



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)

2014 年報
ANNUAL REPORT



Shenzhen (Shiyan) production base



Shenzhen (Guangming) mould development centre



Zhongshan production base

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Shenzhen (Tianliao) production base

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, 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 seven production bases in Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan. The Group is also in the process of setting up a new production base in Haiphong, Vietnam, which signifies its first step to expand outside China.

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 and plastic moulds; ii) manufacturing of precision metal and plastic components by using tailor-made moulds and other sophisticated manufacturing processes; 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 bases for future mass production of components and semi-finished products. Because of the high level of skills and technologies required to produce moulds and components with high degree of precision and dimensional accuracies, the Group has strong pricing power for its products.

At present, a majority of the Group’s revenue is generated from 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 huge automobile and high end consumer electronics sectors. To this end, the Group’s production bases in Chongqing and Wuhan are destined for serving the automobile market. In addition, the Group also has a 60% owned subsidiary which engages in micro lending business in China.

CORPORATE MILESTONE

Year	Event
2003	<p>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 base 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.</p>
2002	<p>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).</p> <p>The first factory building of the Group’s Shenzhen (Shiyan) production base 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 base in the same year.</p>
2003	<p>The second factory building of the Group’s Shenzhen (Shiyan) production base with a construction area of approximately 19,000 sq.m. was completed.</p> <p>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:</p> <ul style="list-style-type: none"> – “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 Municipal Administration for Industry and Commerce (深圳市工商行政管理局); and – “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 China’s 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).
2004	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the “2003 Excellent Supplier” (二零零三年度優秀供應商) award by Toshiba and “Certificate of Green Activity” by Canon. EVA Limited was granted with “Very Valuable Vendor (Improvement) Award” (VVV獎—進步獎) by Canon.</p> <p>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 base for trial production.</p>

CORPORATE MILESTONE

Year	Event
2005	<p>EVA Precision Industrial Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited.</p> <p>EVA Limited was granted with “Very Valuable Vendor (2004 Best Assistance) Award” (VVV獎—二零零四年最佳協力獎) and “Very Valuable Vendor (Improvement) Award” (VVV獎—進步獎) by Canon, and “Acclamation Certificate” (表彰狀) by Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with an approval certificate for chemical substances management (CMS) standard by Ricoh. EVA Precision Industrial Holdings Limited was granted with a gratitude trophy by Fuji Xerox.</p> <p>The construction of the third factory building of the Group’s Shenzhen (Shiyan) production base was completed and thereafter the Group’s plastic production line was moved to the third factory building of the Group’s Shenzhen (Shiyan) production base and commenced commercial production.</p> <p>The Group started to establish a production base in Suzhou through the establishment of EVA Precision Industrial (Suzhou) Limited.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with “Shenzhen Most Respected and Influential Enterprise” (深圳最受尊敬(最具影響力)企業) award by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).</p>
2006	<p>The construction of phase one of the Group’s production base in Suzhou was completed and commenced production.</p> <p>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.</p> <p>EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received an approval certificate for chemical substances management (CMS) standard from Epson.</p> <p>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.</p> <p>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).</p>

CORPORATE MILESTONE

Year	Event
2006 (Cont'd)	<p>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).</p> <p>EVA Precision Industrial Holdings Limited was admitted to the “Database of Outstanding Enterprises in China” (中國優秀企業數據庫) by Chinese Enterprise Confederation (中國企業聯合會).</p> <p>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.</p> <p>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.</p>
2007	<p>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” (環保企業證書) from Fuji Xerox.</p> <p>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.</p> <p>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”(環保系統證書) from Konica Minolta.</p> <p>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).</p>

CORPORATE MILESTONE

Year	Event
2007 (Cont'd)	<p>EVA Precision Industrial Holdings Limited received “Corporate Citizen – Responsibility for Society” (企業公民－責任獻社會) award 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).</p> <p>EVA Precision Industrial Holdings Limited received “Best Under a Billion” award from Forbes (Asia) magazine.</p> <p>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).</p> <p>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.</p>
2008	<p>The Group’s mould development centre in Shenzhen commenced commercial operations in the fourth quarter of 2008.</p> <p>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 Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會).</p> <p>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).</p> <p>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) respectively for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake.</p> <p>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).</p>

CORPORATE MILESTONE

Year	Event
2009	<p>EVA Plastic Mould Products (HK) Limited and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received “2008 Golden Quality Award” (2008年度品質金獎) from Konica Minolta.</p> <p>EVA Limited received “2008 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零零八年度E(環境) Q(品質) C(成本) D(納期) 顯著貢獻獎) from Canon.</p> <p>EVA Precision Industrial Holdings Limited received “Distinguished Supplier Award” (傑出供應商獎) from General Electric.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with “The First 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).</p> <p>EVA Precision Industrial Holdings Limited was also granted with:</p> <ul style="list-style-type: none"> – “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 Award” (關愛員工獎) by Golden Bee CSR China Honour Roll (金蜜蜂企業社會責任中國榜); – “Great Love in Guangming” (大愛光明) award by the charity committee of Shenzhen Guangming New District; – “Hong Kong Outstanding Enterprises” (香港傑出企業) 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). <p>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).</p> <p>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).</p> <p>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).</p>

CORPORATE MILESTONE

Year	Event
2010	<p>The construction of the Group's production base in Zhongshan was completed by end of 2010 and commenced production.</p> <p>EVA Limited received "2009 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零九年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - "2009 Shenzhen Top 100 Enterprise" (二零零九年深圳百強企業) accreditation 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) accreditation 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 People's 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). <p>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).</p> <p>EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2009 Quality Improvement Award" (二零零九年度品質改善獎) from Konica Minolta.</p>

CORPORATE MILESTONE

Year	Event
2010 <i>(Cont'd)</i>	<p>EVA Precision Industrial Holdings Limited received “Product Assembly Service Certification” (成品組裝資格認證) from Kyocera Mita.</p> <p>Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received “Environmental Collaboration Program Certificate” (環保系統證書) from Konica Minolta.</p> <p>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).</p> <p>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).</p> <p>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), Finance Commission of Shenzhen Municipality (深圳市財政委員會), National Tax Bureau of Shenzhen (深圳市國家稅務局) and Local Tax Bureau of Shenzhen (深圳市地方稅務局).</p> <p>Shenzhen EVA Mould Manufacturing Limited was awarded with ISO/TS16949:2009 certification in respect of the production of automobile parts by the BSI Group.</p>
2011	<p>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 automobile sector.</p> <p>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, targeting at serving international and domestic automobile brand names located in Wuhan and its adjacent cities.</p> <p>The construction of the fourth factory building of the Group’s Shenzhen (Shiyan) production base was completed.</p>

CORPORATE MILESTONE

Year	Event
2011 (Cont'd)	<p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - "2010 Golden Quality Award" (二零一零年度品質金獎) 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; - "2009/2010 Pearl River Delta Environmental Award" (二零零九年／二零一零年珠三角環保大獎) from 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). <p>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).</p> <p>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.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with "The Third Supplier QCC Forum – First Class Award" (第三屆供應商QCC發表會一等獎) by Kyocera Mita. It was also 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).</p> <p>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).</p> <p>Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited were recognised as "National High and New Technology Enterprises" (國家級高新技術企業).</p>

CORPORATE MILESTONE

Year	Event
2012	<p>The construction of the Group's Shenzhen (Tianliao) production base was completed.</p> <p>EVA Precision Industrial (Suzhou) Limited received "2011 Special Contribution Award" (二零一一年度特別貢獻獎) from Canon. It was also granted with "2010-2011 Taxpaying Credibility - Grade A" (二零一零至二零一一年度A級納稅信用等級) certificate by National Tax Bureau of Suzhou (蘇州市國家稅務局) and Local Tax Bureau of Suzhou (蘇州地方稅務局).</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - "AAA Credit Rating Enterprise in China" (中國AAA級信用企業) accreditation 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) accreditation from Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (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) accreditation 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) accreditation 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) accreditation 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" (二零一二年深圳百強企業) accreditation 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)	<p>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).</p> <p>Shenzhen EVA Mould Manufacturing Limited and Chongqing Digidie Auto Body Ltd. were recognised as “National High and New Technology Enterprises” (國家級高新技術企業).</p>
2013	<p>The Group’s management headquarter moved to the fourth factory building of the Group’s Shenzhen (Shiyan) production base.</p> <p>EVA Precision Industrial Holdings Limited received “Premiere Partner (2013) Award” (卓越合作夥伴(二零一三年)獎) from Fuji Xerox. It was re-elected as the “Chairman Enterprise” (會長企業) by Shenzhen Machinery Association (深圳市機械行業協會).</p> <p>EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received “2012 Golden Quality Award” (二零一二年度品質金獎) from Konica Minolta.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. received:</p> <ul style="list-style-type: none"> – “2012 Second Half Best Quality” (二零一二年度下半期最佳品質) award from Toshiba; – “Guangdong Famous Trademark Certificate” (廣東省著名商標證書) from Guangdong Provincial Administration for Industry and Commerce (廣東省工商行政管理局); – “2013 Shenzhen Top 100 Quality Enterprise”(二零一三年度深圳市質量百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Association for Quality (深圳市質量協會), Shenzhen Performance Excellence Management Foundation (深圳市卓越績效管理促進會), Shenzhen Press Group (深圳報業集團), Shenzhen Media Group (深圳廣播電影電視集團) and “Times Entrepreneur” magazine (「時代商家」雜誌社); and – “New Quality Benchmark in Baoan” (寶安品牌新標杆) award from the People’s Government of Baoan District, Shenzhen (深圳市寶安區人民政府).

CORPORATE MILESTONE

Year	Event
2013 <i>(Cont'd)</i>	<p>EVA Precision Industrial (Suzhou) Limited was granted with:</p> <ul style="list-style-type: none"> – “2012 Special Contribution Award” (二零一二年度特別貢獻獎) by Canon; – “Standard Implementation Certificate of Enterprise Credit Management in Jiangsu” (江蘇省企業信用管理貫標證書) by the Leadership Office of Jiangsu Social Credit System Construction Committee (江蘇省社會信用體系建設領導小組辦公室); – “High and New Technology Product Recognition Certificate” (高新技術產品認定證書) by Jiangsu Department of Science and Technology (江蘇省科學技術廳); and – “Enterprise Technology Centre” (企業技術中心) accreditation by the People’s Government of Suzhou (蘇州市人民政府), Suzhou Economic and Information Technology Commission (蘇州市經濟和資訊化委員會), Suzhou Science and Technology Bureau (蘇州市科學技術局) and Suzhou Municipal Development and Reform Commission (蘇州市發展和改革委員會). <p>Chongqing Digidie Auto Body Ltd. was recognised as a “2012 Excellent Supplier” (二零一二年度優秀供應商) by Dongfeng (東風). It was also granted with “Mould Supplier Certification” (模具供應商認可證書) by FAW-Volkswagen (一汽大眾).</p> <p>Digidie Stamping Technology (Wuhan) Limited was accredited as “2012 Excellent Enterprise of Wuhan Industrial Investment” (二零一二年度武漢市工業投資優秀企業) and “2012 Advanced Organisation with Major Project Development” (二零一二年度重大項目建設先進單位) by the People’s Government of Wuhan (武漢市人民政府).</p>

CORPORATE MILESTONE

Year	Event
2013 (Cont'd)	<p>Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received:</p> <ul style="list-style-type: none"> - “The Fifth Supplier QCC Forum – First Class Award” (第五屆供應商QCC成果發表會一等獎) and “2012 Best Partner Vendor” (二零一二年最佳採購夥伴) award from Kyocera Mita; - “2013 Guangdong Top 500 Manufacturing Enterprise” (二零一三年度廣東省製造業企業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會) and The Institute of Enterprise Research, Guangdong Academy of Social Sciences (廣東省社會科學院企業研究所); - “2013 Excellent Enterprise in Guangdong Manufacturing Industry” (二零一三年度廣東省製造業優秀企業) accreditation from Guangdong Manufacturers Association (廣東省製造業協會); and - “Enterprise Technology Centre” (企業技術中心) accreditation from Shenzhen Baoan Economic Promotion Bureau (深圳市寶安區經濟促進局). <p>EVA Precision Industrial (Zhongshan) Limited was granted with “2012 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零一二年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) by Canon.</p> <p>Shenzhen Xunneng Precision Technology Limited, a subsidiary of the Group, was recognised as a “National High and New Technology Enterprise” (國家級高新技術企業).</p>
2014	<p>The Group’s production base in Wuhan, which targets at automobile business, commenced commercial production. The Group also completed the construction of phase 2 of Chongqing production base, which was purposely built for expanding the production capacity for automobile components.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - “Premiere Partner (2014) Award” (卓越合作夥伴(二零一四年)獎) from Fuji Xerox; - “Best Ongoing Management Award” (最佳持續管理獎) from the BSI Group; and - “2012/2013 Pan Pearl River Delta Environmental Award” (二零一二年／二零一三年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank.

