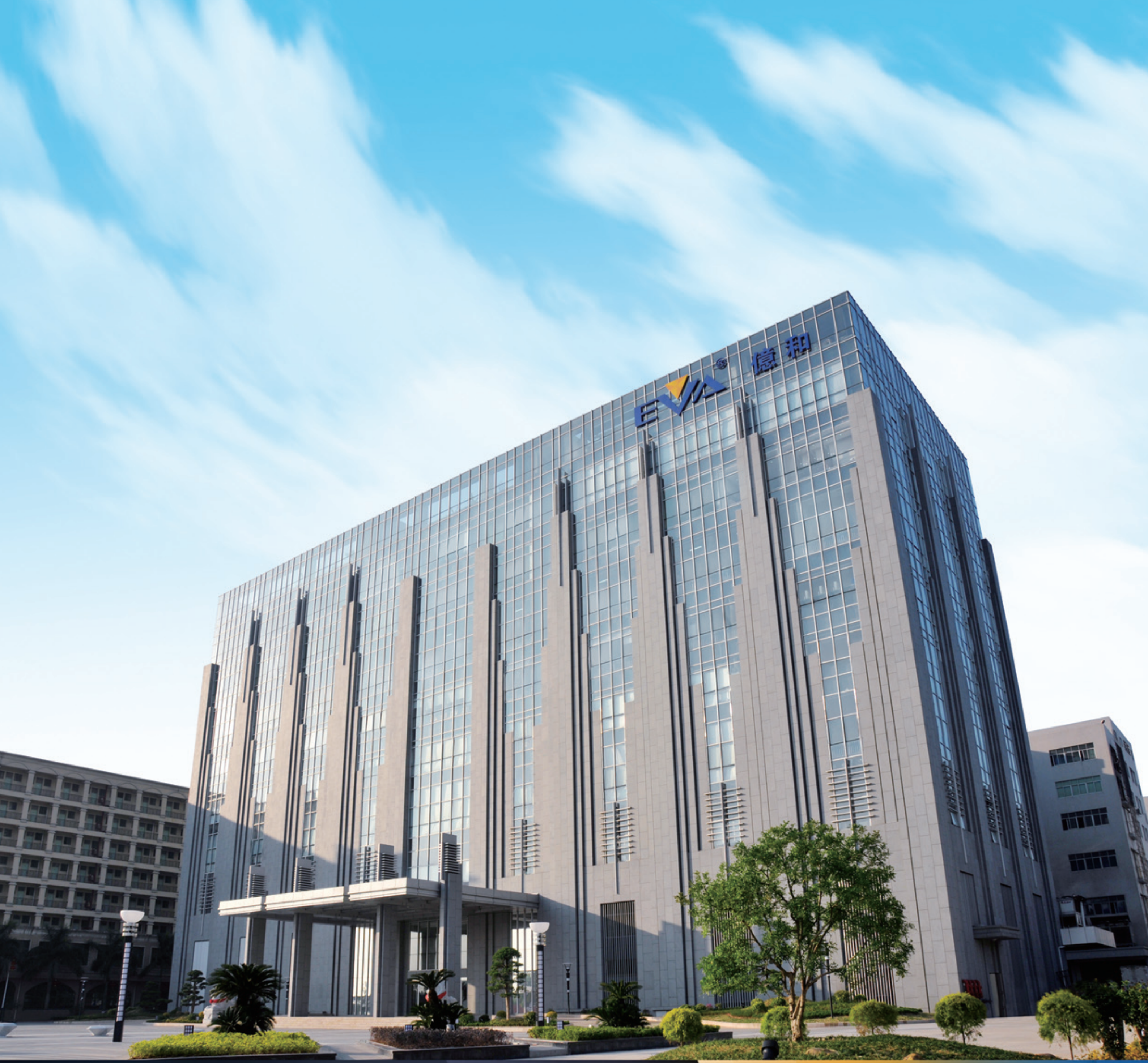
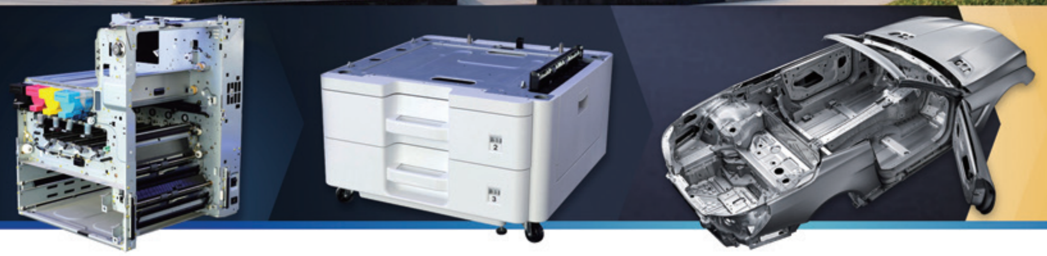




ANNUAL REPORT

2012 年報

EVA Precision Industrial Holdings Limited

億和精密工業控股有限公司

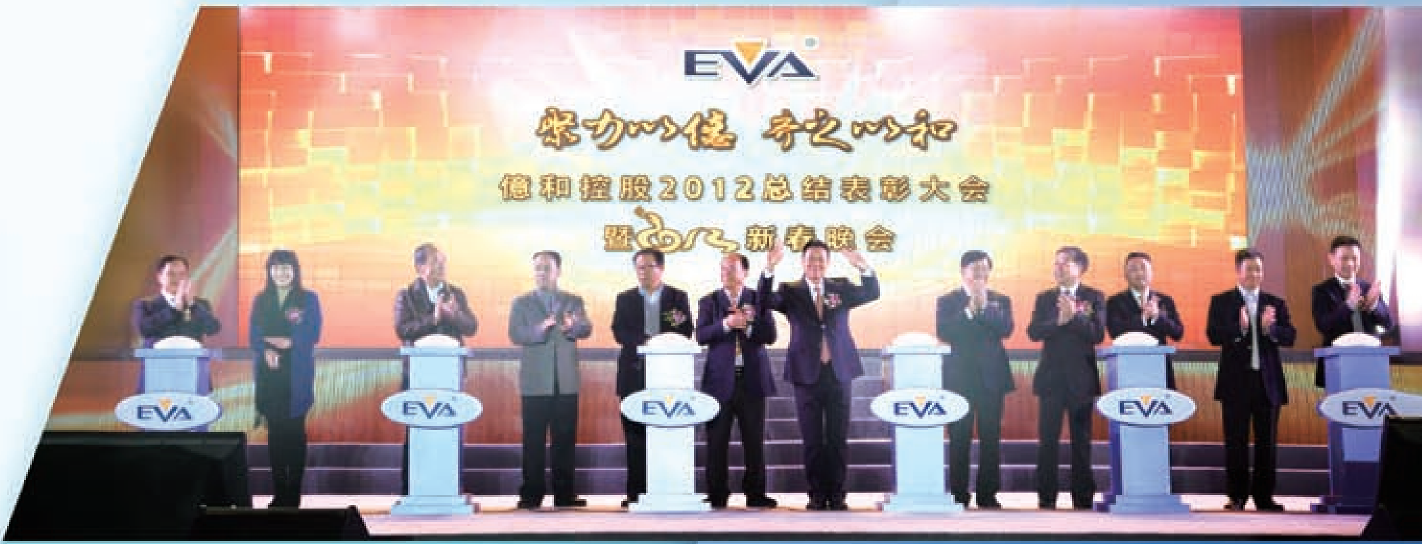
(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號：838)

Wuhan automobile component production base (under construction)

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

In the past, 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 and high end consumer electronics sector. To this end, the Group's production facilities in Chongqing and Wuhan are destined for serving the automobile market. During the year, the Group also newly established a 60% owned subsidiary which engages in micro lending business in China.

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

CORPORATE MILESTONE

Year	Event
2004	Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the "Excellent Supplier Award" (優秀供應商獎) and "Acclamation Certificate" (表彰狀) by Toshiba, and "Certificate of Green Activity" by Canon. EVA Limited was granted with "Very Valuable Vendor (Improvement) Award" (VVV獎一進步獎) by Canon. The Group expanded into plastic mould and component manufacturing business through the establishment of EVA Plastic Mould Products (HK) Limited in Hong Kong and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. in Shenzhen. The first production line of the Group's plastic production line was established and located in the second factory building of the Group's Shenzhen (Shiyan) production plant for trial production.
2005	EVA Precision Industrial Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited. EVA Limited was granted with "Very Valuable Vendor (2004 Best Assistance) Award" (VVV獎一二零零四年最佳協力獎) and "Very Valuable Vendor (Improvement) Award" (VVV獎一進步獎) by Canon, and "Acclamation Certificate" (表彰狀) by Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with an approval certificate for chemical substances management (CMS) standard by Ricoh. EVA Precision Industrial Holdings Limited was granted with a gratitude trophy by Fuji Xerox. The construction of the third factory building of the Group's Shenzhen (Shiyan) production plant was completed and thereafter the Group's plastic production line was moved to the third factory building of the Group's Shenzhen (Shiyan) production plant and commenced commercial production. The Group started to establish a 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 production plant in Suzhou was completed and commenced production. EVA Limited received "2006 First Round Southern China Quality Very Valuable Vendor Award" (VVV獎－二零零六年第一回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 China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (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 "2006 Shenzhen Top 100 Enterprise" (二零零六年深圳百強企業) by Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic 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.

CORPORATE MILESTONE

Year	Event
2007	EVA Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "Encouragement Award"(鼓勵獎), "2006 Supplier Special Improvement Award" (二零零六年供應商特別改善獎) and "Environment Friendly Corporate Certificate" (環保企業証書) from Fuji Xerox. EVA Limited received "2007 Second Round Southern China Quality Very Valuable Vendor Award" (VVV獎－二零零七年第二回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 Compete Skill Laboratory (世界企業競爭力實驗室), 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 Entrepreneurs Association (廣東省企業家協會). EVA Precision Industrial (Suzhou) Limited was accredited as an "Outstanding and Advanced Enterprise" (先進單位) by Suzhou Mould Industry Association (蘇州市模具行業協會). EVA Precision Industrial Holdings Limited and EVA Limited received the certificates of honour for donation from Shenzhen Machinery Association (深圳市機械行業協會) and the Hong Kong Mould and Die Technology Association (香港模具科技協會) for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake. Mr. Zhang Hwo Jie, chairman of the Group, was granted with the "Young Industrialist Award of Hong Kong" (香港青年工業家獎) by the Federation of Hong Kong Industries (香港工業總會).

CORPORATE MILESTONE

Year	Event
2009	EVA Plastic Mould Products (HK) Limited and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received "2008 Golden Quality Award" (2008年品質金獎) from Konica Minolta. EVA Limited received "2008 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零八年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" (傑出供應商獎) from General Electric. EVA Precision Industrial Holdings Limited was also 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 production plant in Zhongshan was completed by end of 2010 and commenced production. EVA Limited received "2009 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零九年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: – "2009 Shenzhen Top 100 Enterprise" (二零零九年深圳百強企業) award from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic 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 Enterprise Confederation (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); – Certificates 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).

CORPORATE MILESTONE

Year	Event
2010 *(Cont'd)*	Shenzhen EVA Mould Manufacturing Limited was recognised as a qualified supplier (合格供應商) and was granted with "Special Contribution Award" (特殊貢獻獎) by Midea (美的). Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with Supplier QCC Forum – Second and Third Class Awards (第一回供應商QCC發表會二等獎及三等獎) respectively by Kyocera Mita (京瓷美達). EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2009 Quality Improvement Award" (二零零九年品質改善獎) 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 (深圳市國家稅務局) and Municipal Tax Bureau of Shenzhen (深圳市地方稅務局). 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 (數碼模沖壓技術(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. The construction of the fourth factory building of the Group's Shenzhen (Shiyan) production plant was completed. EVA Precision Industrial Holdings Limited received: – "2010 Golden Quality Award" (二零一零年品質金獎) from Konica Minolta; – "Premiere Partner (2011) Award" (卓越合作夥伴(二零一一年)獎) 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; and – "2011/2012 Reputable Enterprise in Guangdong Province" (二零一一年／二零一二年廣東省著名企業) 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).

CORPORATE MILESTONE

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 (深圳市機械行業協會) 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). 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). EVA Precision Industrial (Suzhou) Limited was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業).

Year	Event
2012	The Group's production base in Wuhan, which is targeted at automobile business, commenced construction in March 2012 and is scheduled for completion in mid 2013. The construction of the Group's Shenzhen (Tianliao) production plant was completed. EVA Precision Industrial (Suzhou) Limited received "2011 Special Contribution Award" (二零一一年特別貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received: – "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); – "2011 Model Enterprise of Trustworthiness in Guangdong Province" (二零一一年廣東省誠信示範企業) award by Guangdong Enterprises Confederation (廣東省企業聯合會) and Guangdong Entrepreneurs Association (廣東省企業家協會); – "2012/2013 Reputable Enterprise in Guangdong Province" (二零一二年／二零一三年廣東省著名企業) award from China Quality Brand Evaluation Centre (中國質量品牌測評中心), China Quality Brand Investigation and Evaluation Committee (中國質量品牌調查測評組委會) and China Quality Brand Promotion Committee (中國質量品牌推進聯合會); – "Outstanding Enterprise in China" (中國傑出企業) award from China Economic Trading Promotion Agency (中國經濟貿易促進會); – "2011 Charity Enterprise" (二零一一年愛心企業) award from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會); – "2012 Shenzhen Top 100 Enterprise" (二零一二年深圳百强企業) award from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報); and – "2012 Manufacturing Excellence Achievement Award" (卓越製造業成就大獎) from Hong Kong Federation of Innovative Technologies and Manufacturing Industries (香港創新科技及製造業聯合總會).

