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)

年報
Annual Report
2017

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EVA Jiangsu (Suzhou)
Electronic Industrial Park

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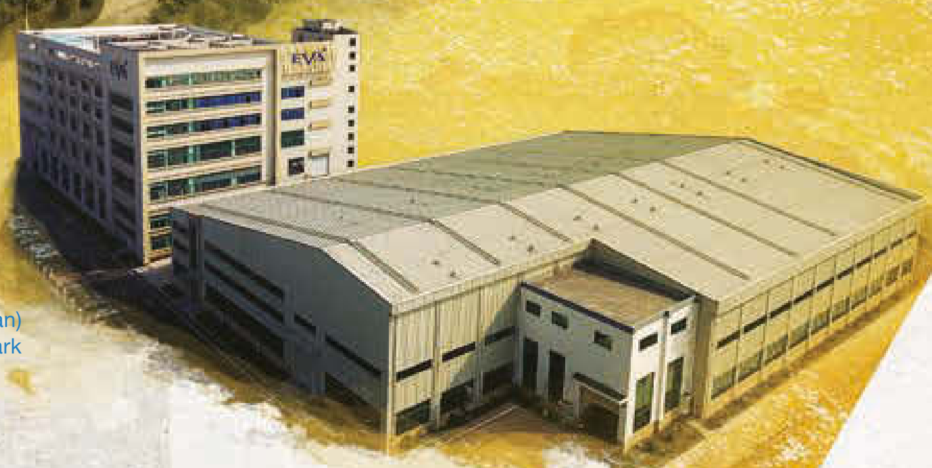

Digit Guangdong (Zhongshan)
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GROUP PROFILE

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 and automated assembly services 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. In 2017, the Group operates eight industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan) and Vietnam (Haiphong). In 2018, the Group extended its production business to Weihai, China through an entity newly acquired in December 2017. At the same time, the Group is in the process of constructing a new industrial park in Weihai to expand its business there. Another new industrial park located at San Luis Potosí, Mexico is also under construction.

The Group is a vertically-integrated precision 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 industrial parks for future mass production of components and semi-finished products. Because of the high level of skills and technologies required to produce moulds, components and semi-finished products with high degree of precision and dimensional accuracy, 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 new markets, with particular attention given to the huge automobile, high technology and consumer electronics sectors. To this end, the Group's industrial parks in Chongqing, Wuhan, Zhongshan and Mexico are destined for serving the automobile market.

CORPORATE MILESTONE

Year	Event
1993	The Group started its business through the establishment of EVA Limited, a subsidiary of the Group, in Hong Kong. The Group established its first production 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.
2000	Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with the ISO9001 certification in respect of quality management system by the BSI Group.
2002	Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group, was accredited as one of the "300 Enterprises with Highest Growth Potential in Shenzhen" (深圳市300家最具成長性企業) and "Shenzhen Top 10 Industry Practitioner" (深圳行業10強企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). The first factory building of the Group's industrial park in Shiyan, Shenzhen with a construction area of approximately 21,000 sq.m. was completed. The Group's production lines were moved to the Group's industrial park in Shiyan, Shenzhen in the same year.
2003	The second factory building of the Group's industrial park in Shiyan, Shenzhen with a construction area of approximately 19,000 sq.m. was completed. Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with ISO14001 certification in respect of environmental management system by the BSI Group. It was also accredited as: – "Hi-Tech Enterprise in Shenzhen" (深圳市高新技術企業) by Shenzhen Science and Technology Bureau (深圳市科學技術局); – "Reliable and Credible Enterprise" (守合同重信用企業) by Shenzhen 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	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. 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 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 industrial park in Shiyan, Shenzhen for trial production.

CORPORATE MILESTONE

Year	Event
2005	EVA Precision Industrial Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited. EVA Limited was granted with "Very Valuable Vendor (2004 Best Assistance) Award" (VVV獎 – 二零零四年最佳協力獎) and "Very Valuable Vendor (Improvement) Award" (VVV獎 – 進步獎) by Canon, and "Acclamation Certificate" (表彰狀) by Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with an approval certificate for chemical substances management (CMS) standard by Ricoh. EVA Precision Industrial Holdings Limited was granted with a gratitude trophy by Fuji Xerox. The construction of the third factory building of the Group's industrial park in Shiyan, Shenzhen was completed and thereafter the Group's plastic production line was moved to the third factory building of the Group's industrial park in Shiyan, Shenzhen and commenced commercial production. The Group started to establish an industrial park in Suzhou through the establishment of EVA Precision Industrial (Suzhou) Limited. 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).
2006	The construction of phase one of the Group's industrial park in Suzhou was completed and commenced production. EVA Limited received "2006 First Round Southern China Quality Very Valuable Vendor Award" (VVV獎 – 二零零六年第一回華南地區品質準優秀獎) and "Very Valuable Vendor (Remarkable Effort) Award" (VVV獎 – 敢闘獎) from Canon. EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received an approval certificate for chemical substances management (CMS) standard from Epson. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Okuno Precision Metal Co., Limited received an approval certificate for chemical substances management (CMS) standard from Ricoh. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "High and New Technology Project" (高新技術項目) accreditation from Shenzhen Technology and Information Bureau (深圳市科技和信息局) and was accredited as "Enterprise with Highest Growth Potential in Human Resources" (深圳市最具人材成長價值企業) by Shenzhen Human Resources Exchange Services Centre (深圳市人材交流服務中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).

Year	Event
2006 *(Cont'd)*	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" (二零零六年度深圳百強企業) by Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報). EVA Precision Industrial Holdings Limited was admitted to the "Database of Outstanding Enterprises in China" (中國優秀企業數據庫) by Chinese Enterprise Confederation (中國企業聯合會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO9001 integrated certification from the BSI Group. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was awarded with ISO/TS16949 certification in respect of the production of automobile parts by the BSI Group.
2007	EVA Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "Encouragement Award"(鼓勵獎), "2006 Supplier Special Improvement Award" (二零零六年供應商特別改善獎) and "Environment Friendly Corporate Certificate" (環保企業證書) from Fuji Xerox. EVA Limited received "2007 Second Round Southern China Quality Very Valuable Vendor Award" (VVV獎 – 二零零七年第二回華南地區品質準優秀獎) from Canon. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "P-DOAZ (Part-Defect on Arrival Zero) Award" (零部件零缺陷獎) and "Environmental Collaboration Program Certificate"(環保系統証書) from Konica Minolta. EVA Precision Industrial Holdings Limited was accredited as "2007 China's Manufacturing Top 500" (二零零七年中國製造500強) by World Company Compete Skill Laboratory (世界企業競爭力實驗室), China Industrial and Economic Academy (中國工業經濟研究院) and World Production Review China's Editorial Office (全球製造評論中文版編輯部).

CORPORATE MILESTONE

Year	Event
2007 *(Cont'd)*	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). EVA Precision Industrial Holdings Limited received "Best Under a Billion" award from Forbes (Asia) magazine. Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Most Influential Enterprise" (深圳最具影響力企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO14001 integrated certification from the BSI Group.
2008	The Group's precision manufacturing industrial park in Guangming New District, Shenzhen commenced commercial operations in the fourth quarter of 2008. EVA Precision Industrial Holdings Limited was accredited as one of the "Top 50 Listed Companies with Highest Investment Value in Guangdong Province" (廣東最具投資價值上市公司50強) and "Top 100 Manufacturing Enterprises in Guangdong Province" (廣東省製造企業100強) by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會). EVA Precision Industrial (Suzhou) Limited was accredited as an "Outstanding and Advanced Enterprise" (先進單位) by Suzhou Mould Industry Association (蘇州市模具行業協會). EVA Precision Industrial Holdings Limited and EVA Limited received the certificates of honour for donation from Shenzhen Machinery Association (深圳市機械行業協會) and The Hong Kong Mould and Die Technology Association (香港模具科技協會) respectively for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake. Mr. Zhang Hwo Jie, Chairman of the Group, was granted with the "Young Industrialist Award of Hong Kong" (香港青年工業家獎) by the Federation of Hong Kong Industries (香港工業總會).

Year	Event
2009	EVA Plastic Mould Products (HK) Limited and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "2008 Golden Quality Award" (二零零八年度品質金獎) from Konica Minolta. EVA Limited received "2008 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零八年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received "Distinguished Supplier Award" (傑出供應商獎) from General Electric. Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe 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. EVA Precision Industrial Holdings Limited was also granted with: – "Outstanding Enterprise in China Machinery Industry" (中國機械工業優秀企業) award and "Most Influential Brand Name in China Machinery Industry" (中國機械工業最具影響力的品牌) award by China Machinery Industry Federation (中國機械工業聯合會); – "Employee Care 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). Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). EVA Precision Industrial (Suzhou) Limited was accredited as a "Star Overseas Chinese Enterprise in Jiangsu Province" (江蘇省明星僑資企業) by the Overseas Chinese Office of the People's Government of Jiangsu Province (江蘇省人民政府僑務辦公室). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as a "National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment" (全國外商投資雙優企業) by China Association of Enterprises with Foreign Investment (中國外商投資企業協會) and Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會).

CORPORATE MILESTONE

Year	Event
2010	The construction of the Group's industrial park in Zhongshan was completed by the end of 2010 and commenced production. EVA Limited received "2009 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零九年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received: – "2009 Shenzhen Top 100 Enterprise" (二零零九年度深圳百強企業) 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 from Shenzhen General Chamber of Commerce (深圳市商業聯合會). 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). 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.

Year	Event
2010 *(Cont'd)*	EVA Precision Industrial Holdings Limited received "Product Assembly Service Certification" (成品組裝資格認證) from Kyocera. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Environmental Collaboration Program Certificate" (環保系統證書) from Konica Minolta. Shenzhen EVA Mould Manufacturing Limited received "Precision Moulds First Class Award" (精模獎 – 一等獎) from China Die and Mould Industry Association (中國模具工業協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. received certificate of honour for donation (捐贈榮譽證書) from Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳青少年發展基金會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Municipal Research and Development Centre" (深圳市市級研究開發中心) by Shenzhen Science, Technology, Industry, Trade and Information Committee (深圳市科技工貿和信息化委員會), Shenzhen Development and Reform Commission (深圳市發展改革委員會), Finance Commission of Shenzhen Municipality (深圳市財政委員會), National Tax Bureau of Shenzhen (深圳市國家税務局) and Local Tax Bureau of Shenzhen (深圳市地方税務局). Shenzhen EVA Mould Manufacturing Limited was awarded with ISO/TS16949 certification in respect of the production of automobile parts by the BSI Group.
2011	EVA Precision Industrial Holdings Limited acquired Chongqing Digit 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 automobile sector. As a wholly-owned subsidiary of the Group, Digit 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. The construction of the fourth factory building of the Group's industrial park in Shiyan, Shenzhen was completed.

CORPORATE MILESTONE

Year	Event
2011 *(Cont'd)*	EVA Precision Industrial Holdings Limited received: – "2010 Golden Quality Award" (二零一零年度品質金獎) from Konica Minolta; – "Premiere Partner (2011)" (卓越合作夥伴(二零一一年)) award 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 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). EVA Precision Industrial Holdings Limited entered into joint development programs and became the education, research and production practice bases of Huazhong University of Science and Technology (華中科技大學), Shenzhen Polytechnic (深圳職業技術學院) and Henan University of Technology (河南工業大學). It was also recognised as one of the "100 Model Enterprises in Baoan District for Vocational Training" (寶安區百家企業培訓示範基地) by Shenzhen Baoan District Vocational Abilities Development Bureau (深圳市寶安區職業能力開發局). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited received contribution awards for "P-DOAZ (Part-Defect on Arrival Zero)" activities (零部件零缺陷活動) from Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with "The Third Supplier QCC Forum – First Class Award" (第三屆供應商QCC發表會一等獎) by Kyocera. 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). Chongqing Digit Auto Body Ltd. received "China Businessmen Contribution Award" (華商貢獻獎) from The United Front Bureau of Chongqing Municipal Committee of the Communist Party of China (中共重慶市委統戰部), Chongqing Municipal Commission of Economy and Information (重慶市經濟和信息化委員會) and Chongqing Daily (重慶日報報業集團). It was also accredited as "Executive Council Member Enterprise" (常務理事單位) by Chongqing Metal Forming Industry Association (重慶鑄造行業協會). Yihe 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).

Year	Event
2012	The construction of the Group's industrial park in Tianliao, Shenzhen was completed. 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級納税信用等級) certificate by National Tax Bureau of Suzhou (蘇州市國家税務局) and Local Tax Bureau of Suzhou (蘇州地方税務局). EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2012)" (卓越合作夥伴(二零一二年)) award from Fuji Xerox; – "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 Enterprise 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" (二零一二年度深圳百强企業) 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)*	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 and 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境局). Shenzhen EVA Mould Manufacturing Limited and Chongqing Digit Auto Body Ltd. were recognised as "National High and New Technology Enterprises" (國家級高新技術企業).
2013	The Group's management headquarter moved to the fourth factory building of the Group's industrial park in Shiyan, Shenzhen. EVA Precision Industrial Holdings Limited received "Premiere Partner (2013)" (卓越合作夥伴(二零一三年)) award 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). 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. Yihe Precision Hardware (Shenzhen) Co., Ltd. received: – "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).

Year	Event
2013 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited was granted with: – "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); – "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); and – "Work Safety Standardisation" (安全生產標準化) certificate by State Administration of Work Safety (國家安全生產監督管理總局). Chongqing Digit 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). Digit 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).

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Year	Event
2013 *(Cont'd)*	Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received: – "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; – "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). EVA Precision Industrial (Zhongshan) Limited received: – "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) from Canon; and – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).

Year	Event
2014	The Group's industrial park in Wuhan, which targets at automobile business, commenced commercial production. The Group also completed the construction of phase 2 of the industrial park in Chongqing, which was purposely built for expanding the production capacity for automobile components. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2014)" (卓越合作夥伴(二零一四年)) award 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. 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. Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe 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. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. also received "2014 Best Quality Award" (二零一四年度最佳質量獎) from DFLC Jingmi Technology Co., Ltd. (東方亮彩精密技術有限公司). EVA Precision Industrial (Suzhou) Limited received: – "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).

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Year	Event
2014 *(Cont'd)*	Digit Stamping Technology (Wuhan) Limited received: – "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). Chongqing Digit Auto Body Ltd. received: – "Enterprise Technology Centre" (企業技術中心) accreditation from 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); and – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).
2015	The Group started to construct a new industrial park in Haiphong, Vietnam, signifying its first step to expand outside China. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2015 – for 5 consecutive years)" (卓越合作夥伴(二零一五年 – 五年連續受賞)) award from Fuji Xerox; – "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; – "Gratitude Certificate" (感謝信) from Shenzhen Aerospace Dongfanghong Development Ltd. (深圳航天東方紅海特衛星有限公司) for the quality of the Group's products used in satellites; and – "2015 Shenzhen Top 100 Enterprise" (二零一五年度深圳百强企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報).

Year	Event
2015 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited received: – "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). Digit Stamping Technology (Wuhan) Limited received: – "2014 Excellent Supplier" (二零一四年度優秀供應商) award from Dongfeng (東風); – "Vice Chairman Enterprise" (副會長單位) accreditation from Hubei Die & Mould Industry Association (湖北省模具工業協會); and – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局). 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. Yihe Precision Hardware (Shenzhen) Co., Ltd. also received: – "The Thirteenth Improvement Forum – Excellent Supplier Presentation Award" (第十三屆改善發表大會 – 供應商優秀發表獎) from Fuji Xerox; and – "2015 QCC Performance Competition – Excellent Performance Award" (二零一五年QCC成果選拔賽優秀成果獎) from Shenzhen Association for Quality (深圳市質量協會), Shenzhen Federation of Trade Unions (深圳市總工會), the Shenzhen Committee of the Communist Youth League of China (中國共產主義青年團深圳市委員會), Shenzhen Women's Association (深圳市婦女聯合會) and Shenzhen Association for Science and Technology (深圳市科學技術協會). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with "The Seventh Supplier QCC Forum – Third Class Award" (第七回供應商QCC成果發表會三等獎) by Kyocera. EVA Precision Industrial (Zhongshan) Limited was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). It was also 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.

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Year	Event
2016	The construction of the Group's new industrial park in Haiphong, Vietnam was completed and commenced trial production. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2016 – for 6 consecutive years)" (卓越合作夥伴(二零一六年 – 六年連續受賞)) award from Fuji Xerox; – "2016 First Half – Best Supplier" (二零一六年上期最佳供應商) award from Toshiba; – "2015 Excellent Supplier" (二零一五年度優秀供應商) award from Epson; – "2015 Corporate Environmental Leadership Award" (二零一五年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; – "2016 Shenzhen Top 100 Enterprise" (二零一六年度深圳百强企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報); – "2016 Best Employer in Guangdong Province" (二零一六年度廣東省最佳僱主) award from Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); and – "2016 Guangdong Machinery and Mould Industry Innovative Achievement – First Class Award" (二零一六年廣東機械模具產業創新成果一等獎) from Guangdong Machinery and Mould Technology Association (廣東省機械模具科技促進協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Guangdong Famous Trademark" (廣東省著名商標) again. It also received: – "30 years of Precision Manufacturing in Shenzhen Machinery Industry – Signature Product Award" (深圳機械三十年精密製造 – 標桿產品獎) from Shenzhen Machinery Association (深圳市機械行業協會); – "2015 Compliance of Operational Standards Improvement Activities – Excellent Improvement Award" (二零一五年度作業標準遵守度改善活動 – 優秀改善獎) from Konica Minolta; and – Certificate of donation (捐贈證書) from Shenzhen Youth Development Foundation (深圳市青少年發展基金會) for its donations to "1 to 1 Educational Sponsorship Activities" (一對一助學活動).

Year	Event
2016 *(Cont'd)*	Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局). EVA Precision Industrial (Suzhou) Limited received: – "2015 Excellent Supplier Award" (二零一五年度優秀供應商獎) and "The Seventeenth Unit Improvement Contest – First Class Award" (第十七屆組裝技能改善競賽一等獎) from Canon; and – "2015 Golden Quality Award" (二零一五年度品質金獎) from Samsung. EVA Precision Industrial (Zhongshan) Limited received: – "2015 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution" (二零一五年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻) award from Canon; and – "2015 A Class Supplier" (二零一五年度A級供應商) award from Brother. Digit Stamping Technology (Wuhan) Limited was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). It also received: – "2015 Excellent Supplier" (二零一五年度優秀供應商) award from Dongfeng (東風); and – "2015 Creative Enterprise" (二零一五年度創新企業) accreditation from the Caidian District Committee of the Communist Party of China (中共蔡甸區委) and the People's Government of Caidian District (蔡甸區人民政府). Chongqing Digit Auto Body Ltd. received: – "Vice Chairman Enterprise" (副會長企業) accreditation from Chongqing Die and Mould Industry Association (重慶市模具工業協會); and – "Top Ten High and New Technology Enterprise" (十佳高新技術企業) accreditation from the People's Government of Dadukou District, Chongqing (重慶市大渡口區人民政府).

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Year	Event
2017	Under the invitation of Hewlett-Packard ("HP Printing"), the Group started to construct a new industrial park for office automation equipment in Weihai, Shandong Province, China. The Group also commenced the construction of a new automobile industrial park in San Luis Potosí, Mexico with a view to serving existing and new customers there. With a view to better serving HP Printing in Weihai, the Group acquired Intops (Weihai) Electronics Co., Ltd., a component manufacturer, to accelerate the Group's development in Weihai. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2017 – for 7 consecutive years)" (卓越合作夥伴(二零一七年 – 七年連續受賞)) award from Fuji Xerox; – "2017 First Half Best Delivery" (二零一七年上期最佳納期) award from Toshiba; – "2017 Shenzhen Top 100 Enterprise" (二零一七年度深圳百强企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economy Daily (深圳商報); – "2017 Top 500 Enterprise in Guangdong Manufacturing Industry" (2017年廣東省製造業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會), Guangdong Industry Development Research Institute (廣東省產業發展研究院) and Guangdong Academy of Social Sciences Enterprise Competitiveness Research Centre (廣東省社會科學院企業競爭力研究中心); – "Hidden Champion Enterprise Award" (隱形冠軍企業獎) from Shenzhen Association for Quality (深圳市質量協會); – "2016 Corporate Environmental Leadership Award" (二零一六年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; – "Baoan Charity Donation Enterprise Award" (寶安區慈善捐贈企業獎) from the Organising Committee for Shenzhen Baoan Charity Award (深圳市寶安區慈善獎組委會); and – "Certificate of Enterprise Credit Grade – AAA Grade" (企業信用等級證書 – AAA級) from "China Die & Mould Industry Association" (中國模具工業協會) and "Beijing Yi Xin Jian Xin International Credit Management Co., Ltd." (北京益信建信國際信用管理有限公司).