CORPORATE MILESTONE

Year	Event
2014 (Cont'd)	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. received “The Sixth Supplier QCC Forum – First Class Award” (第六回供應商QCC發表會一等獎) from Kyocera Mita.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. were granted with “2013 Excellent Supplier” (二零一三年度優秀供應商) award by Konica Minolta.</p> <p>EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> – “2013 Excellent Supplier Award” (二零一三年度優秀供應商獎) and “The Twelfth Unit Improvement Contest” (第十二屆組裝技能改善競賽) champion award from Canon; – “Enterprise Technology Centre” (企業技術中心) accreditation from the People’s Government of Jiangsu Province (江蘇省人民政府), Jiangsu Economic and Information Technology Commission (江蘇省經濟和資訊化委員會), Jiangsu Development and Reform Commission (江蘇省發展和改革委員會), Jiangsu Department of Science and Technology (江蘇省科學技術廳), Department of Finance of Jiangsu Province (江蘇省財政廳), National Tax Bureau of Jiangsu (江蘇省國家稅務局), Local Tax Bureau of Jiangsu (江蘇省地方稅務局) and Nanjing Customs (南京海關); and – “Jiangsu Precision Parts and Moulds Design and Manufacturing Engineering Research Centre”(精密零部件模具設計製造工程技術研究中心) accreditation from Jiangsu Department of Science and Technology (江蘇省科技廳). <p>Digidie Stamping Technology (Wuhan) Limited received:</p> <ul style="list-style-type: none"> – “2013 Excellent Corporate Partner” (二零一三年度優秀協作單位) award from Dongfeng (東風); and – “Outstanding and Advanced Enterprise” (先進單位) accreditation from Wuhan Production Safety Commission (武漢市安全生產委員會). <p>Chongqing Digidie Auto Body Ltd. was recognised as “Enterprise Technology Centre” (企業技術中心) by the People’s Government of Chongqing (重慶市人民政府), Chongqing Economic and Information Technology Commission (重慶市經濟和資訊化委員會), Chongqing Finance Bureau (重慶市財政局), Chongqing Customs (重慶海關), National Tax Bureau of Chongqing (重慶市國家稅務局) and Local Tax Bureau of Chongqing (重慶市地方稅務局).</p>

CORPORATE MILESTONE

Year	Event
2015	<p>The Group started to construct a new production base in Haiphong, Vietnam, signifying its first step to expand outside China.</p> <p>EVA Precision Industrial Holdings Limited received “2013/2014 Pan Pearl River Delta Environmental Award” (二零一三年／二零一四年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank.</p> <p>EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> – “2014 Excellent Supplier Award” (二零一四年度優秀供應商獎) from Canon; – “2014 Excellent Supplier” (二零一四年度優秀供應商) award from Konica Minolta; and – “2014 Outstanding and Advanced Technology Enterprise in Suzhou National New and Hi-Tech Industrial Development Zone” (二零一四年度蘇州高新區科技工作先進單位) accreditation from the Working Commission of the Communist Party of China in Suzhou National New and Hi-Tech Industrial Development Zone (中共蘇州國家高新技術產業開發區工作委員會) and the Management Committee of Suzhou National New and Hi-Tech Industrial Development Zone (蘇州國家高新技術產業開發區管理委員會). <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. and Okuno Precision Metal Co., Limited received “2014 Golden Quality Award” (二零一四年度品質金獎) from Konica Minolta.</p> <p>EVA Precision Industrial (Zhongshan) Limited was granted with “2014 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零一四年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) by Canon.</p>

FINANCIAL HIGHLIGHTS

		<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPERATING RESULTS						
Turnover	HK\$'000	<u>3,454,977</u>	<u>2,655,715</u>	<u>2,367,023</u>	<u>1,977,845</u>	<u>1,703,099</u>
Earnings before interest and taxation (EBIT) (Note 1)	HK\$'000	<u>344,477</u>	<u>93,629</u>	<u>103,774</u>	<u>244,439</u>	<u>356,671</u>
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (Note 1)	HK\$'000	<u>577,595</u>	<u>291,930</u>	<u>253,884</u>	<u>346,470</u>	<u>445,037</u>
Profit attributable to equity holders of the Company	HK\$'000	<u>277,125</u>	<u>55,427</u>	<u>70,889</u>	<u>210,379</u>	<u>302,664</u>
FINANCIAL POSITION						
Cash generated from operations	HK\$'000	<u>401,910</u>	<u>173,184</u>	<u>226,910</u>	<u>259,371</u>	<u>319,595</u>
Net current assets (liabilities)	HK\$'000	<u>810,140</u>	<u>660,995</u>	<u>659,458</u>	<u>430,963</u>	<u>432,808</u>
Shareholders' equity	HK\$'000	<u>2,335,155</u>	<u>2,102,257</u>	<u>2,013,650</u>	<u>2,030,929</u>	<u>1,581,066</u>
PER SHARE DATA						
Earnings per share						
– Basic (Note 2 and 4)	HK cents	<u>16.5</u>	<u>3.3</u>	<u>4.1</u>	<u>12.8</u>	<u>21.3</u>
– Diluted (Note 3 and 4)	HK cents	<u>15.7</u>	<u>3.2</u>	<u>4.1</u>	<u>12.7</u>	<u>20.2</u>
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	<u>16.7</u>	<u>11.0</u>	<u>10.7</u>	<u>17.5</u>	<u>26.1</u>
Net profit margin	(%)	<u>8.0</u>	<u>2.1</u>	<u>3.0</u>	<u>10.6</u>	<u>17.8</u>
Return on shareholders' equity	(%)	<u>11.9</u>	<u>2.6</u>	<u>3.5</u>	<u>10.4</u>	<u>19.1</u>
Net debt-to-equity ratio (Note 5)	(%)	<u>14.0</u>	<u>17.7</u>	<u>7.9</u>	<u>Net cash</u>	<u>Net cash</u>

FINANCIAL HIGHLIGHTS

- Note 1: Earnings before interest and taxation and earnings before interest, taxation, depreciation and amortisation are calculated before taking into account share of loss of an associate.
- Note 2: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 1,419,912,000 ordinary shares, 1,640,697,000 ordinary shares, 1,733,043,000 ordinary shares, 1,679,760,000 ordinary shares and 1,680,330,000 ordinary shares in issue during the year ended 31 December 2010, 2011, 2012, 2013 and 2014 respectively.
- Note 3: Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 1,501,750,000 ordinary shares, 1,652,069,000 ordinary shares, 1,742,133,000 ordinary shares, 1,741,406,000 ordinary shares and 1,769,979,000 ordinary shares for the years ended 31 December 2010, 2011, 2012, 2013 and 2014 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 4: 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 5: 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.
 Sumitomo Mitsui Banking Corporation
 China CITIC Bank International Limited
 Chong Hing Bank Limited
 Australia and New Zealand Banking Group Limited
 KBC Bank N.V. Hong Kong Branch
 Fubon Bank (Hong Kong) Limited
 China Construction Bank (Asia) Corporation Limited
 Standard Chartered Bank (Hong Kong) Limited

Mainland China

Industrial and Commercial Bank of China
 Agricultural Bank of China
 Ping An Bank

LEGAL ADVISOR

Minter Ellison

AUDITORS

PricewaterhouseCoopers
 Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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



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 2014.

BUSINESS REVIEW

During the year, China continued to evolve from a low cost processing centre into a high end manufacturing hub emphasising more on product quality, creativity and efficiency. Rising costs in China caused weaker manufacturers to lose their advantage, whilst high end manufacturers with proven track records in engineering innovation and production management benefited from an even larger marketplace brought about by China’s massive consumption demand for high quality and sophisticated products. At the same time, competition among brand owners was escalating, which created the need for them to enlist higher end manufacturers into their supply chains to upgrade product quality and minimise production lead time. As China’s leading high precision manufacturer which is well known for its innovative engineering solutions, the Group emerged to become one of the major beneficiaries under this macro environment. Order flows surged, and the total turnover of the Group for the year increased by 30.1% to HK\$3,454,977,000, another historical high.

Optimistic about our long-term growth potential, we engaged in rapid expansion of our capacity in 2012 and 2013, resulting in temporary under-utilisation of our production capacity which adversely affected our bottom line during these two years. We started to see returns on our investments in 2014, as the expanded capacity enabled us to cope with the surge in order flows mentioned above. With a strong



CHAIRMAN'S STATEMENTS

Wuhan automobile production base

turnover growth, utilisation of our facilities improved and therefore we could benefit from economies of scale. Coupled with the various cost control measures adopted by the Group and the absence of one-off share option costs in 2014, our net profit for the year increased sharply by 400.0% to HK\$277,125,000, representing a net profit margin of 8.0% (2013: 2.1%).

BUSINESS DEVELOPMENT

During the year, we continued to make significant inroads into the massive high end consumer electronics and automobile markets. We created a significant breakthrough in our high end consumer electronics business by securing orders from a major international smartphone and mobile tablet brand owner, with deliveries commencing in early 2014. Our business relationship with this reputable brand owner can be traced back to 2012, when we started providing manufacturing services to them for another product line. Impressed by our innovative production solutions which are also essential for coping with the increasingly stricter quality and production management requirements in the smartphone and mobile tablet industry, this reputable brand owner decided to broaden their strategic partnership with us to also cover their smartphone and mobile tablet products, their key business line. At the same time, in an attempt to uplift brand positioning, domestic brand owners rolled out more sophisticated models, which created the need for them to enlist higher end suppliers into their supply chains. Thus, we were also approached by numerous renowned domestic brand owners for procurement, for which deliveries had also commenced in 2014. Our entry into the smartphone and mobile tablet industry has paved a solid path for swift growth in our revenue, as this industry presents abundant opportunities.

CHAIRMAN'S STATEMENTS

At present, the automobile industry in China is undergoing a rapid transition from previously focusing on low cost vehicles to vehicles with better quality and performance. This creates an increasing demand for sophisticated moulds and components tailored for higher quality vehicles, presenting exciting opportunities to manufacturers with proven engineering capabilities such as ourselves. Therefore, we remain committed to expanding our business in this sector. As one of the milestone events in this expansion, our new production base in Wuhan commenced commercial production in early 2014. The new Wuhan production base is targeted at providing component production and welding services to automobile makers located in Wuhan and adjacent cities, one of the major automobile hubs in China. Despite its short operating history, our new Wuhan production base received the "Excellent Corporate Partner" (優秀協作單位) award from its major customer which is a leading automaker in China in 2014 for its outstanding engineering and production management capabilities, an evidence of our ability to differentiate ourselves from low end manufacturers and stand out in the supply chain of renowned automakers. At the same time, with the completion of its Phase 2 facilities in 2014, the business of our existing production base in Chongqing expanded from primarily producing automobile moulds to also covering the manufacture of automobile components on a large scale basis. This has greatly enhanced our capability to capture the burgeoning demand from automobile makers in Chongqing and adjacent cities, which is another automobile production hub in China.

In our traditional office automation ("OA") equipment business, our unique one-stop solution covering the production of precision moulds and precision components, as well as product assembly capability such as precision laser welding gives us a distinct competitive advantage in the market, as we can effectively reduce the additional logistic 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. Accordingly, our revenue from this sector continued to record remarkable growth, as OA equipment brand owners continued to consolidate their supplier bases and transfer a higher portion of their procurement to us. Realising that the benefits of our unique one-stop solution can be replicated elsewhere in the world, certain major OA equipment customers have decided to elevate their strategic partnership with us to a global level, and invited us to set up a new production base in Vietnam to serve their existing assembly plants there. This not only fortifies our leading position in OA equipment industry, but also presents us with a new opportunity to extend our precision manufacturing services to another major manufacturing hub outside China. The new Vietnam production base is to be located at Haiphong, Vietnam, and has a land area of approximately 37,000 square metres and a planned floor area (phase one) of approximately 12,000 square metres. It is scheduled for completion by end of 2015.

We remain focused on developing our manufacturing business. Therefore, we had not made any additional investment into our micro lending company in Shenzhen, in which the Group has a 60% stake. As a result, its business remained stable for the year. Going forward, this company is expected to provide an auxiliary source of income to the Group, and we will adhere to a conservative loan policy and strengthen its credit management on an ongoing basis.