CORPORATE MILESTONE

Year	Event
2012 *(Cont'd)*	Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as Hong Kong – Guangdong Cleaner Production Partner (Manufacturing) (粵港清潔生產夥伴(製造業)) by The Economic & Information Commission of Guangdong Province (廣東省經濟和信息化委員會) and the Environmental Bureau of the Government of the Hong Kong Special Administrative Region (香港特別行政區政府環保局). Chongqing Digidie Auto Body 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 recognised as a "National High and New Technology Enterprise" (國家級高新技術企業).
2013	The Group's management headquarter moved to the fourth factory building of the Group's Shenzhen (Shiyan) production plant. EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2012 Golden Quality Award" (二零一二年品質金獎) from Konica Minolta. EVA Precision Industrial (Suzhou) Limited received "2012 Special Contribution Award" (二零一二年特別貢獻獎) from Canon. Chongqing Digidie Auto Body Ltd. was recognised as an "Excellent Supplier" (優秀供應商) by Dongfeng (東風).

FINANCIAL HIGHLIGHTS

		2012	2011	2010	2009	2008
OPERATING RESULTS						
Turnover	HK$'000	**2,367,023**	1,977,845	1,703,099	1,026,097	1,084,982
Earnings before interest and taxation (EBIT)	HK$'000	**103,774**	244,439	356,671	48,786	109,477
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	HK$'000	**253,884**	346,470	445,037	130,363	170,249
Profit attributable to equity holders of the Company	HK$'000	**70,889**	210,379	302,664	31,519	82,578
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**226,910**	259,371	319,595	258,970	159,384
Net current assets (liabilities)	HK$'000	**659,458**	430,963	432,808	(14,953)	118,930
Shareholders' equity	HK$'000	**2,075,676**	2,044,412	1,590,396	896,816	967,056
PER SHARE DATA						
Earnings per share						
– Basic (Note 1 and 3)	HK cents	**4.1**	12.8	21.3	2.4	5.8
– Diluted (Note 2 and 3)	HK cents	**4.1**	12.7	20.2	2.3	5.7
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**10.7**	17.5	26.1	12.7	15.7
Net profit margin	(%)	**3.0**	10.6	17.8	3.1	7.6
Return on shareholders' equity	(%)	**3.4**	10.3	19.0	3.5	8.5
Net debt-to-equity ratio (Note 4)	(%)	**7.9**	Net cash	Net cash	18.7	23.6

FINANCIAL HIGHLIGHTS

Note 1: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 1,432,958,000 ordinary shares, 1,318,888,000 ordinary shares, 1,419,912,000 ordinary shares, 1,640,697,000 ordinary shares and 1,733,043,000 ordinary shares in issue during the year ended 31 December 2008, 2009, 2010, 2011 and 2012 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 1,437,994,000 ordinary shares, 1,387,340,000 ordinary shares, 1,501,750,000 ordinary shares, 1,652,069,000 ordinary shares and 1,742,133,000 ordinary shares for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively 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)*

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Leung Tai Chiu *(Chairman)*
Mr. Choy Tak Ho
Mr. Lam Hiu Lo

NOMINATION COMMITTEE

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Choy Tak Ho
Mr. Lam Hiu Lo

REMUNERATION COMMITTEE

Mr. Choy Tak Ho *(Chairman)*
Mr. Zhang Hwo Jie
Mr. Lam Hiu Lo

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

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

Mainland China

Industrial and Commercial Bank of China
Shenzhen Development Bank
Bank of China

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
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

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

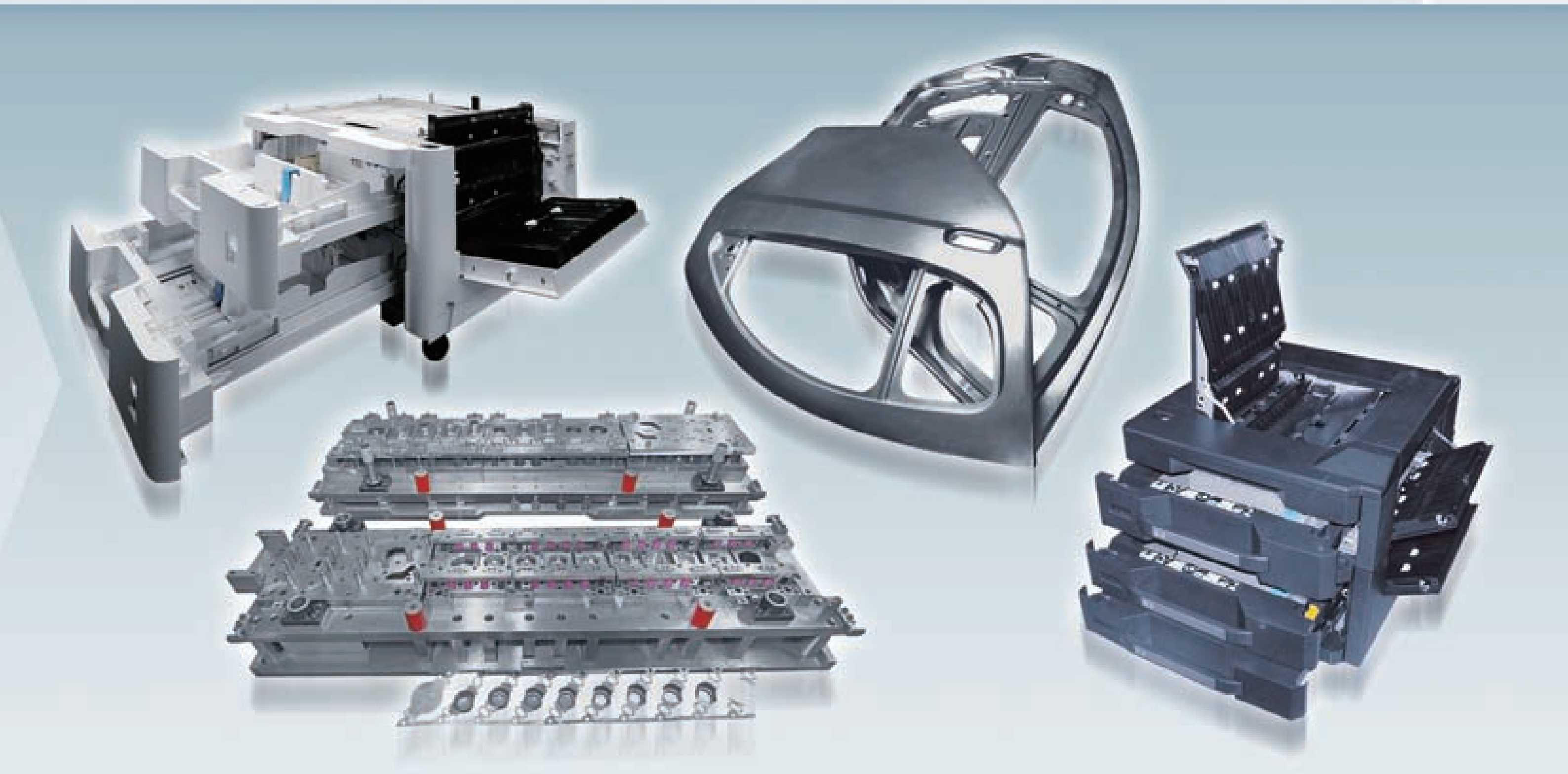
CHAIRMAN'S STATEMENTS

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 2012.

BUSINESS REVIEW

For most of the time in 2012, the global economy was clouded by uncertainties in recovery and sluggish growth. Despite this, our turnover hit historical high once again and recorded a growth of 19.7% to HK$2,367,023,000, thanks to the on-going trend for brand owners to concentrate more of their purchases from manufacturers with proven quality standards and financial stability like ourselves. However, cautious about the economic conditions of developed countries in 2012, the Group's customers in office automation ("OA") equipment sector increased the production volume of relatively low end products for sales to emerging countries with a view to achieving business growth, which altered the type of orders received by us and adversely affected our profit margin. Gross profit margin for the year fell to 21.6% (2011: 24.7%). At the same time, the Group incurred initial costs of approximately HK$66,134,000 for its new automobile component business which included salaries for additional engineers and materials used for technology development and testing. Finance costs also increased as the Group obtained new borrowings for its future capital expenditure and working capital requirements. Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's net profit attributable to equity holders reduced by approximately 66.3% to HK$70,889,000 during the year.



Despite the aforesaid, the economy started to show stronger signs of recovery since late 2012, which was also reflected in the mould revenue of the Group. Our production and sales of moulds had been robust in the second half of 2012. Under the Group's business model, brand owners would normally require us to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in our production bases for future mass production of components and semi-finished products. In other words, mould revenue is a leading indicator of our future production volume of components and semi-finished products. It is worth noting that, despite a reduction of our mould revenue by 22.1% in 1H2012 which was caused by the lackluster sentiment about the economy during the same period, the production and sales of moulds rebounded strongly in the second half of the year and finally mould revenue for the full year of 2012 increased by 15.8% as compared to that of 2011. The robust resurgence of mould development in the second half of 2012 is an evident reflection of revival of confidence in economic outlook among our customers.

CHAIRMAN'S STATEMENTS

Chongqing automobile mould production base

BUSINESS DEVELOPMENT

Our business fundamentals continued to make progresses. Starting from late 2009, the Group has been engaging in a strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diversity of products for the fast growing Chinese consumption market, with particular attention given to the huge automobile sector. During the year, the Group continued to make significant inroads towards this direction. As one of the milestone events in such expansion, the Group commenced the construction of a new production base in Wuhan in March 2012 which is targeted at providing component production and welding services to automobile brand names located in Wuhan and adjacent cities. The new Wuhan production base is scheduled for completion in mid 2013. Since the Group's business in automobile sector was only confined to the production of moulds in the past, the construction of the new Wuhan production base signifies the Group's expansion into supplying automobile components on a large scale basis, a business which is much more voluminous than just supplying moulds and underscores our next step forward into the automobile market.

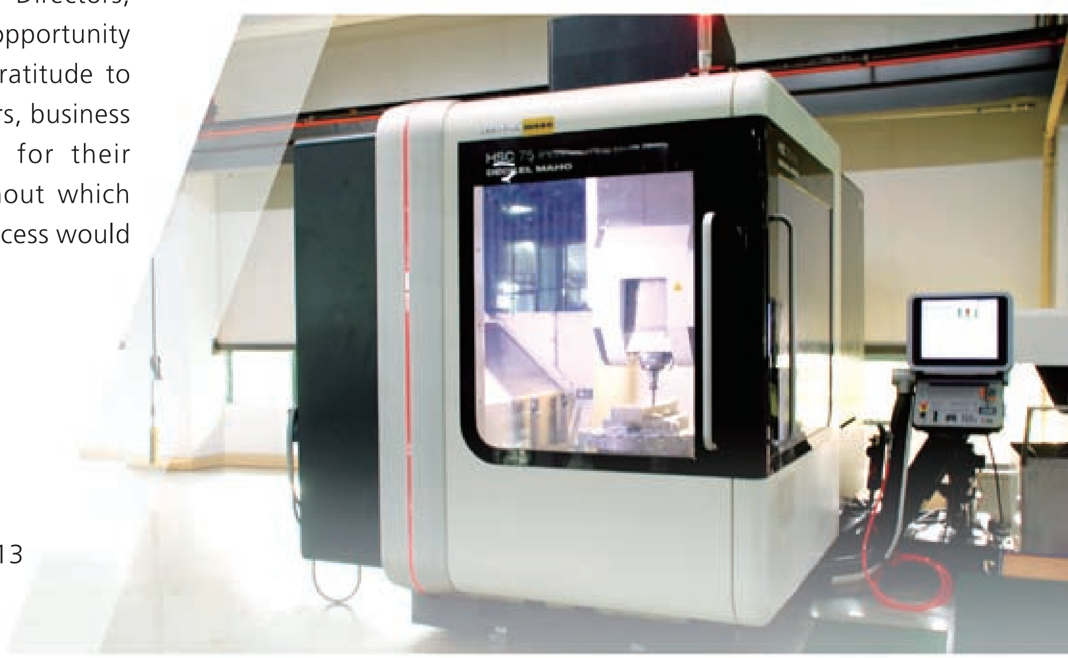
At the same time, there is also a soaring demand from the Chinese consumers for high quality and sophisticated consumer electronic products in recent years. With an outstanding engineering expertise, the Group is well equipped to capture the growing demand in high end consumer electronic market, in which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