Year	Event
2017 *(Cont'd)*	Yihe Precision Hardware (Shenzhen) Co., Ltd. received: – "Guangdong High Quality Machinery and Mould Enterprise" (廣東優質機械模具企業) accreditation from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會); – "2016 Guangdong Province Enterprise of Observing Contract and Valuing Credit" (二零一六年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局); – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局); and – "Municipal Postdoctoral Innovative Practice Base" (市級博士後創新實踐基地) accreditation from Human Resources and Society Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received: – "The Ninth Supplier QCC Forum – First Class Award and Outstanding Award" (第九屆供應商QCC成果發表會一等獎及優秀獎) from Kyocera; – "Best Cooperative Supplier" (最佳配合供應商) award from Beijing Founder Easiprint Co., Ltd. (北京方正印捷數碼技術有限公司); and – "2017 Top 100 Innovative Enterprise in Baoan" (2017年寶安區創新百强企業) accreditation from "Shenzhen Baoan Science and Technology Innovation Bureau" (深圳市寶安區科技創新局). Shenzhen EVA Mould Manufacturing Limited received: – "Supplier Partnership Award" (合作夥伴獎) from Faurecia;

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Year	Event
2017 *(Cont'd)*	– Championship award in "2016 Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Mould Category)" (二零一六年長安杯中國(東莞長安)模具作品與製造技能大賽作品賽(五金類模具組)), which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mould Product Quality Monitoring and Testing Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); – "Honorary Credential for Excellent Performance in Guangdong Machinery and Mould Industry" (廣東機械模具產業優秀成果榮譽證書) from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會); – "Charity Enterprise for Supporting the Employment of People with Disabilities" (助殘就業愛心企業) accreditation from the United Front and Social Construction Bureau of Shenzhen Guangming New District (深圳市光明新區統戰和社會建設局); and – "2017 Pilot Organisation for Excellent Performance Pilot Project of Guangming New District" (二零一七年度光明新區卓越績效試點工程試點組織) accreditation from the Committee for High Quality Community of Shenzhen Guangming New District (深圳市光明新區質量强區辦). EVA Precision Industrial (Suzhou) Limited received: – "Gratitude Certificate – External Component Procurement Activities" (感謝狀 – 社外組件調達活動) from Konica Minolta; – "2016 Shanghai Ricoh Sourcing Quality Assurance – Overall Excellence Award" (二零一六年度上海理光源流保證綜合優秀獎) from Ricoh; – "Strategic Partner" (戰略合作夥伴) award from Supvan Information Technology Co., Ltd. (碩方信息技術有限公司); and – "Fundamental Skills Invitation Tournament – First Class Award" (基礎技能邀請賽一等獎) from Canon.

Year	Event
2017 *(Cont'd)*	EVA Precision Industrial (Zhongshan) Limited received: – "2016 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution" (二零一六年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻) award from Canon; and – "Excellent Supplier Award of Year 2017" (二零一七年度優秀供應商獎) from Faurecia. Digit Stamping Technology (Wuhan) Limited received: – "2016 Excellent Supplier" (二零一六年度優秀供應商) award from Dongfeng (東風); – "2016 Creative Enterprise" (二零一六年度創新企業) accreditation from the Caidian District Committee of the Communist Party of China (中共蔡甸區委) and the People's Government of Caidian District (蔡甸區人民政府); – "Excellent Organisation Award" (優秀組織獎) in "2016 Changan Cup China (Dongguan Changan) Mould Product and Technology Contest" (二零一六年長安杯中國(東莞長安)模具作品與製造技能大賽), which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mould Product Quality Monitoring and Testing Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); – "2016 Forerunning Enterprise for Science and Technology Innovation in Wuhan" (二零一六年度武漢科技創新企業領跑者) accreditation from Wuhan Science and Technology Bureau (武漢市科學技術局), Wuhan Association for Science and Technology (武漢市科學技術協會), Wuhan Enterprise Confederation (武漢企業聯合會) and Wuhan Enterprise Directors Association (武漢企業家協會); – "2016 Grade A Trustworthy and Law-abiding Enterprise for Labour Protection" (二零一六年度勞動保障守法誠信A級企業) accreditation from the Human Resources and Society Security Bureau of Wuhan Caidian District (武漢市蔡甸區人力資源和社會保障局); and – "Workers' Pioneer" (工人先鋒號) accreditation from All Wuhan Federation of Trade Unions (武漢市總工會).
2018	EVA Precision Industrial Holdings Limited received "2017 Advanced Executive Committee Member" (二零一七年度先進執委委員) accreditation from Shenzhen Guangming Community of Industry and Commerce (深圳市光明新區工商業聯合會).

CORPORATE MILESTONE

Year	Event
2018 *(Cont'd)*	Yihe Precision Hardware (Shenzhen) Co., Ltd. received: – "Shenzhen Industry Award – the Nomination Award" (深圳工業大獎 – 提名獎) from the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報); and – "2017 Quality Acclamation"(二零一七年度品質表彰) award from Konica Minolta. Shenzhen EVA Mould Manufacturing Limited received: – the fifteen "Shenzhen Top Brand" (第十五屆「深圳知名品牌」) accreditation from Shenzhen Top Brand Appraisal Committee (深圳知名品牌評價委員會) for the brand name "EVA"; and – the second runner up award in "the Second Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Plastic Category)" (第二屆長安杯中國(東莞長安)模具作品與製造技能大賽作品賽(塑膠組)), which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mould Product Quality Monitoring and Testing Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會). EVA Precision Industrial (Suzhou) Limited received the "2017 Craftsmanship Award" (二零一七年度匠心獎) from Segway-Ninebot (賽格威 – 納恩博). EVA Precision Industrial (Zhongshan) Limited received "2017 Quality VVV Award (Quality Very Valuable Vendor) – Special Improvement Award" (二零一七年度品質VVV賞(品質最有價值供應商) – 特別改善獎) from Canon. Chongqing Digit Auto Body Ltd. received "2017 Quality Improvement Award" (二零一七年度品質改善進步獎) from Chengdu Tianxing Yamada Auto Parts Co., Ltd. (成都天興山田車用部品有限公司). Chongqing Digit Auto Body Ltd. and Digit Stamping Technology (Wuhan) Limited received the excellent awards in "the Second Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Category)" (第二屆長安杯中國(東莞長安)模具作品與製造技能大賽作品賽(五金組)), which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mould Product Quality Monitoring and Testing Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會). Chongqing Digit Auto Body Ltd. and EVA Precision Industrial (Zhongshan) Limited were jointly granted with the "Certificate of Participation" (參與證書) from Brose for their outstanding participation in Brose Supplier Day 2018 which was held in Mexico.

FINANCIAL HIGHLIGHTS

		2017	2016	2015	2014	2013
OPERATING RESULTS						
Turnover	HK$'000	**3,157,089**	3,209,290	3,533,026	3,454,977	2,655,715
Earnings before interest and taxation (EBIT) (Note 1)	HK$'000	**187,723**	116,129	257,783	344,477	93,629
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (Note 1)	HK$'000	**423,926**	354,996	507,816	577,595	291,930
Profit attributable to equity holders of the Company	HK$'000	**133,699**	53,486	205,469	277,125	55,427
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**350,006**	605,029	352,508	401,910	173,184
Net current assets	HK$'000	**649,858**	1,051,946	1,263,537	810,140	660,995
Shareholders' equity	HK$'000	**2,672,310**	2,585,938	2,618,456	2,335,155	2,102,257
PER SHARE DATA						
Earnings per share						
– Basic (Note 2)	HK cents	**7.4**	2.9	11.2	16.5	3.3
– Diluted (Note 3)	HK cents	**7.1**	2.8	11.2	15.7	3.2
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**13.4**	11.1	14.4	16.7	11.0
Net profit margin	(%)	**4.2**	1.7	5.8	8.0	2.1
Return on shareholders' equity	(%)	**5.0**	2.1	7.8	11.9	2.6
Net debt-to-equity ratio (Note 4)	(%)	**4.8**	Net cash	8.5	14.0	17.7

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 profits/(losses) of associates.

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 1,679,760,000 shares, 1,680,330,000 shares, 1,830,457,000 shares, 1,827,830,000 shares and 1,806,683,000 shares in issue during the year ended 31 December 2013, 2014, 2015, 2016 and 2017 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 1,741,406,000 shares, 1,769,979,000 shares, 1,839,134,000 shares, 1,892,646,000 shares and 1,886,251,000 shares for the years ended 31 December 2013, 2014, 2015, 2016 and 2017 respectively adjusted to assume conversion of all dilutive potential 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.

Note 4: Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances divided by shareholders' equity.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

HEAD OFFICE

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

REGISTERED OFFICE

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

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

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

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Sumitomo Mitsui Banking Corporation
Citibank, N.A., Hong Kong Branch
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

Mainland China

Industrial and Commercial Bank of China

LEGAL ADVISOR

Minter Ellison

AUDITOR

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

CHAIRMAN'S STATEMENT

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 2017.

BUSINESS REVIEW

During the year, we saw a growing confidence in the business community and orders from most of our customers showed improvements. However, our sales performance was temporarily affected by a major business acquisition activity within the office automation ("OA") equipment customer group. In September 2016, Hewlett-Packard announced its acquisition of the OA equipment division of Samsung Electronics ("Samsung Printing Solutions"), which had been one of the customers of our Suzhou industrial park since 2012. Thereafter, Samsung Printing Solutions moved away from Suzhou, and consolidated their production in Weihai, Shandong Province. Although our Suzhou industrial park

Digit Chongqing (Dadukou)
Automobile Industrial Park

continued to generate substantial revenue from other reputable OA equipment customers such as Canon, Fuji Xerox, Konica Minolta and Ricoh, the loss of revenue from Samsung Printing Solutions unavoidably affected the Group's total turnover. Turnover of the Group decreased slightly by 1.6% to HK$3,157,089,000 in 2017 despite a general improvement in demand from most of the other customers.

Profit, however, experienced a strong rebound, which was primarily attributable to successful cost control. Since 2016, we have been devoting substantial efforts to streamlining our headcount and internal structure for the purpose of coping with the inflationary pressure in China and improving efficiency. Numerous innovative automation solutions were brought to our production lines, and work schedules were more meticulously planned to reduce overtime hours. As a result of our efforts, employment and various other costs decreased, which led to a significant increase in our net profit by 150% to HK$133,699,000 for the year ended 31 December 2017.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

Aside from a strong profit rebound, the year of 2017 also presented the Group with exciting new opportunities. In 2017, the combined company of Hewlett-Packard and Samsung Printing Solutions ("HP Printing") informed us that the production volume of its manufacturing facilities in Weihai increased significantly. Taking into account our excellent track record in serving their predecessor company in Suzhou, HP Printing invited the Group to set up a new industrial park in Weihai to serve their significantly enlarged production volume there. The new Weihai industrial park has a land area of 349,000 square metres. Phase one of the new Weihai industrial park is planned to have a floor area of 79,000 square metres, and is scheduled to start production in the second half of 2019. As the production demand from HP Printing in Weihai is imminent, the Group acquired a component manufacturer named Intops (Weihai) Electronics Co., Ltd. at a consideration of HK$52,736,000 in December 2017 to accelerate our development in Weihai and to serve HP Printing better. At the same time, the Group had also rented a temporary factory in Weihai to serve HP Printing before the new self-constructed Weihai industrial park is completed. Given that the business scale of HP Printing is significantly larger than that of Samsung Printing Solutions alone, we believe that the future sales volume to HP Printing in Weihai can be significantly larger than that made by our Suzhou industrial park to Samsung Printing Solutions in the past.

In January 2018, Fuji Xerox announced its acquisition of Xerox through a reverse takeover. We have been one of the important suppliers of Fuji Xerox for more than 15 years, which has remained unchanged after this acquisition. In the past, the operating regions of Fuji Xerox and Xerox were separated. Fuji Xerox focused on the Japan and Asia Pacific markets, whilst Xerox sold mainly to the United States and European regions, and Xerox was not our customer. Through acquiring Xerox and consequently its United States and European markets, Fuji Xerox is significantly enlarged in its business scale and production demand, which is very likely to strongly drive the Group's revenue from 2018 onwards.

During the year, the Group's new industrial park in Vietnam, which was built at the invitation of certain of the Group's major customers in the OA equipment market and completed by end of 2016, had been ramping up its production. The production ramp-up was smooth. After its initial stage of commercial production, the Vietnam industrial park experienced a robust growth in turnover in the second half of 2017, which was primarily driven by the production demand from the OA equipment customers. We expect that this trend of growth will continue into 2018 and onwards, and therefore the Group started the construction of phase two of the Vietnam industrial park in 2017. The new phase two of the Vietnam industrial park is planned to have a floor area of approximately 46,000 square metres, which we target to complete in the second half of 2018 since the demand from our OA equipment customers is imminent. Apart from OA equipment customers, the Vietnam industrial park can also expand into other sectors such as the high end consumer electronics sector at a later stage, as Vietnam is also well known as one of the global manufacturing hubs for high end consumer electronics products.

In China, we continued to strengthen our business relationships with reputable automakers such as Dongfeng in Wuhan and Changan Suzuki in Chongqing. During the year, the Group had also made conscious efforts to widen the customer base of its automobile business line by developing more in-depth relationships with internationally renowned tier-one suppliers in the automobile industry such as Faurecia, Brose and Yamada, which have already become our customers, and other tier-one suppliers which are our target customers. These tier-one suppliers are leaders in their respective product fields, and their products are sold to different automakers. Therefore, they have a huge and stable production demand which is less affected by the sales performance of a single car model. Positive feedback and increasing sales orders were received from these tier-one suppliers, which drove the growth of revenue of our automobile business line in China for the year ended 31 December 2017.

Outside China, the Group is in the process of constructing a new automobile industrial park at San Luis Potosí, Mexico. The construction progress has been smooth. The new Mexico industrial park was constructed under the invitation of the Group's existing customers. It has a land area of approximately 83,000 square metres, and phase one of this industrial park with a planned floor area of approximately 17,000 square metres is scheduled for completion in late 2018. We are optimistic about the prospects of the new Mexico industrial park because Mexico is one of the major automobile hubs in the world. A lot of reputable automakers and multinational tier-one suppliers, including BMW, Volkswagen, Audi, Fiat-Chrysler, Nissan, Faurecia and Brose, had already established production plants in San Luis Potosí or its adjacent states in Mexico, thereby creating an existing and huge demand for the precision manufacturing services offered by the Group. Should our production capacity be unable to cope with the surge in orders, the new Mexico industrial park has adequate land area for future capacity expansion.

In recent years, products with higher value and sophistication are increasingly produced in China, and the emergence of local high technology industries also provides the Chinese manufacturers with a lot of new business opportunities. To benefit from this new industry environment, the Group devoted substantial efforts to sharpen its technology edge and improve productivity during the year. We also continued to strengthen our business partnerships with key customers and received accolades for outstanding quality and services from numerous renowned brand names such as Dongfeng, Faurecia, Brose, Fuji Xerox, Ricoh and Canon, providing us with the valuable credentials to source other high value orders both in China and overseas. In addition, for the purpose of focusing resources on our core manufacturing business, we reduced the shareholding interests in three subsidiary companies whose businesses or customers are not the development focus of the Group in July 2017, and thereafter these companies ceased to be the subsidiaries of the Group. As an obvious sign of confidence in our own prospects, the Group repurchased its own 126,836,000 shares from the market in 2017 and early 2018, thereby enhancing earnings and net asset value per share for all existing shareholders of the Company.

CHAIRMAN'S STATEMENT

PROSPECTS

The financial result of 2017 has provided another proof of our outstanding management capabilities in overcoming difficulties. Despite a temporary reduction in turnover caused by the loss of revenue from Samsung Printing Solutions, we managed to drive a sharp profit rebound through stringent cost controls and other management measures. We saw a sustained revenue growth in our automobile business in China, and our entry into Mexico can also provide our automobile business line with an additional stream of revenue from a new geographical market. The robust sales performance of the Vietnam industrial park in the second half of 2017 is expected to continue into 2018 and onwards. In addition, the huge production demand of HP Printing provides our new Weihai industrial park with enormous sales potentials. The acquisition of Xerox significantly enlarged the business scale and production demand of Fuji Xerox, our long-standing customer, and is therefore very likely to strongly drive the Group's future sales. Accordingly, we are optimistic about the Group's prospects.

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

Zhang Hwo Jie
Chairman
Hong Kong, 27 March 2018

EVA Guangdong Shenzhen (Tianliao)
Smart Device Industrial Park

PRINCIPLES

The Group is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality products and services are delivered to customers, and our business is managed prudently under sound decision-making processes. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity. The Board is responsible for evaluating and determining the environmental, social and governance risks of the Group. It is also responsible for ensuring that relevant risk management and internal control systems are in place and operate effectively. The Group's management also reports to the Board on the effectiveness of these systems regularly.

The environmental, social and governance information in this report covers the Company and its subsidiaries.

QUALITY OF WORKPLACE

Employees are our most precious asset. As the Group expands, loyal and industrious employees are presented with many opportunities for career advancement. The Group adopts non-discriminatory employment practices and provides a safe and healthy workplace.

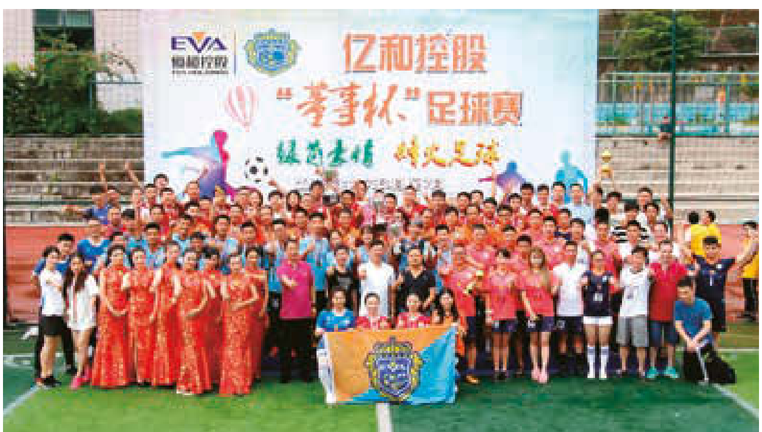
Working conditions

The Group seeks to attract and retain talented employees through providing a work environment that promotes values such as fair play, respect and integrity. Compensation packages are competitive, and the promotion and rewards of employees are based on merits and the contributions that they can bring to the Group. Share options schemes are adopted to provide talented employees with opportunities to obtain equity interests in the Group, thus linking their interests with the interests of the Group and thereby providing them with an incentive to work better for the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We organise new year gala and annual performance accreditation every year to provide our employees with a platform to showcase their artistic talents and give compliments to outstanding employees

The Group encourages employees to take part in work-life balance activities and community services. These include various sport and cultural events, community volunteering and supporting charitable organisations. For example, as our yearly regular events, we organise new year galas at around Chinese New Year and talent competitions at around Mid-Autumn Festival every year with a view to providing a platform for our employees to showcase their artistic talents and morale, and the year 2017 was no exception. Another highlight of our employee activities in 2017 was our "Directors' Cup" corporate soccer competition which was held from March 2017 to July 2017. The competition was held in the form of round-robin tournament, and each of the different industrial parks of the Group took turns to be the host. Each industrial park of the Group dispatched its own representative team and cheerleading group, which travelled to different host cities and competed with each other. This not only provided our employees with a healthy sport activity, but could also enhance our group cohesiveness through team building and friendly competition. The final tournament was held in Shenzhen in July 2017, and the representative team from Shenzhen (Shiyan) industrial park won the championship. For those employees who enjoy more tranquil activities, we also organised other relevant activities for them which included recruiting our employees as the editorial team for our corporate periodicals named "Pursuit of Dreams" and inviting professional instructors to provide



We organised the "Directors' Cup" corporate soccer competition in 2017 with a view to enhancing group cohesiveness through team building and friendly competition training courses in journalism and photography to these voluntary editors, and organising an internal poem reading contest in 2017.

Other internal employee activities in 2017 included organising numerous employee outings and the "Double 11" matchmaking party for unmarried employees. In particular, with a view to facilitating cross cultural exchanges between our Chinese and Vietnamese colleagues, the employees from our Chinese and Vietnamese subsidiaries joined together in a corporate outing to Sam Son, the famous resort city in Vietnam, in summer 2017. We also organised a friendly soccer match between our Chinese and Vietnamese colleagues in January 2018.

Externally, we dispatched teams to participate in various sport and artistic performance competitions organised by the governments and other organisations. During the year, our corporate soccer team won the championship in the 2017 Shenzhen Baoan Labour Soccer Tournament. Further, we dispatched our corporate soccer team and junior team (formed by the children of our employees) to participate in the "Vitality Cup" soccer tournament jointly organised by Shenzhen Baoan Football Association and Baoan Cultural and Sports Tourism Bureau, and won prizes. During the period from April 2017 to June 2017, our corporate soccer team had friendly soccer matches with the representatives from Suzhou National New and Hi-Tech Industrial Development Zone, Chongqing Dadukou Jianqiao Industrial Zone and Wuhan Caidian Economic Development Zone. These three industrial zones are where our Suzhou, Chongqing and Wuhan industrial parks are located. We also jointly organised a friendly soccer match with our customer, Konica Minolta, once again in July 2017.

In May 2017, we dispatched a representative team to participate in the tug of war competition organised by the district government of Shenzhen Guangming New District, and won both the corporate and overall championships. Our representatives also won prizes in a public poem reading contest which was held in Shiyan Town, Baoan District, Shenzhen in November 2017.