CHAIRMAN'S STATEMENTS

PROSPECTS

Today our business fundamentals are stronger than ever. With the completion of capacity expansion in 2012 and 2013, we are now equipped with seven comprehensive production facilities covering major production hubs for high end consumer electronics products, automobiles and precision equipment in China. Our entry into the smartphone and mobile tablet market, with its massive size and dynamic momentum, puts us on a fast track to significant business growth. The endorsement of our engineering and production management capabilities by renowned automaker provides us with a valuable credential to source large scale orders from the automobile market. Major OA equipment brand owners have elevated their strategic partnership with us to a global level, fortifying our leading position in the OA equipment industry and presenting us with new opportunities for business development. Accordingly, we expect to see a quantum leap in the results of the Group going forward.

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

Zhang Hwo Jie

Chairman

Hong Kong, 26 March 2015



Chongqing automobile production base

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 refurbished 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	2014 HK\$'000	%	2013 HK\$'000	%
By business segment				
Turnover				
<i>Metal division</i>				
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%
	<u>1,752,064</u>		<u>1,529,042</u>	
<i>Plastic division</i>				
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%
	<u>1,669,666</u>		<u>1,102,434</u>	
Income from micro lending business	33,247	1.0%	24,239	0.9%
Total	<u>3,454,977</u>		<u>2,655,715</u>	
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	<u>277,125</u>		<u>55,427</u>	

Note 1: Others mainly represented sales of scrap materials

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	<u>Sales</u>	<u>Purchases</u>
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2014 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 52, is the Chairman of the Group. He is the chairman of the nomination committee, and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's overall strategic planning and marketing development. 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 more than 20 years of experience in marketing, strategic planning and corporate management in manufacturing industry. Mr. Zhang was granted with the "Young Industrialist Award of Hong Kong" by the Federation of Hong Kong Industries in 2008, and was bestowed as an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2014. He is also the honorary chairman of The Hong Kong Metals Manufacturers Association, the honorary president of Hong Kong Mould and Product Technology Association and the vice president of Hong Kong Young Industrialists Council. Mr. Zhang is one of the co-founders of the Group in 1993. Mr. Zhang also serves as the independent non-executive director of Sinomax Group Limited since 4 March 2014. He 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 40, is the Vice Chairman of the Group, and is also a director of certain subsidiaries of the Group. He is responsible for the Group's organisational structure and business risk management. Mr. Zhang previously worked for the tax bureau in Shenzhen, where he accumulated extensive experience in tax regulations and communications with government departments in China. He also possesses substantial experience in organisational planning and business risk monitoring in the industry of precision mould and component manufacturing. Mr. Zhang is one of the co-founders of the Group in 1993. He is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Yaohua. Mr. Zhang was appointed as a director on 14 September 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. ZHANG Yaohua, aged 42, is the Chief Executive Officer of the Group, and is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's operation and management. He was one of the co-founders of the Group in 1993, and has more than 20 years of operational management experience in the industry of precision mould and component manufacturing. He is presently the president of 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), Shenzhen Entrepreneur Association (深圳市企業家協會) and Shenzhen General Chamber of Commerce (深圳市商業聯合會). Mr. Zhang was accredited as one of the outstanding people in machinery industry (深圳機械行業傑出人物) by 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 Enterprise News Society (中國企業報社) in 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 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 2010. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho, aged 86, is an independent non-executive director. He is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. 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 was 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 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 The Chinese General Chamber of Commerce. He currently also serves as the independent non-executive director of Sino Golf Holdings Limited. He was appointed as a director on 11 January 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. LEUNG Tai Chiu, aged 68, is an independent non-executive director and the chairman of the audit committee of the Company. 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 53, is an independent non-executive director, and a member of the audit committee, nomination committee and remuneration committee of the Company. 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. He was an executive director of C C Land Holdings Limited from November 2000 to July 2012, and was an executive director of Qualipak International Holdings Limited from May 2012 to November 2014. 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 42, 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 20 years of experience in the field of auditing, accounting and taxation. He is a member of 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 (the “Board”) believes that good corporate governance practices are important to promote investor confidence and protect the interest of the shareholders. The Company has its own code of conduct regarding corporate governance which is not less stringent than the provisions of the Corporate Governance Code (the “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 Company also has a policy of seeking to comply with established best practices in the field of corporate governance.

THE BOARD OF DIRECTORS

The Group is controlled by its Board. Accountable to the shareholders, the Board is collectively responsible for formulating the strategic business direction of the Group, setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies. The Board is also responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group’s strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. 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 and risk management 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;
- overseeing the Group’s management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis, and reviewing the effectiveness of the Group’s risk management and internal control systems which cover all material controls, including financial, operational and compliance controls;
- approving appointments to the Board 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.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

During the year, the Board had the following directors:

Executive directors

Mr. Zhang Hwo Jie (*Chairman*)

Mr. Zhang Jian Hua (*Vice Chairman*)

Mr. Zhang Yaohua (*Chief Executive Officer*)

Independent non-executive directors

Mr. Choy Tak Ho

Mr. Leung Tai Chiu

Mr. Lam Hiu Lo

The biographical information of directors are set out on page 33 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.

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, trading, manufacturing and property development 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.

CORPORATE GOVERNANCE REPORT

Mr. Leung Tai Chiu has acted as an independent non-executive director of the Company since 5 June 2006 and will be serving as an independent non-executive director of the Company for more than nine years by 5 June 2015. The Company has received from Mr. Leung Tai Chiu a confirmation of his independence according to Rule 3.13 of the Listing Rules. Throughout his directorship with the Company, Mr. Leung Tai Chiu has participated in Board meetings to offer impartial advice and exercise independent judgement, served on governance committees of the Board to scrutinise the Company's performance in meeting governance goals, and attended general meetings of the Company to gain a balanced understanding of the shareholders' views, but has never engaged in any executive management. Taking into consideration the independent nature of his role and duties in the past years, the Board considers Mr. Leung Tai Chiu to be independent under the Listing Rules despite that he has served the Company for nearly nine years. The Board believes that the continuous appointment of Mr. Leung Tai Chiu as an independent non-executive director will help to maintain the stability of the Board as Mr. Leung Tai Chiu has, over time, gained valuable insight into the business strategy and policies of the Group.

The Board therefore recommends the re-appointment of Mr. Leung Tai Chiu, who stands for re-election at the forthcoming annual general meeting of the Company. A circular containing detailed information of all directors standing for re-election at the forthcoming annual general meeting of the Company will also be sent to the shareholders.

The Group has received from each of the other independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Lam Hiu Lo, an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules. As such, the Group considers that they are also 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 at the annual general meetings 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.

CORPORATE GOVERNANCE REPORT

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 2014, the Board had selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements in accordance with relevant accounting standards and regulations and on a going concern basis. The directors are also responsible for ensuring that proper accounting records of the Group which disclose the Group's financial position are kept at all times and taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in the preparation of the financial statements. The Board has also reviewed and discussed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls for the year ended 31 December 2014.

Board and general meetings

During the year ended 31 December 2014, the Company held 12 Board meetings and 1 general meeting.

Directors	Number of attendance	
	Board meeting	General meeting
Executive directors		
Mr. Zhang Hwo Jie	12/12	1/1
Mr. Zhang Jian Hua	11/12	1/1
Mr. Zhang Yaohua	11/12	1/1
Independent non-executive directors		
Mr. Choy Tak Ho	12/12	1/1
Mr. Leung Tai Chiu	12/12	1/1
Mr. Lam Hiu Lo	12/12	0/1

Mr. Lam Hiu Lo had not attended the general meeting of the Company in 2014 since he had other business commitments that required his attendance. One of the Board meetings in 2014 was a meeting between the Chairman and independent non-executive directors held pursuant to A.2.7 of the CG Code which required the non-attendance of the other executive directors. Accordingly, Mr. Zhang Jian Hua and Mr. Zhang Yaohua had not attended that meeting.

CORPORATE GOVERNANCE REPORT

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. During the year, Mr. Zhang Hwo Jie, Chairman of the Board, had also met with the independent non-executive directors without the other executive directors present.

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 Programme

The Group believes that directors' training is an ongoing process. During the year, 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 the directors and organises briefing sessions conducted by the Company's auditor or legal advisor for the directors about the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, with a view to ensuring compliance and enhancing the directors' awareness of good corporate governance practices.

The individual training record of each director during the year ended 31 December 2014 is set out below:

Directors	Type of continuous professional development programmes (Note 1)
Executive directors	
Mr. Zhang Hwo Jie	(A) and (B)
Mr. Zhang Jian Hua	(A) and (B)
Mr. Zhang Yaohua	(A) and (B)
Independent non-executive directors	
Mr. Choy Tak Ho	(A) and (B)
Mr. Leung Tai Chiu	(A) and (B)
Mr. Lam Hiu Lo	(A) and (B)

CORPORATE GOVERNANCE REPORT

Note:

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.

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, risk management and internal control systems 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 auditor, approving the remuneration and terms of engagement of external auditor and other matters relating to the resignation or dismissal of external auditor. The audit committee also reviews the interim and annual reports and financial statements of the Group and oversees the Group's financial report system, risk management and 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 CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The audit committee comprises the three independent non-executive directors, namely Mr. Leung Tai Chiu, Mr. Choy Tak Ho and Mr. Lam Hiu Lo, with Mr. Leung Tai Chiu as the chairman. During the year ended 31 December 2014, the audit committee held 2 meetings and had attended to the following matters:

- discuss with external auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules and other financial reporting requirements; and
- discuss the risk management, internal control and financial reporting matters relating to the annual financial statements for the year ended 31 December 2013 and the interim financial statements for the six months ended 30 June 2014 before recommending the financial statements to the Board for approval.

CORPORATE GOVERNANCE REPORT

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
Mr. Leung Tai Chiu	2/2
Mr. Choy Tak Ho	2/2
Mr. Lam Hiu Lo	2/2

The audit committee had reviewed the accounting principles and practices adopted by the Group and discussed the risk management, 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 2014. 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 the 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 CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

CORPORATE GOVERNANCE REPORT

The nomination committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Lam Hiu Lo. Mr. Zhang Hwo Jie is the chairman of the nomination committee. During the year ended 31 December 2014, the nomination committee held 2 meetings. Individual attendance of each nomination committee member at the meetings is as follows:

Name of nomination committee member	Attendance
Mr. Zhang Hwo Jie	2/2
Mr. Choy Tak Ho	2/2
Mr. Lam Hiu Lo	2/2

The nomination committee had reviewed the structure, size and composition of the Board and assessed the independency of independent non-executive directors during the year ended 31 December 2014. The nomination committee had also considered the number and nature of offices in other public companies and organisations held by the directors and evaluated the performance and contribution of the directors including the sufficiency of their time and attention given to the Company's affairs.

The Group recognises and embraces the benefits of achieving diversity among its Board members. The nomination committee has a policy concerning the diversity of Board members which targets at achieving a balance of skills, experience and diversity of perspectives which is appropriate to the requirements of the Group's business. To implement this policy, selection of candidates for the appointment of directors is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services, and the final decision is based on merits and contributions that the selected candidates can bring to the Board.

The nomination committee had reviewed the composition and diversity of the Board. Since the Board is composed of members coming from diverse backgrounds including manufacturing, trading, property development and professional accountants and they are also diverse in age and knowledge, the nomination committee considered the Board to possess a diversity of perspectives which is up to the standard of the CG Code and is appropriate to the Group's requirements.

CORPORATE GOVERNANCE REPORT

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 CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The remuneration committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely Mr. Choy Tak Ho and Mr. Lam Hiu Lo. Mr. Choy Tak Ho is the chairman of the remuneration committee. During the year ended 31 December 2014, the remuneration committee held 2 meetings. Individual attendance of each remuneration committee member at the meetings is as follows:

Name of remuneration committee member	Attendance
Mr. Choy Tak Ho	2/2
Mr. Zhang Hwo Jie	2/2
Mr. Lam Hiu Lo	2/2

The remuneration committee reviewed and discussed the policy and structure for directors' and senior management remuneration 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 terms of appointment and remuneration proposal of individual director upon renewal of director's service contract and the terms of new share options to directors and employees before recommending to the Board for approval. Details of the remuneration to directors and senior management for the year ended 31 December 2014 are set out in Note 26 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.