PROSPECTS

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

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

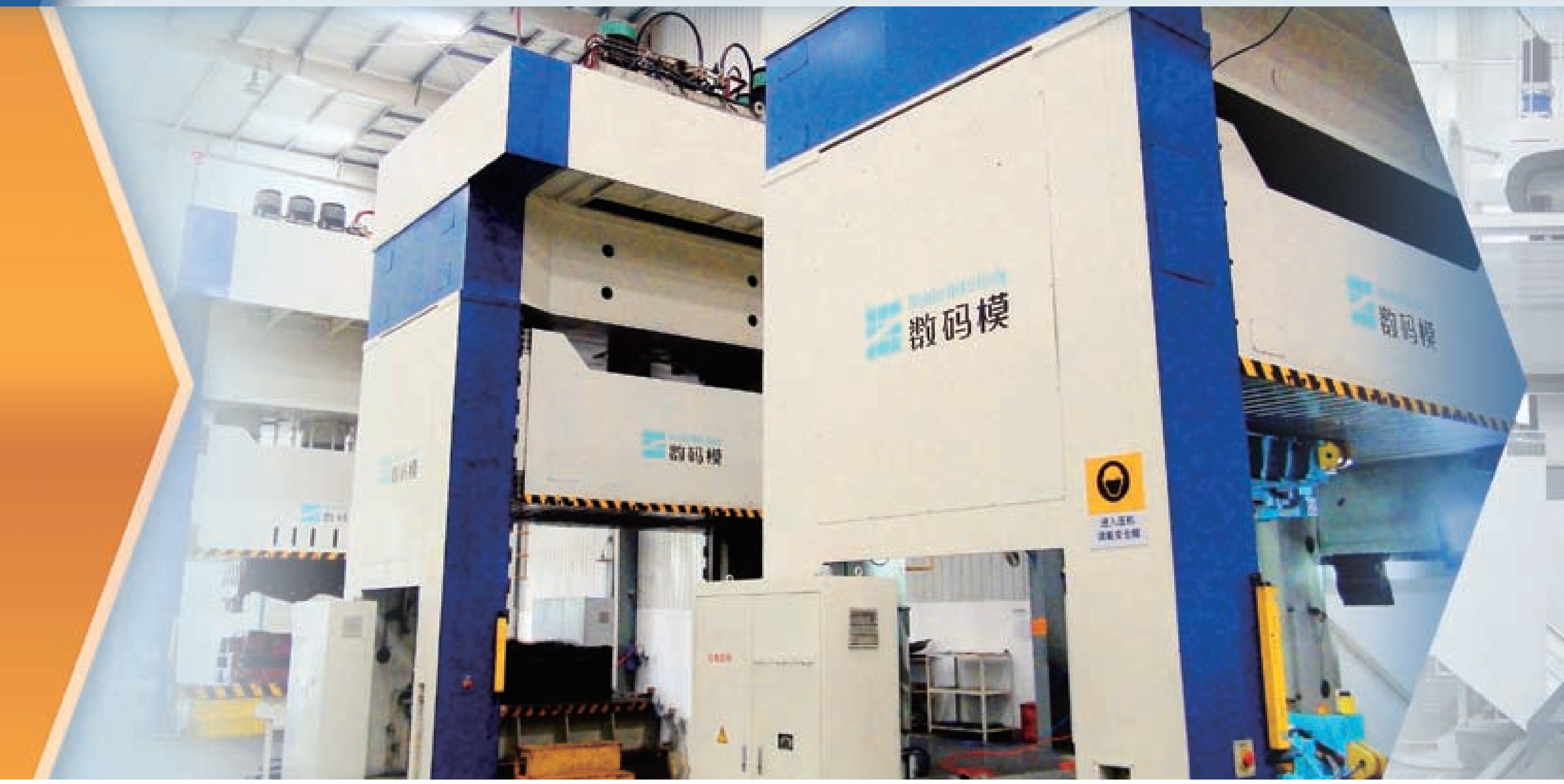
On behalf of the Board of Directors, I would like to take this opportunity to express our sincerest gratitude to our shareholders, customers, business partners and employees for their unwavering support, without which the Group's continuous success would not have been possible.



Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2013

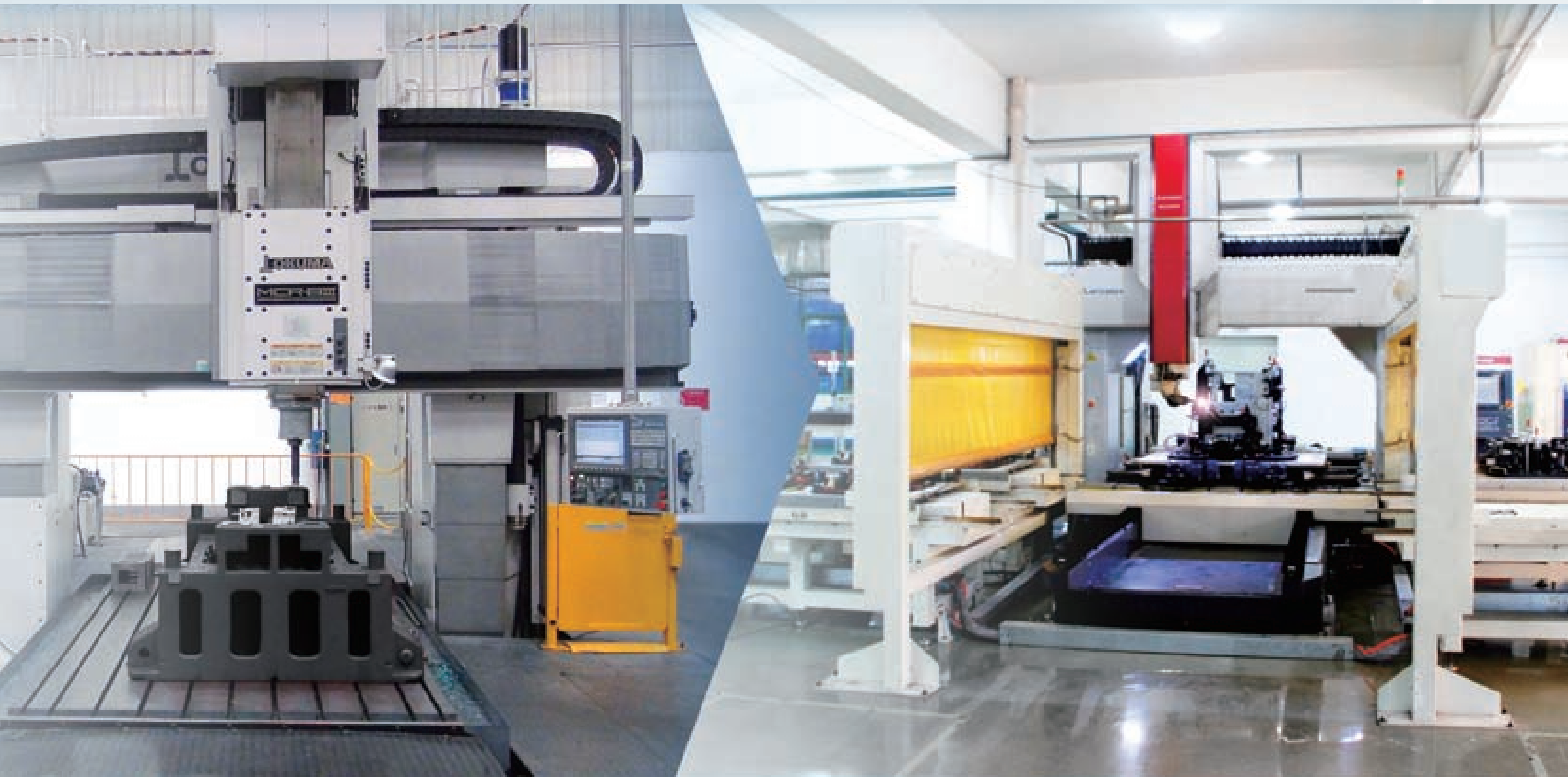
MANAGEMENT DISCUSSION AND ANALYSIS



SIGNIFICANT EVENTS AND DEVELOPMENT

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

Currently, Wuhan is one of the major production hubs in China for automobiles. A number of international automobile brand names have established or are planning to establish production bases in Wuhan or its adjacent cities, which includes Dongfeng, Honda, Nissan, Citroen, Peugeot and General Motors. We are confident that by establishing the new Wuhan production base, and by utilising our precision engineering and production management expertise obtained through 20 years of experience in serving



Japanese brand owners in the OA industry who are well known for their demanding quality requirements, our new Wuhan production base can stand out in the domestic automobile supply chain and open up a new phase of development for the benefit of the Group.

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

At the same time, there is also a soaring demand from the Chinese consumers for high quality and sophisticated consumer electronic products in recent years. With an outstanding engineering expertise, the Group is well equipped to capture the growing demand in high end consumer electronic market, in which product precision and engineering expertise are also essential. On the other hand, to save logistic and quality control costs, brand owners in our traditional OA equipment business continue

MANAGEMENT DISCUSSION AND ANALYSIS

to streamline their presently fragmented supplier bases and concentrate a higher percentage of their purchases from large scale manufacturers like ourselves. Therefore, we continued to see substantial growth potential in this market. To cope with the increase in order flows from both OA equipment and high end consumer electronic markets, we added another new production base in Shenzhen in 2012, which can provide additional floor areas for future capacity expansion.

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

Despite the aforesaid, market sentiment started to improve since late 2012, which was also reflected in the mould revenue of the Group. Our production and sales of moulds had been robust in the second half of 2012. Under the Group's business model, brand owners would normally require us to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in our production bases for future mass production of components and semi-finished products. In other words, mould revenue is a leading indicator of our

future production volume of components and semi-finished products. It is worth noting that, despite a reduction of our mould revenue by 22.1% in 1H2012 which was caused by the lackluster sentiment about the economy during the same period, the production and sales of moulds rebounded strongly in the second half of the year and finally mould revenue for the full year of 2012 increased by 15.8% as compared to that of 2011. The robust resurgence of mould development in the second half of 2012 is an evident reflection of revival of confidence in economic outlook among our customers.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

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

Note 1: Others mainly represented sales of scrap materials

Turnover

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

Gross profit

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

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

Segment results

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

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

Finance costs

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

Income tax expense

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

Profit attributable to equity holders of the Company

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

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

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

Bank loans as at 31 December 2012 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 31 December 2012 is as follows:

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

Note –

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

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

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

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

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

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

Inventory turnover days

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

Debtors' and creditors' turnover days

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

Current ratio and net debt-to-equity ratio

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

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

FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars. During the year ended 31 December 2012, approximately 33%, 54% and 13% (For the year ended 31 December 2011: 35%, 56% and 9%) of the Group's sales and approximately 13%, 71% and 16% (For the year ended 31 December 2011: 13%, 70% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

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

CHARGES ON THE GROUP'S ASSETS

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

HUMAN RESOURCES

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

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

OUTLOOK

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

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2012 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 50, is the chairman of the Group and a member of the remuneration committee of the Company during the year. On 11 January 2013, Mr. Zhang was also appointed as the chairman of the nomination 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 20 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 38, 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 40, 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 20 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 Guangdong Die & Mould Industry Association (廣東省模具工業協會), Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen General Chamber of Commerce (深圳市商業聯合會). 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 Economic 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 71, was the executive director and senior consultant of the Group prior to 1 January 2013. Mr. Nomo was appointed as a director on 11 January 2005 and ceased to be a director on 1 January 2013 due to retirement. Mr. Nomo was responsible for advising on the Group's production and operational management, business development and strategic planning. He was also a director of EVA Precision Industrial (Suzhou) Limited, a subsidiary of the Group, prior to his retirement. Mr. Nomo had 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI Sun Wing, aged 62, was an independent non-executive director of the Company, the chairman of the Company's audit committee and a member of its nomination committee and remuneration committee prior to 11 January 2013. Dr. Lui was appointed as a director on 11 January 2005. He ceased to be an independent non-executive director of the Company, the chairman of the Company's audit committee and a member of its nomination committee and remuneration committee on 11 January 2013 due to his numerous commitments and appointments which require more of his attention. 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, which 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.

Mr. CHOY Tak Ho, aged 84, 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 a senior consultant of China Solar Energy Holdings Limited. He was appointed as a director on 11 January 2005.

Mr. LEUNG Tai Chiu, aged 66, is an independent non-executive director. During the year, he was a member of the audit committee of the Company and the chairman of its nomination committee. With effect from 11 January 2013, Mr. Leung was re-designated as the chairman of the audit committee of the Company and ceased to be a member and the chairman of its nomination 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 a Fellow of The Hong Kong Institute of Directors, and 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.

Mr. LAM Hiu Lo, aged 51, is an independent non-executive director, and a member of the audit committee, nomination committee and remuneration committee of the Company from 11 January 2013. Mr. Lam has over 25 years of experience in sales and marketing in China. Over the years, he has successfully built up a strong business and personal network in China. Mr. Lam is currently an executive director of Yugang International Limited and Qualipak International Holdings Limited respectively and he was an executive director of C C Land Holdings Limited from 10 November 2000 to 12 July 2012. All three of these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Lam was appointed as a director on 11 January 2013.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 40, 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 17 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.

CORPORATE GOVERNANCE REPORT

The Group is committed to maintaining high standards of corporate governance. The board of directors believes that good corporate governance practices are important to promote investor confidence and protect the interest of the shareholders. The Group has its own code of conduct regarding corporate governance which is not less stringent than the provisions of the Code on Corporate Governance Practices (effective until 31 March 2012, the "Former CG Code") and the Corporate Governance Code (effective from 1 April 2012, the "New CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Group 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 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.

COMPOSITION OF THE BOARD

The Board consists of the following directors:

Executive directors

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*
Mr. Nomo Kenshiro *(Ceased on 1 January 2013)*

Independent non-executive directors

Dr. Lui Sun Wing *(Ceased on 11 January 2013)*
Mr. Choy Tak Ho
Mr. Leung Tai Chiu
Mr. Lam Hiu Lo *(Appointed on 11 January 2013)*

With effect from 1 January 2013, Mr. Nomo Kenshiro ceased to be an executive director of the Company upon his retirement after more than 40 years of work in manufacturing, sales and marketing, public relations and corporate management. In addition, Dr. Lui Sun Wing decided not to renew his appointment as an independent non-executive director of the Company upon completion of his term of appointment on 10 January 2013, and therefore ceased to be an independent non-executive director of the Company with effect from 11 January 2013. On 11 January 2013, Mr. Lam Hiu Lo was appointed as an independent non-executive director of the Company.

The biographical information of directors are set out on page 32 to page 35 under the section headed "Directors and Senior Management Profile" of the annual report.

Relationship between the Board members

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.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

The Group has a balanced board composition to ensure strong independence exists across the Board and currently more than one-third of the Board members comprise 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 composition of the Board also complies with the requirement under Rule 3.10 (2) of the Listing Rules in respect of appropriate professional qualifications, or accounting or related financial management expertise.

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 Listing Rules. 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 2012, the Board had selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements in accordance with relevant accounting standards and regulations and on a going concern basis. The directors are also responsible for ensuring that proper accounting records of the Group which disclose the Group's financial position are kept at all times and taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in the preparation of the financial statements. The Board has also reviewed and discussed the effectiveness of system of internal control, including financial, operational and compliance control and risk management functions of the Group for the year ended 31 December 2012.

Board and general meetings

During the year ended 31 December 2012, the Company held 20 board meetings and 1 general meeting.