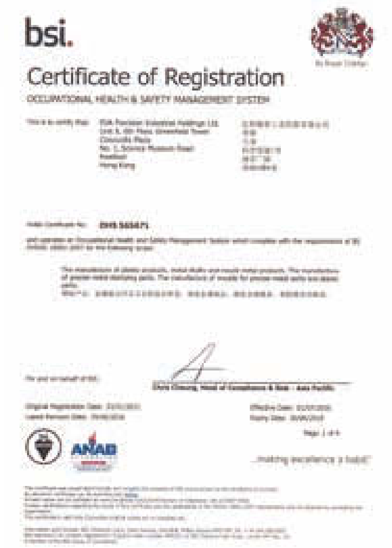
As at 31 December 2017, the Group had 8,015 employees. Employment expenses during the year ended 31 December 2017, including directors' and chief executive's emoluments, amounted to approximately HK$670,698,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and safety

The Group provides a healthy and safe workplace for all employees, in line with established internal guidelines and systems.

We adopt international best practices in occupational health and safety, and follow the OHSAS18001 requirements in respect of occupational health and safety management system. Therefore, we have been certified as OHSAS18001 compliant by the BSI Group since 2011. Our subsidiaries in China also comply with "Work Safety Standardisation" in China, a standard established by State Administration of Work Safety. In addition, various activities and training courses were organised in respect of occupational health and safety, such as briefing seminars, first-aid courses and fire drills. The design, operations and maintenance of our industrial parks also comply with the relevant government regulations in respect of occupational safety and fire prevention.


bsi.
Certificate of Registration
OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM

OHSAS18001 certification

Development and training

We emphasise on the career development of our employees, which translates into extensive trainings for them. Comprehensive and structured programmes are organised for new employees to familiarise them with our industry. In addition, ongoing training programmes are offered to existing employees from front line staff up to top management (including executive directors) for the purpose of refreshing and developing their knowledge and skills. Sponsorship of education is also available to employees in the form of job-related courses offered by external institutions.

Apart from offering training programmes about job-related skills, the Group believe that an in-depth understanding about the condition and development trend of our industry and the economy as a whole is also very important for our employees to make sound decisions in business. Therefore, we once again convened the "Business Target and Strategy Announcement Conference" in January 2017. During the conference, colleagues from middle management or above were asked to participate and share their views about the industry and the economy with a view to widening our vision and unifying our business directions through sharing. In addition, as one of our traditional events, we organised our 2016 annual performance accreditation in January 2017 to give compliments to outstanding employees, so that these outstanding employees can become the role models and thereby creates a value for excellence among the employees of the Group.

Our employee training courses are not confined to the classrooms. During the year, we also organised numerous outward bound training activities for our employees with a view to fostering the personal growth, social skills and team spirit of our employees by using challenging expeditions in the outdoors.


Training courses about economic environment, strategic decision making and organisational planning were offered to senior management members of the Group

Training offered by the Group to senior management members (including executive directors) during the year included two interactive training courses about "Revitalising the Dynamics for Organisational Growth" and "One Belt One Road" which were were held in May and October 2017 respectively. The Group also complied with the requirements under provision A.6.5 of the Corporate Governance Code and Rule 3.29 of the Listing Rules in respect of professional development and training of the directors and the company secretary.

Labour standards

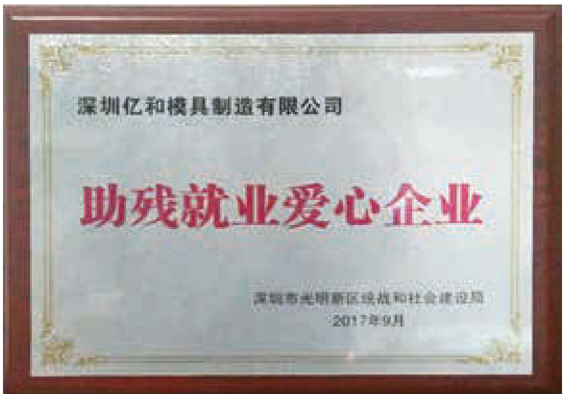
We fully understand that the exploitation of child and forced labour is universally condemned, and therefore take the responsibilities against child and forced labour very seriously. We strictly comply with all laws and regulations against forced and child labour. Internal policies are also in place to ensure that no person who is underage or under coercion is hired and, if any such case is identified during the recruitment process, it is reported to the relevant authorities.

We are committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation. We provide equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. Our efforts and commitment in this area are well recognised by the society. In 2017, the Group was accredited as a "Charity Enterprise for Supporting the Employment of People with Disabilities" by the United Front and Social Construction Bureau of Shenzhen Guangming New District, and a "Grade A Trustworthy and Law-abiding Enterprise for Labour Protection" by the Human Resources and Society Security Bureau of Wuhan Caidian District.

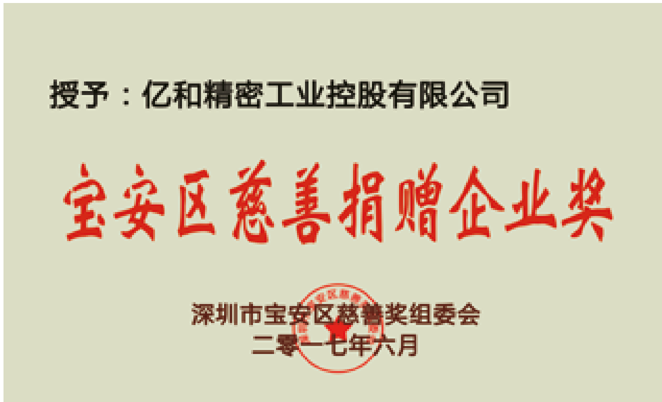
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee care

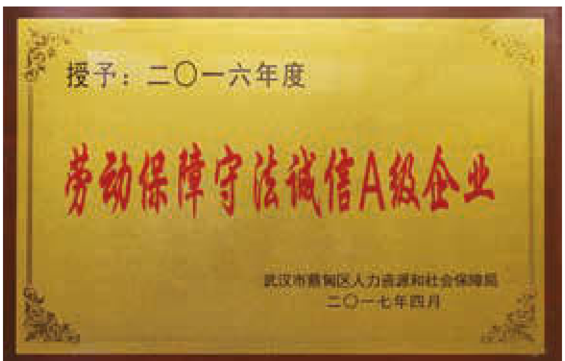
Back in 2008, the Group established the employee caring fund. Since its inception, the employee caring fund has been helping the employees in need or their families who suffered from hardships such as terminal diseases and accidents through cash and in-kind donations, as well as other helpful actions. In 2017, the Group's employee caring fund continued to offer assistances to the employees in need. During the year, we also organised group birthday parties for our employees on a regular basis, so that these employees could share the joy and happiness with their fellow colleagues. We also organised various celebration activities on important festivals such as the international women's day and the Dragon Boat Festival in 2017, with a view to delivering warmth and kindness to our employees.



Charity Enterprise for Supporting the Employment of People with Disabilities



Baoan Charity Donation Enterprise Award



Grade A Trustworthy and Law-abiding Enterprise for Labour Protection

We prepared flowers and gifts for our female employees on the international women's day

ENVIRONMENTAL MANAGEMENT

The Group is a pioneer in environmental management. The Group is committed to minimising the impact of business activities on the environment, and supporting environmental protection programmes. In particular, a number of initiatives designed to conserve resources were introduced to promote employee awareness of the need to achieve efficient utilisation of resources.

We fully understand the importance of environmental protection and environmental friendly production. We take up social responsibilities, and cooperate with our stakeholders including suppliers and customers to make contributions to the conservation of the environment. We implement stringent controls on all manufacturing procedures covering product design, purchases of raw materials, production and deliveries. Accordingly, our manufacturing procedures comply with international standards on environmental management, such as the Restriction of Hazardous Substances Directive (RoHS) and the Directive on Waste Electrical and Electronic Equipment (WEEE), in all aspects.

Emission and waste management

During the year ended 31 December 2017, the Group's greenhouse gas (CO_2) emission was approximately 71,801 tonnes, or approximately 22.74 tonnes per HK$1 million of output. With the target of minimising greenhouse gas (CO_2) emission, all of our key production equipment are driven by electricity instead of being fueled by diesel. Greenhouse gas (CO_2) is mainly generated from transportation activities and certain ancillary equipment. As one of our emission reduction initiatives, we have a policy of phasing out those ancillary equipment fueled by fossil energy and, upon replacement, purchasing new equipment driven by electricity or natural gas whenever possible. With a view to reducing the frequency of product transportation, relevant employees are required to plan the product delivery logistics in a more efficient manner and, if necessary, temporary warehouses are rented in the proximity of our customers.

During the year ended 31 December 2017, the Group generated non-hazardous wastes such as metals, degradable plastics, wooden boxes and other non-chemical wastes of approximately 1,826 tonnes, or approximately 0.58 tonnes per HK$1 million of output. The Group aims to operate our industrial parks with maximum resources efficiency by minimising the materials used throughout the manufacturing processes and increasing the recycling rate and the use of reusable materials. We keep track on the materials that we use, aiming to reduce unnecessary waste of materials. Moulds, which are manufactured by ourselves for subsequently producing components, are carefully designed with a target of minimising material wastage in the component production processes. Throughout our production, we have also developed and installed devices to further reduce the consumption of excessive parts and materials. In order to increase our recycling rate and maximise our resources efficiency, we have set up recycling centres at all industrial parks, where staff collect and compact recyclable materials, including cardboard and metals. Recyclable materials are recycled at material recovery centres. We also work closely with our suppliers by returning recyclable materials to suppliers for reuse. As a result, we could create a close-loop recycling system by increasing the use of recycled materials for the purpose of reducing wastes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2017, the Group generated hazardous wastes such as waste electrical and electronic items and waste chemicals of approximately 66 tonnes, or approximately 0.02 tonnes per HK$1 million of output. To meet our stakeholders' expectations and our environmental goals, it is critical to ensure that we have the high degree of safety in treating our hazardous waste, as well as comply with relevant laws and regulations. We strive to achieve our goals by the best practices, which include:

- Provide clear work instructions and protection gears for employees at all times;
- Ensure employees have taken the hazardous waste and chemical management trainings before getting on board;
- Hazardous wastes are stored in special containers that are acid resistant and solvent resistant;
- Hazardous wastes are delivered by separate vehicles;
- Storage units for storing the hazardous wastes are specially constructed to prevent exposure, spillage, fire and explosion at isolated area within the site;
- Hazardous wastes are categorised and stored in corresponding sections within the storage units; and
- Hazardous waste will be disposed and handled by government authorised hazardous waste disposal companies.

With a view to minimising the use of materials that generate hazardous wastes, we maintain close dialogue with customers and suppliers with a view to always exploring the possibility of using alternate materials in the manufacturing processes. Procurements of materials that generate hazardous wastes are closely monitored and approved by higher level of management for the purpose of minimising unnecessary purchases.

Use of resources

The Group consumed approximately 53.5 million kwh, or approximately 16,949.92 kwh per HK$1 million of output, of electricity during the year ended 31 December 2017. Since electricity is the major energy source in our manufacturing processes, energy use efficiency is one of the most important selection criteria in the procurement of production equipment. Further, each of our industrial parks has its own resources conservation team which consists of relevant staff such as production floor managers and equipment technicians. The resources conservation teams conduct regular patrols throughout our manufacturing and dormitory areas to identify any cases of energy waste. All demerit points recorded by the resources conservation team are reported to the appropriate level of management and affect the monthly performance appraisal of the responsible employees, and the responsible employees are also required to prepare corrective action plans for improvements.

We have been using small zone lighting and timer system to control the energy consumption on our production floors. In addition, with a view to reducing the energy usage for air conditioning system, production floor layouts are carefully planned and regularly re-visited to optimise air circulation at the production lines. Thermal insulations are installed on production equipment where appropriate to insulate the heat generated by the machineries to keep the production floors at comfortable temperature.

The Group consumed approximately 5.2 million tonnes, or approximately 1,647.44 tonnes per HK$1 million of output, of water during the year ended 31 December 2017. Clean water is a valuable resource, which the Group is committed to conserving. The Group had not encountered any issue in sourcing water that is fit for purpose. We only use water supplied from municipal sources and do not have any on-site wells or boreholes. To control water pollution, the Group continuously reinforces waste water treatment by strictly following ISO14001 requirements and carrying out measurements of required items, in order to meet the waste water standards in ISO14001. In addition, we have been carrying out various water saving campaigns at dormitories and manufacturing areas with a view to increasing the awareness of conserving water resources among our employees.

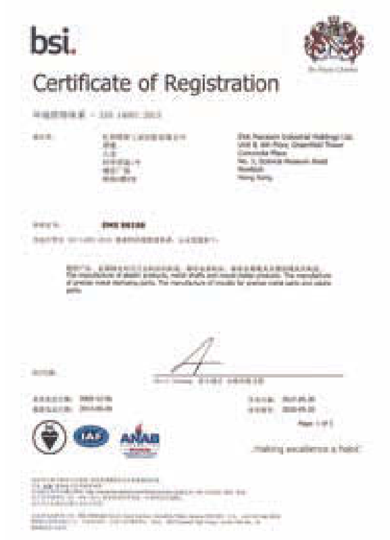
During the year ended 31 December 2017, the Group used packaging materials of approximately 7,855 tonnes, or approximately 2.49 tonnes per HK$1 million of output. To reduce the use of packaging materials, we have increased our internal reuse rate by taking the initiatives of eliminating the use of disposable cardboard boxes and disposable dividers and replacing them with the durable plastic ones. Additionally, we also reuse plastic bags and cardboard dividers that are collected at our recycling centres as internal packaging materials in order to better utilise our resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Results of emission, waste, energy use and water efficiency management initiatives

As a result of our emission, waste, energy use and water efficiency management measures, our greenhouse gas (CO_2) emission, waste (both hazardous and non-hazardous) generation, electricity and water consumption per output were maintained at low level during the year ended 31 December 2017. Since 2003, we have been accredited with ISO14001 environmental management system certificate by the BSI Group. The ISO14001 standards are regularly upgraded, and therefore require the participating companies to continually improve their environmental performance. The implementation of our emission, waste, energy use and water efficiency management and their results enabled us to comply with latest 14001 standards (i.e. the 2015 version), and therefore the Group was ISO14001:2015 compliant as at the date of this report.

Corporate Environmental Leadership Award



ISO14001 certification

Further, as a result of these environment management measures, the Group was once again granted with the "Corporate Environmental Leadership Award" under the "One Enterprise-One Year-One Environmental Project Programme" jointly organised by the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited in 2017. This exemplifies our efforts in conserving the environment and developing our business in a sustainable manner.

OPERATING PRACTICES

Supply chain management

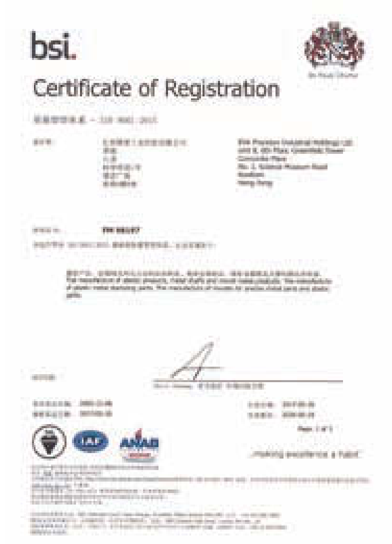
The Group has the greatest respect for the laws and regulations that govern the way we go about our business. The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers.

We adhere to the principle of transparency and implement the values of honesty, integrity and fairness in our supply chain management. Our procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. When selecting suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing and market share assessment. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

To ensure transparency in our tendering procedures, the Group operates the online "EVA Procurement System". Suppliers are required to submit their tenders through this online system so that the details of tenders are known by the entire procurement team, instead of just a single employee. The Group has also provided our stakeholders, including suppliers, with procedures such that they can report any suspected impropriety.

Product responsibility

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. We require our people to comply with applicable governmental and regulatory laws, rules, codes and regulations. To ensure product quality and safety, the Group sets up internal committees which meet regularly and include representatives from various business units and the customers. Policies about product quality and safety and compliance with laws and regulations are posted on the Group's intranet and are clearly communicated to our employees. In addition, the Group runs training sessions for relevant staff members, third-party suppliers and business partners in respect of product responsibilities. Orientation training is conducted for new employees, while refreshment training is provided for all employees on a regular basis.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Certificate of Registration

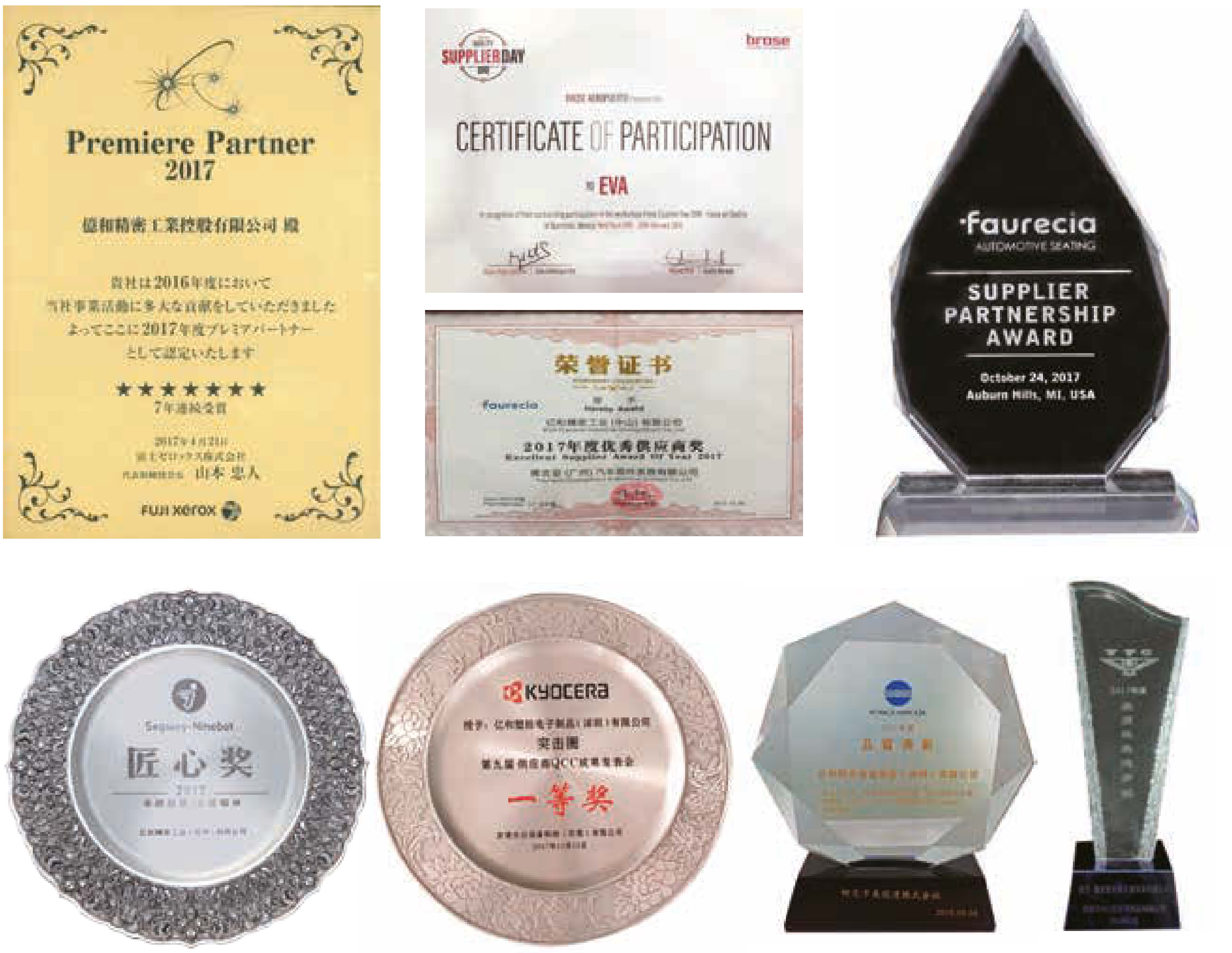
ISO9001 certification

"Quality Control Circles" activity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group adopts international best practices in the area of product quality management, and has been accredited with ISO9001 certification by the BSI Group since 2000. As at the date of this report, the Group was compliant with the latest version of the ISO9001 standards (i.e. the 2015 version).

Various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the year, the Group continued to implement various "Quality Control Circles" activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years, such as Fuji Xerox, Konica Minolta, Canon, Faurecia and Dongfeng.



Accolades from customers

Anti-corruption

The Group takes anti-corruption responsibilities very seriously. Our anti-corruption policies set out standards of conduct to which all employees are required to adhere. The Group has designated hotlines and emails for our stakeholders to report, in confidence, any illegal or fraudulent behaviours to the Board. People making such reports are assured of protection. The designated hotlines and emails are available on the Group's website at www.eva-group.com. A designated internal committee has also been established to regularly review our business practices and anti-corruption measures and guidelines, as well as investigating reported improprieties.

COMMUNITY INVOLVEMENT

The Group embraces "responsibility, creativity and honesty" as its core values. Over the years, it actively carried out corporate social responsibilities and has been participating in various charity activities. Our public engagement and donation policy helps us uphold a commitment to serving the community by way of cash and in-kind donations, as well as staff participation.

