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

(Incorporated with limited liability in the Cayman Islands)
(Stock Code: 838)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	4	**3,454,977**	2,655,715
Cost of sales	5	**(2,549,519)**	(2,015,939)
Gross profit		**905,458**	639,776
Other income		**8,349**	7,496
Other (losses)/gains – net		**(904)**	17,803
Selling and marketing costs	5	**(163,931)**	(139,150)
General and administrative expenses	5	**(404,495)**	(432,296)
Operating profit		**344,477**	93,629
Finance income	6	**23,287**	10,418
Finance costs	6	**(35,538)**	(28,716)
Share of loss of an associate		**(2,911)**	(3,072)
Profit before income tax		**329,315**	72,259
Income tax expense	7	**(42,544)**	(12,784)

	Note	2014 HK$'000	2013 HK$'000
Profit for the year		**286,771**	59,475
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**(2,169)**	12,246
Total comprehensive income for the year		**284,602**	71,721
Profit for the year attributable to:			
– Equity holders of the Company		**277,125**	55,427
– Non-controlling interests		**9,646**	4,048
		286,771	59,475
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**276,585**	66,053
– Non-controlling interests		**8,017**	5,668
		284,602	71,721
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**16.5**	3.3
– diluted	*8*	**15.7**	3.2
Dividends	*9*	**84,321**	16,630

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,913,652**	1,883,099
Leasehold land and land use rights		**163,940**	167,500
Goodwill		**2,545**	2,545
Investment in an associate		**14,927**	17,858
Prepayments, deposits and other receivables		**96,009**	141,979
Amount due from a related company	*12*	**3,173**	–
Available-for-sale financial asset		**25,197**	–
		2,219,443	2,212,981
Current assets			
Inventories		**425,491**	309,935
Trade receivables	*10*	**707,782**	552,603
Loan and interest receivables	*11*	**138,720**	135,830
Amount due from a related company	*12*	**1,587**	–
Prepayments, deposits and other receivables		**126,139**	120,988
Restricted bank deposits		**29,979**	12,205
Short-term bank deposits		**162,258**	50,876
Cash and cash equivalents		**989,428**	953,426
		2,581,384	2,135,863
LIABILITIES			
Current liabilities			
Trade payables	*13*	**613,051**	514,317
Accruals and other payables		**228,658**	228,647
Bank borrowings		**861,919**	653,393
Finance lease liabilities		**48,519**	52,344
Current income tax liabilities		**19,097**	26,167
		1,771,244	1,474,868
Net current assets		**810,140**	660,995
Total assets less current liabilities		**3,029,583**	2,873,976

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**546,127**	586,379
Finance lease liabilities		**51,072**	95,638
Deferred taxation		**21,518**	22,008
		618,717	704,025
Net assets		**2,410,866**	2,169,951
EQUITY			
Capital and reserves			
Share capital		**168,334**	167,977
Reserves			
– Proposed final dividend		**47,340**	8,567
– Others		**2,119,481**	1,925,713
Equity attributable to equity holders of the Company		**2,335,155**	2,102,257
Non-controlling interests		**75,711**	67,694
Total equity		**2,410,866**	2,169,951

Note:

1. BASIS OF PRESENTATION

The Company is an investment holding 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) the micro lending business in Mainland China (through a 60% owned subsidiary).

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

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention (as modified by the revaluation of "available-for-sale financial asset", which is carried at fair value). The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements 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 26 March 2015.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

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

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2014, but have not had a significant impact to the preparation of the Group's financial statement.

HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

(b) New standards and amendments to existing standards that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2014 and have not been early adopted

		Effective for accounting periods beginning on or after
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2012 to 2014	Improvements to HKASs and HKFRSs	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

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

3. 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 2014, the Group is organised into three main business segments:

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

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

(iii) micro lending business in Mainland China ("Microcredit").

