2011, the Group entered into an agreement with independent third parties to acquire an aggregate of 51% of the equity interest in Shenzhen Lingyu Precision Manufacturing Co., Limited ("Lingyu") at an aggregate cash consideration of RMB4,080,000 (equivalent to HK$4,988,000). Lingyu is principally engaged in the design and manufacturing of gear wheels and its operation are mainly carried in Mainland China.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

	Carrying amount HK$'000	**Fair value** HK$'000
Cash and cash equivalents	2,604	2,604
Trade receivables	804	804
Prepayments and other receivables	1,006	1,006
Inventories	7,823	7,823
Property, plant and equipment	3,946	3,946
Trade payables	(2,084)	(2,084)
Other payables	(4,387)	(4,387)
Net identifiable assets acquired		9,712
Non-controlling interest (49%)		(4,759)
Fair value of net assets attributable to the Group		4,953
Goodwill		35
Consideration paid		4,988
Less: Cash and cash equivalents acquired		(2,604)
Cash outflow on acquisition		2,384

29 BUSINESS COMBINATIONS (CONTINUED)

(d) November 2011 acquisition (Continued)

The revenue included in the consolidated statement of comprehensive income since the date of acquisition contributed by Lingyu was nil. Lingyu also contributed loss of HK$227,000 over the same period. Had Lingyu been consolidated from 1 January 2011, the consolidated statement of comprehensive income would show revenue of HK$1,982,025,000 and profit for the year of HK$210,170,000.

The movements on the goodwill are as follows:

	Goodwill
	HK$'000
At 1 January 2010 and 31 December 2010	–
Additions (under (a) and (d) above)	2,545
At 31 December 2011	2,545

Management performed a goodwill impairment assessment and determined no impairment charge was recorded against goodwill.

30 CASH GENERATED FROM OPERATIONS

	2011 HK$'000	2010 HK$'000
Profit for the year	**209,773**	303,418
Adjustments for:		
– Income tax	**29,535**	48,336
– Depreciation	**100,390**	87,444
– Amortisation of leasehold land and land use rights	**1,641**	922
– Gain on disposal of property, plant and equipment	**–**	(80)
– Excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost (Note 21)	**(11,458)**	(226)
– Share-based payments	**36**	508
– Losses on financial assets at fair value through profit or loss	**1,795**	–
– Interest income	**(3,504)**	(1,184)
– Interest expense	**8,635**	6,101
Changes in working capital:		
– Inventories	**(87,377)**	(53,518)
– Trade receivables	**(61,711)**	(106,042)
– Prepayments, deposits and other receivables	**3,339**	(30,946)
– Trade payables	**122,873**	44,928
– Accruals and other payables	**(54,596)**	19,934
Cash generated from operations	**259,371**	319,595

30 CASH GENERATED FROM OPERATIONS (CONTINUED)

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

	Property, plant and equipment	
	2011	2010
	HK$'000	HK$'000
Net book amount	**–**	28
Gain on disposal	**–**	80
Proceeds from disposal	**–**	108

31 COMMITMENTS – GROUP

(a) Capital Commitments

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

	2011	2010
	HK$'000	HK$'000
Contracted but not provided for		
– Purchase of land	**4,441**	–
– Construction of buildings	**7,686**	53,570
– Purchase of plant and machinery	**192,662**	48,732
	204,789	102,302

31 COMMITMENTS – GROUP (CONTINUED)

(b) Operating lease commitments – group company as lessee

The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases of the group are as follows:

	2011 HK$'000	2010 HK$'000
Not later than one year	**2,360**	1,100
Later than one year but not later than five years	**1,189**	664
	3,549	1,764

32 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 36.5% of the Company's shares as at 31 December 2011.

(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 2011, the Companies had already paid approximately HK$12,488,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2004. The payments incurred before 2011 which amounted approximately HK$4,579,000 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$7,909,000 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.

32 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2011	2010
	HK$'000	HK$'000
Salaries, allowances and bonus	**9,967**	9,386
Share-based payments	**6**	34
Retirement benefits – defined contribution plans	**110**	101
	10,083	9,521

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
RESULTS					
Turnover	**1,977,845**	1,703,099	1,026,097	1,084,982	952,030
Profit for the year	**209,773**	303,418	31,519	82,578	153,856
Non-controlling interests	**606**	(754)	–	–	–
Profit attributable to equity holders of the Company	**210,379**	302,664	31,519	82,578	153,856
CONSOLIDATED BALANCE SHEET					
Non-current assets	**1,698,864**	1,192,843	1,008,503	1,013,563	737,572
Current assets	**1,298,932**	1,031,626	546,623	645,292	517,664
Current liabilities	**(867,969)**	(598,818)	(561,576)	(526,362)	(263,794)
Non-current liabilities	**(85,415)**	(35,255)	(96,734)	(165,437)	(60,723)
Net assets	**2,044,412**	1,590,396	896,816	967,056	930,719
Share capital	**175,905**	81,629	61,802	69,813	72,124
Reserves	**1,855,024**	1,499,437	835,014	897,243	858,595
Non-controlling interests	**13,483**	9,330	–	–	–
Equity	**2,044,412**	1,590,396	896,816	967,056	930,719

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