Community investment

During the year ended 31 December 2017, a donation of approximately HK$549,000 was made to charitable organisations in Hong Kong and China, covering community projects across our focus areas of community, education, youth and the elderly.

The Group believes that education is the foundation for social improvement and therefore has been contributing substantial resources to education. Back in 2008, we donated for the construction of Chong Shi EVA Primary School in Zhangjiajie, Hunan Province, China, and this school has been providing learning opportunities for many underprivileged children since then. We continued to support education in the community, and donated school uniforms and soccer training clothes to Tangtou Primary School, which is located in Baoan District, Shenzhen, in October 2017 and January 2018 respectively. In Hong Kong, we also sponsored the "2017 Upward Mobility Scholarship" under the Commission on Poverty of the Government of the Hong Kong Special Administrative Region.

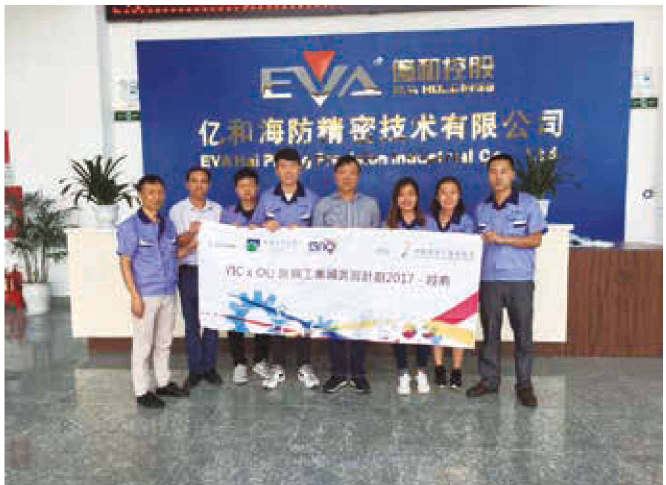
In June 2017, the Group was granted with the "Baoan Charity Donation Enterprise Award" by the Organising Committee for Shenzhen Baoan Charity Award, recognising our active involvement in charitable activities and community services. In 2017, the Group also made donations to support the "Thousand People's Charity Walkathon" which was held in Zhongshan on the Lantern Festival in 2017 and the "Charity Torch" project organised by the Management Committee of Zhongshan Torch National Hi-Tech Industrial Development Zone.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Serving the community

Apart from participating in community services on its own, the Group also encourages other fellow enterprises to contribute to the community through its influence in the industry. As the Chairman Enterprise of Shenzhen Machinery Association (a 5A social organisation accredited by the Ministry of Civil Affairs of China), the Group initiated the "1 to 1" educational sponsorship platform in the organisation, which is an industry wide charity project to provide support for underprivileged students in China. In 2017, a total of 30 enterprises (including the Group) made donations through this platform and the total donations raised was RMB296,500.

The Group sponsored staff to participate in sport charity events. In January 2018, our employees once again participated in the Corporate Challenge organised by the Outward Bound Trust of Hong Kong to support the organisation's various charity projects, and won the first runner up in the Cup Category. Further, with a view to providing Hong Kong students with the opportunities to learn more about the latest industrial development in the emerging countries, we actively participated in the "Internship Programme in Newly Industrialised Country" jointly organised by the Open University of Hong Kong and Hong Kong Young Industrialists Council in summer 2017. As part of the activities under this program, we arranged for the Hong Kong students to travel to our Shenzhen (Shiyan) industrial park for a factory tour and to our Vietnam industrial park for a six-week internship to help them understand the latest industrial practices and gain knowledge beyond their school curriculum. We also supported the "Suzhou Internship Programme" jointed organised by Vocational Training Council and Hong Kong Young Industrialists Council, and offered the Hong Kong students with internship opportunities in our Suzhou industrial park in 2017.



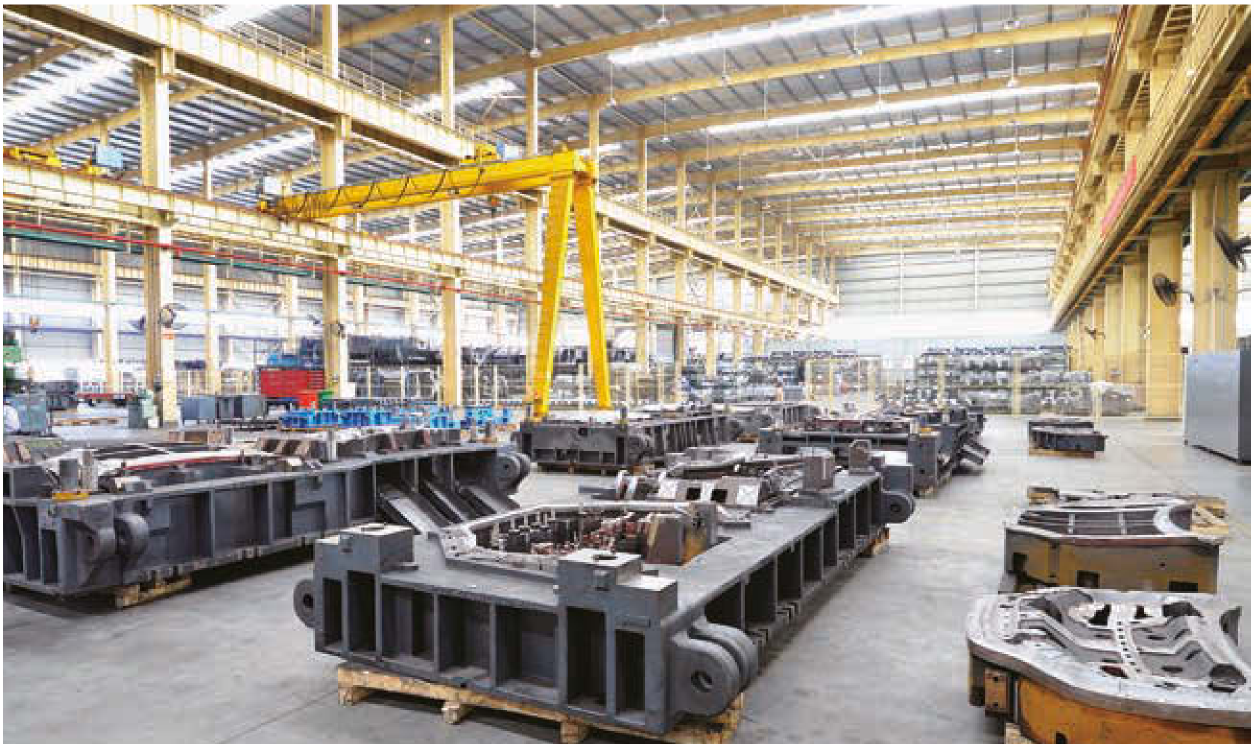
Internship opportunities in Vietnam were offered to Hong Kong students under "Internship Programme in Newly Industrialised Country"

In January 2018, our employees participated in the Corporate Challenge organised by the Outward Bound Trust of Hong Kong once again

In recent years, the returnees who studied abroad have been one of the important driving forces for the development of China. To assist these returnees to understand more about the latest industrial development and business culture in China, we arranged a tour to our Shenzhen (Shiyan) industrial park for the members of Shenzhen Overseas Chinese Returnees Association in June 2017, and shared our views about China's economic and industrial development with the young overseas returnees. In June 2017, more than 200 students from Tangtou Primary School visited our Shenzhen (Shiyan) industrial park, experiencing a special extra-curricular activity and obtaining their first knowledge about how a modernised factory looked like. In addition, the Group dispatched a representative team to participate in the "Walking Hand-in-Hand With Love - 2017 Charity Mini Run" activity jointed organised by Shenzhen Baoan General Chamber of Commerce, Shenzhen Baoan Charity Federation, Shenzhen Baoan Volunteers Association and Bank of China Baoan Branch in April 2017 to support the event's objectives of promoting charity culture and healthy life style.

More than 200 students from Tangtou Primary School visited our Shenzhen (Shiyan) industrial park in 2017

MANAGEMENT DISCUSSION AND ANALYSIS

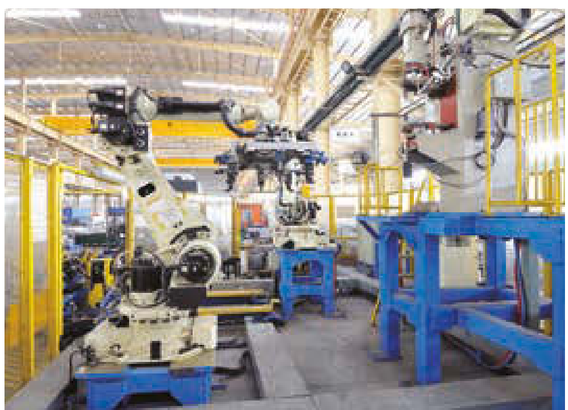


Workshop for automobile moulds used for high tensile autobodies

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events and Development

The year 2017 saw a strong profit rebound for the Group, which was primarily driven by an enhancement in productivity. Since 2016, the Group has been implementing various cost control measures and streamlining its workforce with a view to coping with the rising wage level in China and improving efficiency. The roles of various departments were carefully revisited, and administrative responsibilities were reassigned to optimise performance. At the same time, innovative automation solutions and new robotic equipment were brought into our production lines, and workers' schedules were more meticulously planned to minimise overtime hours. These efforts started to bring about positive outcomes during the year. Excluding the new headcount recruited by our new Vietnam industrial park, the Group's headcount in China and other regions (excluding Vietnam) continued to decrease from 7,734 employees as at 31 December 2016 to 7,235 employees as at 31 December 2017. Employment and various operating expenses decreased, which led to a strong improvement in the profit margin of the Group during the year.



Robotic assembly

Turnover of the Group also saw signs of improvement. At the start of the previous year, the Group's customers in the office automation ("OA") equipment sectors were affected by pessimism in the business community and experienced a slowdown in demand, which in turn had a negative impact on the sales orders received by the Group. Following a rejuvenation of business confidence in late 2016, the demand from these customers started to improve. However, in September 2016, the OA equipment division of Samsung Electronics ("Samsung Printing Solutions"), which had been a customer of our Suzhou industrial park since 2012, was acquired by Hewlett-Packard. Thereafter, Samsung Printing Solutions moved the production of its OA equipment products from Suzhou and consolidated such production in Weihai, Shandong Province, leading to a reduction in the sales to Samsung Printing Solutions by our Suzhou industrial park during the year. Accordingly, despite a general improvement in the demand from other customers, the Group witnessed a slight reduction in its turnover during the year ended 31 December 2017. At present, the Suzhou industrial park continues to serve other reputable office automation equipment brand names, which include Canon, Fuji Xerox, Konica Minolta and Ricoh.

Nonetheless, the Group remains confident about the future growth momentum of its OA equipment business despite the temporary reduction in turnover. In particular, the production demand from the combined company of Hewlett-Packard and Samsung Printing Solutions ("HP Printing"), which is much larger than that from Samsung Printing Solutions alone, presents the Group with a remarkable opportunity to largely expand its revenue from the OA equipment market. During the year, the Group has been informed by HP Printing that its production volume in Weihai increased significantly. Given the excellent track record of the Group in serving its predecessor entity in Suzhou, the Group was invited by HP Printing to set up a new industrial park in Weihai to serve its enlarged

2,700T servo line at Digit Hubei (Wuhan) Automobile Industrial Park

MANAGEMENT DISCUSSION AND ANALYSIS

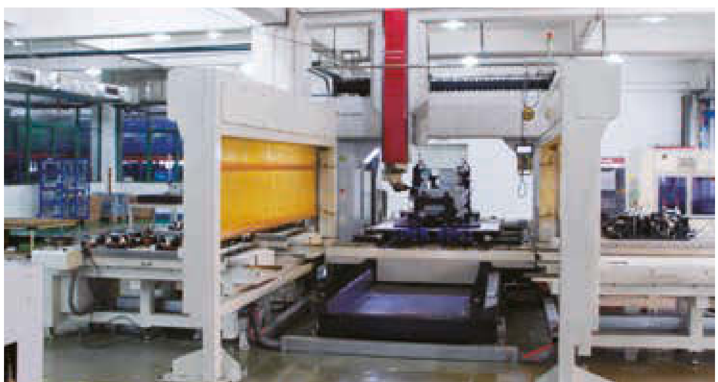
Plastic injection production lines

production demand there, which is a strong endorsement of our outstanding quality and production management expertise. The new Weihai industrial park has a land area of approximately 349,000 square metres. Phase one of the new Weihai industrial park is planned to have a floor area of 79,000 square metres, and is scheduled to start production in the second half of 2019. After taking into account the significantly larger production scale of HP Printing, we believe that the potential sales volume of the Group's future Weihai industrial park, when complete, will be significantly higher than that previously made by our Suzhou industrial park to Samsung Printing Solutions in Suzhou.

Further, as the growth in the production demand of HP Printing in Weihai is imminent, the Group has acquired Intops (Weihai) Electronics Co., Ltd., a component manufacturer, in December 2017 at a consideration of HK$52,736,000 for the purpose of accelerating the Group's development in Weihai and serve HP Printing better. At the same time, the Group has also rented a temporary factory in Weihai to serve HP Printing before the new self-constructed Weihai industrial park is completed.

On the other hand, the Group continues to see great potentials for revenue growth from other OA equipment customers with Japanese background, which have long been our major customer group for years. In January 2018, Fuji Xerox, one of the Group's largest and longest standing customers, announced its acquisition of Xerox through a reverse takeover. The Group continued to be one of the important suppliers of Fuji Xerox after the acquisition.

Prior to this business combination, the operating regions of Fuji Xerox and Xerox were separated. Fuji Xerox sold mainly to Japan and the Asia Pacific Region, whilst the United States and European market were served by Xerox, and Xerox had not been our customer in the past. Through acquiring Xerox and consequently its United States and European markets, Fuji Xerox is significantly enlarged in its business scale and production demand, which is very likely to strongly drive the Group's revenue from 2018 onwards as the Group has been one of the key suppliers of Fuji Xerox with a business history of more than 15 years.


Laser welding machine

In early 2017, the Group's Vietnam industrial park, which was completed in late 2016, commenced commercial production. The Group's new Vietnam industrial park was built at the invitation of certain of the Group's major customers in the OA equipment market which have already set up assembly plants in Vietnam for a long time. However, in the past, we only had production facilities in China and were therefore unable to serve the assembly plants of our OA equipment customers in Vietnam, as these customers adopts just-in-time production systems which require their suppliers to be located in their proximity. By entering into our customers' supply chains in Vietnam through the establishment of a new industrial park there, our addressable market within the OA equipment industry is enlarged. During the year, the majority of the turnover of the new Vietnam industrial park was generated from the OA equipment customers. However, the new Vietnam industrial park can also expand later into other sectors such as the high end consumer electronics sector, as Vietnam is also well known as one of the major manufacturing hubs for high end consumer electronics products.

Throughout the year of 2017, the Group's Vietnam industrial park had been ramping up its production. After the initial stage of commercial production, the Vietnam industrial park experienced a robust growth in sales which was driven by the OA equipment customers in the second half of 2017, a trend which we expect to continue into 2018 and onwards. In order to cope with the rapidly expanding production demand from our customers, the Group started to construct phase two of the Vietnam industrial park in 2017. The new phase two of the Vietnam industrial park has a planned floor area of approximately 46,000 square metres. We plan to complete the construction of the Vietnam industrial park in the second half of 2018, since the demand from our customers is imminent.

During the year, we continued to see significant progress in the automobile business line of the Group. Given the excellent track record of the Group in China, the Group was invited by existing automobile customers to establish a new industrial park in Mexico to serve their existing plants there. The new Mexico industrial park is planned to be located at San Luis Potosí, Mexico where a lot of famous automakers and multinational tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler, Nissan, Brose and Faurecia, have production bases either locally or in the adjacent states. The new Mexico industrial park has a land area of approximately 83,000 square metres and its development is divided into phases. Phase one is planned to have a floor area of approximately 17,000 square metres, and is scheduled for completion in late 2018. Additional capacity can be added should our production capacity be unable to cope with the huge demand for high quality automobile moulds and components in Mexico, which is one of the major production hubs in the world for automobiles.

With a view to differentiating from the majority of domestic automobile suppliers in China whose products are small in size and do not form the core part of the automobiles, the Group's automobile business line focuses on the production of moulds and high tensile components used for auto bodies which require high safety and anti-collision standards. Since 2017, the Group has been making conscious effort to expand the customer base of its automobile business line in China by developing more in-depth business relationships with internationally renowned tier-one suppliers in the automobile

MANAGEMENT DISCUSSION AND ANALYSIS

industry like Faurecia, Brose and Yamada, who are recognised leaders in their respective product fields. Positive feedback and increasing sales orders have been received from these tier-one suppliers. During the year, we also continued to strengthen the business partnership with key automakers in China like Dongfeng in Wuhan and Changan Suzuki in Chongqing, and received the "Excellent Supplier" award from Dongfeng again, our fifth accolade from them since we became their supplier five years ago. As a result of our various efforts, our turnover from the automobile industry continued to increase during the year ended 31 December 2017.

In recent years, the Chinese government has made conscious efforts to transform China from a low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency. As a result, a lot of local high technology companies emerged in China in recent years, which created many new business opportunities for the Group in the smart device and high end consumer electronics markets as product quality and engineering expertise are also essential for high technology products. In addition, for the purpose of focusing resources on our core manufacturing business, we reduced the shareholding interests in three subsidiary companies whose businesses or customers are not the development focus of the Group in July 2017, and thereafter these companies ceased to be the subsidiaries of the Group.

Despite a general improvement in the demand from most of our customers, the turnover of the Group decreased slightly by 1.6% to HK$3,157,089,000 for the year, which was primarily caused by the relocation of the manufacturing facilities of Samsung Printing Solutions as mentioned above. Gross profit margin, however, increased to 24.8%, which was mainly caused by the various cost control measures adopted by the Group since 2016 which led to a decrease in employment and other production costs. Various other operating costs of the Group also decreased due to cost control. The new Vietnam industrial park, which incurred initial losses in 2016, started to generate profit in 2017. In addition, for the previous financial year, the Group's profit margin was lower and certain of its subsidiaries incurred losses, which increased the overall effective tax rate of the Group in 2016 as such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries. This situation changed as profit margin improved during the year ended 31 December 2017, leading to a reduction in the effective tax rate of the Group. As a result, the Group's net profit rebounded sharply and increased by 150% to HK$133,699,000 for the year ended 31 December 2017.

During the year, we continued to devote substantial efforts on maintaining a healthy balance sheet. We took steps to streamline our working capital requirements, and accordingly our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) reduced from 36 days in 2016 to 32 days in 2017. Our net debt-to-equity ratio was low at 4.8% as at 31 December 2017, which has a strong appeal to existing and target customers looking for manufacturing partners as financial stability has become one of their key criteria for supplier selection to ensure a reliable supply chain.

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, and will 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 with high potentials which can add to our existing portfolio. We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2017 is no exception. Further, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 126,836,000 shares from the market in 2017 and early 2018. 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.

Robotic arms were installed on existing production lines to automate production

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	2017 HK$'000		2016 HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**231,326**	7.3%	303,246	9.4%
Manufacturing of metal stamping components	**1,417,489**	44.9%	1,312,068	40.9%
Manufacturing of lathing components	**99,660**	3.2%	126,151	3.9%
Others (Note 1)	**28,898**	0.9%	27,291	0.8%
	1,777,373		1,768,756	
Plastic division				
Design and fabrication of plastic injection moulds	**77,371**	2.4%	127,689	4.0%
Manufacturing of plastic injection components	**1,294,265**	41.0%	1,279,243	39.9%
Others (Note 1)	**8,080**	0.3%	8,723	0.3%
	1,379,716		1,415,655	
Income from micro lending business	**–**	–	24,879	0.8%
Total	**3,157,089**		3,209,290	
Segment results				
Metal division	**108,456**		56,819	
Plastic division	**86,296**		48,292	
Micro lending business	**5,470**		15,499	
Operating profit	**200,222**		120,610	
Unallocated expenses	**(7,015)**		(5,946)	
Finance income	**7,315**		5,378	
Finance costs	**(32,282)**		(35,919)	
Income tax expense	**(33,453)**		(22,396)	
Non-controlling interests	**(1,088)**		(8,241)	
Profit attributable to equity holders of the Company	**133,699**		53,486	

Note 1: Others mainly represented sales of scrap materials.

Turnover

Samsung Printing Solutions, which had been a customer of the Group's Suzhou industrial park since 2012, was acquired by Hewlett-Packard in September 2016. Thereafter, Samsung Printing Solutions moved away from Suzhou and consolidated their production in Weihai, Shandong Province. Although our Suzhou industrial park continued to generate substantial revenue from other reputable customers, the loss of revenue from Samsung Printing Solutions unavoidably affected the Group's total turnover. Turnover of the Group decreased slightly by 1.6% to HK$3,157,089,000 in 2017 despite a general improvement in demand from most of the other customers.