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 segment results and other segment items are as follows:

	2014				2013			
	Metal stamping	**Plastic injection**	**Mircocredit**	**Total**	Metal stamping	Plastic injection	Mircocredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**2,173,532**	**2,041,601**	**33,247**	**4,248,380**	1,851,831	1,400,610	24,239	3,276,680
Inter–segment revenue	**(421,468)**	**(371,935)**	**–**	**(793,403)**	(322,789)	(298,176)	–	(620,965)
Revenue	**1,752,064**	**1,669,666**	**33,247**	**3,454,977**	1,529,042	1,102,434	24,239	2,655,715
Segment results	**164,986**	**162,358**	**20,872**	**348,216**	44,769	31,477	15,011	91,257
Unallocated (expense)/income, net				**(3,739)**				2,372
Finance income				**23,287**				10,418
Finance costs				**(35,538)**				(28,716)
Share of loss of an associate				**(2,911)**				(3,072)
Profit before income tax				**329,315**				72,259
Income tax expense				**(42,544)**				(12,784)
Profit for the year				**286,771**				59,475
Depreciation	**158,728**	**70,018**	**552**	**229,298**	135,140	60,182	45	195,367
Amortisation	**3,565**	**255**	**–**	**3,820**	2,711	223	–	2,934

For the years ended 31 December 2013 and 2014, unallocated (expense)/income, net represents corporate (expense)/income.

The segment assets and liabilities are as follows:

	2014					2013				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**2,821,210**	**1,814,646**	**157,176**	**7,795**	**4,800,827**	2,714,347	1,489,145	142,250	3,102	4,348,844
Liabilities	**112,178**	**706,930**	**1,625**	**1,569,228**	**2,389,961**	100,886	611,661	823	1,465,523	2,178,893
Capital expenditure	**239,017**	**26,802**	**1,694**	**–**	**267,513**	313,190	58,637	2,291	–	374,118

Segment assets consist primarily of certain property, plant and equipment, leasehold land and land use rights, goodwill, investment in an associate, certain prepayments, deposits and other receivables, amount due from a related company, available-for-sale financial asset, inventories, trade receivables, loan and interest receivables and operating cash.

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities, current income tax liabilities, deferred taxation and certain accruals and other payables related.

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

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2014 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**4,793,032**	**820,733**
Unallocated:		
Cash and cash equivalents	**3,596**	**–**
Other receivables	**4,199**	**–**
Current income tax liabilities	**–**	**19,097**
Deferred taxation	**–**	**21,518**
Bank borrowings	**–**	**1,408,046**
Finance lease liabilities	**–**	**99,591**
Accruals and other payables	**–**	**20,976**
Total	**4,800,827**	**2,389,961**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2013 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	4,345,742	713,370
Unallocated:		
Cash and cash equivalents	3,102	–
Current income tax liabilities	–	26,167
Deferred taxation	–	22,008
Bank borrowings	–	1,239,772
Finance lease liabilities	–	147,982
Accruals and other payables	–	29,594
Total	4,348,844	2,178,893

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.

During the year ended 31 December 2014, the aggregated revenue for the top four (2013: three) customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$1,848,825,000 (2013: HK$1,262,914,000). The revenue for the largest customers amounted to approximately HK$576,016,000 (2013: HK$581,651,000).

4. REVENUE

	2014	2013
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**262,843**	284,133
Manufacturing of metal stamping components	**1,307,839**	1,079,193
Manufacturing of lathing components	**149,770**	138,276
Design and fabrication of plastic injection moulds	**175,358**	110,879
Manufacturing of plastic injection components	**1,482,001**	979,292
Income from micro lending business	**33,247**	24,239
Others *(Note)*	**43,919**	39,703
	3,454,977	2,655,715

Note: Others mainly represent proceeds from sales of scrap materials.

5. OPERATING PROFIT

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

	2014	2013
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– Owned assets	**201,276**	178,319
– Leased assets	**28,022**	17,048
	229,298	195,367
Amortisation of leasehold land and land use rights	**3,820**	2,934
Employment expenses		
– Share options granted	**–**	39,648
– Others	**653,261**	595,357
Auditor's remuneration		
– Audit services	**3,697**	3,546
– Non-audit services	**315**	315
Changes in inventories of finished goods and work-in-progress	**(112,479)**	(35,034)
Raw materials and consumables used	**1,838,220**	1,408,445
Provision for inventory obsolescence	**6,678**	3,639
Research and development	**11,173**	15,880
Subcontracting expenses	**136,697**	72,985
Utilities expenses	**68,108**	63,073
Transportation expenses	**34,585**	34,755
Packaging expenses	**91,719**	87,494
Marketing expenses	**6,224**	4,079
Office expenses	**31,973**	28,537
Operating lease payments for properties	**4,051**	3,421
Others	**110,605**	62,944
	3,117,945	2,587,385

6. FINANCE INCOME/COSTS

	2014	2013
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**23,287**	10,418
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**30,378**	25,187
Bank borrowings not wholly repayable within five years	**68**	80
Finance lease liabilities	**5,092**	3,449
	35,538	28,716

The above analysis shows the finance costs of bank borrowings, including bank borrowings which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements.

7. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,275**	15
– Mainland China corporate income tax	**48,420**	17,843
Over-provision in prior years	**(6,661)**	(4,584)
Deferred income tax	**(490)**	(490)
	42,544	12,784

(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 (2013: 16.5%).

(b) Mainland China corporate income tax

Income tax of 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% (2013: 25%) on the assessable income of each of the group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digidie Auto Body Ltd., Shenzhen Xunneng Precision Technology Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. were each 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 years ended 31 December 2013 and 2014.

Under the Corporate Income Tax Law of Mainland China, dividend distributions out of profit of foreign invested enterprises earned after January 2008 are 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.

(d) Development of tax cases

During the year, the Group agreed with the Hong Kong Inland Revenue Department the basis and amount of assessment for Hong Kong profit tax for a number of past years. In this connection, the Group reversed the relevant excessive provision of approximately HK$4,024,000.

8. EARNINGS PER SHARE

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

Basic

	2014	2013
Profit attributable to equity holders of the Company *(HK$'000)*	**277,125**	55,427
Weighted average number of ordinary shares in issue *('000)*	**1,680,330**	1,679,760
Basic earnings per share *(HK cents per share)*	**16.5**	3.3

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.

	2014	2013
Profit attributable to equity holders of the Company *(HK$'000)*	**277,125**	55,427
Weighted average number of ordinary shares in issue *('000)*	**1,680,330**	1,679,760
Adjustment for share options *('000)*	**89,649**	61,646
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,769,979**	1,741,406
Diluted earnings per share *(HK cents per share)*	**15.7**	3.2

9. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim dividend paid of HK2.2 cents (2013: HK0.48 cent) per share	**36,981**	8,063
Proposed final dividend of HK2.7 cents (2013: HK0.51 cent) per share	**47,340**	8,567
	84,321	16,630

A final dividend in respect of the year ended 31 December 2014 of HK2.7 cents per share, amounting to HK$47,340,000, is to be proposed at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

10. TRADE RECEIVABLES

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

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**607,846**	511,978
91 to 180 days	**101,124**	41,813
	708,970	553,791
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**707,782**	552,603

11. LOAN AND INTEREST RECEIVABLES

The loans to customers arising under the Group's micro lending business have loan periods ranging from 2 days to 12 months (2013: 3 days to 7 months).

The repayment period of loan and interest receivables was set as follows:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**34,489**	106,755
91 to 180 days	**57,652**	29,677
181 to 365 days	**47,970**	763
	140,111	137,195
Less: Provision for impairment	**(1,391)**	(1,365)
	138,720	135,830

As at 31 December 2014, the loans bore fixed interest rate ranging from 1.8% to 24% per annum (2013: 18% to 24%).

There is no concentration of credit risk with respect to the loan and interest receivables as the Group has a large number of customers with no individual amount more than RMB5,000,000 (2013: RMB5,000,000).

As at 31 December 2014, loan and interest receivables of HK$5,679,000 (2013: nil) were overdue but considered not impaired. These relate to a few independent customers for whom there is no recent history of default.

12. AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company is unsecured, non-interest bearing, denominated in Hong Kong dollars, and repayable by instalments in three years from December 2015 to December 2017. The balance was arose from the tax indemnity provided by the related company.

The carrying amount of amount due from a related company approximates its fair value.

The maximum outstanding amount during the year was HK$4,760,000 (2013: nil).