CORPORATE GOVERNANCE REPORT

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The audit committee is also responsible for 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 CG Code during the year ended 31 December 2014. The audit committee also reviewed the training and continuous development of directors and senior management.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has an internal audit function. To identify, evaluate and manage significant risks, the internal audit function carries out the analyses and independent appraisals of business risks, operational controls, information reporting and compliance with laws and regulations of the operating divisions of the Group on a regular basis. Due consideration is also given to any matters and recommendations raised by the Group's internal staff and external business partners such as customers and suppliers. Investigation findings are reported to the appropriate level of management and, if necessary, brought to the attention of the executive directors or the Board as a whole. Management's responses to these findings are also considered.

The Board is responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Reviews on the effectiveness of the Group's risk management and internal control systems are conducted at least annually, which cover the changes in the nature and extent of significant risks, the quality of management's ongoing monitoring of risks and internal control systems, the frequency of communication of monitoring results, significant control weaknesses and the Group's processes for financial reporting and compliance with the Listing Rules. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The Board had discussed with the external auditor and reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2014. The Board is also responsible for the handling and dissemination of inside information.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK\$3,697,000. The audit fee was approved by the audit committee. The statement made by the external auditor in respect of their reporting responsibilities are set out on page 67 to page 68 of the annual report.

During the year ended 31 December 2014, the total remuneration for permissible non-audit services provided by the external auditor (including any entity under common control, ownership or management with the external auditor) amounted to HK\$4,108,000. The non-audit services comprised tax compliance and tax consultancy services of approximately HK\$3,793,000 and non-audit review of interim consolidated financial statements of approximately HK\$315,000. The audit committee had been briefed in respect of the non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of external auditor. The re-appointment of PricewaterhouseCoopers as the auditor of the Company has been recommended by the audit committee and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

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 2014 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.

CORPORATE GOVERNANCE REPORT

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 be 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 2014.

CORPORATE GOVERNANCE REPORT

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 Listing Rules. 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 Report.

COMPLIANCE WITH THE CG CODE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2014.

By order of the Board

Zhang Hwo Jie

Chairman

Hong Kong, 26 March 2015

REPORT OF THE DIRECTORS

The directors of the Company are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy. The Company also has 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 2014 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 2014 attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	6.2%
Five largest suppliers combined	23.2%

Sales

The largest customer	16.7%
Five largest customers combined	61.9%

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 2014 are set out in the consolidated statement of comprehensive income on page 72 to page 73.

REPORT OF THE DIRECTORS

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.

FIXED ASSETS

Details of the movements in property, plant and equipment during the year ended 31 December 2014 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST

Details of borrowings are set out in Note 19 and Note 20 to the consolidated financial statements. Interest and other borrowing costs are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves during the year ended 31 December 2014 are set out in Note 23 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2014 amounted to HK\$423,000.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 26 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on page 172.

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 2014.

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year ended 31 December 2014 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*)

Independent Non-Executive Directors

Mr. Choy Tak Ho

Mr. Leung Tai Chiu

Mr. Lam Hiu Lo

In accordance with the Company's Articles of Association, Mr. Leung Tai Chiu 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 2014 and up to the date of this report, none of the directors of the Company is 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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The following connected transaction, which also constitutes related party transaction set out in Note 34 to the consolidated financial statements, existed as at 31 December 2014:

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

As disclosed in the Company's Prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 39.91% shareholder of the Company as at 31 December 2014 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 this deed of tax indemnity, each of the Indemnifiers has jointly and severally undertaken to indemnify the Group for any taxation falling on any member of the Group (other than those established or acquired subsequent to the listing of the Company) attributable to periods before the listing date of the Company which had not been provided for in the annual financial statements of the relevant members of the Group before the listing date. This deed of tax indemnity was approved by the Board of Directors on 20 April 2005.

During the year ended 31 December 2014, EVA Limited and EVA Plastic Mould Products (HK) Limited settled with The Hong Kong Inland Revenue Department (the "HKIRD") regarding their offshore claims which had been queried by the HKIRD since 2005 by an amount of HK\$33,612,000. This was settled by the Group through cash payment of HK\$7,211,000 and utilisation of tax reserve certificates and other advance payments previously made to the HKIRD. The tax amount attributable to the periods prior to 11 May 2005 (the listing date of the Company) which had not been provided for in the annual financial statements of EVA Limited and EVA Plastic Mould Products (HK) Limited before the listing date was HK\$8,798,000, of which HK\$4,038,000 had been indemnified by the Indemnifier. The remaining balance of HK\$4,760,000 will also be 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.

REPORT OF THE DIRECTORS

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

Certain 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\$80,808,000 as at 31 December 2014); and
- (ii) factoring facilities up to HK\$40,000,000.

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\$20,000,000 as at 31 December 2014);
- (ii) another term loan facility up to HK\$50,000,000 with a repayment term of three years after the date of advance of the loan (the outstanding loan balance was HK\$50,000,000 as at 31 December 2014);
- (iii) another term loan facility up to HK\$100,000,000 with a repayment term of four years from the date of first drawdown of the loan. This facility was granted after 31 December 2014 and therefore there was no outstanding balance as at 31 December 2014; and
- (iv) 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 2014).

REPORT OF THE DIRECTORS

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\$142,857,000 as at 31 December 2014);
- (ii) another term loan facility in the principal amount of HK\$250,000,000, which is repayable by instalments over 4 years from the date of drawdown (the outstanding loan balance was HK\$186,000,000 as at 31 December 2014);
- (iii) another term loan facility up to HK\$150,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK\$150,000,000 as at 31 December 2014);
- (iv) revolving loan facilities of HK\$100,000,000 (the outstanding loan balance was HK\$100,000,000 as at 31 December 2014);
- (v) combined documentary credits in the amount of HK\$25,000,000 (there was no outstanding balance as at 31 December 2014); and
- (vi) treasury products facility with a notional amount of HK\$47,619,048 (there was no outstanding balance as at 31 December 2014).

Under the HSB Facilities Agreements, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall maintain an aggregate shareholding of not less than 35% of the issued share capital of the Company, and Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

REPORT OF THE DIRECTORS

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\$15,385,000 as at 31 December 2014.

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\$148,500,000 as at 31 December 2014);
- (ii) another term loan facility for an amount up to HK\$150,000,000 with a repayment period of 4 years after drawdown (the outstanding loan balance was HK\$140,000,000 as at 31 December 2014);
- (iii) 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 2014); and
- (iv) other term loan facilities with outstanding balances of approximately HK\$21,519,000 as at 31 December 2014 (fully repayable in 2017).

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.

REPORT OF THE DIRECTORS

Besides, a subsidiary of the Company had 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 (there was no outstanding balance as at 31 December 2014); and
- (ii) a term loan facility for an amount up to US\$4,000,000 with a repayment period of 3 years after drawdown. This facility was granted after 31 December 2014 and therefore there was no outstanding balance as at 31 December 2014.

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.

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 Scheme:

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

2. Participants of the Scheme:

- a. full-time or part-time employees of the Group;
- b. directors (including any executive, non-executive and independent non-executive directors) of the Group;
- c. substantial shareholders of each member of the Group;
- d. associates of directors or substantial shareholders of each member of the Group; and
- e. trustees of any trust pre-approved by the Board, the beneficiary of which includes any of the above-mentioned persons.

REPORT OF THE DIRECTORS

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. At the annual general meeting of the Company held on 21 May 2013 ("2013 AGM"), the Scheme Mandate Limit was further refreshed whereby the directors were authorised to grant options to subscribe up to 167,977,380 shares, representing 10% of the Company's issued share capital as at the date of the 2013 AGM. Subsequent to the 2013 AGM and up to the date of this report, no options have been granted by the directors. Accordingly, options to subscribe for up to 167,977,380 shares (representing 9.58% 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.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

9. The remaining life of the Scheme:

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

Details of the movements of the share options under the Share Option Scheme for the year ended 31 December 2014 are as follows:

	As at 1 January 2014	Granted during the year	Exercised during the year	As at 31 December 2014	Share price immediately before offer date HK\$	Exercise price HK\$	Weighted average closing price before exercise of options HK\$
Executive directors							
Mr. Zhang Hwo Jie							
– Granted on 7 November 2012	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	0.69	0.69	–
Mr. Zhang Yaohua							
– Granted on 7 November 2012	16,000,000	–	–	16,000,000	0.69	0.69	–
Independent non-executive directors							
Mr. Choy Tak Ho							
– Granted on 7 November 2012	300,000	–	–	300,000	0.69	0.69	–
– Granted on 26 April 2013	300,000	–	–	300,000	1.20	1.16	–
Mr. Leung Tai Chiu							
– Granted on 7 November 2012	300,000	–	–	300,000	0.69	0.69	–
– Granted on 26 April 2013	300,000	–	–	300,000	1.20	1.16	–
Mr. Lam Hiu Lo							
– Granted on 12 January 2013	300,000	–	–	300,000	1.16	1.172	–
– Granted on 26 April 2013	300,000	–	–	300,000	1.20	1.16	–
Employees of the Group							
In aggregate							
– Granted on 10 December 2008	7,114,200	–	(1,174,000)	5,940,200	0.165	0.175	1.85
– Granted on 2 October 2009	1,120,000	–	–	1,120,000	0.405	0.41	–
– Granted on 7 November 2012	88,970,000	–	(2,400,000)	86,570,000	0.69	0.69	1.79
– Granted on 26 April 2013	20,950,000	–	–	20,950,000	1.20	1.16	–
	<u>167,954,200</u>	<u>–</u>	<u>(3,574,000)</u>	<u>164,380,200</u>			

REPORT OF THE DIRECTORS

The fair value of the options granted on 10 December 2008, 2 October 2009, 7 November 2012, 12 January 2013 and 26 April 2013 with outstanding balances as at 31 December 2014 of 5,940,200 options, 1,120,000 options and 135,170,000 options, 300,000 options and 21,850,000 options were HK\$284,000, HK\$92,000, HK\$34,265,000, HK\$118,000 and HK\$8,464,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK\$				
Granted on 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%
Granted on 26 April 2013	1.16	66.349%	1.74 years	0.184%	1.087%

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.

REPORT OF THE DIRECTORS

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, 12 January 2013 and 26 April 2013 with exercise prices of HK\$0.69, HK\$1.172 and HK\$1.16 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 2014, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares and 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 register 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:

REPORT OF THE DIRECTORS

(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 (Note 1)	Total interests	Approximate percentage of interest in the Company as at 31 December 2014
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	16,000,000	703,442,000	41.79%
Mr. Zhang Jian Hua	–	664,000	–	16,000,000	16,664,000	0.99%
Mr. Zhang Yaohua	–	15,780,000	156,000	16,000,000	31,936,000	1.90%
Mr. Choy Tak Ho	–	–	–	600,000	600,000	0.04%
Mr. Leung Tai Chiu	–	4,600,000	–	600,000	5,200,000	0.31%
Mr. Lam Hiu Lo	–	–	–	600,000	600,000	0.04%

Notes:

- 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.
- Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 39.91% of the entire issued capital of the Company as at 31 December 2014. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

REPORT OF THE DIRECTORS

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

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 31 December 2014
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 2014, 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	671,750,000	–	671,750,000	39.91%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	16,000,000	703,442,000	41.79%
The Capital Group Companies, Inc.	Investment manager	134,206,000	–	134,206,000	7.97%

Note –

- 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 671,750,000 shares of the Company held by Prosper Empire Limited.

REPORT OF THE DIRECTORS

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 report.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on 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.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 36 to page 48.

REPORT OF THE DIRECTORS

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.

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 2014 and up to the date of this report.

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

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 69 to 171, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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.