In August 2016, the Group reduced the shareholding interest in its micro lending company from 60% to 40%. Thereafter, the micro lending company ceased to be a subsidiary of the Group, and the Group ceased to recognise the income from micro lending business as its own turnover. Accordingly, there was no turnover from the micro lending business during the year ended 31 December 2017.

Gross profit

The Group has been implementing production automation and streamlining its workforce with a view to improving productivity, which led to a reduction in employment and other costs during the year ended 31 December 2017. As a result, gross profit margin increased to 24.8%.

Segment results

As mentioned above, the Group experienced an improvement in gross profit margin during the year. The Group's general and administrative expenses for the year ended 31 December 2017 also decreased as a result of cost control. Further, the new Vietnam industrial park, which incurred initial losses in 2016, started to generate profit in 2017. Accordingly, the operating profit margin of the Group's metal and plastic divisions increased to 6.1% and 6.3% respectively.

Operating profit from the micro lending business for the year ended 31 December 2017 represented the Group's share of 40% of the profit of the micro lending company through equity pick-up.

Finance income and costs

The majority of the Group's cash and bank deposits are denominated in Hong Kong and United States dollars. During the year ended 31 December 2017, finance income increased as the interest rates from bank deposits in Hong Kong and United States dollars increased. The Group's finance costs decreased to HK$32,282,000, which was primarily caused by the reduction in bank borrowings and finance lease liabilities for most of 2017. Although the Group's bank borrowings as at 31 December 2017 increased as compared to last year, most of the new bank borrowings were drawn near year-end to prepare for the payment of capital expenditure in 2018 in relation to the Group's new industrial parks under construction.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

During the year, income tax expense amounted to HK$33,453,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 19.9%, which decreased as compared to that in 2016. In 2016, the Group paid additional taxes of HK$3,747,000 to the tax authorities in China in relation to certain non-tax deductible expenses in prior years, whilst the Group received tax refunds of HK$1,890,000 from the tax authorities in China in 2017. In addition, the Group's profit margin was lower and certain of its subsidiaries incurred losses in 2016, which increased the overall effective tax rate of the Group as such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries. This situation changed as profit margin improved during the year ended 31 December 2017, which led to a reduction in the effective tax rate of the Group.

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company increased by 150% to HK$133,699,000, which was primarily caused by the improvement in the Group's operating profit margin as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2017, the Group continued to devote substantial resources to controlling its working capital requirements. However, as the items affecting working capital such as inventories and trade receivables were already at low level by end of 2016, the operating cash inflow that can be generated through working capital management decreased as compared to that in the previous year. Accordingly, the Group's net cash inflow from operating activities for the year decreased to HK$301,469,000 (2016: HK$552,092,000). During the year, the Group was in the process of setting up new industrial parks in Weihai and Mexico, and was also constructing phase two of the Vietnam industrial park. Therefore, the Group paid deposits and prepayments relating to capital expenditure which led to an increase in cash outflow from investing activities from HK$373,307,000 in 2016 to HK$437,964,000 in 2017. By end of 2017, the Group drew new bank borrowings in preparation to continue paying for the capital expenditure in 2018 in relation to the Group's new industrial parks under construction. Accordingly, the Group recorded net cash inflow from financing activities of HK$3,264,000 despite share repurchases in 2017 (2016: net cash outflow of HK$352,877,000).

Bank loans as at 31 December 2017 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. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

	31 December 2017	31 December 2016
Inventory turnover days (Note 1)	**59**	48
Debtors' turnover days (Note 2)	**99**	90
Creditors' turnover days (Note 3)	**126**	102
Cash conversion cycle (Note 4)	**32**	36
Current ratio (Note 5)	**1.27**	1.54
Net debt-to-equity ratio (Note 6)	**4.8%**	-0.4% (Net cash)
Net profit margin (Note 7)	**4.2%**	1.7%
Return on shareholders' equity (Note 8)	**5.0%**	2.1%

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.

7. Net profit margin is based on profit attributable to equity holders of the Company divided by turnover.

8. Return on shareholders' equity is based on profit attributable to equity holders of the Company divided by shareholders' equity.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventory turnover days

As at 31 December 2017, the Group's inventory balance increased to HK$381,662,000 (as at 31 December 2016: HK$325,615,000), which was primarily caused by an increase in moulds and components under production as at year-end. These moulds and components were due for delivery in early 2018. As inventory balance increased, inventory turnover days for the year increased to 59 days.

Debtors' and creditors' turnover days

The Group experienced a reduction in sales at the start of 2017. The situation improved after mid 2017 and the sales orders have been progressively increasing since then. Trade receivables as at 31 December 2017 increased as a higher portion of sales in 2017 occurred in the last quarter, resulting in an increase in debtors' turnover days to 99 days for the year.

At the same time, for the purpose of streamlining working capital requirements, the Group arranged with its banks to increase the issue of discountable notes to the Group's suppliers for the settlement of raw material purchases, which led to an increase in creditors' turnover days to 126 days during the year.

Current ratio and net debt-to-equity ratio

In 2017, additional short-term bank loans were drawn to finance the Group's share repurchases. Further, certain long-term instalment loans drawn by the Group before 2017 were repayable in 2018, and were therefore reclassified from non-current liabilities to current liabilities on the balance sheet in 2017 in accordance with relevant accounting standards. As a result, current liabilities of the Group increased and the current ratio decreased to 1.27 as at 31 December 2017.

Net debt-to-equity ratio as at 31 December 2017 increased as a result of the increase in bank borrowings and share repurchases as mentioned above.

Net profit margin and return on shareholders' equity

The improvement in the Group's net profit margin and return on shareholders' equity was caused by the increase in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2017, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	23.9%	5.3%
US dollars	48.2%	54.9%
Renminbi	26.2%	39.7%
Euro and Vietnamese Dong	1.7%	0.1%

A majority of the Group's customers in both China and Vietnam are reputable international brand owners with worldwide distribution networks. At the same time, a substantial portion of the Group's suppliers in both China and Vietnam are international metal and plastic material producers designated by the Group's customers. Accordingly, approximately 72.1% of the Group's sales and 60.2% of its raw material purchases were made in Hong Kong dollars and US dollars (which are pegged) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in Euro and Vietnamese Dong were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in Euro and Vietnamese Dong.

Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations. Further, it is currently planned that the Group's new industrial parks in Weihai, China and Mexico will target at serving international OA equipment and automobile customers respectively, and will purchase raw materials from international suppliers designated by such customers. Accordingly, it is expected that the majority of sales and raw material purchases of the Group's new industrial parks in Weihai and Mexico will be denominated in US dollars.

At present, although the Group endeavours to transact sales and raw material purchases in matching currencies, the percentage of the Group's raw material purchases in Renminbi is still larger than the percentage of its sales in Renminbi due to the Group's substantial production operations in China. However, management is of the view that the exchange rate risk is not high because Renminbi is unlikely to resume a long-term appreciation trend in a foreseeable future. Going forward, management will continue to evaluate the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

During the year, the total number of the Group's employees increased slightly from 7,855 employees as at 31 December 2016 to 8,015 employees as at 31 December 2017. This slight increase was primarily caused by the new headcount recruited by the new Vietnam industrial park which started commercial production in early 2017. Excluding the new headcount recruited by the Vietnam industrial park, the Group's headcount in China and other regions reduced from 7,734 employees as at 31 December 2016 to 7,235 employees as at 31 December 2017, which was mainly caused by production automation and management improvement measures to streamline the headcount and internal structures of the Group.

The Group considers its employees, in particular the skilled engineers 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 are 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 participate. 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.

The average length of services of the Group's employees below and above manager grade was 8.1 years and 2.4 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK$5,570,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$155,539,000 for securing finance lease liabilities.

OUTLOOK

Since mid 2017, we have been seeing business environment turn in our favour. Despite a temporary reduction in turnover caused by the acquisition of Samsung Printing Solutions by Hewlett-Packard, we turn out to be a beneficiary thereof as we continue to serve as a key supplier to the combined company i.e. HP Printing. Since HP Printing has a significantly larger business scale, we see enormous growth potentials for our new Weihai industrial park upon completion. The acquisition of Xerox by Fuji Xerox in early 2018 is also very likely to strongly drive the Group's revenue growth, as Fuji Xerox is one of our longest standing customers and its sales and production demand were considerably enlarged by this acquisition. We saw robust growth momentum for our Vietnam industrial park in the second half of 2017, a trend which we expect to continue into 2018 and onwards. At the same time, the foundation of our automobile business line became more solid as we expanded our customer base, and our entry into Mexico can also provide our automobile business line with an additional revenue stream from a new geographical market. As the platform for significant business growth has now been set, we are confident about a robust business performance ahead.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2017 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 55, 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 Hongkong" 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 a member of the Chongqing Committee of the Chinese People's Political Consultative Conference, and is also the ex-officio advisor of Hong Kong Young Industrialists Council, the honorary chairman of The Hong Kong Metals Manufacturers Association and the honorary president of Hong Kong Mould and Product Technology Association. 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 43, 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, production facilities management and business risk monitoring. 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, production facilities management 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.

Mr. ZHANG Yaohua, aged 45, 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 a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference, and is also the executive president of the 8th council of Shenzhen Machinery Association (深圳市機械行業協會), the council member of Shenzhen General Chamber of Commerce (深圳市商業聯合會), the vice president of Guangdong Die & Mould Industry Association (廣東省模具工業協會), Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會). 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, 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. He was also accredited as one of the "Ten New Figures in Guangdong's Business Community" (廣東商界十大新銳人物) by Guangdong General Chamber of Commerce (廣東省商業聯合會) in 2015 and received "30 years in Shenzhen Machinery Industry – Outstanding Contribution Award" (深圳機械三十年 – 卓越貢獻獎) from Shenzhen Machinery Association (深圳市機械行業協會) in 2016. Further, Mr. Zhang was accredited as one of the "Top 100 Business Leaders in Shenzhen" (深圳百名行業領軍) by Shenzhen Non-Governmental Organisation Federation (深圳市社會組織總會), Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), 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) in 2017, and was granted with "Shenzhen Industry Award – the Industrialist Award" (深圳工業大獎 – 工業家獎) by the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報) in 2018. 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.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho, aged 89, 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 50 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 Consultative 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. Mr. Choy was appointed as a director on 11 January 2005.

Mr. LEUNG Tai Chiu, aged 71, 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 Chemical Holdings Limited, 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 56, was appointed as an independent non-executive director on 11 January 2013. He is also 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, a public company listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 45, is the chief financial officer of the Group and the company secretary of the Company. Mr. Wong is responsible for the accounting, taxation and financial affairs of the Group. Mr. Wong has more than 20 years of experience in the field of auditing, accounting and taxation. He is a member of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in 2004, he served as a senior manager of a major international accounting firm. Mr. Wong holds a bachelor's degree in business management from the Hong Kong University of Science and Technology and an Executive MBA degree from the Chinese University of Hong Kong. Mr. Wong was appointed as the company secretary on 31 August 2004.

The Group is committed to maintaining high standards of corporate governance. 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 ensuring 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;

– handling and dissemination of inside information;

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

– approving material borrowings and treasury policy.

CORPORATE GOVERNANCE REPORT

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

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 details of the directors are set out on page 62 to page 64 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.

Mr. Choy Tak Ho and Mr. Leung Tai Chiu have acted as the independent non-executive directors of the Company for more than nine years. The Company has received from each of Mr. Choy Tak Ho and Mr. Leung Tai Chiu a confirmation of independence according to Rule 3.13 of the Listing Rules. Throughout their directorships with the Company, Mr. Choy Tak Ho and Mr. Leung Tai Chiu have 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 have never engaged in any executive management. Taking into consideration the independent nature of their roles and duties, the Board considers Mr. Choy Tak Ho and Mr. Leung Tai Chiu to be independent under the Listing Rules although they have served the Company for more than nine years.

In accordance with the Company's articles of association, Mr. Leung Tai Chiu shall retire from office by rotation at the forthcoming annual general meeting. 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. A circular containing detailed information of all directors standing for re-election at the forthcoming annual general meeting of the Company will be sent to the shareholders.

The Group has also received from 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 he is 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 meeting of the Company. These contracts are terminable by the Company within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

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

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 2017, 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 2017.

Board and general meetings

During the year ended 31 December 2017, the Company held 14 full Board meetings and one general meeting.

	Number of attendance	
Directors	**Board meeting**	**General meeting**
Executive directors		
Mr. Zhang Hwo Jie	14/14	1/1
Mr. Zhang Jian Hua	14/14	0/1
Mr. Zhang Yaohua	14/14	1/1
Independent non-executive directors		
Mr. Choy Tak Ho	14/14	1/1
Mr. Leung Tai Chiu	14/14	1/1
Mr. Lam Hiu Lo	14/14	1/1

Mr. Zhang Jian Hua had not attended the general meeting of the Company in 2017 since he had other business commitments in relation to the Group that required his attendance. In addition, a Board meeting between the Chairman and the independent non-executive directors was held in 2017 pursuant to A.2.7 of the CG Code. The Chairman and all independent non-executive directors had attended that meeting. Since the non-attendance of the other executive directors was required for that meeting, Mr. Zhang Jian Hua and Mr. Zhang Yaohua had not attended that meeting.

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 the directors 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.

CORPORATE GOVERNANCE REPORT

The individual training record of each director during the year ended 31 December 2017 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)

Note:

1. (A): attending briefing sessions and/or seminars; and (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 is also responsible for reviewing the interim and annual reports and financial statements of the Group and overseeing the Group's financial reporting system and corporate governance function. It also reviews the effectiveness of the Group's risk management system and internal audit function. 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 2017, 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, and 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 2016 and the interim financial statements for the six months ended 30 June 2017 before recommending the financial statements to the Board for approval.

The external auditor 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 2017. The audit committee considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, 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 appointment as directors, and determining the policy for 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 2017, 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 the independent non-executive directors during the year ended 31 December 2017. 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.

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 2017, 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 directors upon renewal of directors' service contracts. Details of the remuneration to directors and senior management for the year ended 31 December 2017 are set out in Note 38 and Note 27 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 "2005 Share Option Scheme"). As the 2005 Share Option Scheme expired on 19 April 2015, the Company adopted a new share option scheme (the "2015 Share Option Scheme") to replace the 2005 Share Option Scheme. The terms of the 2015 Share Option Scheme had been reviewed by the remuneration committee before recommending to the Board and shareholders for approval. The 2015 Share Option Scheme became effective on 21 May 2015, the date on which it was approved by the shareholders on the annual general meeting of the Company that was held on the same day.

CORPORATE GOVERNANCE REPORT

The purposes of the 2005 Share Option Scheme and the 2015 Share Option Scheme are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of these share option schemes include any executive, non-executive and independent non-executive directors of the Company. During the year ended 31 December 2017, 70,300,000 options were granted to the eligible participants under the 2015 Share Option Scheme. The grant of these options had been approved by the remuneration committee. Further details in respect of the Group's share option schemes are set out in the sub-section headed "Share Options" under the section headed "Report of the Directors" of the annual report.

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The audit committee is also responsible for 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 2017. 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 analysis 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. 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 but 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 2017, and considered them effective and adequate.

The directors acknowledged their responsibilities for the handling and dissemination of inside information. With a view to identifying, handling and disseminating inside information, various procedures including pre-clearance on dealing in the securities of the Company by designated members of management, notification of regular blackout period and securities dealing restrictions to relevant directors and employees, restrictions on access to financial records and dissemination of information on a need-to-know basis have also been implemented by the Group to guard against possible mishandling of inside information within the Group.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$3,540,000. The audit fee was approved by the audit committee. The statement made by the external auditor in respect of their reporting responsibilities is set out on page 102 to page 109 of the annual report.

During the year ended 31 December 2017, 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$379,000. The non-audit services comprised tax compliance services of approximately HK$59,000 and non-audit review of interim consolidated financial statements of approximately HK$320,000. 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 2017 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, 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 the 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 principal place of business of the Company in Hong Kong 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 2017.

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, the Company reported that all directors had complied with the required standards set out in the Model Code during the year ended 31 December 2017 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 2017.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2018

REPORT OF THE DIRECTORS

The directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of precision manufacturing services in China, focusing on the production of moulds and components and automated assembly services with high quality standard and dimensional accuracy.

In 2017, the Group operated eight industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan) and Vietnam (Haiphong). In 2018, the Group extended its production business to Weihai, China through an entity newly acquired in December 2017. At the same time, the Group is in the process of constructing a new industrial park in Weihai to expand its business there. Another new industrial park located at San Luis Potosí, Mexico is also under construction.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2017 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 2017 attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	6.1%
Five largest suppliers combined	22.3%

The Group's length of relationship with its five largest suppliers ranged from 6 to more than 10 years. The Group's length of relationship with its remaining suppliers ranged from 1 to more than 10 years.

Sales

The largest customer	17.7%
Five largest customers combined	56.2%

The Group's length of relationship with its five largest customers was more than 10 years. The Group's length of relationship with its remaining customers ranged from 1 to more than 10 years.

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

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2017 is set out in the sections headed "Chairman's Statement" on page 28 to page 32, "Environmental, Social and Governance Report" on page 33 to page 47 and "Management Discussion and Analysis" on page 48 to page 61 of this report. Principal financial risks and uncertainties facing the Group are set out in Note 3 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 112 to page 113.

DIVIDEND

The Board recommends the payment of a final dividend of HK1 cent per ordinary share, totaling approximately HK$17,578,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2018, the final dividend will be paid on 4 June 2018. Including the interim dividend of approximately HK$22,973,000 paid on 21 September 2017 in respect of the six months ended 30 June 2017, the total dividends declared for the year ended 31 December 2017 will be approximately HK$40,551,000.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the Group's key relationships with employees, customers and suppliers are set out in the section headed "Environmental, Social and Governance Report" on page 33 to 47.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on page 33 to 47.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2017, as far as the Company is aware, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2017 are set out in Note 6 to the consolidated financial statements.

REPORT OF THE DIRECTORS

BORROWINGS AND INTEREST

Details of borrowings are set out in Note 20 and Note 21 to the consolidated financial statements. Interest and other borrowing costs are set out in Note 28 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of movements in share capital and reserves during the year ended 31 December 2017 are set out in Note 23 and Note 24 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2017 amounted to HK$549,000.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 27 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A five years financial summary of the Group is set out on page 222.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2017.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors during the year ended 31 December 2017 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 will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. During the year ended 31 December 2017 and up to the date of this report, no director has resigned or refused re-election.

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.

PERMITTED INDEMNITY

The Company's articles of association provide that the directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the directors of the Company.

The Group has also arranged appropriate insurance cover in respect of relevant actions against its directors. Save as the aforesaid, there is no provision for indemnity against liabilities incurred by the directors to third parties.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the directors' service contracts, no other transaction, arrangement or contract 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 2017 and up to the date of this report, none of the directors of the Company is considered to have direct or indirect interest in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

EQUITY-LINKED AGREEMENTS

The Company has share option schemes, the details of which are set out in the section headed "Share Options" in the Report of the Directors. Save as the aforesaid, no equity-linked agreement was entered into or existed during the year ended 31 December 2017 and up to the date of this report.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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 37.45% shareholder of the Company as at 31 December 2017 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 on 20 April 2005.

In 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 Indemnifiers. The remaining balance of HK$4,760,000 would also be indemnified by the Indemnifiers by three annual instalments from December 2015 to December 2017. All instalments had been paid by the Indemnifiers before 31 December 2017 and therefore there was no balance payable by the Indemnifiers as at 31 December 2017.

The above transaction constitutes a connected transaction in accordance with Chapter 14A of the Listing Rules, which requires disclosure in the annual report of the Company.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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$100,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$41,667,000 as at 31 December 2017);

(ii) another term loan facility up to HK$200,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$167,000,000 as at 31 December 2017);

(iii) another term loan facility up to HK$200,000,000 with a repayment term of five years from the date of first drawdown (this loan facility was obtained in November 2017 and had not been utilised as at 31 December 2017); 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 2017).

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 shall remain as the largest shareholder 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$150,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$52,000,000 as at 31 December 2017);

(ii) another term loan facility up to HK$250,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$154,000,000 as at 31 December 2017);

REPORT OF THE DIRECTORS

(iii) another term loan facility up to HK$200,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$200,000,000 as at 31 December 2017);

(iv) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$150,000,000 as at 31 December 2017); and

(v) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 31 December 2017).

Under the HSB Facilities 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, and Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

The Company and a subsidiary of the Company are parties to loan agreements with The Bank of Tokyo-Mitsubishi UFJ, Ltd. in respect of the following facilities ("BTMU Facilities Agreements"):

(i) a term loan facility of up to HK$250,000,000 for a term of four years from the date of the first drawdown of the loan (the outstanding loan balance was HK$125,000,000 as at 31 December 2017); and

(ii) another term loan facility of up to HK$125,000,000 for a term of four years from the date of the first drawdown of the loan (this facility was obtained after 31 December 2017 and therefore there was no outstanding balance as at 31 December 2017).