	Number of attendance	
Directors	**Board meeting**	**General meeting**
Executive directors		
Mr. Zhang Hwo Jie	20/20	1/1
Mr. Zhang Jian Hua	19/20	1/1
Mr. Zhang Yaohua	19/20	1/1
Mr. Nomo Kenshiro *(Ceased to be a director on 1 January 2013)*	17/20	1/1
Independent non-executive directors		
Dr. Lui Sun Wing *(Ceased to be a director on 11 January 2013)*	18/20	1/1
Mr. Choy Tak Ho	20/20	1/1
Mr. Leung Tai Chiu	20/20	1/1

Mr. Lam Hiu Lo had not attended any of the board and general meetings during the year ended 31 December 2012 since he was only appointed as an independent non-executive director on 11 January 2013.

Board meetings 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 fourteen days' notice is given to all directors before such meetings. Agendas and related documents are sent to director at least three days prior to such meetings.

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

The procedures for shareholders to convene an extraordinary general meeting and to put forward proposals at shareholders' meetings are set out in the section headed "Shareholders' Rights" below.

Directors' Continuing Professional Development

The Group believes that directors' training is an ongoing process. Starting from 1 April 2012, the directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group updates directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2012, the Group had organised a briefing session conducted by Minter Ellison for the directors covering the New CG Code. All directors except for (i) Mr. Nomo Kenshiro who was unable to attend the briefing session due to other engagement outside Hong Kong and (ii) Mr. Lam Hiu Lo who was appointed as an independent non-executive director only in 2013 had attended the briefing session.

The individual training record of each director during the year ended 31 December 2012 is set out below:

Directors	**Type of continuous professional development**
Executive directors	
Mr. Zhang Hwo Jie	(A) and (B)
Mr. Zhang Jian Hua	(A) and (B)
Mr. Zhang Yaohua	(A) and (B)
Mr. Nomo Kenshiro *(Ceased to be a director on 1 January 2013)*	(A) and (B)
Independent non-executive directors	
Dr. Lui Sun Wing *(Ceased to be a director on 11 January 2013)*	(A) and (B)
Mr. Choy Tak Ho	(A) and (B)
Mr. Leung Tai Chiu	(A) and (B)

Notes:

1. (A): attending briefing sessions and/or seminars, (B): reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.

2. Mr. Lam Hiu Lo is not included in the above list since he was only appointed as an independent non-executive director on 11 January 2013.

AUDIT COMMITTEE

The Company has set up an audit committee on 20 April 2005 for the purpose of reviewing and providing supervision on the financial reporting process, internal control system and corporate governance matters of the Group. The audit committee is mainly responsible for making recommendations to the Board on the appointment and re-appointment of the external auditors, approving the remuneration and terms of engagement of external auditors and other matters relating to the resignation or dismissal of external auditors. The audit committee also reviews the interim and annual reports and financial statements of the Group and oversees the Group's financial report system, internal control procedures and corporate governance functions. The terms of reference of the audit committee, which are aligned with the provisions set out in the New CG Code, are available on the Group's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The audit committee comprises the three independent non-executive directors. During the year ended 31 December 2012, the audit committee was chaired by Dr. Lui Sun Wing and its members comprised Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu, the three independent non-executive directors. On 11 January 2013, Dr. Lui Sun Wing ceased to be the Company's independent non-executive director and a member and the chairman of the audit committee. With effect from 11 January 2013, Mr. Leung Tai Chiu replaced Dr. Lui Sun Wing as the chairman of the audit committee and the vacancy left by Dr. Lui Sun Wing in the audit committee was filled by Mr. Lam Hiu Lo, who was appointed as an independent non-executive director of the Company on the same day.

The audit committee held 2 meetings during the year ended 31 December 2012 and had attended to the following matters:

– discuss with external auditors with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules 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 2011 and the interim financial statements for the six months ended 30 June 2012 before recommending the financial statements to the Board for approval.

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

Name of audit committee member	Attendance
Dr. Lui Sun Wing *(Ceased to be a member and the chairman of the audit committee on 11 January 2013)*	2/2
Mr. Choy Tak Ho	2/2
Mr. Leung Tai Chiu *(Appointed as the chairman of the audit committee on 11 January 2013)*	2/2

Mr. Lam Hiu Lo had not attended any of the meetings of the audit committee during the year ended 31 December 2012 since he was only appointed as a member of the audit committee on 11 January 2013.

The audit committee had reviewed the accounting principles and practices adopted by the Group and discussed internal control, corporate governance and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2012. The audit committee has 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. The audit committee also reviewed the training and continuous development of directors and senior management.

NOMINATION COMMITTEE

The Company has set up a nomination committee on 31 January 2012. The nomination committee is principally responsible for the selection and assessment of candidates for the appointment of directors, and determining the policy for the nomination 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, which are aligned with the provisions set out in the New CG Code, are available on the Group's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

During the year ended 31 December 2012, the nomination committee was chaired by Mr. Leung Tai Chiu and its members comprised Mr. Leung Tai Chiu, Dr. Lui Sun Wing and Mr. Choy Tak Ho, the three independent non-executive directors. On 11 January 2013, Dr. Lui Sun Wing ceased to be the Company's independent non-executive director and a member of the nomination committee. On the same day, Mr. Leung Tai Chiu was re-designated as the chairman of the audit committee and ceased to be a member and the chairman of the nomination committee. With effect from 11 January 2013, Mr. Zhang Hwo Jie (Chairman of the Board) and Mr. Lam Hiu Lo (independent non-executive director) were appointed as members of the nomination committee to fill the vacancies left by Dr. Lui Sun Wing and Mr. Leung Tai Chiu and Mr. Zhang Hwo Jie was also appointed as the chairman of the nomination committee.

During the year ended 31 December 2012, the nomination committee held 1 meeting. Individual attendance of each nomination committee member at the meeting is as follows:

Name of nomination committee member	Attendance
Mr. Leung Tai Chiu *(Ceased to be a member and the chairman of the nomination committee on 11 January 2013)*	1/1
Dr. Lui Sun Wing *(Ceased to be a member of the nomination committee on 11 January 2013)*	0/1
Mr. Choy Tak Ho	1/1

Mr. Zhang Hwo Jie and Mr. Lam Hiu Lo had not attended the meeting of the nomination committee during the year ended 31 December 2012 since they were only appointed as members of the nomination committee on 11 January 2013.

The nomination committee had reviewed the structure, size and composition of the Board and assessed the independency of independent non-executive director during the year ended 31 December 2012. The nomination committee had also considered the background, qualification and experience of new director before recommending to the Board for his appointment.

REMUNERATION COMMITTEE

The Group had established a remuneration committee on 22 June 2005. 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 remuneration committee is also responsible for making recommendation to the Board on the remuneration packages of individual executive directors and senior management and for ensuring that no director or any of his associates is involved in deciding his own remuneration. The terms of reference of the remuneration committee, which are aligned with the provisions set out in the New CG Code, 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 2012, the remuneration committee was chaired by Mr. Choy Tak Ho and its members comprised the two independent non-executive directors, namely Mr. Choy Tak Ho and Dr. Lui Sun Wing, and the Chairman and executive director, Mr. Zhang Hwo Jie. On 11 January 2013, Dr. Lui Sun Wing ceased to be the Company's independent non-executive director and a member of the remuneration committee. With effect from 11 January 2013, the vacancy left by Dr. Lui Sun Wing in the remuneration committee was filled by Mr. Lam Hiu Lo, who was appointed as an independent non-executive director of the Company on the same day.

During the year ended 31 December 2012, the remuneration committee held 4 meetings. Individual attendance of each remuneration committee member at the meetings is as follows:

Name of remuneration committee member	Attendance
Mr. Choy Tak Ho	4/4
Mr. Zhang Hwo Jie	4/4
Dr. Lui Sun Wing *(Ceased to be a member of the remuneration committee on 11 January 2013)*	3/4

Mr. Lam Hiu Lo had not attended any of the meetings of the remuneration committee during the year ended 31 December 2012 since he was only appointed as a member of the remuneration committee on 11 January 2013.

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. The remuneration committee also considered the remuneration proposals of individual directors and senior management and the terms of the directors' service contracts before recommending to the Board for approval. Details of the remuneration to directors and senior management for the year ended 31 December 2012 are set out in Note 24 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.

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The audit committee is also responsible for performing the corporate governance duties and determining the policy for the corporate governance of the Group. Therefore, the Group has not established another board committee for the performance of corporate governance duties at present. The audit committee had reviewed the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements including the compliance with the Former CG Code (effective until 31 March 2012) and the New CG Code (effective from 1 April 2012) for the year ended 31 December 2012. The audit committee also reviewed the training and continuous development of directors and senior management.

AUDITOR'S REMUNERATION

During the year ended 31 December 2012, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditors, amounted to HK$3,231,000. The audit fee was approved by the audit committee. The statement made by the external auditors in respect of their reporting responsibilities are set out on page 66 to page 67 of this annual report.

During the year ended 31 December 2012, the total remuneration for permissible non-audit services provided by the external auditors (including any entity under common control, ownership or management with the external auditors) amounted to HK$729,000. The non-audit services comprised tax compliance and tax advisory services of approximately HK$414,000 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 auditors. The re-appointment of PricewaterhouseCoopers as auditors 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.

COMPANY SECRETARY

The company secretary is Mr. Wong Hoi Chu Francis, who is also the chief financial officer of the Group. The Board had reviewed the training and continuous professional development of the company secretary during the year ended 31 December 2012 and considered that the requirements under Rule 3.29 of the Listing Rules in respect of the professional training of the company secretary were complied.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene and put forward proposals at shareholders' meetings

Any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionist(s)") shall at all times have the right, by written requisition ("Requisition") to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company. The

Requisition shall have been lodged at the head office of the Company at Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong or at Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Any business proposed to be put forward at such meeting shall be specified in the Requisition.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the company secretary at Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong. Such concerns and enquiries will then be directed to the Board by the company secretary.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's memorandum and articles of association during the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE FORMER AND NEW CG CODE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Former CG Code (effective until 31 March 2012) and the New CG Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2012.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2013

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 2012.

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. During the year, the Group also newly established a 60% owned subsidiary which engages in micro lending business in China.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2012 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 2012 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	6.9%
Five largest suppliers combined	25.7%
Sales	
The largest customer	24.8%
Five largest customers combined	66.8%

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 2012 are set out in the consolidated statement of comprehensive income on page 71 to page 72.

REPORT OF THE DIRECTORS

DIVIDENDS

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

FIXED ASSETS

Details of the movements in property, plant and equipment during the year ended 31 December 2012 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST CAPITALISED

Details of borrowings are set out in Note 17 and Note 18 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group (if any) are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in reserves during the year ended 31 December 2012 are set out in Note 21 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2012 amounted to HK$630,000.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 24 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 160.

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 2012.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year ended 31 December 2012 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 *(Ceased on 1 January 2013)*

Independent Non-executive Directors

Dr. Lui Sun Wing *(Ceased on 11 January 2013)*
Mr. Choy Tak Ho
Mr. Leung Tai Chiu
Mr. Lam Hiu Lo *(Appointed on 11 January 2013)*

In accordance with the Company's Articles of Association, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Lam Hiu Lo 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 2012 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, occurred during the year ended 31 December 2012:

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 38.2% shareholder of the Company as at 31 December 2012 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, wholly owned subsidiaries of the Group, proposed to settle with The Hong Kong Inland Revenue Department (the "HKIRD") regarding their offshore claims which were queried by the HKIRD. There has been no response from the HKIRD to the proposal of EVA Limited. However, up to 31 December 2012, EVA Limited had already paid approximately HK$11,588,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the periods prior to 11 May 2005, the listing date of the Company. Payments of approximately HK$4,038,000 had been indemnified by the Indemnifiers. The remaining balance of approximately HK$7,550,000 will also be indemnified by the Indemnifiers should the final determination of such tax liabilities be made by the HKIRD.

During the year ended 31 December 2012, EVA Holdings Limited settled with the HKIRD regarding the above-mentioned offshore claim by an amount of approximately HK$1,761,000 through payment of cash and utilisation of tax reserve certificates previously purchased by EVA Holdings Limited. Such payments had been fully indemnified by the Indemnifiers pursuant to the deed of tax indemnity.

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 loan agreements with DBS Bank (Hong Kong) Limited in respect of the following banking facilities ("DBS Facilities Agreements"):

(i) term loan/finance lease facilities up to HK$140,000,000 with a repayment term of four years after the date of advance of the loan (the outstanding loan balance was approximately HK$31,322,000 as at 31 December 2012); and

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

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 collectively maintain not less than 35% of the issued shares of the Company and shall remain as the single largest shareholder of the Company; and

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

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

(i) a term loan facility up to HK$80,000,000 with a repayment term of three years after the date of advance of the loan (the outstanding loan balance was HK$80,000,000 as at 31 December 2012); 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 2012).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the BOC 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 share capital of the Company; and

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

In addition, a subsidiary of the Company is a party to loan agreements with Hang Seng Bank Limited in respect of the following facilities ("HSB Facilities Agreements"):

(i) a term loan facility up to HK$250,000,000 for a term of four years from August 2012, being five months after the date of the relevant facility letter (the outstanding loan balance was HK$250,000,000 as at 31 December 2012);

(ii) another 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 HK$15,600,000 as at 31 December 2012); and

(iii) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 31 December 2012).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the HSB 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 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 HK$46,154,000 as at 31 December 2012.

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.

Certain subsidiaries of the Company are also parties to loan agreements with The Hongkong and Shanghai Banking Corporation Limited in respect of the following facilities ("HSBC Facility Agreements"):

(i) a term loan facility for an amount up to HK$250,000,000 with a repayment period of five years from the date of acceptance of the relevant facility letter (the outstanding loan balance was HK$250,000,000 as at 31 December 2012);

(ii) a revolving loan facility for an amount up to HK$50,000,000 (the outstanding loan balance was HK$50,000,000 as at 31 December 2012);

(iii) other term loan facilities with outstanding balances of approximately HK$60,454,000 as at 31 December 2012 (fully repayable in 2017); and

(iv) factoring facility up to HK$21,600,000.