INDEPENDENT AUDITOR'S REPORT

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 judgment, 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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 March 2015

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	6	1,913,652	1,883,099
Leasehold land and land use rights	7	163,940	167,500
Goodwill	8	2,545	2,545
Investment in an associate	9b	14,927	17,858
Prepayments, deposits and other receivables	13	96,009	141,979
Amount due from a related company	14	3,173	–
Available-for-sale financial asset	15	25,197	–
		2,219,443	2,212,981
Current assets			
Inventories	10	425,491	309,935
Trade receivables	11	707,782	552,603
Loan and interest receivables	12	138,720	135,830
Amount due from a related company	14	1,587	–
Prepayments, deposits and other receivables	13	126,139	120,988
Restricted bank deposits	16	29,979	12,205
Short-term bank deposits	16	162,258	50,876
Cash and cash equivalents	16	989,428	953,426
		2,581,384	2,135,863
LIABILITIES			
Current liabilities			
Trade payables	17	613,051	514,317
Accruals and other payables	18	228,658	228,647
Bank borrowings	19	861,919	653,393
Finance lease liabilities	20	48,519	52,344
Current income tax liabilities		19,097	26,167
		1,771,244	1,474,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Net current assets		810,140	660,995
Total assets less current liabilities		3,029,583	2,873,976
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	546,127	586,379
Finance lease liabilities	20	51,072	95,638
Deferred taxation	21	21,518	22,008
		618,717	704,025
Net assets		2,410,866	2,169,951
EQUITY			
Capital and reserves			
Share capital	22	168,334	167,977
Reserves	23		
– 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

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 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Investments in and amounts due from subsidiaries	9a	<u>1,467,752</u>	<u>1,435,541</u>
Current assets			
Cash and cash equivalents	16	<u>3,596</u>	<u>3,102</u>
		<u>3,596</u>	<u>3,102</u>
LIABILITIES			
Current liabilities			
Accruals and other payables	18	<u>25,676</u>	<u>29,438</u>
Net current liabilities		<u>22,080</u>	<u>26,336</u>
Net assets		<u>1,445,672</u>	<u>1,409,205</u>
EQUITY			
Capital and reserves			
Share capital	22	168,334	167,977
Reserves	23		
– Proposed final dividend		47,340	8,567
– Others		1,229,998	1,232,661
Total equity		<u>1,445,672</u>	<u>1,409,205</u>

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 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	5	3,454,977	2,655,715
Cost of sales	25	(2,549,519)	(2,015,939)
Gross profit		905,458	639,776
Other income	24	8,349	7,496
Other (losses)/gains – net	24	(904)	17,803
Selling and marketing costs	25	(163,931)	(139,150)
General and administrative expenses	25	(404,495)	(432,296)
Operating profit		344,477	93,629
Finance income	27	23,287	10,418
Finance costs	27	(35,538)	(28,716)
Share of loss of an associate	9b	(2,911)	(3,072)
Profit before income tax		329,315	72,259
Income tax expense	28	(42,544)	(12,784)
Profit for the year	29	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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
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	30	16.5	3.3
– diluted	30	15.7	3.2
Dividends	31	84,321	16,630

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Attributable to equity holders of the Company		Non- controlling interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000		
Balance at 1 January 2013		<u>167,947</u>	<u>1,845,703</u>	<u>62,026</u>	<u>2,075,676</u>
Comprehensive income					
Profit for the year		–	55,427	4,048	59,475
Other comprehensive income					
Currency translation differences		–	10,626	1,620	12,246
Total comprehensive income for the year		<u>–</u>	<u>66,053</u>	<u>5,668</u>	<u>71,721</u>
Transactions with owners					
Employee share option scheme					
– value of employee services	22	–	39,648	–	39,648
– proceeds from shares issued	22&23	30	177	–	207
Dividends paid		–	(17,301)	–	(17,301)
		<u>30</u>	<u>22,524</u>	<u>–</u>	<u>22,554</u>
Balance at 31 December 2013		<u>167,977</u>	<u>1,934,280</u>	<u>67,694</u>	<u>2,169,951</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	Attributable to equity holders of the Company			Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000	Non-controlling interests HK\$'000	
Balance at 1 January 2014		<u>167,977</u>	<u>1,934,280</u>	<u>67,694</u>	<u>2,169,951</u>
Comprehensive income					
Profit for the year		<u>-</u>	<u>277,125</u>	<u>9,646</u>	<u>286,771</u>
Other comprehensive loss					
Currency translation differences		<u>-</u>	<u>(540)</u>	<u>(1,629)</u>	<u>(2,169)</u>
Total comprehensive income for the year		<u>-</u>	<u>276,585</u>	<u>8,017</u>	<u>284,602</u>
Transactions with owners					
Employee share option scheme					
– proceeds from shares issued	22&23	<u>357</u>	<u>1,504</u>	<u>-</u>	<u>1,861</u>
Dividends paid		<u>-</u>	<u>(45,548)</u>	<u>-</u>	<u>(45,548)</u>
		<u>357</u>	<u>(44,044)</u>	<u>-</u>	<u>(43,687)</u>
Balance at 31 December 2014		<u>168,334</u>	<u>2,166,821</u>	<u>75,711</u>	<u>2,410,866</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Cash generated from operations	32	401,910	173,184
Interest received		22,229	10,418
Interest paid		(35,538)	(28,716)
Hong Kong profits tax paid		(5,746)	(47)
Overseas income tax paid		(31,878)	(12,753)
Net cash generated from operating activities		350,977	142,086
Cash flows from investing activities			
Purchases of property, plant and equipment		(218,671)	(166,224)
Purchases of land use rights		(469)	–
Government grant received		–	12,349
Deposits for property, plant and equipment		(13,046)	(110,884)
Addition of an available-for-sale financial asset		(25,197)	–
Investment in an associate		–	(6,287)
Proceeds from sales of property, plant and equipment	32	555	–
Proceeds from sales of unlisted equity securities		–	22,349
Increase in restricted bank deposits		(17,774)	(9,292)
(Increase)/decrease in short-term bank deposits		(111,382)	51,486
Net cash used in investing activities		(385,984)	(206,503)
Cash flows from financing activities			
Proceeds from borrowings		595,000	514,149
Repayments of borrowings		(426,726)	(344,331)
Repayments of capital element of finance lease liabilities		(52,344)	(27,434)
Proceeds from exercise of share options		1,861	207
Dividends paid		(45,548)	(17,301)
Net cash generated from financing activities		72,243	125,290

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014	2013
Note	HK\$'000	HK\$'000
Net increase in cash and cash equivalents	37,236	60,873
Cash and cash equivalents at beginning of the year	953,426	888,994
Exchange (losses)/gains on cash and cash equivalents	(1,234)	3,559
Cash and cash equivalents at end of the year	<u>989,428</u>	<u>953,426</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in (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 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 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 available-for-sale financial assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation (Continued)

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation (Continued)

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation

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

(a) *Subsidiaries*

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

2.2.2 Business combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Consolidation (Continued)

(a) *Subsidiaries (Continued)*

2.2.2 Business combination (Continued)

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND 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 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. An investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.3 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of loss of investments accounted for using equity method' in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Financial information reported by the associate has been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in an associate are recognised in the statement of comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Foreign currency translation (Continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are 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 (losses)/gains - net'.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) *Group companies*

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in 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 joint venture 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 re-attributed 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.

2.6 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.6 Property, plant and equipment (Continued)

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.

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 within 'Other (losses)/gains – net' in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

2.9 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 aggregate 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. Goodwill is carried at cost less provision for impairment.

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 monitored at the operating segment level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.9 Goodwill (Continued)

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: loans and receivables, available-for-sale and other financial liabilities at amortised cost. The classification depends on the purposes for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are classified as 'trade receivables', 'loan and interest receivables', 'Amount due from a related company', 'other receivables', 'short-term bank deposits', 'restricted bank deposits' and 'cash and cash equivalents' in the consolidated statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.10 Financial assets/liabilities (Continued)

2.10.1 Classification (Continued)

(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 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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'gains and losses from investment securities'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.10 Financial assets/liabilities (Continued)

2.10.2 *Recognition and measurement (Continued)*

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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).

2.10.3 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.10 Financial assets/liabilities (Continued)

2.10.4 Impairment of financial assets

(a) Loan and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.10 Financial assets/liabilities (Continued)

2.10.4 Impairment of financial assets (Continued)

(b) Assets classified as available for sale (Continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

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, loan 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, loan 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.12 Trade, loan and other receivables (Continued)

Trade, loan 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, loan 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 and loan receivable are 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 for trade receivables and general and administrative expenses for loan and other receivables. When trade and loan receivable are uncollectible, they are written off against the allowance for trade and loan receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs for trade receivables and general and administrative expenses for loan and other receivables in the consolidated statement of comprehensive income.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.14 Share capital (Continued)

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.

2.15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

(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 or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.17 Current and deferred income tax (Continued)

(b) *Deferred income tax (Continued)*

Outside basis differences

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

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.18 Employee benefits (Continued)

(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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.18 Employee benefits (Continued)

(c) *Share-based compensation (Continued)*

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.

2.19 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 and interest income derived from the provision of micro lending. 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.

(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 lessee)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.21 Leases (as lessee) (Continued)

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.

2.22 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 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.23 Government grants (Continued)

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment or leasehold land and land use rights are netted off against the costs of the related assets.

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 or by the management as appropriate.

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 and cash flow and fair value interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi, Japanese Yen and US dollar. 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 to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	2014
	HK\$'000
Chinese Renminbi 0.34% depreciation against Hong Kong dollars	(2,479)
Japanese Yen 11.88% depreciation against Hong Kong dollars	(267)
US dollars 0.13% depreciation against Hong Kong dollars	(447)
Decrease in post-tax profit	(3,193)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rate is mainly attributable to its bank deposits, bank borrowings and finance lease liabilities. Bank deposits and bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Bank borrowings and finance lease liabilities obtained at fixed rates expose the Group to fair value interest rate risk.

Details of the Group's bank deposits, bank borrowings and finance lease liabilities have been disclosed in Notes 16, 19 and 20 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 2014, a 100 basis points fall/rise in market interest rates for all currencies in which the Group had net borrowings, after offsetting bank deposits would increase or decrease the profit by approximately HK\$15,076,000 (2013: by HK\$13,878,000), mainly as a result of lower/higher interest expense on floating rate borrowings.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, short-term bank deposits, restricted bank deposits, trade receivables, loan and interest receivable, deposits and other receivables and amount from a related company. The carrying amounts of these asset categories represent the Group's maximum exposure to credit risk in relation to financial assets. 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 2013 and 2014, all the bank balances are deposited in reputable major financial institutions, and in the opinion of management, without significant credit risk. Management does not expect any losses from non-performance by these banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

Relating to the Group's loan and interest receivables, credit officers of the Group review the credit assessment of the customers' repayment ability and financial and operating conditions and approve the granting of loan facilities to the customers. The credit assessment and evaluation conducted involves the collection and evaluation of applicants' credit standing and financial information, coupled with other means of investigations which include quantitative and qualitative analysis of the borrowers' financial conditions and operational activities and the guarantors where applicable primarily through on-site investigation. The Group also manages credit risks of its existing loan portfolio on an individual basis and it monitors the loan repayment status and the latest developments and changes in the borrowers' business and financial conditions during the loan period so as to early detect indication of default risk of the borrowers. Additionally, the Group employs a range of policies and methods to mitigate credit risk, including primarily taking collateral of land and buildings, property, plant and equipment, and/or inventories.

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

	2014	2013
	HK\$'000	HK\$'000
Deposits and other receivables	198,907	211,602
Trade receivables	708,970	553,791
Loan and interest receivables	140,111	137,195
Amount due from a related company	4,760	–
Short-term bank deposits	162,258	50,876
Restricted bank deposits	29,979	12,205
Cash and cash equivalents	989,428	953,426

The majority of the Group's trade and loan receivables is aged within the graded credit period and largely comprises amounts receivable from business customers. Refer to Note 11 and Note 12 for disclosure of concentrations of credit risk of trade receivables and loan receivables, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (continued)

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

Management has assessed the financial status of its related company, and its ability of repayment and is of the view that there is minimal recoverability risk for the amount due from the related company.

(c) Liquidity risk

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

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

Specifically, for bank borrowings 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 after taking into account the on demand clause, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (continued)

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Group						
At 31 December 2014						
Bank borrowings without repayment on demand clause	-	850,252	313,849	232,260	18	1,396,379
Bank borrowings subject to a repayment on demand clause	11,667	-	-	-	-	11,667
Finance lease liabilities	-	48,519	33,483	17,589	-	99,591
Interest payable	215	25,152	10,417	4,005	-	39,789
Trade payables	-	613,051	-	-	-	613,051
Other payables	-	69,405	-	-	-	69,405
At 31 December 2013						
Bank borrowings without repayment on demand clause	-	635,060	272,252	313,689	438	1,221,439
Bank borrowings subject to a repayment on demand clause	18,333	-	-	-	-	18,333
Finance lease liabilities	-	52,344	47,576	48,062	-	147,982
Interest payable	450	25,222	6,062	5,386	7	37,127
Trade payables	-	514,317	-	-	-	514,317
Other payables	-	89,768	-	-	-	89,768

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (continued)

Maturity Analysis – bank borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash outflows HK\$'000
31 December 2014	6,849	5,033	-	-	11,882
31 December 2013	6,811	6,811	5,072	-	18,694

The contractual undiscounted cash flows of the Company's financial liabilities amounting to HK\$22,747,000 (2013: HK\$19,484,000) are due within 12 months and equal their carrying balances, as the impact of discounting is not significant.