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

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

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

A subsidiary of the Company is also a party to loan agreements with The Hongkong and Shanghai Banking Corporation Limited in respect of the following facilities ("HSBC Facilities Agreements"):

(i) a term loan facility for an amount up to HK$150,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK$20,000,000 as at 31 December 2017);

(ii) another term loan facility for an amount up to HK$150,000,000 with a repayment period of four years after drawdown (this facility was obtained after 31 December 2017 and therefore there was no outstanding balance as at 31 December 2017);

(iii) revolving loan of HK$200,000,000 (the outstanding loan balance was HK$200,000,000 as at 31 December 2017); and

(iv) combined trade facilities of HK$100,000,000 (the outstanding balance was EUR€716,000, equivalent to approximately HK$6,712,000 as at 31 December 2017, which was documentary credit for import of machinery).

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

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

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

Besides, a subsidiary of the Company had entered into a banking facility agreement with Fubon Bank (Hong Kong) Limited in respect of the following banking facilities ("Fubon Facilities Agreement"):

(i) short term advance facility on a revolving basis of up to US$7,000,000, or an equivalent amount in other currencies (the outstanding loan balance was HK$40,000,000 as at 31 December 2017); and

(ii) a term loan facility for an amount up to US$4,000,000 with a repayment period of 3 years after drawdown (the outstanding loan balance was US$721,000 as at 31 December 2017).

Pursuant to the Fubon Facilities Agreement, 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.

REPORT OF THE DIRECTORS

SHARE OPTIONS

(a) The 2005 Share Option Scheme

The Company conditionally adopted a share option scheme on 20 April 2005 (the "2005 Share Option Scheme") which became unconditional on 11 May 2005. The 2005 Share Option Scheme was effective for a period of 10 years commencing on 20 April 2005, and it expired on 19 April 2015.

The following is a summary of the 2005 Share Option Scheme:

1. *Purpose of the 2005 Share Option Scheme:*

The purpose of the 2005 Share Option Scheme was 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 2005 Share Option Scheme:*

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

3. *Total number of shares available for issue under the 2005 Share Option Scheme and the percentage of issued share capital as at the date of this report:*

   As the 2005 Share Option Scheme expired on 19 April 2015, no option to subscribe for the shares of the Company was available for issue under 2005 Share Option Scheme as at the date of this report.

4. *Maximum entitlement of each participant under the 2005 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 2005 Share Option Scheme and any other share option schemes of the Group to each participant (including both exercised and outstanding options) in any twelve month period must not exceed 1% of the total number of the Company's shares in issue. Any further grant of options in excess of this limit must be subject to shareholders' approval in general meeting at which the relevant participant and his associates must abstain from voting.

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

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

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

   There was 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 could be exercised under the terms of the 2005 Share Option Scheme.

REPORT OF THE DIRECTORS

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

8. *The basis of determining the exercise price:*

   The subscription price for the shares under the 2005 Share Option Scheme should be determined by the Board in its absolute discretion and notified to the participant, provided that such price should be at least the highest of (i) the closing price of shares as stated in the daily quotation sheet 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 quotation sheets of The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

9. *The remaining life of the 2005 Share Option Scheme:*

   The 2005 Share Option Scheme was valid and effective for a period of 10 years. It commenced on 20 April 2005 and expired on 19 April 2015.

The share options which were previously issued under the 2005 Share Option Scheme and remained outstanding after the 2005 Share Option Scheme had expired will continue to be valid and exercisable during their respective prescribed exercisable periods. Movement in these share options during the year ended 31 December 2017 is as follows:

	As at 1 January 2017	Exercised during the year	Lapsed during the year	As at 31 December 2017	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
					HK$	HK$	HK$
Executive directors							
Mr. Zhang Hwo Jie							
– Granted on 7 November 2012	5,100,000	(5,100,000)	–	–	0.69	0.69	1.155
Independent non-executive directors							
Mr. Leung Tai Chiu							
– Granted on 26 April 2013	300,000	–	(300,000)	–	1.20	1.16	–
Mr. Lam Hiu Lo							
– Granted on 26 April 2013	300,000	–	(300,000)	–	1.20	1.16	–
Employees of the Group							
In aggregate							
– Granted on 10 December 2008	2,930,200	–	–	2,930,200	0.165	0.175	–
– Granted on 2 October 2009	200,000	–	–	200,000	0.405	0.41	–
– Granted on 7 November 2012	18,196,000	(18,196,000)	–	–	0.69	0.69	1.10
– Granted on 26 April 2013	11,650,000	–	(11,650,000)	–	1.20	1.16	–
	38,676,200	(23,296,000)	(12,250,000)	3,130,200			

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 and 26 April 2013 with exercise prices of HK$0.69 and HK$1.16 respectively		
100%	2 January 2014	2 January 2014 to 6 November 2017

(b) The 2015 Share Option Scheme

As the 2005 Share Option Scheme expired on 19 April 2015, the Board proposed to adopt a new share option scheme (the "2015 Share Option Scheme") to replace the 2005 Share Option Scheme. The 2015 Share Option Scheme became effective on 21 May 2015, the date on which it was approved by the shareholders at the annual general meeting of the Company that was held on the same day.

The following is a summary of the 2015 Share Option Scheme:

1. *Purpose of the 2015 Share Option Scheme:*

The purpose of the 2015 Share Option Scheme is to provide the eligible participants 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 by granting options to them as incentives or rewards.

2. *Participants of the 2015 Share Option Scheme:*

a. employees of the Group (whether full-time or part-time);
b. directors (including executive directors, non-executive directors 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 the Group;

e. the trustees of any trust pre-approved by the Board and the beneficiaries (or in case of discretionary trust, the discretionary objects) of which include any of the abovementioned persons; and

f. business associates including (i) any adviser or consultant (in the areas of technical, financial or corporate management) to any member of the Group; (ii) any provider of goods and/or services to the Group; or (iii) any customer of the goods and/or services of the Group who, at the sole determination of the Board, is not a competitor of the Group and has contributed to the development and expansion of the Group and/or whose contribution to the future development and expansion of the Group is desired.

3. *Total number of shares available for issue under the 2015 Share Option Scheme and the percentage of issued share capital that it represents:*

Pursuant to the terms of the 2015 Share Option Scheme, the maximum number of shares in respect of which options may be granted thereunder must not exceed 186,405,180 shares, representing 10% of the Company's issued share capital as at the date of approval of the 2015 Share Option Scheme, unless the Company obtains a fresh approval from its shareholders. Subsequently, options to subscribe for 137,350,000 shares were granted by the directors to the participants of the 2015 Share Option Scheme. Accordingly, options to subscribe for 49,055,180 shares which represents 2.79% of the Company's issued share capital as at the date of this report are presently available for issue, unless the Company obtains a fresh approval from its shareholders. However, the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's shares in issue from time to time.

4. *Maximum entitlement of each participant under the 2015 Share Option Scheme:*

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each participant (including both exercised and outstanding options) in any period of twelve consecutive months shall not exceed 1% 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 from the date of grant of an option and ending on such date as the Board may determine in granting the option but in any event not exceeding ten years from the date of grant.

REPORT OF THE DIRECTORS

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

   An eligible participant to whom an option is granted is required to satisfy all the conditions (including any performance target if required to be achieved) imposed by the Board before he may exercise any of his options.

7. *The amount payable on application or acceptance of the option and the period within which payments must be made:*

   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 in respect of less than the number of shares for which it is offered provided that it is accepted in a board lot for dealing in the Company's shares on The Stock Exchange of Hong Kong Limited or an integral multiple thereof. An offer is open for acceptance within 21 days from the date of offer provided that no offer shall be open for acceptance after the expiry of the scheme period or after the 2015 Share Option Scheme has been terminated.

8. *The basis of determining the exercise price:*

   The exercise price shall be determined by the Board and such price shall at least be the highest of: (i) the nominal value of the Company's shares; (ii) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited on the date of offer, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer.

9. *The remaining life of the 2015 Share Option Scheme:*

   The 2015 Share Option Scheme is valid and effective for a period of 10 years. It commenced on 21 May 2015 and will expire on 20 May 2025.

Movement in the share options under the 2015 Share Option Scheme during the year ended 31 December 2017 is as follows:

	As at 1 January 2017	Granted during the year	As at 31 December 2017	Share price immediately before offer date	Exercise price
				HK$	HK$
Executive directors					
Mr. Zhang Hwo Jie					
– Granted on 8 July 2016	18,000,000	–	18,000,000	0.64	0.692
– Granted on 3 November 2017	–	17,000,000	17,000,000	1.08	1.10
Mr. Zhang Jian Hua					
– Granted on 8 July 2016	18,000,000	–	18,000,000	0.64	0.692
– Granted on 3 November 2017	–	17,000,000	17,000,000	1.08	1.10
Mr. Zhang Yaohua					
– Granted on 8 July 2016	18,000,000	–	18,000,000	0.64	0.692
– Granted on 3 November 2017	–	17,000,000	17,000,000	1.08	1.10
Independent non-executive directors					
Mr. Choy Tak Ho					
– Granted on 8 July 2016	400,000	–	400,000	0.64	0.692
– Granted on 3 November 2017	–	400,000	400,000	1.08	1.10
Mr. Leung Tai Chiu					
– Granted on 8 July 2016	400,000	–	400,000	0.64	0.692
– Granted on 3 November 2017	–	400,000	400,000	1.08	1.10
Mr. Lam Hiu Lo					
– Granted on 8 July 2016	400,000	–	400,000	0.64	0.692
– Granted on 3 November 2017	–	400,000	400,000	1.08	1.10
Employees of the Group					
Mr. Zhang Hanming (Note 1)					
– Granted on 3 November 2017	–	600,000	600,000	1.08	1.10
Ms. Zhang Shen Monica Quian Yi (Note 2)					
– Granted on 3 November 2017	–	600,000	600,000	1.08	1.10
Others					
– Granted on 8 July 2016	11,850,000	–	11,850,000	0.64	0.692
– Granted on 3 November 2017	–	16,900,000	16,900,000	1.08	1.10
	67,050,000	70,300,000	137,350,000		

REPORT OF THE DIRECTORS

Notes:

1. Mr. Zhang Hanming is the father of the three executive directors, hence an associate (as defined in the Listing Rules) of them. Mr. Zhang Hanming previously worked in the Chinese government for many years before his retirement, and is now a consultant of the Group in the areas of government regulations and communication.

2 Ms. Zhang Shen Monica Quian Yi is the daughter of the Chairman of the Group, hence an associate (as defined in the Listing Rules) of him. Ms. Zhang Shen Monica Quian Yi is responsible for the overseas business development of the Group.

All options referred to the above are subject to vesting schedule and exercise period as follows:

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 8 July 2016 with exercise price of HK$0.692		
100%	2 January 2018	2 January 2018 to 7 July 2021
With respect to the options granted on 3 November 2017 with exercise price of HK$1.10		
100%	2 January 2020	2 January 2020 to 4 November 2024

(c) Valuation

The fair value of the options granted on 10 December 2008 and 2 October 2009 under the 2005 Share Option Scheme with outstanding balances as at 31 December 2017 of 2,930,200 options and 200,000 options were HK$140,000 and HK$17,000 respectively. The fair value of the options granted on 7 November 2012 under the 2005 Share Option Scheme of 23,296,000 options which were exercised during the year was HK$5,905,000. The fair value of the options granted on 26 April 2013 under the 2005 Share Option Scheme of 12,250,000 options which were lapsed during the year was HK$4,745,000. The fair value of the options granted on 8 July 2016 and 3 November 2017 under the 2015 Share Option Scheme of 67,050,000 options and 70,300,000 options were HK$10,236,000 and HK$26,594,000 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 26 April 2013	1.16	66.349%	1.74 years	0.184%	1.087%
Granted on 8 July 2016	0.692	45.98%	3.24 years	0.52%	2.33%
Granted on 3 November 2017	1.10	46.52%	4.59 years	1.42%	1.89%

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

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

As at 31 December 2017, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 31 December 2017
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	35,000,000	722,442,000	40.27%
Mr. Zhang Jian Hua	–	664,000	–	35,000,000	35,664,000	1.99%
Mr. Zhang Yaohua	–	17,664,000	156,000	35,000,000	52,820,000	2.94%
Mr. Choy Tak Ho	–	–	–	800,000	800,000	0.04%
Mr. Leung Tai Chiu	–	–	–	800,000	800,000	0.04%
Mr. Lam Hiu Lo	–	–	–	800,000	800,000	0.04%

Notes:

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

2. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 37.45% of the entire issued capital of the Company as at 31 December 2017. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

(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 2017
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 2017, 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 were 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	37.45%
Ms. Shen Chan Jie Lin (Note 1)	Interest of spouse	687,442,000	35,000,000	722,442,000	40.27%
FIL Limited (Note 2)	Interest of controlled corporation	112,328,000	–	112,328,000	6.26%
FIL Asia Holding Pte Limited (Note 3)	Interest of controlled corporation	112,328,000	–	112,328,000	6.26%
FIL Investment Management (Hong Kong) Limited (Note 3)	Beneficial owner	112,328,000	–	112,328,000	6.26%

REPORT OF THE DIRECTORS

Notes:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 38% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 671,750,000 shares of the Company held by Prosper Empire Limited.

2. The corporate substantial shareholder notice filed by FIL Limited indicated that its interests were held through its wholly-owned subsidiaries.

3. The corporate substantial shareholder notice filed by FIL Limited indicated that FIL Investment Management (Hong Kong) Limited ("FIL (Hong Kong)") was wholly-owned by FIL Asia Holding Pte Limited, which was in turn wholly-owned by FIL Limited. Accordingly, each of FIL Limited and FIL Asia Holding Pte Limited were deemed to be interested in the shares held by FIL (Hong Kong).

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2017, the Company repurchased its 90,836,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2017 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2017	25,386,000	1.00	0.84	23,563
February 2017	43,946,000	1.20	1.00	50,081
December 2017	21,504,000	1.24	1.10	25,596
	90,836,000			99,240

Subsequent to 31 December 2017, the Company repurchased its 36,000,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2018 up to the date of this report. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 31 December 2017 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
	36,000,000			43,881

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

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 2017 and up to the date of this report.

PRE–EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Monday, 21 May 2018, the register of members of the Company will be closed from Wednesday, 16 May 2018 to Monday, 21 May 2018, 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 Tuesday, 15 May 2018.

REPORT OF THE DIRECTORS

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 Monday, 4 June 2018 to shareholders whose names appear on the register of members on Tuesday, 29 May 2018. To determine eligibility for the final dividend, the register of members of the Company will be closed from Monday, 28 May 2018 to Tuesday, 29 May 2018, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 25 May 2018.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 65 to page 77.

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 Listing Rules, 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 2017.

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 Listing Rules during the year ended 31 December 2017 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2018

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)

OPINION

What we have audited

The consolidated financial statements of EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 221, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision for obsolete or slow moving inventories
- Recoverability of trade receivables
- Recognition, classification and valuation of available-for-sale financial assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete or slow moving inventories Refer to note 4 "Critical accounting estimates and judgements" and note 11 "Inventories" to the consolidated financial statements. At 31 December 2017, the Group held inventories of HK$381,662,000 and the provision for obsolete or slow moving inventories was HK$27,911,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements.	We understood, evaluated and tested the controls by which management identified obsolescence and determined the net realisable value of inventories based on a consistent process in prior years. We tested, on a sample basis, by comparing the estimated selling price with post year-end sales data of the selected items. We tested, on a sample basis, the inventory aging by comparing the inventory records with the underlying documents.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete or slow moving inventories (Continued) Management assessed the provision at each period end for obsolete or slow moving inventories based on consideration of potential obsolescence of raw materials and work in progress, and the estimated selling price less cost to sell of its finished goods. The identification of inventory obsolescence and determination of estimated selling price less cost to sell require the use of significant judgements by considering various factors, including their nature, ageing, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends, customer demands and technology development. We focused on this area due to the significance of the balance, significant management estimates and judgements involved in determining the provision for impairment of obsolete or slow moving inventories.	In addition, we discussed with management about the latest sales pattern for both price and quantity for potential orders, and other factors, including the product change and the market trend. Based upon the above, we found that the estimation and judgement made by management in respect of the provision for obsolete or slow moving inventories were supportable by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables Refer to note 4 "Critical accounting estimates and judgements" and note 12 "Trade receivables" to the consolidated financial statements. The Group's trade receivables had a net carrying value of HK$854,917,000 as at 31 December 2017, and none of which was past due but not considered as impaired based on management's assessment, and the provision for trade receivables was HK$1,188,000. The Group generally allows a credit period of 30 to 180 days after invoice date to its customers. Management reviews trade receivables to determine the necessary impairment provision by analysing the trade receivables aging, past repayment history, subsequent settlement status, and the relevant customers' credit profile. We focused on this area due to the significance of the balance.	We tested, on a sample basis, of the aging of trade receivables by comparing the records with the underlying documents. We tested, on a sample basis, the post year-end settlement of the Group's trade receivables by examining the remittance advices from the banks. We also inquired and assessed management's judgement on the recoverability of un-settled amounts, corroborating and evaluating the underlying rationale with the creditability of the customers. Based upon the above, we found that the estimation and judgement made by management in respect of the recoverability of trade receivables were supportable by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition, classification and valuation of available-for-sale financial assets Refer to note 4 "Critical accounting estimates and judgements" and note 15 "Available-for-sale financial assets" to the consolidated financial statements. The Group had various unlisted equity interests of companies in the People's Republic of China classified as available-for-sale financial assets with total fair values of HK$98,972,000 as at 31 December 2017. Management assessed the classification of the investments and determined the Group did not have control, joint control or significant influence over these equity investments based on a number of factors, including the contractual arrangements and the rights of participation in policy-making processes. Management determined the fair values based on recent arm's length transactions for the available-for-sale financial assets or by engaging an external valuer to perform valuations of certain available-for-sale financial assets as at 31 December 2017. The valuation models adopted by the external valuer are market based approach and asset based approach and the key underlying assumptions used included multiples of price-to-book and/or price-to-earning ratios, adjusted net asset value, minority discount and the marketability discount. We focused on this area due to the magnitude of the balance and the significant judgement involved in the classification of the equity interests, and the significant estimates involved in determining the fair values of the financial assets.	We examined the legal documents relating to these investments, including shareholders' agreements and the articles of association, to determine the key terms, rights of the investors, composition of the board, governance structure, and profit sharing arrangement, and evaluated management's assessment in determining for the classification of the investments in unlisted equity interests. We assessed the competency and objectivity of the external valuer by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist to assess the appropriateness of the model applied in these valuations and to assess the reasonableness of the key assumptions and inputs used with market data and industry knowledge. We also discussed with the external valuer to understand the rationale for the models applied based on the nature of the investments and the basis of the assumptions and inputs. Based on the above procedures performed, we found the valuation models applied to be appropriate and the key assumptions and inputs to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Kin Wah, Albert.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,742,601**	1,692,626
Investment property under development	7	**120,490**	–
Leasehold land and land use rights	8	**228,737**	171,061
Goodwill	9	**2,510**	5,067
Investments in associates	10	**65,441**	56,208
Prepayments, deposits and other receivables	13	**196,252**	128,758
Available-for-sale financial assets	15	**98,972**	106,861
		2,455,003	2,160,581
Current assets			
Inventories	11	**381,662**	325,615
Trade receivables	12	**854,917**	787,367
Prepayments, deposits and other receivables	13	**273,709**	250,904
Amount due from a related company	14	**–**	1,587
Restricted bank deposits	17	**82,295**	60,569
Short-term bank deposits	17	**196,382**	123,996
Cash and cash equivalents	17	**1,305,823**	1,423,134
		3,094,788	2,973,172
Asset classified as held for sale	16	**–**	11,376
		3,094,788	2,984,548
LIABILITIES			
Current liabilities			
Trade payables	18	**818,753**	683,255
Accruals and other payables	19	**310,197**	219,100
Bank borrowings	20	**1,297,507**	1,011,083
Finance lease liabilities	21	**5,210**	12,365
Current income tax liabilities		**13,263**	6,799
		2,444,930	1,932,602

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Net current assets		**649,858**	1,051,946
Total assets less current liabilities		**3,104,861**	3,212,527
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	**406,271**	566,161
Finance lease liabilities	21	**2,482**	8,408
Deferred taxation	22	**23,798**	20,537
		432,551	595,106
Net assets		**2,672,310**	2,617,421
EQUITY			
Capital and reserves			
Share capital	23	**179,384**	186,138
Reserves	24	**2,492,926**	2,399,800
Equity attributable to equity holders of the Company		**2,672,310**	2,585,938
Non-controlling interests		**–**	31,483
Total equity		**2,672,310**	2,617,421

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

The financial statements on pages 110 to 221 were approved by the Board of Directors on 27 March 2018 and were signed on its behalf.