13. TRADE PAYABLES

The ageing of trade payables is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**478,857**	418,550
91 to 180 days	**134,090**	95,767
181 to 365 days	**104**	–
	613,051	514,317

The trade payables have an average credit term within 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

During the year, the Group continued to make progress in its strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diverse range of products for the consumption market, particularly the huge high end consumer electronics and automobile sectors. As one of the milestone events in this expansion, we successfully secured orders from a leading international smartphone and mobile tablet brand owner, for which delivery commenced in early 2014. Our key appeal to this customer was our proven track record for outstanding quality and production management, which can minimise product defects and reduce production lead time to enable this customer to cope with the increasingly shorter product life cycles in the smartphone and mobile tablet market. At the same time, driven by the ongoing trend for domestic brands to upgrade their product quality and brand positioning which necessitates the enlistment of higher end suppliers, we were also approached by numerous renowned domestic smartphone brand owners for procurement, for which deliveries had also started in 2014. Our successful entry into the smartphone and mobile tablet market was not only another proof of our superior technology and quality standards, but more importantly opened up a new business area for a potential quantum leap in our revenue going forward, as this market is well known for its massive size and dynamic momentum.

Our businesses in the smartphone and mobile tablet market in 2014 were primarily derived from the production of plastic moulds and plastic components, and we received excellent feedback from the customers for our product quality and services. Encouraged by such positive feedback, we decided to extend our scope of services to also cover the high precision metal components in smartphones and mobile tablets. We are also actively seeking new orders and opportunities from the market of other smart devices, with a view to capitalising on the next revolutionary wave in smart technologies.

At the same time, we continued to see significant progress in our automobile business. Our new production base in Wuhan for automobile components and related welding services commenced commercial production in 2014. Despite its short operating history, it received the "Excellent Corporate Partner" (優秀協作單位) accolade from its major customer, which is a leading automaker in China. This not only strengthened our business partnership with them, but also provided us with a valuable credential for sourcing new orders in the automobile industry. During the year, the construction of Phase 2 of our Chongqing production base (which primarily produced automobile moulds before) was completed, and it was fitted out with world class equipment for automobile component production and welding. Our Wuhan and Chongqing production bases provide us with footholds in two major automobile hubs in China. Taking into account the concentration of automakers in these areas and our outstanding engineering expertise which differentiates ourselves from other domestic suppliers, it is evident that the stage is now set for our business to grow strongly in this sector.

Our traditional office automation ("OA") equipment business also delivered a remarkable performance. Unlike our competitors which are specialised in only a single type of service line, we are able to offer a unique one-stop solution covering the production of precision moulds and precision components, as well as automated product assembly such as precision laser welding. This provides strong incentives for our customers in OA equipment business to consolidate their supplier bases and transfer a greater portion of their procurement to us, as our one-stop solution can effectively reduce the additional logistics costs and excess production lead time arising from our customers' current practice of outsourcing the production of moulds, components and product assembly to different suppliers. Driven by this consolidation process, we recorded a notable increase in revenue from this sector during the year.

As one of the proof of our solid partnership, we have been invited by certain major OA equipment customers to set up a new production base in Vietnam to serve their existing assembly plants there, in order for those assembly plants to also enjoy the benefits brought by our unique one-stop solution. The new Vietnam production base, which has a land area of approximately 37,000 square metres and a planned floor area (phase one) of approximately 12,000 square metres, is to be located at Haiphong, Vietnam, and is scheduled for completion by end of 2015. Upon completion, certain of our existing production equipment will be relocated to Vietnam, whilst our existing production bases in China will be refurnished with more sophisticated and highly automated equipment, as China is gradually transforming into a high end manufacturing hub emphasising more on production efficiency and quality.

During the year, the Group invested RMB20,000,000 for a 3.8% stake in a company incorporated in Qianhai District, Shenzhen which operates a peer-to-peer internet lending platform. This is a start-up project led by the investment arm of the Shenzhen municipal government and has more than 20 shareholders which are primarily leading high-tech companies in Shenzhen selected by the government. At the same time, the business of the Group's micro lending company in Shenzhen, in which the Group has a 60% stake, has remained stable in 2014 as we had not made any additional investment in this business. Having said that, we have continued to devote resources for strengthening credit assessments and controls. Professional credit controllers have been recruited and loans were only made to individuals or companies whose backgrounds were well known to the Group. Accordingly, no bad debt has occurred since its establishment in late 2012 (although a general provision for loan impairment based on about 1% of outstanding loan balance was made solely for the purpose of complying with the guideline issued by the Ministry of Finance of China). In the future, we expect the micro lending company to provide an auxiliary source of income to the Group, but we will nonetheless remain focused on our manufacturing business, which is well established and undergoing rapid development.