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 19 and Note 20 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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 2014 and 2013 were as follows:

	2014	2013
	HK\$'000	HK\$'000
Total borrowings and finance lease liabilities (Notes 19 and 20)	1,507,637	1,387,754
Total equity	2,410,866	2,169,951
Gearing ratio	62.5%	64.0%

The decrease in the gearing ratio during 2014 resulted primarily from the increase in profitability.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different methods of valuation 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2014.

	Level 3	
	2014	2013
Available-for-sale financial asset – unlisted equity securities	25,197	–

There were no transfers between levels during the year.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the unlisted equity securities is valued by reference to the net asset value. Management has applied a discount to the net asset value.

Where net asset value approach is used, estimated fair values of the assets and liabilities are based on management's best estimates and the discount rate applied is a market related rate for a similar instrument at the balance sheet date.

Details of the changes in level 3 instruments have been disclosed in Notes 15 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful lives of property, plant and equipment

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

(b) 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 judgements are applied in determining these future cash flows and the discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of trade, loan and other receivables

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

(d) Income taxes

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

(e) 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.

(f) Fair value of available-for-sale financial asset

The fair value of available-for-sales financial asset that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION

(a) 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.

(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 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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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 HK\$'000	Plastic injection HK\$'000	Mircocredit HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Mircocredit HK\$'000	Total 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	<u>1,752,064</u>	<u>1,669,666</u>	<u>33,247</u>	<u>3,454,977</u>	<u>1,529,042</u>	<u>1,102,434</u>	<u>24,239</u>	<u>2,655,715</u>
Segment results	<u>164,986</u>	<u>162,358</u>	<u>20,872</u>	<u>348,216</u>	<u>44,769</u>	<u>31,477</u>	<u>15,011</u>	<u>91,257</u>
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				<u>286,771</u>				<u>59,475</u>
Depreciation	<u>158,728</u>	<u>70,018</u>	<u>552</u>	<u>229,298</u>	<u>135,140</u>	<u>60,182</u>	<u>45</u>	<u>195,367</u>
Amortisation	<u>3,565</u>	<u>255</u>	<u>-</u>	<u>3,820</u>	<u>2,711</u>	<u>223</u>	<u>-</u>	<u>2,934</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Assets HK\$'000	Liabilities 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
	<hr/>	<hr/>
Total	4,800,827	2,389,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	Assets HK\$'000	Liabilities HK\$'000
	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>
Total	<u>4,348,844</u>	<u>2,178,893</u>

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2013						
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	<u>570,929</u>	<u>854,019</u>	<u>203,256</u>	<u>10,116</u>	<u>63,778</u>	<u>1,702,098</u>
Year ended 31 December 2013						
Opening net book amount	570,929	854,019	203,256	10,116	63,778	1,702,098
Exchange differences	1,369	2,465	211	41	2,624	6,710
Additions	35,704	152,721	72,260	1,708	107,273	369,666
Transfers	73,297	54,016	31,298	495	(159,106)	–
Disposal	–	–	(8)	–	–	(8)
Depreciation	(30,440)	(115,427)	(46,751)	(2,749)	–	(195,367)
Closing net book amount	<u>650,859</u>	<u>947,794</u>	<u>260,266</u>	<u>9,611</u>	<u>14,569</u>	<u>1,883,099</u>
At 31 December 2013						
Cost	767,279	1,517,712	371,859	27,082	14,569	2,698,501
Accumulated depreciation	(116,420)	(569,918)	(111,593)	(17,471)	–	(815,402)
Net book amount	<u>650,859</u>	<u>947,794</u>	<u>260,266</u>	<u>9,611</u>	<u>14,569</u>	<u>1,883,099</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2014						
Opening net book amount	650,859	947,794	260,266	9,611	14,569	1,883,099
Exchange differences	(438)	(676)	(138)	(7)	874	(385)
Additions	1,338	55,086	51,479	9,014	150,127	267,044
Transfers	5,587	2,175	4,859	481	(13,102)	-
Disposal	-	(6,002)	-	(429)	(377)	(6,808)
Depreciation	(34,644)	(128,705)	(62,487)	(3,462)	-	(229,298)
Closing net book amount	<u>622,702</u>	<u>869,672</u>	<u>253,979</u>	<u>15,208</u>	<u>152,091</u>	<u>1,913,652</u>
At 31 December 2014						
Cost	773,769	1,568,279	428,084	32,539	152,091	2,954,762
Accumulated depreciation	(151,067)	(698,607)	(174,105)	(17,331)	-	(1,041,110)
Net book amount	<u>622,702</u>	<u>869,672</u>	<u>253,979</u>	<u>15,208</u>	<u>152,091</u>	<u>1,913,652</u>

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

	2014 HK\$'000	2013 HK\$'000
Plant and machinery	<u>265,971</u>	<u>290,121</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

Depreciation expense is recognised in the consolidated statement of comprehensive income as follows:

	2014	2013
	HK\$'000	HK\$'000
Cost of sales	142,837	125,563
Selling and marketing costs	1,558	1,650
General and administrative expenses	84,903	68,154
	229,298	195,367

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

	2014	2013
	HK\$'000	HK\$'000
Land and buildings in Hong Kong, located on land with lease of between 10 and 50 years	6,358	6,620
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years (Note 7)	616,344	644,239
	622,702	650,859

Land and buildings with net book amount of HK\$6,358,000 (2013: HK\$6,620,000) were pledged as collateral for the Group's borrowing (Note 19).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

Analysis of construction-in-progress is as follows:

	2014 HK\$'000	2013 HK\$'000
Construction costs of buildings	51,047	–
Cost of machinery	101,044	14,569
	152,091	14,569

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:

	2014 HK\$'000	2013 HK\$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	163,940	167,500

Movements are:

	2014 HK\$'000	2013 HK\$'000
At 1 January	167,500	176,296
Exchange differences	(209)	2,035
Additions	469	4,452
Government grants received	–	(12,349)
Amortisation	(3,820)	(2,934)
At 31 December	163,940	167,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2014	2013
	HK\$'000	HK\$'000
Representing –		
Cost	180,452	180,192
Accumulated amortisation	(16,512)	(12,692)
Net book amount	<u>163,940</u>	<u>167,500</u>

8 GOODWILL

	2014	2013
	HK\$'000	HK\$'000
As at 1 January and 31 December	<u>2,545</u>	<u>2,545</u>

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2014 (2013: nil).

9A INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	Company	
	2014	2013
	HK\$'000	HK\$'000
Unlisted shares, at cost	125,858	125,858
Amounts due from subsidiaries	<u>1,341,894</u>	<u>1,309,683</u>
	<u>1,467,752</u>	<u>1,435,541</u>

The amounts due from subsidiaries are unsecured, non-interest bearing, denominated in Hong Kong dollars, and without pre-determined terms of repayment. The Company's Directors considered these amounts as quasi-equity contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2014:

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\$200,000,000	100%	Trading of metal moulds and components
EVA Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK\$280,000	100%	Trading of plastic moulds and components
Digidie Auto Components Limited	Hong Kong, limited liability company	HK\$1	100%	Investment holding
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 components
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 components
EVA Precision Industrial (Suzhou) Limited (億和精密工業(蘇州)有限公司)(a)	Mainland China, limited liability company	US\$43,000,000	100%	Manufacturing of metal and plastic moulds and components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2014: (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)	Mainland China, limited liability company	HK\$120,000,000	100%	Manufacturing of metal and plastic moulds and components
Shenzhen EVA Mould Manufacturing Limited (深圳億和模具製造有限公司)(a)	Mainland China, limited liability company	HK\$240,000,000	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	RMB191,250,000	100%	Manufacturing of metal moulds
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\$26,000,000	100%	Manufacturing of metal moulds and 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

The major principal subsidiaries are indirectly held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- (b) At 31 December 2014, the Group was committed to making capital contributions to the following principal subsidiaries:

Name	Committed capital injection HK\$'000	Due date
EVA Precision Industrial (Wuhan) Limited.	50,381	Mar 2016

Material non-controlling interests

The total non-controlling interests for the year is HK\$75,711,000 (2013: HK\$67,694,000), of which HK\$61,617,000 (2013: HK\$56,073,000) is attributable to Shenzhen Jinggong Microcredit Limited ("Microcredit"). The remaining non-controlling interests in subsidiaries are not individually material.

For Microcredit, cash and bank deposits of HK\$14,859,000 (2013: HK\$3,963,000) are held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Material non-controlling interests (Continued)

Set out below is summarised financial information for Microcredit.

Summarised statement of financial position

	2014	2013
	HK\$'000	HK\$'000
ASSETS		
Non-current assets	3,472	2,341
Current assets	153,704	139,909
LIABILITIES		
Current liabilities	(3,134)	(2,067)
Net current assets	150,570	137,842
Net assets	154,042	140,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Material non-controlling interests (Continued)

Summarised statement of comprehensive income

	2014 HK\$'000	2013 HK\$'000
Revenue	33,247	24,239
Profit before income tax	19,457	15,287
Income tax expense	(5,198)	(3,822)
Profit for the year/total comprehensive income	14,259	11,465
Total comprehensive income allocated to non-controlling interests	5,703	4,586
Dividends paid to non-controlling interests	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Material non-controlling interests (Continued)

Summarised cash flows

	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	17,912	(113,594)
Income tax paid	(4,934)	(2,617)
Net cash generated from/(used in) operating activities	12,978	(116,211)
Net cash used in investing activities	(1,694)	(2,298)
Net cash generated from financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	11,284	(118,509)
Cash and cash equivalents at beginning of year	3,963	118,421
Exchange (losses)/gains on cash and cash equivalents	(388)	4,051
Cash and cash equivalents at end of year	14,859	3,963

The information above is the amount before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9B INVESTMENT IN AN ASSOCIATE

	2014	2013
	HK\$'000	HK\$'000
As at 1 January	17,858	9,538
Exchange difference	(20)	–
Capital injection	–	6,287
Gain from deemed disposal of investment	–	5,105
Share of loss	(2,911)	(3,072)
As at 31 December	14,927	17,858

During the year ended 31 December 2013, the Group's investment in an associate, Shenzhen KK Technology Co., Ltd., was reduced from 50% to 30% as a result of further capital injections by other investees. This has been accounted for as a deemed disposal. Based on the underlying shareholders' agreement and with the change of ownership interest in Shenzhen KK Technology Co., Ltd., the Group's investment was changed from investment in a joint venture to investment in an associate due to the loss of joint control, with significant influence being maintained.

Details of the associate as at 31 December 2014:

Name	Place of establishment	Percentage of ownership	Measurement method
Shenzhen KK Technology Co., Ltd. (深圳市精森源科技有限公司)	Mainland China, limited liability company	30%	Equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9B INVESTMENT IN AN ASSOCIATE (CONTINUED)

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 associate, and no contingent liabilities of the associate itself.

Set out below is summarised financial information for Shenzhen KK Technology Co., Ltd. which is accounted for using the equity method.

Summarised statement of financial position:

	2014 HK\$'000	2013 HK\$'000
ASSETS		
Non-current assets	60,382	33,358
Current assets		
Cash and cash equivalents	2,037	1,261
Other current assets (excluding cash)	21,166	27,622
	23,203	28,883
LIABILITIES		
Current liabilities	33,828	2,711
Net current (liabilities)/assets	(10,625)	26,172
Net assets	49,757	59,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9B INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarised statement of comprehensive income:

	2014	2013
	HK\$'000	HK\$'000
Revenue	7,226	4,026
Cost of sales	(8,557)	(3,580)
Gross (loss)/profit	(1,331)	446
Depreciation and amortisation expenses	(1,806)	(852)
Employment expenses	(3,928)	(1,505)
Office expenses	(209)	(326)
Rental expenses	(620)	(455)
Pre-operating expenses	-	(3,595)
Other general and administrative expenses	(2,390)	(3,344)
Operating loss	(10,284)	(9,631)
Finance income	582	-
Loss before income tax	(9,702)	(9,631)
Income tax expenses	-	-
Total comprehensive loss for the year	(9,702)	(9,631)
Dividends received from associate	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INVENTORIES – GROUP

	2014	2013
	HK\$'000	HK\$'000
Raw materials	92,330	82,575
Work-in-progress	267,839	158,435
Finished goods	89,406	86,331
	449,575	327,341
Less: Provision for impairment	(24,084)	(17,406)
Inventories - net	425,491	309,935

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$1,678,374,000 (2013: HK\$1,345,474,000).