Zhang Hwo Jie
Chairman

Zhang Jian Hua
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**3,157,089**	3,209,290
Cost of sales	26	**(2,373,987)**	(2,461,621)
Gross profit		**783,102**	747,669
Other income	25	**13,167**	3,753
Other gains – net	25	**2,335**	3,871
Selling and marketing costs	26	**(166,865)**	(167,500)
General and administrative expenses	26	**(444,016)**	(471,664)
Operating profit		**187,723**	116,129
Finance income	28	**7,315**	5,378
Finance costs	28	**(32,282)**	(35,919)
Share of profits/(losses) of associates	10b	**5,484**	(1,465)
Profit before income tax		**168,240**	84,123
Income tax expense	29	**(33,453)**	(22,396)
Profit for the year		**134,787**	61,727
Other comprehensive gain/(loss) for the year, net of tax			
Items that have been reclassified or may be reclassified subsequently to profit or loss			
– Revaluation gains on available-for-sale financial assets		**10,187**	20,189
– Currency translation differences		**60,534**	(54,923)
– Release of available-for-sale financial assets reserve upon disposal		**(11,990)**	(6,337)
– Release of exchange reserve upon disposal of subsidiaries		**(419)**	4,595
– Release of exchange reserve upon disposal of asset held for sale		**866**	–
Total comprehensive income for the year		**193,965**	25,251

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year attributable to:			
– Equity holders of the Company		**133,699**	53,486
– Non-controlling interests		**1,088**	8,241
		134,787	61,727
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**192,758**	10,452
– Non-controlling interests		**1,207**	14,799
		193,965	25,251
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	30	**7.4**	2.9
– diluted	30	**7.1**	2.8

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Attributable to equity holders of the Company			
		Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2017		186,138	2,399,800	31,483	2,617,421
Comprehensive income					
Profit for the year		–	133,699	1,088	134,787
Other comprehensive loss					
Revaluation gains on available-for-sale financial assets		–	10,187	–	10,187
Currency translation differences		–	60,415	119	60,534
Release of available-for-sale financial asset reserve upon disposal		–	(11,990)	–	(11,990)
Release of exchange reserve upon disposal of subsidiaries	35	–	(419)	–	(419)
Release of exchange reserve upon disposal of asset held for sale	24	–	866	–	866
Total comprehensive income for the year		–	192,758	1,207	193,965
Transactions with owners					
Release of non-controlling interests upon disposal of subsidiaries		–	–	(32,690)	(32,690)
Repurchase of shares	23	(9,084)	(90,156)	–	(99,240)
Employee share option scheme – value of employee services	23	–	8,833	–	8,833
Proceeds from issuance of shares upon exercise of employee share option	23	2,330	13,745	–	16,075
Dividends paid		–	(32,054)	–	(32,054)
		(6,754)	(99,632)	(32,690)	(139,076)
Balance at 31 December 2017		179,384	2,492,926	–	2,672,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Attributable to equity holders of the Company			
		Share capital HK$'000	Reserves HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2016		187,905	2,430,551	129,387	2,747,843
Comprehensive income					
Profit for the year		–	53,486	8,241	61,727
Other comprehensive loss					
Revaluation gain on available-for-sale financial assets		–	12,537	7,652	20,189
Currency translation differences		–	(53,829)	(1,094)	(54,923)
Release of available-for-sale financial assets reserve upon disposal		–	(6,337)	–	(6,337)
Release of exchange reserve upon disposal of subsidiaries		–	4,595	–	4,595
Total comprehensive income for the year		–	10,452	14,799	25,251
Transactions with owners					
Release of non-controlling interests upon disposal of subsidiaries		–	–	(110,645)	(110,645)
Repurchase of shares	23	(1,767)	(13,141)	–	(14,908)
Employee share option scheme – value of employee services	23	–	3,318	–	3,318
Dividends paid	23	–	(31,380)	(2,058)	(33,438)
		(1,767)	(41,203)	(112,703)	(155,673)
Balance at 31 December 2016		186,138	2,399,800	31,483	2,617,421

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	**350,006**	605,029
Interest received		**7,315**	5,378
Interest paid		**(32,282)**	(35,919)
Overseas income tax paid		**(23,570)**	(22,396)
Net cash generated from operating activities		**301,469**	552,092
Cash flows from investing activities			
Purchases of property, plant and equipment		**(122,887)**	(162,069)
Prepayments for property, plant and equipment		**(213,101)**	(64,035)
Purchases of land use rights		**(401)**	–
Addition in investment property under development		**(49,989)**	–
Additions of available-for-sale financial assets		**–**	(22,332)
Investment in available-for-sales financial assets		**(2,305)**	–
Proceeds from disposal of asset held for sale		**10,423**	–
Proceeds from disposal of an available-for-sale financial asset		**23,926**	–
Proceeds from sales of property, plant and equipment	32	**5,668**	1,534
Increase in restricted bank deposits		**(21,726)**	(18,472)
Increase in short-term bank deposits		**(72,386)**	(81,025)
Acquisition of subsidiaries, net of cash acquired	34	**5,723**	–
Sales of subsidiaries, net of cash disposed	35	**(909)**	(26,908)
Sales of interest in a subsidiary		**–**	–
Net cash used in investing activities		**(437,964)**	(373,307)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**700,071**	524,261
Repayments of borrowings		**(568,507)**	(783,303)
Repayments of capital element of finance lease liabilities		**(13,081)**	(45,489)
Proceeds from issuance of shares upon exercise of share options		**16,075**	–
Repurchase of shares	23	**(99,240)**	(14,908)
Dividends paid	24	**(32,054)**	(33,438)
Net cash generated from/(used in) financing activities		**3,264**	(352,877)
Net decrease in cash and cash equivalents		**(133,231)**	(174,092)
Cash and cash equivalents at beginning of the year		**1,423,134**	1,607,660
Exchange gain/(loss) on cash and cash equivalents		**15,920**	(10,434)
Cash and cash equivalents at end of the year	17	**1,305,823**	1,423,134

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is an investment holding company, and 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. In 2017, the Group operates eight industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan) and Vietnam (Haiphong). In 2018, the Group extended its production business to Weihai, China through an entity newly acquired in December 2017. At the same time, the Group is in the process of constructing a new industrial park in Weihai to expand its business there. Another new industrial park located at San Luis Potosí, Mexico is also under construction.

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.

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

2.1 Basis of preparation

The consolidated financial statements of EVA Precision Industrial Holdings Limited have been prepared in accordance with all applicable 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 and investment property under development, 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.

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

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2017, but have not had a significant impact to the preparation of the Group's financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interest in Other Entities

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 2017 and have not been early adopted

		Effective for annual periods beginning on or after
Annual Improvements Projects HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle	1 January 2018
HKFRS 1 (Amendments)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarification to HKFRS15	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

The Group's assessment of these new standards, amendments to existing standards and interpretations is set out below.

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 2017 and have not been early adopted (Continued)

Impact of HKFRS 9, 'Financial instruments'

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's equity instruments that are currently classified as available-for-sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- Debt instruments currently classified as loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, HK$1,271,000 of such loss is recognised in profit or loss in relation to the disposal of available-for-sale financial assets.

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 2017 and have not been early adopted*** (Continued)

Impact of HKFRS 9, 'Financial instruments' (Continued)

Impact (Continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge account rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still assessing the actual impact affected by the new model, it may result in an earlier recognition of credit losses for trade receivables. But according to the preliminary result, the financial impact is expected to be immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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 2017 and have not been early adopted* (Continued)

Impact of HKFRS 9, 'Financial instruments' (Continued)

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Impact of HKFRS 15, 'Revenue from contracts with customers'

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

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 2017 and have not been early adopted* (Continued)

Impact of HKFRS 15, 'Revenue from contracts with customers' (Continued)

Impact

Management has assessed the effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue,

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and is not able to estimate the impact of the new rules on the Group's financial statements at this stage.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

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 2017 and have not been early adopted (Continued)

Impact of HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$132,469,000 (Note 33(b)).

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2017.

(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 and pre-existing equity interest. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exception, measured initially at their fair values at the acquisition date.

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.

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.

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

2.2 Consolidation (Continued)

(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.

(c) *Disposal of subsidiaries*

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 or transferred to another category of equity as specified by applicable HKFRSs where appropriate.

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.

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

2.3 Associates (Continued)

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.

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

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

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

2.5 Foreign currency translation (Continued)

(c) *Group companies*

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

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

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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

2.5 Foreign currency translation (Continued)

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

2.6 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

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

2.6 Property, plant and equipment (Continued)

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

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

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

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

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

Gains and losses on sales are determined by comparing proceeds with carrying amounts and recognised within 'Other gains – net' in the consolidated statement of comprehensive income.

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 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

2.9 Impairment of investments in subsidiaries and non-financial assets

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

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

2.10 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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.

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.

2.11 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out as elsewhere in Note 2.

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

2.12 Financial assets/liabilities

2.12.1 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.

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

2.12 Financial assets/liabilities (Continued)

2.12.2 *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'.

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 2.17 (Trade payables), 2.18 (Borrowings) and 2.23 (Leases).

2.12.3 *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.

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

2.12 Financial assets/liabilities (Continued)

2.12.4 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.

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

2.13 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. Cost of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments and where observable data indicate that there is a measurable decrease in the estimate future cash flows, such as changes in arrears or economic condition that correlate with default are considered indicators that the trade receivable 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 other receivables. When trade receivable are uncollectible, they are written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs for trade receivables and general and administrative expenses for other receivables in the consolidated statement of comprehensive income.

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

2.15 Cash and cash equivalents

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

2.16 Share capital

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

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

2.17 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.

2.18 Borrowings

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

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

2.18 Borrowings (Continued)

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

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

2.19 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.

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

2.19 Current and deferred income tax (Continued)

(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.

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

2.20 Employee benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

Group companies participate in several defined contribution plans. The plans are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employment costs when they are due. 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.

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

2.20 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.

2.21 Provisions

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

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

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

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

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

2.23 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.

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.

2.24 Borrowing costs

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

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

2.25 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.

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.

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, Euro 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) Foreign exchange risk (Continued)

The following table details the sensitivity of the Group's 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 year. The analysis has been performed based on the movement occurring at the start of the year.

	2017
	HK$'000
Chinese Renminbi 7.12% appreciation against Hong Kong dollars	**2,346**
Japanese Yen 4.80% appreciation against Hong Kong dollars	**12**
Euro 13.08% depreciation against Hong Kong dollars	**(11,097)**
US dollars 0.76% appreciation against Hong Kong dollars	**7,372**
Decrease in post-tax profit	**(1,367)**

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

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 rates 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 17, 20 and 21 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 2017, a 100 basis points (i.e. 1%) fall/rise in market interest rates for all currencies in which the Group had net borrowings, after offsetting bank deposits, would increase/decrease post-tax profit by approximately HK$4,056,000 (2016: by HK$1,749,000), 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 receivables, deposits and other receivables, and amount due 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 2016 and 2017, all the bank balances are deposited in major reputable financial institutions, and in the opinion of management, without significant credit risk. Management does not expect any losses from non-performance by these banks.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

For trade receivables, the Group performs credit evaluations of its customers. The credit period of the majority of the group's trade receivables is generally between 30 to 180 days.

For loan and interest receivables, credit officers of the Group perform credit assessment of customers' repayment ability and financial and operating conditions and approve the granting of loan facilities. The credit assessment conducted involves collection and evaluation of potential customers' credit standing and financial information, coupled with other means of investigations which include quantitative and qualitative analysis of the financial conditions and operational activities, and the related guarantors, if applicable, primarily through on-site investigation. The Group also manages credit risks of its existing loan portfolio on an individual basis and monitors the loan repayment status and the latest developments and changes in the customers' business and financial conditions during the loan period so as to detect early indication of default risk of the customers. Additionally, the Group employs a range of policies and methods to mitigate credit risk, including 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:

	2017	2016
	HK$'000	HK$'000
Deposits and other receivables	**233,739**	264,596
Trade receivables	**856,105**	788,555
Amount due from a related company	**–**	1,587
Short-term bank deposits	**196,382**	123,996
Restricted bank deposits	**82,295**	60,569
Cash and cash equivalents	**1,305,823**	1,423,134

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

The majority of the Group's trade receivables is aged within the granted credit period. Refer to Note 12 for disclosure of concentrations of credit risk of trade receivables.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2017				
Bank borrowings	**1,297,507**	**274,253**	**132,018**	**1,703,778**
Finance lease liabilities	**5,210**	**2,482**	**–**	**7,692**
Interest payable	**15,188**	**4,585**	**548**	**20,321**
Trade payables	**818,753**	**–**	**–**	**818,753**
Other payables	**168,074**	**–**	**–**	**168,074**
	2,304,732	**281,320**	**132,566**	**2,718,618**
As at 31 December 2016				
Bank borrowings	1,011,083	295,890	270,271	1,577,244
Finance lease liabilities	12,365	5,926	2,482	20,773
Interest payable	18,332	9,604	3,484	31,420
Trade payables	683,255	–	–	683,255
Other payables	89,913	–	–	89,913
	1,814,948	311,420	276,237	2,402,605

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 20 and Note 21, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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

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

The gearing ratios were as follows:

	2017 **HK$'000**	2016 HK$'000
Borrowings (Note 20)	**1,703,778**	1,577,244
Finance lease liabilities (Note 21)	**7,692**	20,773
Less: Cash and cash equivalents (Note 17)	**(1,305,823)**	(1,423,134)
Total net debt (Note 32)	**405,647**	174,883
Total equity	**2,672,310**	2,617,421
Gearing ratio	**15.2%**	6.7%

The increase in the gearing ratio during 2017 resulted primarily from the increase in new borrowings during the year outweighed the repayment on borrowings and finance lease liabilities during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

The different 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).

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 determined based on recent arm's length transactions, net asset value or valued by an external valuer using asset based approach and market based approach and the key underlying assumptions used included the multiples of price-to-book ratios, price-to-earning ratios, adjusted net asset value, minority discount and marketability discount.

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:

	Level 3	
	2017	2016
	HK$'000	HK$'000
Available-for-sale financial assets		
– unlisted equity securities	**98,972**	106,861

There were no transfers between levels during the year.

The following table presents the changes in level 3 instruments for the years ended 31 December 2016 and 2017.

	2017	2016
	HK$'000	HK$'000
As at 1 January	**106,861**	56,461
Additions	**2,305**	22,332
Transfer from disposal of the equity interest of subsidiaries	**19,111**	48,424
Disposal	**(37,187)**	(40,545)
Impairment loss charged to income statement (Note 25)	**(2,305)**	–
Revaluation gains transferred to other comprehensive income	**10,187**	20,189
As at 31 December	**98,972**	106,861
Total gains or losses for the year included in profit or loss for assets held at the end of the year	**–**	–
Changes in fair value gains or losses for the year included in profit or loss at the end of the year	**–**	–

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.

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 Hong Kong, Mainland China, Macau and Vietnam. 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 assets

The fair value of available-for-sales financial assets that is not traded in an active market is determined by using valuation techniques including cost method and net asset value assessment. 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.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2017 HK$'000	2016 HK$'000
Sales		
Design and fabrication of metal stamping moulds	**231,326**	303,246
Manufacturing of metal stamping components	**1,417,489**	1,312,068
Manufacturing of lathing components	**99,660**	126,151
Design and fabrication of plastic injection moulds	**77,371**	127,689
Manufacturing of plastic injection components	**1,294,265**	1,279,243
Income from micro lending business	**–**	24,879
Others (Note)	**36,978**	36,014
	3,157,089	3,209,290

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.

The Group is organised into two main business segments:

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

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

The chief operating decision-maker assesses the performance of operating segments based on a measure of profit 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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

	2017				2016			
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Total HK$'000
Total gross segment revenue	2,270,742	1,680,596	–	3,951,338	2,078,442	1,691,827	24,879	3,795,148
Inter-segment revenue	493,369	(300,880)	–	(794,249)	(309,686)	(276,172)	–	(585,858)
Revenue	1,777,373	1,379,716	–	3,157,089	1,768,756	1,415,655	24,879	3,209,290
Segment results	108,456	86,296	5,470	200,222	56,819	48,292	15,499	120,610
Unallocated expenses				(7,015)				(5,946)
Finance income				7,315				5,378
Finance costs				(32,282)				(35,919)
Profit before income tax				168,240				84,123
Income tax expense				(33,453)				(22,396)
Profit for the year				134,787				61,727
Share of profits/(losses) of associates	14	–	5,470	5,484	401	(937)	(929)	(1,465)
Depreciation	179,096	52,476	–	231,572	175,224	58,898	506	234,628
Amortisation	4,347	284	–	4,631	3,969	270	–	4,239

For the years ended 31 December 2016 and 2017, unallocated expenses represent corporate expenses.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	2017					2016				
	Metal stamping HK$'000	**Plastic injection HK$'000**	**Microcredit HK$'000**	**Un-allocated HK$'000**	**Total HK$'000**	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	**4,289,925**	**1,178,802**	**61,057**	**20,007**	**5,549,791**	3,543,867	1,538,750	55,587	6,925	5,145,129
Liabilities	**563,792**	**537,073**	**-**	**1,776,616**	**2,877,481**	93,349	796,689	–	1,637,670	2,527,708
Capital expenditure	**339,876**	**111,678**	**-**	**-**	**451,554**	168,666	9,382	–	–	178,048

Segment assets consist primarily of certain property, plant and equipment, investment property under development, leasehold land and land use rights, goodwill, investment in associates, prepayments, deposits, certain other receivables, amount due from a related company, available-for-sale financial assets, asset classified as held for sale, inventories, trade receivables and operating cash.

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

Capital expenditure comprises additions to property, plant and equipment, investment property under development, leasehold land and land use rights and acquisition of subsidiaries.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Revenue from external customers by country, based on the destination of the customer and non-current assets, other than financial instruments and deferred income tax assets are as follows:

	2017				2016			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,060,049**	**97,040**	**–**	**3,157,089**	3,207,709	1,581	–	3,209,290
Total non-current assets	**2,225,683**	**179,775**	**49,545**	**2,455,003**	2,042,803	117,778	–	2,160,581
Total segment assets	**5,237,385**	**246,800**	**65,606**	**5,549,791**	4,985,015	160,114	–	5,145,129

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 as follows:

	As at 31 December			
	2017		2016	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	**5,529,784**	**1,100,865**	5,138,204	890,038
Unallocated:				
Cash and cash equivalents	**16,574**	**–**	5,936	–
Other receivables	**3,433**	**–**	989	–
Current income tax liabilities	**–**	**13,263**	–	6,799
Deferred taxation	**–**	**23,308**	–	20,047
Bank borrowings	**–**	**1,703,778**	–	1,577,244
Accruals and other payables	**–**	**36,267**	–	33,580
Total	**5,549,791**	**2,877,481**	5,145,129	2,527,708

An analysis of the Group's three (2016: three) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2017 HK$'000	2016 HK$'000
Customer A	**559,102**	518,762
Customer B	**393,644**	402,083
Customer C	**360,886**	366,463

6 PROPERTY, PLANT AND EQUIPMENT

	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 2017						
Opening net book amount	**654,968**	**802,915**	**142,851**	**9,462**	**82,430**	**1,692,626**
Acquisition of subsidiaries (Note 34)	**17,196**	**21,250**	**1,795**	**182**	**–**	**40,423**
Exchange differences	**10,603**	**12,567**	**2,373**	**39**	**3,072**	**28,654**
Additions	**3,766**	**74,997**	**18,424**	**4,877**	**138,375**	**240,439**
Transfers	**40,015**	**77,766**	**9,168**	**1,704**	**(128,653)**	**–**
Disposals	**(1,787)**	**(1,932)**	**(124)**	**(201)**	**(293)**	**(4,337)**
Disposal of subsidiaries (Note 35)	**(4,955)**	**(16,772)**	**(1,475)**	**(430)**	**–**	**(23,632)**
Depreciation	**(40,535)**	**(133,629)**	**(54,502)**	**(2,906)**	**–**	**(231,572)**
Closing net book amount	**679,271**	**837,162**	**118,510**	**12,727**	**94,931**	**1,742,601**
As at 31 December 2017						
Cost	**962,020**	**1,820,970**	**476,174**	**36,066**	**94,931**	**3,390,161**
Accumulated depreciation	**(282,749)**	**(983,808)**	**(357,664)**	**(23,339)**	**–**	**(1,647,560)**
Net book amount	**679,271**	**837,162**	**118,510**	**12,727**	**94,931**	**1,742,601**
Year ended 31 December 2016						
Opening net book amount	592,471	917,756	209,615	11,770	189,127	1,920,739
Exchange differences	(7,822)	(14,644)	(1,949)	(50)	(4,688)	(29,153)
Additions	22,686	26,715	15,318	1,786	111,543	178,048
Transfers	84,461	113,729	3,105	292	(201,587)	–
Disposals	–	(486)	(1,015)	(91)	–	(1,592)
Disposal of subsidiaries	(1,297)	(109,674)	(16,469)	(1,383)	(11,965)	(140,788)
Depreciation	(35,531)	(130,481)	(65,754)	(2,862)	–	(234,628)
Closing net book amount	654,968	802,915	142,851	9,462	82,430	1,692,626
As at 31 December 2016						
Cost	874,005	1,668,191	438,908	31,826	82,430	3,095,360
Accumulated depreciation	(219,037)	(865,276)	(296,057)	(22,364)	–	(1,402,734)
Net book amount	654,968	802,915	142,851	9,462	82,430	1,692,626

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2017 **HK$'000**	2016 HK$'000
Plant and machinery	**155,539**	178,471

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

	2017 **HK$'000**	2016 HK$'000
Cost of sales	**145,162**	149,273
Selling and marketing costs	**1,589**	1,494
General and administrative expenses	**84,821**	83,861
	231,572	234,628

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

	2017 **HK$'000**	2016 HK$'000
Land and buildings in Hong Kong, located on land with lease of between 10 and 50 years	**5,570**	5,832
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years	**673,701**	649,136
	679,271	654,968

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings with net book amount of HK$5,570,000 (2016: HK$5,832,000) were pledged as collateral for the Group's borrowings (Note 20).