In 2012 and 2013, we engaged in building new facilities to support capacity expansion, resulting in an increase in depreciation and other fixed costs which adversely affected our bottom line in these two years. Such investments started to yield benefits in 2014. With the expanded capacity, we had been able to cope with the surge in order flows which was driven by our development in different sectors as mentioned above. Accordingly, our turnover in 2014 surged by 30.1% to HK$3,454,977,000, another historical high. Since the notable increase in turnover improved the utilisation rate of our facilities and provided economies of scale, our gross profit margin for the year increased to 26.2% (2013: 24.1%). The impact of economies of scale was even more pronounced on net profit margin as a majority of our general and administrative expenses are fixed in nature and did not increase in proportion to the growth in turnover. Coupled with the various cost control measures adopted by the Group and the absence of share option costs in 2014 (2013: HK$39,648,000), our net profit for the year increased significantly by 400.0% to HK$277,125,000.

The Group is committed to generating positive returns through sustainable operations. For our existing businesses, we will seek growth and higher returns by sharpening our competitive edges, and also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities which are of great potentials and add to our existing portfolio. We have a philosophy of creating values to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2014 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

FINANCIAL REVIEW

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

	2014		2013	
	HK$'000	*%*	*HK$'000*	*%*
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**262,843**	**7.6%**	284,133	10.7%
Manufacturing of metal stamping components	**1,307,839**	**37.8%**	1,079,193	40.6%
Manufacturing of lathing components	**149,770**	**4.3%**	138,276	5.2%
Others *(Note 1)*	**31,612**	**0.9%**	27,440	1.0%
	1,752,064		1,529,042	
Plastic division				
Design and fabrication of plastic injection moulds	**175,358**	**5.1%**	110,879	4.2%
Manufacturing of plastic injection components	**1,482,001**	**42.9%**	979,292	36.9%
Others *(Note 1)*	**12,307**	**0.4%**	12,263	0.5%
	1,669,666		1,102,434	
Income from micro lending business	**33,247**	**1.0%**	24,239	0.9%
Total	**3,454,977**		2,655,715	
Segment results				
Metal division	**164,986**		44,769	
Plastic division	**162,358**		31,477	
Micro lending business	**20,872**		15,011	
Operating profit	**348,216**		91,257	
Unallocated (expense)/income, net	**(3,739)**		2,372	
Finance income	**23,287**		10,418	
Finance costs	**(35,538)**		(28,716)	
Share of loss of an associate	**(2,911)**		(3,072)	
Income tax expense	**(42,544)**		(12,784)	
Non-controlling interests	**(9,646)**		(4,048)	
Profit attributable to equity holders of the Company	**277,125**		55,427	

Note 1: Others mainly represented sales of scrap materials

Turnover

Attracted by our innovative production solutions and proven engineering standards, our OA equipment customers continued to transfer a higher portion of their procurements to us during the year. Coupled with the development of our businesses in high end consumer electronics and automobile sectors, our total turnover increased by 30.1% to HK$3,454,977,000.

Income from micro lending business was lower in 2013 because the Group's micro lending company was established by end of 2012, and therefore it was only under trial operation period in early 2013.

Gross profit

During the year, our gross profit margin increased to 26.2% (2013: 24.1%), which was primarily attributable to the improvement in utilisation rate of production facilities and economies of scale brought by the notable growth in turnover.

Segment results

As mentioned above, the Group enjoyed economies of scale brought by the growth in turnover. The impact of economies of scale was even more prominent on operating profit margin because a majority of the Group's general and administrative expenses were fixed costs and did not increase in proportion to the growth in turnover. Coupled with the various cost control measures adopted by the Group and the absence of share option costs in 2014 (2013: HK$39,648,000), the operating profit margin of the Group's metal and plastic divisions improved to 9.4% and 9.7% respectively.

The operating profit margin of the Group's micro lending business was 62.8%, which was comparable to that in 2013.

Finance costs

The Group's finance costs for the year increased to approximately HK$35,538,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities.

Income tax expense

During the year, income tax expense amounted to HK$42,544,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 12.9%, which decreased as compared to 2013 because the Group had settled with the Hong Kong Inland Revenue Department (the "HKIRD") in respect of its offshore claim which was queried by the HKIRD since 2005, and wrote back the related tax provision which was in excess of the settlement amount.