Movements on the Group's provision relating to the inventory are as follows:

	2014	2013
	HK\$'000	HK\$'000
At 1 January	17,406	13,767
Provision for impairment	6,678	3,639
At 31 December	24,084	17,406

The inventory provision has been included in cost of sales in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 TRADE RECEIVABLES – GROUP

	2014	2013
	HK\$'000	HK\$'000
Trade receivables	708,970	553,791
Less: Provision for impairment	(1,188)	(1,188)
Trade receivables - net	<u>707,782</u>	<u>552,603</u>

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
Less: Provision for impairment	(1,188)	(1,188)
Trade receivables – net	<u>707,782</u>	<u>552,603</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 TRADE RECEIVABLES – GROUP (CONTINUED)

The top five customers and the largest customer accounted for 60.4% (2013: 52.3%) and 15.0% (2013: 11.9%) of the trade receivables balance as at 31 December 2014, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The carrying amounts of trade receivables approximate their fair values.

As at 31 December 2014, trade receivables of HK\$15,069,000 (2013: HK\$5,902,000) 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:

	2014	2013
	HK\$'000	HK\$'000
0 to 90 days	15,069	5,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 TRADE RECEIVABLES – GROUP (CONTINUED)

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

	2014	2013
	HK\$'000	HK\$'000
Hong Kong dollars ("HK\$")	195,836	177,953
United States dollars ("US\$")	295,927	238,993
Chinese Renminbi ("RMB")	200,224	117,902
Others	16,983	18,943
	708,970	553,791

12 LOAN AND INTEREST RECEIVABLES

Loan period analysis

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 LOAN AND INTEREST RECEIVABLES (CONTINUED)

Loan period analysis (Continued)

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.

The analysis of loan and interest receivables past due but considered not impaired is as follows:

	2014 HK\$'000	2013 HK\$'000
91 to 180 days	5,679	–

The loan and interest receivables are denominated in RMB. The carrying amounts of loan and interest receivables approximate their fair values.

Movements on the Group's provision relating to the loan and interest receivables are as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 January	1,365	–
Provision for impairment	26	1,365
At 31 December	1,391	1,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP

	2014	2013
	HK\$'000	HK\$'000
Non-current:		
Deposits for purchases of property, plant and equipment	79,510	110,884
Loan to the other shareholder of the associate (Note)	12,676	12,719
Notes receivable from employees (Note)	–	14,546
Others	3,823	3,830
	96,009	141,979
Current:		
Prepayments for purchases of raw materials	15,410	28,326
VAT recoverable	75,188	55,662
Prepayment of utilities expenses	2,172	3,724
Tax reserve certificate	–	12,424
Receivable from employees and staff advances (Note)	26,436	12,563
Others	6,933	8,289
	126,139	120,988

Note: Loan to the other shareholder of the associate, receivable from employees and staff advances are unsecured, non-interest bearing and denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 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 (Note 34(a)).

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).

15 AVAILABLE-FOR-SALE FINANCIAL ASSET – GROUP

	2014 HK\$'000	2013 HK\$'000
Unlisted:		
Equity securities -Mainland China, at fair value	25,197	–

The fair value of the unlisted equity securities was determined by reference to recent transaction prices in arm's length transactions.

The available-for-sale financial asset is denominated in RMB.

Movement of the available-for-sale financial asset is as follows:

	2014 HK\$'000	2013 HK\$'000
At beginning of the year	–	–
Addition	25,197	–
At end of the year	25,197	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Restricted bank deposits	29,979	12,205	–	–
Short-term bank deposits	162,258	50,876	–	–
Cash and cash equivalents	989,428	953,426	3,596	3,102
	1,181,665	1,016,507	3,596	3,102

As at 31 December 2014, the effective interest rate on restricted bank deposits was 0.4% (2013: 0.4%) per annum. These deposits have an average maturity of 170 days (2013: 172 days) at inception.

The effective interest rate on short-term bank deposits was 3.2% (2013: 3.6%) per annum. These deposits have an average maturity of 162 days (2013: 152 days) at inception.

The effective interest rate on cash at bank was 0.3% (2013: 0.3%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Restricted bank deposits, short-term bank deposits and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
HK\$	159,081	251,546	3,596	3,102
RMB	714,988	590,531	-	-
US\$	295,141	171,965	-	-
Japanese yen	2,243	472	-	-
Euro dollars	10,077	1,869	-	-
Others	135	124	-	-
	1,181,665	1,016,507	3,596	3,102

The carrying amounts of restricted bank deposits, short-term bank deposits and cash and cash equivalents approximate their fair values.

17 TRADE PAYABLES – GROUP

The ageing of trade payables is as follows:

	2014 HK\$'000	2013 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE PAYABLES – GROUP (CONTINUED)

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

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies:

	2014	2013
	HK\$'000	HK\$'000
HK\$	47,290	76,960
US\$	251,982	261,817
RMB	313,779	175,540
	613,051	514,317

18 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Payable for purchases of land use rights	3,812	3,812	–	–
Payable for purchase of property, plant and equipment	48,320	69,302	–	–
Deposits from customers	49,081	34,123	–	–
Accrued utilities expenses	4,432	4,283	–	–
Accrued wages, salaries and welfare	87,053	84,780	2,929	9,954
Accrued operating expenses	9,582	10,378	1,770	–
Other payables	26,378	21,969	20,977	19,484
	228,658	228,647	25,676	29,438

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BANK BORROWINGS – GROUP

	2014	2013
	HK\$'000	HK\$'000
Current:		
Short-term bank loans	520,000	359,149
Portion of long-term loans from banks due for repayment within one year	336,499	282,158
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	5,000	11,666
Mortgage loan, current portion	420	420
	861,919	653,393
Non-current:		
Portion of long-term loans from banks due for repayment after one year	544,429	584,261
Mortgage loan, non-current portion	1,698	2,118
	546,127	586,379
Total bank borrowings	1,408,046	1,239,772

All bank borrowings are interest-bearing and carried at amortised cost.

None of the portion of long-term loans due for repayment after one year which contain a repayment on demand clause, which are classified as current liabilities, is expected to be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BANK BORROWINGS – GROUP (CONTINUED)

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

	2014	2013
	HK\$'000	HK\$'000
Within 1 year	856,919	641,727
Between 1 and 2 years	318,849	278,919
Between 2 and 5 years	232,260	318,689
Over 5 years	18	437
	<u>1,408,046</u>	<u>1,239,772</u>

	2014	2013
	HK\$'000	HK\$'000
Wholly repayable within 5 years	1,405,928	1,237,234
Wholly repayable after 5 years	2,118	2,538
	<u>1,408,046</u>	<u>1,239,772</u>

Note: 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.

As at 31 December 2014 and 2013, all bank borrowings bore floating interest rates and the carrying amounts of bank borrowing approximate their fair values.

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

	2014	2013
	HK\$'000	HK\$'000
HK\$	1,408,046	1,165,483
US\$	–	74,289
	<u>1,408,046</u>	<u>1,239,772</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BANK BORROWINGS – GROUP (CONTINUED)

As at 31 December 2014 and 2013, the effective interest rates (per annum) of the Group's bank borrowings were as follows:

	Short-term bank loans		Long-term bank loans		Mortgage loan	
	2014	2013	2014	2013	2014	2013
HK dollars	2.0%	1.9%	2.5%	2.4%	2.4%	2.4%
US dollars	-	2.0%	-	-	-	-

As at 31 December 2014, the Group has undrawn floating rate borrowing facilities of approximately HK\$405,369,048 (2013: HK\$426,542,000).

As at 31 December 2014, land and buildings with a carrying amount of HK\$6,358,000 (2013: HK\$6,620,000) were pledged as collateral for the Group's borrowing.

Certain bank borrowings are subject to the fulfillment of financial covenants, as commonly found in lending arrangements with financial institutions. If the Group breaches any of these financial covenants, the borrowings would become repayable on demand. In addition, certain of the Group's bank borrowings 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 is in compliance with the financial covenants, and is up to date with the scheduled repayments of the bank borrowings, and does not consider it likely that the banks will exercise their discretions to demand repayment.

Further details of the Group's management of liquidity risk are set out in Note 3.1(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 FINANCE LEASE LIABILITIES – GROUP

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

	2014 HK\$'000	2013 HK\$'000
Within one year	51,333	56,879
In the second year	34,724	50,298
In the third to fifth year	17,862	49,443
	103,919	156,620
Less: Future finance charges on finance leases	(4,328)	(8,638)
Present value of finance lease liabilities	99,591	147,982

The present value of finance lease liabilities is as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	48,519	52,344
In the second year	33,483	47,576
In the third to fifth year	17,589	48,062
Total finance lease liabilities	99,591	147,982
Less: Amount included in current liabilities	(48,519)	(52,344)
	51,072	95,638

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

As at 31 December 2014, the effective interest rate of the Group's finance lease liabilities was 4.0% (2013: 3.5%) per annum.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. As at 31 December 2014, the net book amount of the leased assets was approximately HK\$265,971,000 (2013: HK\$290,121,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION – GROUP

The analysis of deferred tax liabilities is as follows:

	2014	2013
	HK\$'000	HK\$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	21,028	21,563
Deferred tax liability to be recovered within 12 months	490	445
	21,518	22,008

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

	Fair value gains	Withholding tax	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	17,369	5,129	22,498
Charged to profit or loss (Note 28)	(490)	–	(490)
At 31 December 2013	16,879	5,129	22,008
Charged to profit or loss (Note 28)	(490)	–	(490)
At 31 December 2014	<u>16,389</u>	<u>5,129</u>	<u>21,518</u>

The above deferred income tax liabilities in respect of withholding tax that related to the unremitted retained earnings of certain subsidiaries. In addition, deferred income tax liabilities of HK\$55,084,000 (2013: HK\$45,482,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries as such amounts are considered to be permanently reinvested.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 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\$26,888,000 (2013: HK\$21,702,000) in respect of losses amounting to HK\$137,429,000 (2013: HK\$109,192,000) that can be carried forward against future taxable income. Tax losses of HK\$74,038,000 (2013: HK\$45,885,000) can be carried forward indefinitely. Tax losses of HK\$6,175,000, HK\$3,417,000, HK\$9,457,000, HK\$34,525,000 and HK\$9,817,000 will expire in 2015, 2016, 2017, 2018 and 2019, respectively (2013: \$2,577,000, HK\$6,175,000, HK\$3,805,000, HK\$16,225,000 and HK\$34,525,000 will expire in 2014, 2015, 2016, 2017 and 2018, respectively).

22 SHARE CAPITAL

	Number of ordinary shares (thousands)	Nominal value HK\$'000
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	<u>200,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 1 January 2013	1,679,474	167,947
Issue of shares pursuant to Share option scheme	<u>300</u>	<u>30</u>
At 31 December 2013	1,679,774	167,977
Issue of shares pursuant to Share option scheme	<u>3,574</u>	<u>357</u>
At 31 December 2014	<u>1,683,348</u>	<u>168,334</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE CAPITAL (CONTINUED)

During the year ended 31 December 2014, 1,174,000 and 2,400,000 ordinary shares were issued at HK\$0.175 and HK\$0.69 per share, respectively (2013: 300,000 shares of HK\$0.69 per share), upon exercise of options under the share option scheme.

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.