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

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

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

Besides, subsequent to 31 December 2012, certain subsidiaries of the Company entered into banking facility agreements with Fubon Bank (Hong Kong) Limited in respect of the following banking facilities ("Fubon Facility Agreements"):

(i) Short Term Advance Facility on a revolving basis of up to US$7,000,000; and

(ii) Facility for treasury transactions up to an aggregate pre-settlement risk amount of not more than US$1,000,000.

Pursuant to the Fubon Facility Agreements, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall maintain not less than 35% of the issued share capital of the Company. As at 31 December 2012, there was no outstanding balance in respect of the above banking facilities from Fubon Bank (Hong Kong) Limited.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in, inter alia, 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 Share Option 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 Share Option 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. The Scheme Mandate Limit was further refreshed again at the annual general meeting of the Company held on 21 May 2012 ("2012 AGM"), whereby the directors were authorised to grant options to subscribe for up to 175,905,380 shares, representing 10% of the issued share capital of the Company as at the date of the 2012 AGM. Subsequent to the 2012 AGM and up to the date of this report, options to subscribe for 138,170,000 shares have been granted by the directors. Accordingly, options to subscribe for up to 37,735,380 shares (representing approximately 2.25% of the issued share capital as at the date of this report) 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 Share Option Scheme:

The Share Option 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 2012 and up to the date of this report are as follows:

	As at 1 January 2012	Granted during the year	Exercised during the year	As at 31 December 2012	Granted during the period from 1 January 2013 up to the date of this report	Exercised during the period from 1 January 2013 up to the date of this report	As at the date of this report	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
								HK$	HK$	HK$
Executive directors										
Mr. Zhang Hwo Jie										
– Granted on 7 November 2012	–	16,000,000	–	16,000,000	–	–	16,000,000	0.69	0.69	–
Mr. Zhang Jian Hua										
– Granted on 7 November 2012	–	16,000,000	–	16,000,000	–	–	16,000,000	0.69	0.69	–
Mr. Zhang Yaohua										
– Granted on 7 November 2012	–	16,000,000	–	16,000,000	–	–	16,000,000	0.69	0.69	–
Mr. Nomo Kenshiro (Note 1)	–	–	–	–	–	–	–	–	–	–
Independent non-executive directors										
Dr. Lui Sun Wing (Note 2)										
– Granted on 7 November 2012 (Note 3)	–	300,000	–	300,000	–	(300,000)	–	0.69	0.69	1.09
Mr. Choy Tak Ho										
– Granted on 7 November 2012	–	300,000	–	300,000	–	–	300,000	0.69	0.69	–
Mr. Leung Tai Chiu										
– Granted on 7 November 2012	–	300,000	–	300,000	–	–	300,000	0.69	0.69	–
Mr. Lam Hiu Lo (Note 4)										
– Granted on 12 January 2013	–	–	–	–	300,000	–	300,000	1.16	1.172	–
Employees of the Group										
In aggregate										
– Granted on 10 December 2008	7,214,200	–	(100,000)	7,114,200	–	–	7,114,200	0.165	0.175	0.86
– Granted on 2 October 2009	1,120,000	–	–	1,120,000	–	–	1,120,000	0.405	0.41	–
– Granted on 7 November 2012	–	88,970,000	–	88,970,000	–	–	88,970,000	0.69	0.69	–
	8,334,200	137,870,000	(100,000)	146,104,200	300,000	(300,000)	146,104,200			

Notes:

1. Mr. Nomo Kenshiro ceased to be an executive director of the Company with effect from 1 January 2013.

2. Dr. Lui Sun Wing ceased to be an independent non-executive director of the Company with effect from 11 January 2013.

3. The 300,000 options granted to Dr. Lui Sun Wing on 7 November 2012 was originally only exercisable on or after 2 January 2014 and should also lapse on 11 January 2013, the date on which Dr. Lui Sun Wing ceased to be an independent non-executive director of the Company. However, in appreciation of the efforts and valuable contribution of Dr. Lui Sun Wing as an independent non-executive director since the listing of the Group in 2005, the Board had on 11 January 2013 exercised its discretion under the Share Option Scheme to waive the vesting period of the 300,000 options granted to Dr. Lui Sun Wing so that they became immediately exercisable, and to defer the date of lapse of such options from 11 January 2013 to 10 February 2013. The aforesaid waiver of the vesting period and the deferral of the date of lapse of these options had been approved by the independent non-executive directors. Such options were exercised by Dr. Lui Sun Wing on 18 January 2013.

4. Mr. Lam Hiu Lo was appointed as an independent non-executive director of the Company with effect from 11 January 2013.

The fair value of the options granted on 10 December 2008, 2 October 2009 and 7 November 2012 with outstanding balances as at 31 December 2012 of 7,114,200 options, 1,120,000 options and 137,870,000 options were HK$340,000, HK$92,000 and HK$34,950,000 respectively. The fair value of 300,000 options granted on 12 January 2013 was HK$118,000. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	**Expected volatility**	**Expected life**	**Risk-free rate**	**Dividend paid-out rate**
	HK$				
Granted on 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%
Granted on 7 November 2012	0.69	64.19%	2.2 years	0.241%	3.3333%
Granted on 12 January 2013	1.172	66.361%	1.97 years	0.141%	2.0354%

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 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
With respect to the options granted on 7 November 2012 and 12 January 2013 with exercise price of HK$0.69 and HK$1.172 respectively		
100%	2 January 2014	2 January 2014 to 6 November 2017

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

As at 31 December 2012, the interests and/or short positions of the directors or chief executive of the Company 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	Personal interests in underlying shares held under equity derivatives	Total interests	Approximate percentage of interest in the Company as at 31 December 2012
				(Note 1)		
Mr. Zhang Hwo Jie	641,480,000 (Note 2)	15,692,000	–	16,000,000	673,172,000	40.08%
Mr. Zhang Jian Hua	–	664,000	–	16,000,000	16,664,000	0.99%
Mr. Zhang Yaohua	5,648,000 (Note 3)	10,132,000	156,000	16,000,000	31,936,000	1.90%
Mr. Nomo Kenshiro (Note 4)	–	–	–	–	–	–
Dr. Lui Sun Wing (Note 5)	–	900,000	–	300,000	1,200,000	0.07%
Mr. Choy Tak Ho	–	–	–	300,000	300,000	0.02%
Mr. Leung Tai Chiu	–	4,600,000	–	300,000	4,900,000	0.29%
Mr. Lam Hiu Lo (Note 6)	–	–	–	–	–	–

Notes:

1. These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Options" above.

2. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 38.2% of the entire issued capital of the Company as at 31 December 2012. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

3. 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.

4. Mr. Nomo Kenshiro ceased to be an executive director of the Company with effect from 1 January 2013.

5. Dr. Lui Sun Wing ceased to be an independent non-executive director of the Company with effect from 11 January 2013.

6. Mr. Lam Hiu Lo was appointed as an independent non-executive director of the Company with effect from 11 January 2013.

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

Name of director	Capacity	Percentage of interest in Prosper Empire Limited as at 31 December 2012
Mr. Zhang Hwo Jie	Personal interests	38%
Mr. Zhang Jian Hua	Personal interests	29%
Mr. Zhang Yaohua	Personal interests	33%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	641,480,000	–	641,480,000	38.20%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	657,172,000	16,000,000	673,172,000	40.08%
The Capital Group Companies, Inc.	Investment manager	133,151,000	–	133,151,000	7.93%

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.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2012, the Company repurchased its 79,680,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2012 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	HK$	HK$'000
June 2012	350,000	0.60	0.57	208
July 2012	11,950,000	0.66	0.63	7,653
August 2012	37,196,000	0.63	0.61	23,141
September 2012	20,900,000	0.62	0.61	12,992
November 2012	9,284,000	0.95	0.93	8,823
	79,680,000			52,817

Save for disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2012 and up to the date of this report.

CHANGES IN THE DIRECTORS' INFORMATION

During the year ended 31 December 2012, the remuneration of directors was adjusted as follows:

i) The annual basic salaries of Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, executive directors of the Company, were adjusted from HK$2,040,000 each to HK$3,600,000 each.

ii) The annual basic salaries of Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu, independent non-executive directors of the Company, were adjusted from HK$120,000 each to HK$160,000 each.

The above changes to directors' remuneration had been approved by the Company's remuneration committee and became effective from 1 July 2012. Details of the remuneration of directors are also set out in Note 24 to the consolidated financial statements.

Further, Mr. Choy Tak Ho, an independent non-executive director of the Company, was re-designated from an independent non-executive director of China Solar Energy Holdings Limited to a senior consultant with effect from 1 November 2012.

In addition, the composition of the Company's board of directors and board committees changed in January 2013. Details of such changes are set out in the section headed "Corporate Governance Report" of the annual report.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

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

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

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 36 to page 46.

AUDIT COMMITTEE

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

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 2012 and up to the date of this report.

AUDITORS

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

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2013

INDEPENDENT AUDITOR'S REPORT

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 68 to 159, which comprise the consolidated and company statement of financial position as at 31 December 2012, 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 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 2012, 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,702,098**	1,404,846
Leasehold land and land use rights	7	**176,296**	121,525
Goodwill	8	**2,545**	2,545
Investments in a jointly controlled entity	9b	**9,538**	–
Prepayments, deposits and other receivables	12	**142,518**	168,341
Other assets		**1,607**	1,607
		2,034,602	1,698,864
Current assets			
Inventories	10	**270,185**	302,398
Trade receivables	11	**429,156**	393,311
Prepayments, deposits and other receivables	12	**78,246**	69,226
Financial assets at fair value through profit or loss	13	**17,277**	16,708
Short-term bank deposits	14	**102,362**	–
Restricted cash	14	**2,913**	2,418
Cash and cash equivalents	14	**888,994**	514,871
		1,789,133	1,298,932
LIABILITIES			
Current liabilities			
Trade payables	15	**392,158**	388,280
Accruals and other payables	16	**154,278**	118,546
Bank borrowings	17	**530,150**	309,256
Finance lease liabilities	18	**27,435**	13,184
Current income tax liabilities		**25,654**	38,703
		1,129,675	867,969
Net current assets		**659,458**	430,963
Total assets less current liabilities		**2,694,060**	2,129,827

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	17	**539,804**	62,364
Finance lease liabilities	18	**56,082**	63
Deferred taxation	19	**22,498**	22,988
		618,384	85,415
Net assets		**2,075,676**	2,044,412
EQUITY			
Capital and reserves			
Share capital	20	**167,947**	175,905
Reserves	21		
– Proposed final dividend		**9,239**	28,145
– Others		**1,836,464**	1,826,879
Equity attributable to owners of the Company		**2,013,650**	2,030,929
Non-controlling interests		**62,026**	13,483
Total equity		**2,075,676**	2,044,412

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	9a	**1,357,960**	1,418,853
Current assets			
Prepayments, deposits and other receivables	12	**–**	1,080
Cash and cash equivalents	14	**3,519**	5,376
		3,519	6,456
LIABILITIES			
Current liabilities			
Accruals and other payables	16	**29,429**	31,819
Net current liabilities		**25,910**	25,363
Net assets		**1,332,050**	1,393,490
EQUITY			
Capital and reserves			
Share capital	20	**167,947**	175,905
Reserves	21		
– Proposed final dividend		**9,239**	28,145
– Others		**1,154,864**	1,189,440
Total equity		**1,332,050**	1,393,490

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 2012

	Note	**2012 HK$'000**	2011 HK$'000
Revenue	5	**2,367,023**	1,977,845
Cost of sales	23	**(1,855,961)**	(1,489,145)
Gross profit		**511,062**	488,700
Other income		**63**	58
Other gains – net	22	**8,031**	14,535
Selling and marketing costs	23	**(112,963)**	(79,784)
General and administrative expenses	23	**(302,419)**	(179,070)
Operating profit		**103,774**	244,439
Finance income	25	**4,807**	3,504
Finance costs	25	**(23,512)**	(8,635)
Share of loss of a jointly controlled entity	9b	**(999)**	–
Profit before income tax		**84,070**	239,308
Income tax expense	26	**(14,462)**	(29,535)
Profit for the year	27	**69,608**	209,773
Other comprehensive income for the year, net of tax		**1,000**	677
Total comprehensive income for the year		**70,608**	210,450
Profit attributable to:			
– Equity holders of the Company		**70,889**	210,379
– Non-controlling interests		**(1,281)**	(606)
		69,608	209,773
Total comprehensive income attributable to:			
– Equity holders of the Company		**71,889**	211,056
– Non-controlling interests		**(1,281)**	(606)
		70,608	210,450

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	28	**4.1**	12.8
– diluted	28	**4.1**	12.7
Dividends	29	**21,345**	59,783

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

		Attributable to owners of the Company			
	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2012		**175,905**	**1,855,024**	**13,483**	**2,044,412**
Comprehensive income					
Profit for the year		**–**	**70,889**	**(1,281)**	**69,608**
Other comprehensive income					
Currency translation differences		**–**	**1,000**	**–**	**1,000**
Total comprehensive income for the year		**–**	**71,889**	**(1,281)**	**70,608**
Transactions with owners					
Employee share option scheme					
– value of employee services	20	**–**	**3,884**	**–**	**3,884**
– proceeds from shares issued	20&21	**10**	**7**	**–**	**17**
Repurchase of shares	20&21	**(7,968)**	**(44,849)**	**–**	**(52,817)**
Dividends paid		**–**	**(40,252)**	**–**	**(40,252)**
Capital contribution from non-controlling interests		**–**	**–**	**49,824**	**49,824**
		(7,958)	**(81,210)**	**49,824**	**(39,344)**
Balance at 31 December 2012		**167,947**	**1,845,703**	**62,026**	**2,075,676**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