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company increased to HK$277,125,000, which was primarily caused by the notable growth in turnover and the improvement in the Group's operating profit margin as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

During the year ended 31 December 2014, the Group's net cash inflow from operating activities increased to HK$350,977,000 (2013: HK$142,086,000) since the Group recorded a significant growth in turnover and profit during the year. In 2014, the Group placed additional short-term bank deposits of HK$111,382,000 and therefore recorded a cash outflow item from investing activities of the same amount, whereas the Group recorded a decrease in short-term bank deposits of HK$51,486,000 in 2013. Such change in short-term bank deposits resulted in an increase in the Group's net cash outflow from investing activities from HK$206,503,000 in 2013 to HK$385,984,000 in 2014. Besides, as payment of dividends increased and the Group gradually repaid its finance lease liabilities during the year, the Group recorded a decrease in net cash inflow from financing activities from HK$125,290,000 in 2013 to HK$72,243,000 in 2014.

Bank loans as at 31 December 2014 were denominated in Hong Kong and United States 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 2014 is as follows:

	31 December 2014	31 December 2013
Inventory turnover days *(Note 1)*	**61**	56
Debtors' turnover days *(Note 2)*	**75**	77
Creditors' turnover days *(Note 3)*	**88**	93
Cash conversion cycle *(Note 4)*	**48**	40
Current ratio *(Note 5)*	**1.46**	1.45
Net debt-to-equity ratio *(Note 6)*	**14.0%**	17.7%

Notes:

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 days 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 days 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

During the year, the Group's inventory turnover days were 61 days, which increased as compared to last year because there was a surge in mould orders received by the Group in the last quarter of 2014. These mould orders are due for delivery in 2015, leading to an increase in moulds under production being captured as part of the Group's inventories as at year end.

Debtors' and creditors' turnover days

During the year, the Group's debtors' turnover days were 75 days, which was comparable to that in 2013. During the year, the Group agreed to shorten the credit periods with certain of its suppliers in return for better prices and other trade terms, resulting in a slight reduction in creditors' turnover in 2014.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 31 December 2014 was 1.46, which was comparable to that as at 31 December 2013. During the year, the Group recorded a notable growth in profit and operating cash inflows. Bank balances and shareholders' equity increased which resulted in a reduction of the Group's net debt-to-equity ratio as at 31 December 2014.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2014, the Group's sales and purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	26.8%	10.5%
US dollars	48.8%	59.2%
Renminbi	23.4%	30.3%
Euro	1.0%	–

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 material 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 (which are pegged). The Group also has a policy of using Renminbi to settle the purchases of materials used for Renminbi denominated sales. Sales denominated in Euro were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers.

Although the Group's revenue and expenditure are basically transacted in matching currencies, 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 and United States dollars to match repayment currency with its major source of operating cash inflows. Going forward, management will continue to safeguard the Group from exchange rate risks by closely managing its foreign currency exposure.

HUMAN RESOURCES

As at 31 December 2014, the total number of employees of the Group was 9,075 employees, which increased as compared to 8,257 employees as at 31 December 2013. The increase was primarily caused by the commencement of commercial production of our new Wuhan production base in early 2014, and the recruitment of additional employees for the newly completed phase 2 facility of our Chongqing production base in late 2014.

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' potentials 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.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2014, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amount of approximately HK$6,358,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$265,971,000 for securing finance lease liabilities.

OUTLOOK

The smartphone and mobile tablet industry is well known for its massive size and dynamic momentum, presenting exciting opportunities to the related components industry. At the same time, competition among international and domestic brands is escalating. Under this competitive environment, both international and domestic brands are imposing stricter requirements on product quality and production management standards, which necessitates the enlistment of higher end manufacturers into their supply chains. Our proven track record for outstanding quality and production management is strongly attractive to them, which is evidenced by the receipt of orders from international and domestic brands alike in 2014. Looking forward, we will continue to take appropriate steps to expand our product range in the smartphone and mobile tablet industry, and explore possibilities in the market of other smart devices with a view to riding on the tide of the next revolution in smart technologies.