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

	2014		2013	
	Average exercise price per share HK\$	Number of options '000	Average exercise price per share HK\$	Number of options '000
At 1 January		167,954		146,104
Granted	-	-	1.172	300
Granted	-	-	1.16	21,850
Exercised	0.69	(2,400)	0.69	(300)
Exercised	0.175	(1,174)	-	-
At 31 December		164,380		167,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 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	2014		2013	
	Exercise price HK\$	Number of options '000	Exercise price HK\$	Number of options '000
21 November 2018	0.175	5,940	0.175	7,114
30 September 2019	0.41	1,120	0.41	1,120
6 November 2017	0.69	135,170	0.69	137,570
6 November 2017	1.172	300	1.172	300
6 November 2017	1.16	21,850	1.16	21,850
		164,380		167,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES

(a) Group

Note	Share	Capital	Statutory	Capital	Share	Translation	Retained	Total
	premium	reserve (i)	reserves (ii)	redemption	options		earnings	
	HK\$'000	HK\$'000	HK\$'000	reserve (iii)	reserve	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2013	996,725	(735)	89,988	20,329	4,907	1,677	732,812	1,845,703
Profit for the year	-	-	-	-	-	-	55,427	55,427
Dividends paid	-	-	-	-	-	-	(17,301)	(17,301)
Other comprehensive income – translation differences	-	-	-	-	-	10,626	-	10,626
Employee share option scheme								
– value of employee services	25	-	-	-	39,648	-	-	39,648
– proceeds from shares issued		177	-	-	-	-	-	177
Transfer to share premium upon exercise of share options		76	-	-	(76)	-	-	-
Transfer to statutory reserves		-	9,415	-	-	-	(9,415)	-
Balance at 31 December 2013	<u>996,978</u>	<u>(735)</u>	<u>99,403</u>	<u>20,329</u>	<u>44,479</u>	<u>12,303</u>	<u>761,523</u>	<u>1,934,280</u>
Representing								
– Proposed final dividend								8,567
– Others								<u>1,925,713</u>
								<u>1,934,280</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 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	Translation HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2014	996,978	(735)	99,403	20,329	44,479	12,303	761,523	1,934,280
Profit for the year	-	-	-	-	-	-	277,125	277,125
Dividends paid	-	-	-	-	-	-	(45,548)	(45,548)
Other comprehensive income – translation differences	-	-	-	-	-	(540)	-	(540)
Employee share option scheme – proceeds from shares issued	1,504	-	-	-	-	-	-	1,504
Transfer to share premium upon exercise of share options	665	-	-	-	(665)	-	-	-
Transfer to statutory reserves	-	-	22,070	-	-	-	(22,070)	-
Balance at 31 December 2014	<u>999,147</u>	<u>(735)</u>	<u>121,473</u>	<u>20,329</u>	<u>43,814</u>	<u>11,763</u>	<u>971,030</u>	<u>2,166,821</u>
Representing								
– Proposed final dividend								47,340
– Others								2,119,481
								<u>2,166,821</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES (CONTINUED)

(b) Company

	Share premium HK\$'000	Contributed surplus (i) HK\$'000	Capital redemption reserve (iii) HK\$'000	Share options reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Note						
Balance at 1 January 2013	996,725	121,351	20,329	4,907	20,791	1,164,103
Profit for the year	-	-	-	-	54,601	54,601
Dividends paid	-	-	-	-	(17,301)	(17,301)
Employee share option scheme						
– value of employee services	25	-	-	39,648	-	39,648
– proceeds from shares issued		177	-	-	-	177
Transfer to share premium upon exercise of share options		76	-	(76)	-	-
Balance at 31 December 2013	<u>996,978</u>	<u>121,351</u>	<u>20,329</u>	<u>44,479</u>	<u>58,091</u>	<u>1,241,228</u>
Representing						
– Proposed final dividend						8,567
– Others						<u>1,232,661</u>
						<u>1,241,228</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 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	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2014	996,978	121,351	20,329	44,479	58,091	1,241,228
Profit for the year	-	-	-	-	80,154	80,154
Dividends paid	-	-	-	-	(45,548)	(45,548)
Employee share option scheme – proceeds from shares issued	1,504	-	-	-	-	1,504
Transfer to share premium upon exercise of share options	665	-	-	(665)	-	-
Balance at 31 December 2014	<u>999,147</u>	<u>121,351</u>	<u>20,329</u>	<u>43,814</u>	<u>92,697</u>	<u>1,277,338</u>
Representing						
– Proposed final dividend						47,340
– Others						<u>1,229,998</u>
						<u>1,277,338</u>

Notes:

- (i) The 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.

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 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) The capital redemption reserve resulted from repurchase of the Company's own shares on The Stock Exchange of Hong Kong Limited. The repurchased shares were cancelled upon repurchase. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	2014	2013
	HK\$'000	HK\$'000
Other income		
Government grants	6,445	7,341
Rental income	1,904	155
	8,349	7,496
Other (losses)/gains - net		
Gain on financial assets at fair value through profit or loss	–	5,091
Gain on deemed disposal of investment in an associate	–	5,105
Gain/(loss) on sales of property, plant and equipment	92	(8)
Net exchange (losses)/gains	(913)	7,845
Others	(83)	(230)
	(904)	17,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EXPENSES BY NATURE

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

	2014	2013
	HK\$'000	HK\$'000
Depreciation (Note 6)		
– Owned assets	201,276	178,319
– Leased assets	28,022	17,048
	229,298	195,367
Employment expenses (Note 26)		
– Share options granted	–	39,648
– Others	653,261	595,357
Amortisation of leasehold land and land use rights (Note 7)	3,820	2,934
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EMPLOYMENT EXPENSES

	2014	2013
	HK\$'000	HK\$'000
Wages, salaries and bonus	558,055	510,621
Share options granted (Notes 22 and 23)	–	39,648
Staff welfare	60,583	56,517
Retirement benefit - defined contribution plans (a)	34,623	28,219
	653,261	635,005

(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' basic wages/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 up to 31 May 2014 and HK\$1,500 per month from 1 June 2014.

During the year ended 31 December 2014, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK\$34,623,000 (2013: HK\$28,219,000). As at 31 December 2014, the Group was not entitled to any forfeited contributions to reduce its future contributions (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EMPLOYMENT EXPENSES (CONTINUED)

(b) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2014 is set out below:

Name of director	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Share- based payments HK\$'000	Employer's	Total HK\$'000
					contribution to pension scheme HK\$'000	
<u>Executive directors</u>						
Mr. Zhang Hwo Jie	-	4,080	1,200	-	17	5,297
Mr. Zhang Jian Hua	-	4,080	1,200	-	17	5,297
Mr. Zhang Yaohua ⁽¹⁾	-	4,080	1,200	-	17	5,297
<u>Independent non-executive directors</u>						
Mr. Choy Tak Ho	160	-	-	-	-	160
Mr. Leung Tai Chiu	160	-	-	-	-	160
Mr. Lam Hiu Lo ⁽³⁾	160	-	-	-	8	168
	480	12,240	3,600	-	59	16,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EMPLOYMENT EXPENSES (CONTINUED)

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

The remuneration of every director and the chief executive for the year ended 31 December 2013 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
<u>Executive directors</u>						
Mr. Zhang Hwo Jie	–	3,600	800	3,605	15	8,020
Mr. Zhang Jian Hua	–	3,600	800	3,605	15	8,020
Mr. Zhang Yaohua ⁽¹⁾	–	3,600	800	3,605	15	8,020
Mr. Nomo Kenshiro ⁽⁴⁾	–	–	–	–	–	–
<u>Independent non-executive directors</u>						
Dr. Lui Sun Wing ⁽²⁾	4	–	–	68	1	73
Mr. Choy Tak Ho	160	–	–	184	–	344
Mr. Leung Tai Chiu	160	–	–	184	–	344
Mr. Lam Hiu Lo ⁽³⁾	156	–	–	234	8	398
	<u>480</u>	<u>10,800</u>	<u>2,400</u>	<u>11,485</u>	<u>54</u>	<u>25,219</u>

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2013: nil).

Note:

- (1) Zhang Yaohua is also the Chief Executive Officer of the Group.
- (2) Dr. Lui Sun Wing ceased to be an independent non-executive director of the Company with effect from 11 January 2013.
- (3) Mr. Lam Hiu Lo was appointed as an independent non-executive director of the Company with effect from 11 January 2013.
- (4) Mr. Nomo Kenshiro ceased to be an executive director of the Company with effect from 11 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EMPLOYMENT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2013: two) individual are as follows:

	2014	2013
	HK\$'000	HK\$'000
Salaries	1,665	1,603
Discretionary bonus	208	200
Share options granted	–	2,676
Retirement benefit - defined contribution plans	59	21
	1,932	4,500

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands (in Hong Kong dollar)		
HK\$0 to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	1
	2	2

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 (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 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.

28 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 INCOME TAX EXPENSE (CONTINUED)

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 group entities, as follows:

	2014	2013
	HK\$'000	HK\$'000
Profit before income tax	329,315	72,259
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	37,576	4,061
Income not subject to tax	(511)	(782)
Expenses not deductible for tax purpose	5,466	1,146
Tax losses for which no deferred income tax asset was recognised	6,674	12,943
Over-provision in prior years	(6,661)	(4,584)
Tax charge	42,544	12,784

The weighted average applicable tax rate for the year ended 31 December 2014 was approximately 11.4% (2013: 5.6%). The increase is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong profits tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 INCOME TAX EXPENSE (CONTINUED)

(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.

29 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\$80,154,000 (2013: HK\$54,601,000).

30 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

	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

31 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2014	2013
	HK\$'000	HK\$'000
Profit for the year	286,771	59,475
Adjustments for:		
– Income tax	42,544	12,784
– Depreciation	229,298	195,367
– Amortisation of leasehold land and land use rights	3,820	2,934
– (Gain)/loss on sales of property, plant and equipment	(92)	8
– Share-based payments	–	39,648
– Gain on financial assets at fair value through profit or loss	–	(5,091)
– Gain from deemed disposal of investment in an associate	–	(5,105)
– Share of loss of an associate	2,911	3,072
– Interest income	(23,287)	(10,418)
– Interest expense	35,538	28,716
Changes in working capital:		
– Inventories	(115,556)	(39,750)
– Trade receivables	(155,179)	(129,613)
– Loan and interest receivables	(2,890)	(129,664)
– Prepayments, deposits and other receivables	(1,921)	(45,707)
– Amount due from a related company	(4,760)	–
– Trade payables	98,734	122,159
– Accruals and other payables	5,979	74,369
Cash generated from operations	401,910	173,184

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Property, plant and equipment	
	2014	2013
	HK\$'000	HK\$'000
Net book amount	463	8
Gain/(loss)	92	(8)
Proceeds	555	–

33 COMMITMENTS – GROUP

(a) Capital Commitments

Capital expenditures at the end of the year contracted but not yet incurred are as follows:

	2014	2013
	HK\$'000	HK\$'000
Contracted but not provided for		
– Construction of buildings	24,204	44,153
– Purchase of plant and machinery	54,744	27,869
	78,948	72,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 COMMITMENTS – GROUP (CONTINUED)

(b) Operating lease commitments - group companies as lessees

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

	2014	2013
	HK\$'000	HK\$'000
Not later than one year	12,552	13,099
Later than one year but not later than five years	37,955	40,979
Later than five years	119,027	129,762
	169,534	183,840

34 RELATED-PARTY TRANSACTIONS

Zhang How Jie, Zhang Jian Hua and Zhang Yaohua, the Company's executive directors, have beneficial interest in Prosper Empire Limited, which owns 39.91% (2013: 38.19%) of the Company's shares as at 31 December 2014.

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

As disclosed in the Company's Prospectus dated 29 April 2005, Prosper Empire Limited (a company owned by Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua) and Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua, directors of the Company, agreed to indemnify the Group in connection with any taxation of the Group relating to operations before the listing date of the Company and not provided for by the respective individual companies in the Group.

During the year, the Group agreed with the Hong Kong Inland Revenue Department the basis and amount of assessment for Hong Kong profits tax for a number of past years, including those periods prior to listing. In this connection, the Group could recover HK\$8,798,000 from the aforementioned tax indemnity, of which HK\$4,038,000 was settled and HK\$4,760,000 is to be received from Prosper Empire Limited, a related company, by instalments in three years from December 2015 to December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2014	2013
	HK\$'000	HK\$'000
Salaries, allowances and bonus	20,005	17,015
Share-based payments	–	18,942
Retirement benefits - defined contribution plans	331	324
	20,396	36,281

FIVE YEARS FINANCIAL SUMMARY

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
CONSOLIDATED RESULTS					
Turnover	<u>3,454,977</u>	<u>2,655,715</u>	<u>2,367,023</u>	<u>1,977,845</u>	<u>1,703,099</u>
Profit for the year	286,771	59,475	69,608	209,773	303,418
Non-controlling interests	(9,646)	(4,048)	1,281	606	(754)
Profit attributable to equity holders of the Company	<u>277,125</u>	<u>55,427</u>	<u>70,889</u>	<u>210,379</u>	<u>302,664</u>
CONSOLIDATED BALANCE SHEET					
Non-current assets	2,219,443	2,212,981	2,034,602	1,698,864	1,192,843
Current assets	2,581,384	2,135,863	1,789,133	1,298,932	1,031,626
Current liabilities	(1,771,244)	(1,474,868)	(1,129,675)	(867,969)	(598,818)
Non-current liabilities	(618,717)	(704,025)	(618,384)	(85,415)	(35,255)
Net assets	<u>2,410,866</u>	<u>2,169,951</u>	<u>2,075,676</u>	<u>2,044,412</u>	<u>1,590,396</u>
Share capital	168,334	167,977	167,947	175,905	81,629
Reserves	2,166,821	1,934,280	1,845,703	1,855,024	1,499,437
Non-controlling interests	75,711	67,694	62,026	13,483	9,330
Total equity	<u>2,410,866</u>	<u>2,169,951</u>	<u>2,075,676</u>	<u>2,044,412</u>	<u>1,590,396</u>



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