		Attributable to owners of the Company			
	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests 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	20	–	36	–	36
– proceeds from shares issued	20&21	261	1,710	–	1,971
Proceeds from issuance of shares pursuant to the warrant subscription	20&21	1,400	27,020	–	28,420
Proceeds from issuance of shares pursuant to the placement and subscription arrangement	20&21	4,734	279,289	–	284,023
Dividends paid		–	(75,643)	–	(75,643)
Bonus issue of shares	20	87,881	(87,881)	–	–
Non-controlling interest arising on business combination		–	–	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**226,910**	259,371
Interest received		**4,807**	3,504
Interest paid		**(23,515)**	(8,523)
Hong Kong profits tax paid		**(1,298)**	(9,337)
Overseas income tax paid		**(26,636)**	(26,189)
Net cash generated from operating activities		**180,268**	218,826
Cash flows from investing activities			
Purchases of property, plant and equipment		**(218,449)**	(302,841)
Purchases of leasehold land and land use rights		**–**	(745)
Deposits for property, plant and equipment		**(123,875)**	(168,326)
Net cash outflow for acquisition of subsidiaries		**–**	(75,135)
Investment in a jointly controlled entity		**(6,777)**	–
Proceeds from sales of property, plant and equipment	30	**3,349**	–
Purchases of unlisted equity securities		**–**	(18,503)
Increase in short-term bank deposits		**(102,362)**	–
Net cash used in investing activities		**(448,114)**	(565,550)
Cash flows from financing activities			
Proceeds from borrowings		**852,000**	309,000
Repayments of borrowings		**(153,666)**	(156,321)
Repayments of capital element of finance lease liabilities		**(13,184)**	(32,684)
(Increase)/decrease in restricted cash		**(495)**	1,672
Proceeds from exercise of share options		**17**	1,971
Capital contribution from non-controlling interests		**49,824**	–
Dividends paid		**(40,252)**	(75,643)
Repurchase of shares		**(52,817)**	–
Proceeds from issuance of shares pursuant to the warrant subscription		**–**	28,420
Proceeds from issuance of shares pursuant to share placement and subscription arrangement		**–**	284,023
Net cash generated from financing activities		**641,427**	360,438
Net increase in cash and cash equivalents		**373,581**	13,714
Cash and cash equivalents at beginning of the year		**514,871**	501,074
Exchange gains on cash and cash equivalent		**542**	83
Cash and cash equivalents at end of the year		**888,994**	514,871

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 (1) the design and fabrication of metal stamping and plastic injection moulds, (2) the manufacturing of metal stamping and plastic injection components and lathing components and (3) micro lending business in China.

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and 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 by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 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 amended standards are mandatory for the first time for the financial year beginning 1 January 2012.

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

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

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

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation – Presentation of items of other comprehensive income	1 July 2012
HKAS 19 (2011)	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate financial statements	1 January 2013
HKAS 28 (2011)	Associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2013
HKFRS 1 (Amendment)	First time adoption – Government loans	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

2 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 2012 and that have not been early adopted (Continued)

		Effective for accounting periods beginning on or after
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, Joint arrangements and disclosure of interests in other entities: Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
Annual improvements project	Annual improvements 2009-2011 cycle	1 January 2013

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

2.2 Consolidation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(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 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.

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. The financial statements of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

2.2.2 Business combination (Continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests (Continued)

When the Group ceases to have control, any retained interests in the entity is re-measured 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.

2.3 Jointly controlled entity

The Group's interests in a jointly controlled entity are accounted for applying equity method.

Under the equity method of accounting, the investments in a jointly controlled entity are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition of profits or losses and movements in other comprehensive income. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in a jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the jointly controlled entity have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 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.

2.5 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 the Group's 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 re-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 – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(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 rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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 other comprehensive income.

(d) *Disposal of foreign operation and partial disposal*

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Leasehold land interests classified as finance leases 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 the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

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.

2.7 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 rights 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.

2.8 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 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.

2.10 Financial assets/liabilities

2.10.1 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets/liabilities (Continued)

2.10.1 Classification (Continued)

(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', 'short-term bank deposits', 'restricted cash' 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.

2.10.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets/liabilities (Continued)

2.10.2 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 – 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 2.12.

Recognitions and measurements of other financial liabilities at amortised cost are described in Notes 2.15 (Trade payables), 2.16 (Borrowings) and 2.21 (Leases).

2.11 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.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current. If not, they are presented as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables (Continued)

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.

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.

2.13 Cash and cash equivalents

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

2.14 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 Borrowings

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

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

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

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company'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 nor 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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, taking 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions

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

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

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

2.20 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 collectability of the related receivables is reasonably assured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue and other income (Continued)

(b) Interest income

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

2.21 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 any upfront payment made for leasehold land interests and land use rights (note 2.7), 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2.23 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.

2.24 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 sensitivity of the Group's adjusted post-tax profit to a strengthening/weakening of the major currencies 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	**2012** **HK$'000**	2011 HK$'000
Chinese Renminbi 0.77% (2011: 4.08%) appreciation against Hong Kong dollars	(a)	**4,261**	2,695
Japanese Yen 10.69% depreciation (2011: 5.46% appreciation) against Hong Kong dollars	(b)	**(284)**	40
Increase in post-tax profit		**3,977**	2,735

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

(b) The change in post-tax profit is mainly as a result of the revaluation of bank deposits 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 17 and 18 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 2012, 46% (2011: 72.0%) of the Group's gross borrowings were with a maturity 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 2012 would increase or decrease the profit and equity by approximately HK$11,535,000 (2011: by HK$3,849,000), mainly as a result of lower/higher interest expense on floating rate borrowings. Accordingly, there would be no material impact on equity.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments classified on the consolidated statement of financial position at fair value through profit or loss. At 31 December 2012, 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$864,000 (2011: by HK$835,000). The Group has not entered into any derivatives to manage such exposures.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, short-term bank deposits, restricted cash, 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 2011 and 2012, 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:

	2012 **HK$'000**	2011 HK$'000
Deposits and other receivables	**199,781**	217,684
Trade receivables	**429,156**	393,311
Short-term bank deposits	**102,362**	–
Restricted cash	**2,913**	2,418
Cash and cash equivalents	**888,994**	514,871

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

The majority of the Group's trade receivables mature within 180 days and largely comprise amounts receivable from business customers. Refer to Note 11 for assessment on concentration of credit risk.

Credit quality of bank 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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

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.

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Group						
At 31 December 2012						
Bank borrowings	**–**	**450,599**	**198,444**	**340,502**	**858**	**990,403**
Term loans subject to a repayment on demand clause	**79,551**	**–**	**–**	**–**	**–**	**79,551**
Finance lease liabilities	**–**	**27,435**	**27,472**	**28,610**	**–**	**83,517**
Interest payable	**1,506**	**8,799**	**6,399**	**17,314**	**26**	**34,044**
Trade payables	**–**	**392,158**	**–**	**–**	**–**	**392,158**
Other payables	**–**	**54,657**	**–**	**–**	**–**	**54,657**
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	–	23,559	–	–	–	23,559

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis 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.

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 2012	**-**	**39,028**	**32,890**	**9,139**	**-**	**81,057**
31 December 2011	–	41,340	20,794	23,174	–	85,308

The contractual undiscounted cash flows of the Company's financial liabilities amounting to HK$19,484,000 (2011: HK$20,574,000) are due within 12 months and equal their carrying balances, as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 17 and Note 18 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 level 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 and finance lease liabilities as shown in the consolidated statement of financial position).

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 **HK$'000**	2011 HK$'000
Total borrowings and finance lease liabilities (Notes 17 and 18)	**1,153,471**	384,867
Total equity	**2,075,676**	2,044,412
Gearing ratio	**55.6%**	18.8%

The increase in the gearing ratio during 2012 resulted primarily from the decrease in profitability and the increase in bank borrowings to finance business expansion.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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 similar 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

	Level 2	
	2012	2011
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**17,277**	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.

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) Classification of joint arrangements

The Group holds 50% of the voting rights of the joint arrangement. The Group has joint control over this arrangement under the contractual agreement, unanimous consent is required from all parties to the agreement for all relevant activities.

The Group's joint arrangement is structured as limited company and provides the Group and the parties to the agreement with rights to the net assets of the limited company under the arrangement. Therefore, the entity is classified as a jointly controlled entity of the Group.

(b) 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)

(c) Impairment of long-lived assets

The Group conducts impairment reviews of assets when events or 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 fair value less costs to sell and value in use. In determining the value in use, management assesses 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.

(d) 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.

(e) 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.

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

Others mainly represent sales of scrap materials.

(b) Segment information

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

At 31 December 2012, the Group is organised into two main business segments:

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

	2012 Metal stamping HK$'000	2012 Plastic injection HK$'000	2012 Total HK$'000	2011 Metal stamping HK$'000	2011 Plastic injection HK$'000	2011 Total HK$'000
Total gross segment revenue	**1,704,710**	**886,214**	**2,590,924**	1,386,655	668,240	2,054,895
Inter-segment revenue	**(154,829)**	**(69,072)**	**(223,901)**	(68,080)	(8,970)	(77,050)
Revenue	**1,549,881**	**817,142**	**2,367,023**	1,318,575	659,270	1,977,845
Segment results	**55,804**	**47,253**	**103,057**	152,428	80,886	233,314
Unallocated (expenses)/income, net			**(282)**			11,125
Finance income			**4,807**			3,504
Finance costs			**(23,512)**			(8,635)
Profit before income tax			**84,070**			239,308
Income tax expense			**(14,462)**			(29,535)
Profit for the year			**69,608**			209,773
Depreciation	**107,342**	**40,017**	**147,359**	73,601	26,789	100,390
Amortisation	**2,638**	**113**	**2,751**	1,529	112	1,641

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

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

	Assets HK$'000	Liabilities HK$'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

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

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

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 2011						
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
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	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	320,838	935,536	125,831	23,112	475,720	1,881,037
Accumulated depreciation	(62,927)	(357,833)	(41,616)	(13,815)	–	(476,191)
Net book amount	257,911	577,703	84,215	9,297	475,720	1,404,846

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 2012						
Opening net book amount	257,911	577,703	84,215	9,297	475,720	1,404,846
Exchange differences	8	182	8	–	195	393
Additions	22,475	176,096	27,330	3,763	240,565	470,229
Transfers	313,413	201,954	114,953	108	(630,428)	–
Disposals	–	(3,115)	–	(622)	(22,274)	(26,011)
Depreciation	(22,878)	(98,801)	(23,250)	(2,430)	–	(147,359)
Closing net book amount	570,929	854,019	203,256	10,116	63,778	1,702,098
At 31 December 2012						
Cost	656,737	1,308,006	268,124	24,832	63,778	2,321,477
Accumulated depreciation	(85,808)	(453,987)	(64,868)	(14,716)	–	(619,379)
Net book amount	570,929	854,019	203,256	10,116	63,778	1,702,098

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
Plant and machinery	**128,912**	95,563

Depreciation expense is analysed as follows:

	2012 HK$'000	2011 HK$'000
Cost of sales	**106,531**	69,394
Selling and marketing costs	**2,258**	1,547
General and administrative expenses	**38,570**	29,449
	147,359	100,390

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

	2012 HK$'000	2011 HK$'000
Land and building in Hong Kong, located on land with lease of 50 years	**6,882**	7,171
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years (Note 7)	**564,048**	250,740
	570,930	257,911

Land and buildings with a carrying amount of HK$6,882,000 (2011: HK$7,171,000) were pledged as collateral for the Group's borrowing. No machinery was pledged as collateral for the Group's borrowings (2011: HK$49,977,000) (Note 17).

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

Analysis of construction-in-progress is as follows:

	2012 **HK$'000**	2011 HK$'000
Construction costs of buildings	**62,413**	295,750
Cost of machinery	**1,365**	179,970
	63,778	475,720

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:

	2012 **HK$'000**	2011 HK$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**176,296**	121,525

Movements are:

	2012 **HK$'000**	2011 HK$'000
At 1 January	**121,525**	50,781
Acquisition of subsidiaries	**–**	71,531
Exchange differences	**(2)**	109
Additions	**57,524**	745
Amortisation	**(2,751)**	(1,641)
At 31 December	**176,296**	121,525

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

	2012 HK$'000	2011 HK$'000
Representing –		
Cost	**186,003**	128,481
Accumulated amortisation	**(9,707)**	(6,956)
Net book amount	**176,296**	121,525

8 GOODWILL

	2012 HK$'000	2011 HK$'000
As at 1 January	**2,545**	–
Additions	**–**	2,545
As at 31 December	**2,545**	2,545

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2012 (2011: Nil).