In recent years, engineering and production management expertise are becoming increasingly important for suppliers in China's automobile industry, as customers' demand is rapidly shifting from low cost vehicles to higher quality vehicles with better performance. The endorsement of the engineering and production management capabilities of our new Wuhan production base by a leading automaker in China despite its short operating history was an evident proof of our ability to stand out within the supply chains of reputable automakers. At the same time, through the completion of its Phase 2 facility, the service scope of our Chongqing production base was also extended from previously focusing on mainly automobile moulds to also covering the production of automobile components on a large scale basis, enabling it to receive higher volume orders. Accordingly, we are poised for significant growth in this sector.

As for micro lending business, we will remain committed to a conservative loan policy and the strengthening of credit management.

Last but not least, having successfully foreseen the trend of supplier base consolidation in OA equipment industry, we had started building up the necessary production divisions and accumulating technologies for our unique one-stop solution since 2005. These efforts have provided us with an apparent first mover advantage and our unique one-stop solution has now become one of our key competitive advantages which our competitors are unable to imitate. The benefits of our unique one-stop solution and our long-term strategic partnership with major OA equipment brand owners has also been clearly demonstrated by their invitation of us into their supply chains outside China. Thus, it is evident that our traditional OA equipment business will continue to be one of our future growth drivers, from which we can generate substantial cash flows to fund our expansion in other new sectors.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

On 15 January 2015, the Company, Prosper Empire Limited (the "Vendor") and RHB OSK Securities Hong Kong Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent agreed to place up to an aggregate of 70,000,000 shares of the Company at a price of HK$1.94 per share (the "Placing Price") to not less than six independent professional institutional investors under a top-up placing. The Placing Price represented (i) a discount of 7.18% to the closing price of HK$2.09 per share as quoted on The Stock Exchange of Hong Kong Limited on 15 January 2015; (ii) a discount of approximately 4.90% to the average of the closing prices of approximately HK$2.04 per share as quoted on The Stock Exchange of Hong Kong Limited for the last five consecutive trading days up to and including 15 January 2015; and (iii) a discount of approximately 1.37% to the average of the closing prices of approximately HK$1.967 per share as quoted on The Stock Exchange of Hong Kong Limited for the last ten consecutive trading days up to and including 15 January 2015. The Placing Price was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent with reference to the market condition and the price performance of the shares of the Company.

On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for up to an aggregate of 70,000,000 new shares of the Company (the "Subscription Shares") at HK$1.94 per share which was equivalent to the Placing Price. The 70,000,000 Subscription Shares represented approximately 4.16% of the then existing issued share capital of the Company and approximately 3.99% of the Company's issued share capital as enlarged by the allotment and issue of the Subscription Shares. The actual number of Subscription Shares was the same as the number of shares successfully placed under the placing agreement entered into on 15 January 2015, which was 70,000,000 shares. The Subscription Shares were issued on 28 January 2015.

The directors considered that it was beneficial to the Group and the shareholders of the Company as a whole to raise capital by way of the aforesaid placing and subscription as it would broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the shares of the Company in the market. The net proceeds from the subscription of the Subscription Shares were approximately HK$131,056,000, or HK$1.87 per share, and were intended to be applied by the Company for the continuing expansion of its existing business and general working capital purposes. As at the date of this report, the net proceeds were placed on interest-bearing short-term deposits for the intended future uses.

Save as 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 2014 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDENDS

The Board recommends the payment of a final dividend of HK2.7 cents per ordinary share, totaling approximately HK$47,340,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2015, the final dividend will be payable on or about 4 June 2015. Including the interim dividend of approximately HK$36,981,000 paid on 24 September 2014 in respect of the six months ended 30 June 2014, the total dividends declared for the year ended 31 December 2014 will be approximately HK$84,321,000.

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Thursday, 21 May 2015, the register of members of the Company will be closed from Tuesday, 19 May 2015 to Thursday, 21 May 2015, 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 Monday, 18 May 2015.

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 Thursday, 4 June 2015 to shareholders whose names appear on the register of members on Friday, 29 May 2015. To determine eligibility for the final dividend, the register of members of the Company will be closed from Thursday, 28 May 2015 to Friday, 29 May 2015, 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 Wednesday, 27 May 2015.

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 2014 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with 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 during the year ended 31 December 2014.

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. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2014.

AUDITORS

The consolidated financial statements for the year ended 31 December 2014 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, 26 March 2015

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