9A INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**125,850**	125,850
Amounts due from subsidiaries	**1,232,110**	1,293,003
	1,357,960	1,418,853

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

9A INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (CONTINUED)

The following is a list of the principal subsidiaries directly or indirectly held by the Company at 31 December 2012:

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	Principal activities
EVA Group Limited	Hong Kong, limited liability company	HK$15,000	100%	Investment holding
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
Digidie Auto Components Limited	Hong Kong, limited liability company	HK$1	100%	Design of metal parts and plastic moulds
Yihe Precision Hardware (Shenzhen) Co., Ltd. (億和精密金屬製品(深圳)有限公司)(a)	Mainland China, limited liability company	HK$221,880,000	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)(a)	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)(a)	Mainland China, limited liability company	US$30,000,000	100%	Manufacturing of metal and plastic moulds and parts

9A INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (CONTINUED)

The following is a list of the principal subsidiaries directly or indirectly held by the Company at 31 December 2012 (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	Principal activities
EVA Precision Industrial (Zhongshan) Limited (億和精密工業(中山)有限公司)(a) (b)	Mainland China, limited liability company	HK$116,742,927	100%	Manufacturing of metal and plastic moulds and parts
Shenzhen EVA Mould Manufacturing Limited (深圳億和模具製造有限公司)(a) (b)	Mainland China, limited liability company	HK$172,072,270	100%	Manufacturing of metal and plastic moulds
Chongqing Digidie Auto Body Ltd. (重慶數碼模車身模具有限公司)(a)	Mainland China, limited liability company	RMB116,230,450	100%	Design and manufacturing of lathing components
Digidie Stamping Technology (Wuhan) Limited (數碼模沖壓技術(武漢)有限公司)(a)	Mainland China, limited liability company	US$16,000,000	100%	Design and manufacturing of lathing components
Shenzhen Jinggong Microcredit Limited (深圳市精工小額貸款有限公司)(a)	Mainland China, limited liability company	RMB101,000,000	60%	Microcredit business

9A INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (CONTINUED)

(a) The Group's principal 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 August 2056
Shenzhen EVA Mould Manufacturing Limited	Shenzhen, Guangdong Province, Mainland China	50 years up to June 2057
Chongqing Digidie Auto Body Ltd.	Chongqing, Sichuan Province, Mainland China	20 years up to March 2026
Digidie Stamping Technology (Wuhan) Limited	Wuhan, Wubei Province, Mainland China	20 years up to August 2031
Shenzhen Jinggong Microcredit Limited	Shenzhen, Guangdong Province, Mainland China	20 years up to November 2032

9A INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY (CONTINUED)

(b) At 31 December 2012, the Group was committed to making capital contributions to the following principal subsidiaries:

Name	**Committed capital injection** HK$'000	**Due date**
EVA Precision Industrial (Zhongshan) Limited	3,257	July 2013
Shenzhen EVA Mould Manufacturing Limited	67,928	May 2013

9B INVESTMENTS IN A JOINTLY CONTROLLED ENTITY

	2012 HK$'000
At 1 January	–
Capital injection	10,537
Share of loss	(999)
At 31 December	9,538

9B INVESTMENTS IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Set out below is the summarised financial information for Shenzhen KK Technology Co., Ltd.

Summarised balance sheet:

	2012 HK$'000
Current	
Cash and cash equivalents	500
Other current assets (excluding cash)	794
Total current assets	1,294
Other current liabilities (including trade payables)	(16)
Non current	
Assets	17,798
Net assets	19,076

Summarised statement of comprehensive income:

	2012 HK$'000
Employment expenses	(837)
Office expenses	(692)
Rental expenses	(176)
Other general and administrative expenses	(294)
Finance income	2
Profit or loss before income tax	(1,997)
Income tax expenses	–
Total comprehensive income	(1,997)

9B INVESTMENTS IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Details of the jointly controlled entity as at 31 December 2012:

Name	Place of establishment	% of ownership	Nature of the relationship	Measurement method
Shenzhen KK Technology Co., Ltd (深圳市精森源科技有限公司)	Mainland China, limited liability company	50%	Note a	Equity

Note a: Shenzhen KK Technology Co., Ltd. designs and manufactures plastic components. It is a strategic partnership for the Group, providing access to technology and processes for its automobile sector.

Shenzhen KK Technology Co., Ltd. is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the jointly controlled entity, and no contingent liabilities of the jointly controlled entity itself.

10 INVENTORIES – GROUP

	2012 HK$'000	2011 HK$'000
Raw materials	**74,221**	76,022
Work-in-progress	**151,236**	190,467
Finished goods	**58,495**	49,831
	283,952	316,320
Less: provision for impairment of inventories	**(13,767)**	(13,922)
Inventories – net	**270,185**	302,398

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,291,551,000 (2011: HK$1,087,836,000).

The Group did not make any inventory provision for the year ended 31 December 2012 (2011: HK$6,638,000) for slow moving inventories. Such provision has been included in cost of sales in the consolidated statement of comprehensive income.

10 INVENTORIES – GROUP (CONTINUED)

During the year ended 31 December 2012, the Group reversed HK$155,000 (2011: HK$3,833,000) 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.

11 TRADE RECEIVABLES – GROUP

	2012 **HK$'000**	2011 HK$'000
Trade receivables	**430,344**	394,499
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**429,156**	393,311

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

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

The top five customers and the largest customer accounted for 57.9% (2011: 84.6%) and 26.9% (2011: 35.3%) of the trade receivables balance as at 31 December 2012, 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.

11 TRADE RECEIVABLES – GROUP (CONTINUED)

The carrying amounts of trade receivables approximate their fair values as at 31 December 2012.

As at 31 December 2012, trades receivables of HK$24,473,000 (2011: HK$152,628,000) were past due but considered not 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 analysis of trade receivables past due but considered not impaired is as follows:

	2012	2011
	HK$'000	HK$'000
0 to 90 days	**24,048**	128,080
91 to 180 days	**371**	12,366
181 to 365 days	**54**	12,182
	24,473	152,628

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

	2012	2011
	HK$'000	HK$'000
Hong Kong dollars ("HK$")	**198,988**	188,148
United States dollars ("US$")	**166,621**	167,743
Chinese Renminbi ("RMB")	**64,203**	38,524
Other	**532**	84
	430,344	394,499

There is no movement on the provision for impairment of trade receivables in the current year (2011: nil).

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Deposits for purchase of property, plant and equipment	**111,543**	168,326	**–**	–
Loan to a joint venturer (Note a)	**12,333**	–	**–**	–
Notes receivable from employees (Note a)	**18,642**	–	**–**	–
Others	**–**	15	**–**	–
	142,518	168,341	**–**	–
Current				
Prepayments for purchase of raw materials	**8,660**	10,264	**–**	–
VAT recoverable	**38,940**	39,677	**–**	–
Deposits for customs department	**1,259**	2,258	**–**	–
Prepayment of utilities expenses	**1,982**	1,406	**–**	–
Prepayment of tax reserve certificate	**9,089**	7,909	**–**	–
Others	**18,316**	7,712	**–**	1,080
	78,246	69,226	**–**	1,080

Note a: Loan to a joint venturer and notes receivable from employee are unsecured, interest free and are denominated in Chinese Renminbi.

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

	2012	2011
	HK$'000	HK$'000
Unlisted equity securities		
Unlisted investment fund, at fair value	**17,277**	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.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP (CONTINUED)

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

The fair value of the investment securities is based on observable market data (Note 3.3).

14 SHORT-TERM BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Short-term bank deposits	**102,362**	–	**–**	–
Restricted cash	**2,913**	2,418	**–**	–
Cash and cash equivalents	**888,994**	514,871	**3,519**	5,376
	994,269	517,289	**3,519**	5,376

The effective interest rate on short-term bank deposits was 3.25% (2011: nil) per annum. These deposits have an average initial maturity of 184 days (2011: nil).

The effective interest rate on restricted cash was 0.35% (2011: 0.5%) per annum. These deposits have an average maturity of 174 days (2011: 130 days).

The effective interest rate on cash at bank was 0.25% per annum (2011: 0.2%).

14 SHORT-TERM BANK DEPOSITS/RESTRICTED CASH/CASH AND CASH EQUIVALENTS (CONTINUED)

Short-term bank deposits, restricted cash, and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**252,445**	239,798	**3,458**	5,315
RMB	**626,195**	186,333	**–**	–
US$	**112,381**	90,629	**61**	61
Japanese yen	**2,660**	210	**–**	–
Euro dollars	**197**	246	**–**	–
Macau Patacas	**391**	73	**–**	–
	994,269	517,289	**3,519**	5,376

The carrying amounts of short-term bank deposits, restricted cash 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.

15 TRADE PAYABLES – GROUP

The ageing of trade payables is as follows:

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

15 TRADE PAYABLES – GROUP (CONTINUED)

The amounts of trade payables have an average maturity period within 180 days. The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies:

	2012	2011
	HK$'000	HK$'000
HK$	**43,058**	50,480
US$	**209,822**	198,936
RMB	**139,278**	138,864
	392,158	388,280

16 ACCRUALS AND OTHER PAYABLES

	Group		**Company**	
	2012	2011	**2012**	2011
	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	**28,771**	2,461	**–**	–
Accrued wages, salaries and welfare	**59,076**	35,134	**9,945**	11,242
Deposits from customers	**28,048**	45,557	**–**	–
Accrued operating expenses	**7,616**	8,991	**–**	–
Payable for share options exercised	**19,484**	20,574	**19,484**	20,574
Other payables	**7,471**	2,017	**–**	3
	154,278	118,546	**29,429**	31,819

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

17 BANK BORROWINGS – GROUP

	2012 HK$'000	2011 HK$'000
Current		
Short-term bank loans	**312,000**	184,000
Portion of long-term loans from banks due for repayment within one year	**176,494**	81,882
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	**41,236**	42,954
Mortgage loan, current portion	**420**	420
	530,150	309,256
Non-current		
Portion of long-term loans from banks due for repayment after one year which do not contain a repayment on demand clause	**537,265**	59,405
Mortgage loan, non-current portion	**2,539**	2,959
	539,804	62,364
Total bank borrowings	**1,069,954**	371,620

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

17 BANK BORROWINGS – GROUP (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
Within 1 year	**488,914**	266,302
Between 1 and 2 years	**230,661**	55,652
Between 2 and 5 years	**349,521**	48,386
Wholly repayable within 5 years	**1,069,096**	370,340
Repayable over 5 years	**858**	1,280
	1,069,954	371,620

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 currency:

	2012 HK$'000	2011 HK$'000
HK dollars	**1,069,954**	371,620

17 BANK BORROWINGS – GROUP (CONTINUED)

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	
	2012	2011	**2012**	2011	**2012**	2011
HK dollars	**2.5%**	2.9%	**2.4%**	1.7%	**2.4%**	2.4%

The Group has undrawn floating rate borrowing facilities of approximately HK$261,677,000 (2011: HK$206,740,000).

As at 31 December 2012, land and buildings with a carrying amount of HK$6,882,000 (2011: HK$7,171,000) were pledged as collateral for the Group's borrowing. No machinery was pledged as collateral for the Group's borrowings (2011: HK$49,977,000).

Certain of the banking facilities are subject to the fulfillment 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 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: nil).

18 FINANCE LEASE LIABILITIES – GROUP

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

	2012	2011
	HK$'000	HK$'000
Within one year	**29,935**	13,318
In the second year	**29,005**	63
In the third to fifth year	**29,248**	–
	88,188	13,381
Less: Future finance charges on finance leases	**(4,671)**	(134)
Present value of finance lease liabilities	**83,517**	13,247

The present value of finance lease liabilities is as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**27,435**	13,184
In the second year	**27,472**	63
In the third to fifth year	**28,610**	–
Total finance lease liabilities	**83,517**	13,247
Less: Amount included in current liabilities	**(27,435)**	(13,184)
	56,082	63

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

As at 31 December 2012, the effective interest rate of the Group's finance lease liabilities was 3.58% (2011: 2.92%) per annum.

18 FINANCE LEASE LIABILITIES – GROUP (CONTINUED)

Finance lease liabilities are effectively secured as the rights to the leased assets are reverted to the lessors in the event of default. The net book amount of the leased assets is approximately HK$128,912,000 (2011: HK$95,563,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$83,455,000 (2011: nil).

19 DEFERRED TAXATION – GROUP

The analysis of deferred tax liabilities is as follows:

	2012 **HK$'000**	2011 HK$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**22,027**	22,516
Deferred tax liability to be recovered within 12 months	**471**	472
	22,498	22,988

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

	Fair value gains HK$'000	**Withholding tax** HK$'000	**Total** HK$'000
At 1 January 2011	–	5,129	5,129
Acquisition of subsidiaries	18,016	–	18,016
Credited to profit or loss (Note 26)	(157)	–	(157)
At 31 December 2011	17,859	5,129	22,988
Credited to profit or loss (Note 26)	(490)	–	(490)
At 31 December 2012	17,369	5,129	22,498

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$39,421,000 (2011: HK$35,086,000) 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$647,421,000 at 31 December 2012 (2011: HK$587,783,000).

19 DEFERRED TAXATION – GROUP (CONTINUED)

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$8,759,000 (2011: HK$6,583,000) in respect of losses amounting to HK$42,326,000 (2011: HK$28,395,000) that can be carried forward against future taxable income. Tax losses of HK$9,068,000 (2011: HK$5,787,000) can be carried forward indefinitely. Tax losses of HK$3,603,000, HK$2,577,000, HK$6,175,000, HK$4,545,000 and HK$17,098,000 will expire in 2013, 2014, 2015, 2016 and 2017 respectively (2011: tax losses of HK$5,708,000, HK$3,603,000, HK$2,577,000, HK$6,175,000 and HK$4,545,000 will expire in 2012, 2013, 2014, 2015 and 2016 respectively).

20 SHARE CAPITAL

	Note	**Number of ordinary shares** (thousands)	**Nominal value** HK$'000
Authorised			
At 1 January 2011		1,000,000	100,000
Increase in authorised share capital	(a)	199,000,000	19,900,000
At 31 December 2011		200,000,000	20,000,000
At 1 January 2012 and 31 December 2012		200,000,000	20,000,000
Issued and fully paid			
At 1 January 2011		816,294	81,629
Issue of shares pursuant to			
– share option scheme	(b)	2,609	261
– warrant subscription	(c)	14,000	1,400
– placement and subscription arrangement	(d)	47,342	4,734
– bonus issue of shares	(e)	878,809	87,881
At 31 December 2011		1,759,054	175,905
Issue of shares pursuant to			
– share option scheme	(f)	100	10
Repurchases of share	(g)	(79,680)	(7,968)
At 31 December 2012		1,679,474	167,947

20 SHARE CAPITAL (CONTINUED)

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.

(b) 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$0.175 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 2012 and 2011, there was no outstanding warrant.

(d) 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.

(e) 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 are restated accordingly as a result of the Bonus Issue.

(f) During 2012, 100,000 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 price of HK$0.175 per share.

20 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(g) During 2012, the Company repurchased a total of 79,680,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.57 to HK$0.95 per share for a total consideration of approximately HK$52,817,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 21 May 2012. The repurchased shares were cancelled before 31 December 2012. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of purchase	**Number of shares of HK$0.10 each**	**Highest price per share** HK$	**Lowest price per share** HK$	**Aggregate consideration paid** HK$'000
June 2012	350,000	0.60	0.57	208
July 2012	11,950,000	0.66	0.63	7,653
August 2012	37,196,000	0.63	0.61	23,141
September 2012	20,900,000	0.62	0.61	12,992
November 2012	9,284,000	0.95	0.93	8,823
	79,680,000			52,817

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.

20 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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 10 June 2009, the shareholders of the Company again 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 under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 65,166,200 shares, representing 10% of the shares of the Company in issue as at 10 June 2009.

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.

On 21 May 2012, the shareholders of the Company again 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 under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 175,905,380 shares, representing 10% of the shares of the Company in issue as at 21 May 2012.

On 7 November 2012, a total of 137,870,000 options were granted to the Company's directors and employees with an exercise price HK$0.69 per share. These options are exercisable from 2 January 2014 to 6 November 2017. No options were granted in 2011.

20 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

	2012		2011	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
At 1 January		**8,334**		6,058
Granted	**0.69**	**137,870**	–	–
Exercised	**–**	**–**	0.35	(962)
Exercised	**–**	**–**	0.82	(120)
Exercised	**–**	**–**	2.10	(91)
Bonus issue of shares (a)	**–**	**–**	0.31	4,885
Exercised	**0.175**	**(100)**	0.175	(186)
Exercised	**–**	**–**	1.05	(1,250)
At 31 December		**146,104**		8,334
Exercisable as at 31 December				
	0.175	**7,114**	0.175	7,214
	0.41	**1,120**	0.41	1,120
	0.69	**137,870**	–	–

20 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	2012 Exercise Price (a) HK$	2012 Number of options '000	2011 Exercise price HK$	2011 Number of options '000
21 November 2018	**0.175**	**7,114**	0.175	7,214
30 September 2019	**0.41**	**1,120**	0.41	1,120
6 November 2017	**0.69**	**137,870**	–	–
		146,104		8,334

Notes (a): As a result of the bonus issue of shares in May 2011, adjustments have been made to the exercise price and the outstanding share options of the Company granted under the option scheme of the Company during the year ended 31 December 2011.

No options were granted during the year ended 31 December 2011. The fair values of 137,870,000 options granted on 7 November 2012, determined using the Black-Scholes Valuation Model, were approximately HK$34,950,000. The significant inputs into the model were the exercise price shown above, standard deviation of expected share price returns of 64.19%, expected life of options of approximately two years, expected dividend paid out rate of 3.33%, and annual risk-free interest rate of approximately 0.24%. The amount charged to the consolidated statement of comprehensive income during the year ended 31 December 2012 was HK$3,884,000 (2011: HK$36,000).

21 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	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	24	–	–	–	–	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

21 RESERVES (CONTINUED)

(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 2012		1,041,563	(735)	83,388	12,361	1,027	-	677	716,743	1,855,024
Profit for the year		-	-	-	-	-	-	-	70,889	70,889
Dividends paid		-	-	-	-	-	-	-	(40,252)	(40,252)
Premium on repurchase of shares		(44,849)	-	-	-	-	-	-	-	(44,849)
Capital redemption reserve arising from repurchase of shares		-	-	-	7,968	-	-	-	(7,968)	-
Translation differences		-	-	-	-	-	-	1,000	-	1,000
Employee share option scheme										
– value of employee services	24	-	-	-	-	3,884	-	-	-	3,884
– proceeds from shares issued		7	-	-	-	-	-	-	-	7
Transfer to share premium upon exercise of share options		4	-	-	-	(4)	-	-	-	-
Transfer to statutory reserves		-	-	6,600	-	-	-	-	(6,600)	-
Balance at 31 December 2012		996,725	(735)	89,988	20,329	4,907	-	1,677	732,812	1,845,703
Representing										
– Proposed final dividend										9,239
– Others										1,836,464
										1,845,703

21 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$'000	Retained earnings HK$'000	Total HK$'000
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	24	–	–	–	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 (v)		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

21 RESERVES (CONTINUED)

(b) Company (Continued)

	Note	Share premium HK$'000	Contributed surplus (i) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Warrants reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2012		1,041,563	121,351	12,361	1,027	-	41,283	1,217,585
Profit for the year		-	-	-	-	-	27,728	27,728
Dividends paid		-	-	-	-	-	(40,252)	(40,252)
Premium on repurchase of shares		(44,849)	-	-	-	-	-	(44,849)
Capital redemption reserve arising from repurchase of shares		-	-	7,968	-	-	(7,968)	-
Employee share option scheme								
– value of employee services	24	-	-	-	3,884	-	-	3,884
– proceeds from shares issued		7	-	-	-	-	-	7
Transfer to share premium upon exercise of share options		4	-	-	(4)	-	-	-
Balance at 31 December 2012		996,725	121,351	20,329	4,907	-	20,791	1,164,103
Representing								
– Proposed final dividend								9,239
– Others								1,154,864
								1,164,103

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.

21 RESERVES (CONTINUED)

(b) Company (Continued)

Notes: (Continued)

(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) During the twelve months ended 31 December 2012, the Company repurchased a total of 79,680,000 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 charge 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.

(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. No warrants have been granted during the twelve months ended 31 December 2012.

(v) 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 20(d) to the consolidated financial statements.

22 OTHER GAINS – NET

	2012 **HK$'000**	2011 HK$'000
Gains/(losses) on financial assets at fair value through profit or loss	**569**	(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	**1,445**	–
Government grant	**5,066**	–
Net exchange gains	**471**	4,872
Others	**480**	–
	8,031	14,535

23 EXPENSES BY NATURE

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

	2012	2011
	HK$'000	HK$'000
Depreciation (Note 6)		
– Owned assets	**141,265**	93,142
– Leased assets	**6,094**	7,248
	147,359	100,390
Employment expenses (Note 24)		
– research and development	**23,043**	–
– others	**467,192**	328,147
Amortisation of leasehold land and land use rights (Note 7)	**2,751**	1,641
Auditor's remuneration	**3,546**	3,546
Changes in inventories of finished goods and work in progress	**30,567**	(112,983)
Raw materials and consumables used	**1,260,984**	1,200,819
(Reversal of provision)/provision for inventory obsolescence	**(155)**	2,805
Research and development	**43,091**	–
Subcontracting expenses	**43,171**	36,878
Utilities expenses	**56,873**	45,354
Transportation expenses	**25,791**	30,275
Packaging expenses	**61,469**	38,117
Marketing expenses	**8,219**	2,675
Office expenses	**19,735**	16,824
Operating lease payments for properties	**2,204**	389
Others	**75,503**	53,122
	2,271,343	1,747,999

24 EMPLOYMENT EXPENSES

	2012 HK$'000	2011 HK$'000
Wages, salaries and bonus	435,805	302,121
Share options granted (Note 20)	3,884	36
Staff welfare	26,876	12,387
Retirement benefits – defined contribution plans (a)	23,670	13,603
	490,235	328,147

(a) Retirement benefits – 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$1,250 per month.

During the year ended 31 December 2012, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$23,670,000 (2011: HK$13,603,000). As at 31 December 2012, the Group was not entitled to any forfeited contributions to reduce its future contributions (2011: nil).

24 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2012 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	–	2,820	400	451	14	3,685
Mr. Zhang Jian Hua	–	2,820	400	451	14	3,685
Mr. Zhang Yaohua (1)	–	2,820	400	451	14	3,685
Mr. Nomo Kenshiro	–	480	80	–	–	560
Independent non-executive directors						
Dr. Lui Sun Wing	140	–	–	8	6	154
Mr. Choy Tak Ho	140	–	–	8	–	148
Mr. Leung Tai Chiu	140	–	–	8	–	148
	420	8,940	1,280	1,377	48	12,065

Note:

(1) Zhang Yaohua is also the Chief Executive Officer of the Group.

24 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' and chief executive's emoluments (Continued)

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 (1)	–	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

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2011: nil).

Note:

(1) Zhang Yaohua is also the Chief Executive Officer of the Group.

24 EMPLOYMENT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2012: four) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining one (2011: one) individual is as follows:

	2012	2011
	HK$'000	HK$'000
Salaries	**1,260**	1,080
Bonus	**110**	110
Share options granted	**112**	–
Retirement benefit – defined contribution plans	**14**	12
	1,496	1,202

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
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 (2011: nil).

24 EMPLOYMENT EXPENSES (CONTINUED)

(d) Senior management remuneration by band

The emoluments fall with the following band:

	Number of individuals	
	2012	2011
HK$0 – HK$1,500,000	**2**	2
HK$1,500,001 – HK$3,000,000	**–**	3
HK$3,000,001 – HK$4,500,000	**3**	–
	5	5

25 FINANCE INCOME/COSTS

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

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2012 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$1,528,000 and HK$2,026,000 respectively.

26 INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2011: 16.5%).

(b) Mainland China corporate income tax

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

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

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

26 INCOME TAX EXPENSE (CONTINUED)

(b) Mainland China corporate income tax (Continued)

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

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

(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 domestic tax rate applicable to profits in the respective countries/places of business of the consolidated entities as follows:

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

26 INCOME TAX EXPENSE (CONTINUED)

The weighted average applicable tax rate for the year ended 31 December 2012 was approximately 11.5% (2011: 17.8%). The decrease is due to tax losses incurred by several subsidiaries of the Group.

27 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$27,728,000 (2011: HK$75,310,000).

28 EARNINGS PER SHARE

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

Basic

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

28 EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

29 DIVIDENDS

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

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

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2012 HK$'000	2011 HK$'000
Profit for the year	**69,608**	209,773
Adjustments for:		
– Income tax	**14,462**	29,535
– Depreciation	**147,359**	100,390
– Amortisation of leasehold land and land use rights	**2,751**	1,641
– Gain on disposal of property, plant and equipment	**(1,445)**	–
– Excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over cost	**–**	(11,458)
– Share-based payments	**3,884**	36
– (Gain)/Loss on financial assets at fair value through profit or loss	**(569)**	1,795
– Share of loss of a jointly controlled entity	**999**	–
– Interest income	**(4,807)**	(3,504)
– Interest expense	**23,512**	8,635
Changes in working capital:		
– Inventories	**32,213**	(87,377)
– Trade receivables	**(35,845)**	(61,711)
– Prepayments, deposits and other receivables	**(64,825)**	3,339
– Trade payables	**3,878**	122,873
– Accruals and other payables	**35,735**	(54,596)
Cash generated from operations	**226,910**	259,371

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

	Property, plant and equipment	
	2012	2011
	HK$'000	HK$'000
Net book amount	**26,011**	–
Gain on disposal	**1,445**	–
	27,456	–
Transfer of assets to a jointly controlled entity	**(3,760)**	–
Sales proceeds not yet received	**(20,347)**	–
Proceeds from disposal	**3,349**	–

31 COMMITMENTS – GROUP

(a) Capital Commitments

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

	2012	2011
	HK$'000	HK$'000
Contracted but not provided for		
– Purchase of land	**–**	4,441
– Construction of buildings	**83,044**	7,686
– Purchase of plant and machinery	**138,054**	192,662
	221,098	204,789

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:

	2012 **HK$'000**	2011 HK$'000
Not later than one year	**11,094**	2,360
Later than one year but not later than five years	**172,432**	1,189
	183,526	3,549

32 RELATED-PARTY TRANSACTIONS

Mr. Zhang How Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interest in Prosper Empire Limited which owns 38.2% (2011: 36.5%) of the Company's shares as at 31 December 2012.

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

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 38.2% shareholder of the Company as at 31 December 2012 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 of 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.

32 RELATED-PARTY TRANSACTIONS (CONTINUED)

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

In 2005, EVA Limited and EVA Holdings Limited, wholly owned subsidiaries of the Group, proposed to settle with The Hong Kong Inland Revenue Department (the "HKIRD") regarding their offshore claims which were queried by the HKIRD. There has been no response from the HKIRD to the proposal of EVA Limited. However, up to 31 December 2012, EVA Limited had already paid approximately HK$11,588,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the periods prior to 11 May 2005, the listing date of the Company. Payments of approximately HK$4,038,000 (2011: HK$4,038,000) had been indemnified by the Indemnifiers. The remaining balance of approximately HK$7,550,000 (2011: HK$6,688,000) will also be indemnified by the Indemnifiers should the final determination of such tax liabilities be made by the HKIRD.

During the year ended 31 December 2012, EVA Holdings Limited settled with the HKIRD regarding the above-mentioned offshore claim by an amount of approximately HK$1,761,000 through payment of cash and utilisation of tax reserve certificates previously purchased by EVA Holdings Limited. Such payments had been fully indemnified by the Indemnifiers pursuant to the deed of tax indemnity.

(b) Key management compensation

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and bonus	**13,050**	9,967
Share-based payments	**1,943**	6
Retirement benefits - defined contribution plans	**281**	110
	15,274	10,083

FIVE YEARS FINANCIAL SUMMARY

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**2,367,023**	1,977,845	1,703,099	1,026,097	1,084,982
Profit for the year	**69,608**	209,773	303,418	31,519	82,578
Non-controlling interests	**1,281**	606	(754)	–	–
Profit attributable to equity holders of the Company	**70,889**	210,379	302,664	31,519	82,578
CONSOLIDATED BALANCE SHEET					
Non-current assets	**2,034,602**	1,698,864	1,192,843	1,008,503	1,013,563
Current assets	**1,789,133**	1,298,932	1,031,626	546,623	645,292
Current liabilities	**(1,129,675)**	(867,969)	(598,818)	(561,576)	(526,362)
Non-current liabilities	**(618,384)**	(85,415)	(35,255)	(96,734)	(165,437)
Net assets	**2,075,676**	2,044,412	1,590,396	896,816	967,056
Share capital	**167,947**	175,905	81,629	61,802	69,813
Reserves	**1,845,703**	1,855,024	1,499,437	835,014	897,243
Non-controlling interests	**62,026**	13,483	9,330	–	–
Equity	**2,075,676**	2,044,412	1,590,396	896,816	967,056

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