Analysis of construction-in-progress is as follows:

	2017	2016
	HK$'000	HK$'000
Construction costs of buildings	**38,330**	49,323
Cost of machinery	**56,601**	33,107
	94,931	82,430

7 INVESTMENT PROPERTY UNDER DEVELOPMENT

The fair value measurement information for the investment property under development in accordance with HKFRS 13 is given below:

	2017	2016
	HK$'000	HK$'000
Investment property under development	**120,490**	–

Investment property under development which has fair value measurement using significant unobservable inputs (Level 3).

7 INVESTMENT PROPERTY UNDER DEVELOPMENT (CONTINUED)

Movements are:

	2017 HK$'000	2016 HK$'000
Opening balance	–	–
Acquisition of a subsidiary (Note 34)	63,088	–
Additions	49,989	–
Changes in fair value	1,577	–
Exchange translation differences	5,836	–
	120,490	–

A valuation of the Group's investment property under development was performed by an independent firm of professional valuers to determine the fair value of the investment property as at 31 December 2017.

The valuation was determined by using replacement cost method (Level 3 approach). This is the cost to replace the investment property of the Group at the equal value estimated by independent valuer based on market conditions as at 31 December 2017.

8 LEASEHOLD LAND AND LAND USE RIGHTS

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:

	2017	2016
	HK$'000	HK$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**228,737**	171,061

Movements are:

	2017	2016
	HK$'000	HK$'000
As at 1 January	**171,061**	179,046
Exchange differences	**4,692**	(3,746)
Acquisition of a subsidiary (Note 34)	**11,713**	–
Additions	**45,902**	–
Amortisation	**(4,631)**	(4,239)
As at 31 December	**228,737**	171,061
Representing –		
Cost	**259,992**	195,071
Accumulated amortisation	**(31,255)**	(24,010)
Net book amount	**228,737**	171,061

9 GOODWILL

	2017	2016
	HK$'000	HK$'000
As at 1 January	**5,067**	5,067
Disposal of a subsidiary (Note 35)	**(2,557)**	–
As at 31 December	**2,510**	5,067

Goodwill is allocated to the CGUs that are expected to benefit from the synergies of the combination, as follows:

	2017	2016
	HK$'000	HK$'000
Metal stamping	**–**	2,557
Corporate	**2,510**	2,510
At 31 December	**2,510**	5,067

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2017 (2016: Nil).

10A SUBSIDIARIES

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2017:

Name	Place of incorporation/ establishment, operations and type 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
Digit Automotive Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
EVA Metal Mould Products Limited	British Virgin Islands, limited liability company	US$1.12	100%	Investment holding
EVA Precision Industrial (Eastern China) Limited (億和精密工業(華東)有限公司)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Limited	Hong Kong, limited liability company	HK$200,000,000	100%	Sales of metal stamping moulds and components
EVA Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK$280,000	100%	Sales of plastic injection moulds and components
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 stamping moulds and components
Yihe 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 injection moulds and components

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10A SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2017: (Continued)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group	Principal activities
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 stamping and plastic injection moulds and components
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 stamping and plastic injection 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
Digit 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 moulds and components for automobiles
Chongqing Digit 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 moulds and components for automobiles
EVA Hai Phong Precision Industrial Co., Ltd.	Vietnam, limited liability company	US$10,000,000	100%	Manufacturing of metal moulds and components
Digit Automotive de Mexico S.A. de C.V.	Mexico, limited liability company	MXN19,000	100%	Manufacturing of moulds and components for automobiles

10A SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2017: (Continued)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group	Principal activities
EVA Precision Industrial (Weihai) Limited (a)	Mainland China, limited liability company	US$50,000,000	100%	Manufacturing of metal stamping and plastic injection moulds and components
Sichuan Junyuan Investment Management Limited (b)	Mainland China, limited liability company	RMB90,000,000	100%	Property development
Yixinhe Investment (Suzhou) Limited (b)	Mainland China, limited liability company	US$30,000,000	100%	Investment holding
Shenzhen Yizhi Investment Holdings Limited (b)	Mainland China, limited liability company	RMB10,000,000	100%	Investment holding
Intops (Weihai) Electronics Co., Limited	Mainland China, limited liability company	RMB28,975,345.99	100%	Manufacturing of metal stamping and plastic injection moulds and components

10A SUBSIDIARIES (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 Plastic and Electronic Products (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to July 2024
Chongqing Digit Auto Body Ltd.	Chongqing, Sichuan Province, Mainland China	20 years up to March 2026
Digit Stamping Technology (Wuhan) Limited	Wuhan, Hubei Province, Mainland China	20 years up to August 2031
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
EVA Precision Industrial (Weihai) Limited	Weihai, Shandong Province, Mainland China	20 years up to August 2037

(b) At 31 December 2017, the Group was committed to making additional capital contributions to the following principal subsidiaries:

Name	Committed capital injection	Due date
Sichuan Junyuan Investment Management Limited	HK$25,937,000	December 2019
Yixinhe Investment (Suzhou) Limited	HK$78,572,000	November 2036
Shenzhen Yizhi Investment Holdings Limited	HK$5,210,000	December 2018

10B INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
As at 1 January	**56,208**	12,720
Additions	**–**	59,103
Transfer to non-current asset held for sale	**–**	(11,376)
Exchange difference	**3,749**	(2,774)
Share of profits/(loss)	**5,484**	(1,465)
As at 31 December	**65,441**	56,208

Details of the associates as at 31 December 2017:

Name	Place of establishment, operations and kind of legal entity	Percentage of equity interest attributable to the Group	Principal activities	Measurement method
Shenzhen Jinggong Microcredit Limited (深圳市精工小額貸款有限公司)	Mainland China, limited liability company	40%	Microcredit business	Equity
L&L Auto-tech Co., Ltd. (深圳興和瑜創新科技有限公司)	Mainland China, limited liability company	48%	Design and manufacturing of reduction drive	Equity

There are no contingent liabilities relating to the Group's interests in associates, and no contingent liabilities of the associates themselves.

Set out below is summarised financial information of Shenzhen Jinggong Microcredit Limited ("Microcredit"), which is material to the Group:

10B INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of financial position

	Microcredit	
	2017	2016
	HK$'000	HK$'000
ASSETS		
Non-current assets	**1,377**	2,006
Current assets	**164,376**	150,261
LIABILITIES		
Current liabilities	**3,814**	13,300
Net current assets	**160,562**	136,961
Net assets	**161,939**	138,967
Reconciliation of carrying amounts:		
Net assets as at 1 January	**138,967**	134,471
Profits for the year	**13,676**	4,496
Net assets as at 31 December	**152,643**	138,967
Interest in an associate (40%)	**61,057**	55,587

Summarised statement of comprehensive income

	Microcredit	
	2017	2016
	HK$'000	HK$'000
Revenue	**34,034**	36,032
Profit before income tax	**21,025**	11,831
Income tax expenses	**(7,349)**	(7,335)
Total comprehensive income for the year	**13,676**	4,496
Dividend received from associates	**–**	–

11 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**102,787**	98,809
Work-in-progress	**226,028**	184,564
Finished goods	**80,758**	65,887
	409,573	349,260
Less: Provision for impairment	**(27,911)**	(23,645)
Inventories – net	**381,662**	325,615

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,566,517,000 (2016: HK$1,690,936,000).

Movements of the Group's provision relating to inventories are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	**23,645**	31,141
Acquisition of a subsidiary	**100**	–
Disposal of a subsidiary	**(4,917)**	(591)
Provision for impairment/(reversal of provision) (Note 26)	**9,083**	(6,905)
At 31 December	**27,911**	23,645

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

12 TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**856,105**	788,555
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**854,917**	787,367

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:

	2017 HK$'000	2016 HK$'000
0 to 90 days	**775,066**	655,370
91 to 180 days	**81,039**	133,185
	856,105	788,555
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**854,917**	787,367

The carrying amounts of trade receivables approximate their fair values.

12 TRADE RECEIVABLES (CONTINUED)

The top five customers and the largest customer accounted for 30.3% (2016: 55.7%) and 9.5% (2016: 17.3%), respectively, of the trade receivables balance as at 31 December 2017. 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.

As at 31 December 2017, no trade receivables (2016: Nil) were past due.

Trade receivables are denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
Hong Kong dollars ("HK$")	**151,929**	156,739
United States dollars ("US$")	**375,346**	314,181
Chinese Renminbi ("RMB")	**305,818**	294,424
Others	**23,012**	23,211
	856,105	788,555

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Non-current:		
Deposits for purchases of property, plant and equipment	**192,554**	123,397
Others	**3,698**	5,361
	196,252	128,758
Current:		
Loan to the other shareholder of the associate (Note)	**–**	11,247
Consideration receivables from disposal of subsidiaries (Note)	**12,601**	28,323
Consideration receivable from disposal of an available-for-sale financial asset (Note)	**26,319**	12,527
Prepayments for purchases of raw materials	**24,777**	15,767
VAT recoverable	**50,275**	25,298
Prepayment of utilities expenses	**1,058**	668
Receivables from employees and staff advances (Note)	**10,759**	12,084
Deposits placed with customs in Mainland China	**4,103**	4,435
Receivables from the then subsidiaries (Note)	**112,821**	120,613
Others	**30,996**	19,942
	273,709	250,904

Note: Loan to the other shareholder of the associate, consideration receivables from disposal of subsidiaries, consideration receivable from disposal of an available-for-sale financial asset, receivables from employees and staff advances and receivables from the then subsidiaries are unsecured, non-interest bearing and denominated in RMB.

14 AMOUNT DUE FROM A RELATED COMPANY

As at 31 December 2017, no amount was due from a related company. The balance in 2016 arose from the tax indemnity provided by the related company (Note 36(a)).

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

The maximum outstanding balance during the year was HK$1,587,000 (2016: HK$3,174,000).

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 **HK$'000**	2016 HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**98,972**	106,861

The fair values of the unlisted equity securities were determined by reference to recent transaction prices in arm's length transactions, net asset value or valuation determined by an independent firm of professional valuers. The fair values are within level 3 of the fair value hierarchy (see Note 3.3).

The available-for-sale financial assets are denominated in RMB.

Movements of the available-for-sale financial assets are as follows:

	2017 **HK$'000**	2016 HK$'000
As at 1 January	**106,861**	56,461
Additions	**2,305**	22,332
Transfer from the disposal of the equity interest of subsidiaries	**19,111**	48,424
Disposal	**(37,187)**	(40,545)
Impairment loss charged to income statement (Note 25)	**(2,305)**	–
Revaluation gains transferred to other comprehensive income	**10,187**	20,189
As at 31 December	**98,972**	106,861

16 ASSET CLASSIFIED AS HELD FOR SALE

	2017	2016
	HK$'000	HK$'000
Transferred from investment in an associate	**–**	11,376

On 3 January 2017, the Group entered into an agreement with KK-Mold (Shenzhen) Co., Ltd, the major shareholder of Shenzhen KK Technology Co., Ltd., to dispose of its entire 30% equity interest in an associate, Shenzhen KK Technology Co., Ltd., at a cash consideration of RMB9,338,000 (equivalent to HK$10,424,000).

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

	Group	
	2017	2016
	HK$'000	HK$'000
Restricted bank deposits	**82,295**	60,569
Short-term bank deposits	**196,382**	123,996
Cash and cash equivalents	**1,305,823**	1,423,134
	1,584,500	1,607,699

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

As at 31 December 2017, the effective interest rate and respective average maturity days of the restricted bank deposits, short-term bank deposits and cash and cash equivalents were as follows:

	2017		2016	
	Effective interest rate (per annum)	**Average maturity (days)**	Effective interest rate (per annum)	Average maturity (days)
Restricted bank deposits	**0.4%**	**180**	0.4%	172
Short-term bank deposits	**2.1%**	**365**	1.9%	365
Cash and cash equivalents	**0.3%**	**7**	0.3%	N/A

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

	2017	2016
	HK$'000	HK$'000
HK$	**364,374**	375,594
RMB	**318,636**	179,573
US$	**826,087**	1,041,430
Japanese yen	**241**	430
Euro	**71,809**	9,112
Vietnamese dong	**691**	744
Mexican peso	**1,478**	–
Others	**1,184**	816
	1,584,500	1,607,699

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

18 TRADE PAYABLES

The ageing of trade payables is as follows:

	2017	2016
	HK$'000	HK$'000
0 to 90 days	**561,260**	428,324
91 to 180 days	**257,493**	254,931
	818,753	683,255

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

	2017	2016
	HK$'000	HK$'000
HK$	**40,801**	21,420
RMB	**517,500**	449,052
US$	**259,830**	212,476
Others	**622**	307
	818,753	683,255

19 ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Payable for purchase of property, plant and equipment	**55,357**	37,500
Deposits from customers	**50,695**	41,243
Accrued utilities expenses	**3,947**	4,720
Accrued wages, salaries and welfare	**81,983**	76,563
Accrued operating expenses	**5,498**	6,661
Payable for acquisition of subsidiaries (Note 34)	**80,221**	–
Other payables	**32,496**	52,413
	310,197	219,100

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

	2017 HK$'000	2016 HK$'000
HK$	**7,257**	25,442
RMB	**145,362**	61,493
Others	**15,455**	2,978
	168,074	89,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 BANK BORROWINGS

	2017 **HK$'000**	2016 HK$'000
Current:		
Short-term bank loans	**937,617**	647,556
Portion of long-term loans from banks due for repayment within one year	**359,470**	363,107
Mortgage loan, current portion	**420**	420
	1,297,507	1,011,083
Non-current:		
Portion of long-term loans from banks due for repayment after one year	**405,833**	565,303
Mortgage loan, non-current portion	**438**	858
	406,271	566,161
Total bank borrowings	**1,703,778**	1,577,244

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

All bank borrowings bore floating interest rates and the carrying amounts of bank borrowings approximate their fair values.

The Group's bank borrowings are repayable as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 year	**1,297,507**	1,011,083
Between 1 and 2 years	**274,253**	295,890
Between 2 and 5 years	**132,018**	270,271
	1,703,778	1,577,244

20 BANK BORROWINGS (CONTINUED)

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

	2017	2016
	HK$'000	HK$'000
HK$	**1,690,324**	1,552,578
US$	**13,454**	24,666
	1,703,778	1,577,244

As at 31 December 2017, 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**	
	2017	2016	**2017**	2016	**2017**	2016
HK dollars	**1.4%**	1.8%	**2.3%**	1.8%	**2.4%**	2.4%
US dollars	**1.8%**	0.6%	**3.2%**	2.3%	**–**	–

As at 31 December 2017, the Group has undrawn floating rate borrowing facilities of approximately HK$573,938,000 (2016: HK$231,841,000).

As at 31 December 2017, land and buildings with a carrying amount of HK$5,570,000 (2016: HK$5,832,000) were pledged as collateral for the Group's borrowing.

21 FINANCE LEASE LIABILITIES

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

	2017	2016
	HK$'000	HK$'000
Within one year	**5,321**	12,732
In the second year	**2,499**	6,047
In the third to fifth year	**–**	2,499
	7,820	21,278
Less: Future finance charges on finance leases	**(128)**	(505)
Present value of finance lease liabilities	**7,692**	20,773

The present value of finance lease liabilities is as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**5,210**	12,365
In the second year	**2,482**	5,926
In the third to fifth year	**–**	2,482
Total finance lease liabilities	**7,692**	20,773
Less: Amount included in current liabilities	**(5,210)**	(12,365)
	2,482	8,408

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

21 FINANCE LEASE LIABILITIES (CONTINUED)

As at 31 December 2017, the effective interest rate of the Group's finance lease liabilities was 3.3% (2016: 3.2%) per annum.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. As at 31 December 2017, the net book amount of the leased assets was approximately HK$155,539,000 (2016: HK$178,471,000).

22 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	2017 **HK$'000**	2016 HK$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**23,308**	20,047
Deferred tax liability to be recovered within 12 months	**490**	490
	23,798	20,537

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

	Fair value gains HK$'000	**Withholding tax** HK$'000	**Total** HK$'000
As at 1 January 2016	15,898	5,129	21,027
Credited to profit or loss	(490)	–	(490)
As at 31 December 2016	15,408	5,129	20,537
Debited to profit or loss	3,261	–	3,261
As at 31 December 2017	18,669	5,129	23,798

22 DEFERRED TAXATION (CONTINUED)

The above deferred income tax liabilities in respect of withholding tax related to the unremitted retained earnings of certain subsidiaries. In addition, deferred income tax liabilities of HK$60,216,000 (2016: HK$61,397,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries as such amounts are considered likely to be reinvested permanently.

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$39,888,000 (2016: HK$34,263,000) in respect of losses amounting to HK$238,878,000 (2016: HK$201,255,000) that can be carried forward against future taxable income. Tax losses of HK$201,997,000 (2016: HK$170,074,000) can be carried forward indefinitely. Tax losses of HK$6,032,000, HK$5,108,000, HK$18,564,000 and HK$7,177,000 will expire in 2018, 2019, 2021 and 2022, respectively (2016: HK$706,000, HK$15,256,000, HK$5,108,000 and HK$10,111,000 will expire in 2017, 2018, 2019 and 2021, respectively).

23 SHARE CAPITAL

	Note	**Number of ordinary shares** (thousands)	**Nominal value** HK$'000
Authorised:			
As at 1 January 2016, 31 December 2016 and 2017		200,000,000	20,000,000
Issued and fully paid:			
As at 1 January 2016		1,879,052	187,905
Repurchase of shares	(a)	(17,668)	(1,767)
As at 31 December 2016		1,861,384	186,138
New shares issued upon exercise of share option	(b)	23,296	2,330
Repurchase of shares	(c)	(90,836)	(9,084)
As at 31 December 2017		1,793,844	179,384

23 SHARE CAPITAL (CONTINUED)

Notes:

(a) During the year ended 31 December 2016, the Company repurchased a total of 17,668,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.83 to HK$0.85 per share for a total consideration, before expenses, of approximately HK$14,908,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 19 May 2016. The repurchased shares were cancelled before 31 December 2016. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of purchase	Number of shares of HK$0.1 each	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
October 2016	8,526,000	0.84	0.83	7,157
November 2016	9,142,000	0.85	0.84	7,751
	17,668,000			14,908

(b) During the year ended 31 December 2017, 23,296,000 ordinary shares were issued at HK$0.69 per share, and net proceeds of HK$16,075,000 were received upon exercise of options under the share options scheme.

(c) During the year ended 31 December 2017, the Company repurchased a total of 90,836,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.84 to HK$1.24 per share for a total consideration, before expenses, of approximately HK$99,240,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 19 May 2017. The repurchased shares were cancelled before 31 December 2017. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

23 SHARE CAPITAL (CONTINUED)

Month of purchase	Number of shares of HK$0.1 each	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2017	25,386,000	1.00	0.84	23,563
February 2017	43,946,000	1.20	1.00	50,081
December 2017	21,504,000	1.24	1.10	25,596
	90,836,000			99,240

Share options

In 2005, the Company adopted a share options scheme ("2005 Share Options Scheme"). Under the 2005 Share Options 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 2005 Share Options Scheme and any other share options scheme of the Group must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

In 2015, the Company adopted a share options scheme ("2015 Share Options Scheme"). Under the 2015 Share Options 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 2015 Share Options Scheme and any other share options scheme of the Group must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

23 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

	2017 Average exercise price per share HK$	2017 Number of options '000	2016 Average exercise price per share HK$	2016 Number of options '000
As at 1 January		105,726		38,676
Granted	1.10	70,300	0.692	67,050
Exercised	0.69	(23,296)	–	–
Expired	1.16	(12,250)	–	–
As at 31 December		140,480		105,726

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

Expiry date	2017 Exercise price HK$	2017 Number of options '000	2016 Exercise price HK$	2016 Number of options '000
6 November 2017	1.16	–	1.16	12,250
6 November 2017	0.69	–	0.69	23,296
1 October 2019	0.41	200	0.41	200
7 July 2021	0.692	67,050	0.692	67,050
19 November 2018	0.175	2,930	0.175	2,930
4 November 2024	1.10	70,300		
		140,480		105,726

23 SHARE CAPITAL (CONTINUED)

Share options (Continued)

On 3 November 2017, 70,300,000 share options were granted to the Company's directors and employees with an exercise price HK$1.10 per share. The options have vesting period of approximately 4.59 years and exercisable from 2 January 2020 to 4 November 2024.

The fair values of 70,300,000 options granted on 3 November 2017, determined using the Black-Scholes Option Pricing Model, were approximately HK$26,594,000. The significant inputs into the model were as follows:

	3 November 2017
Exercise price	**HK$1.10**
Expected volatility	**46.52%**
Expected life	**4.59 years**
Risk-free rate	**1.42%**
Dividend paid-out rate	**1.89%**

The amount charged to the consolidated statement of comprehensive income during the year ended 31 December 2017 was HK$8,833,000.

24 RESERVES

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2017	1,219,707	(735)	143,122	22,096	14,715	3,673	(90,360)	1,087,582	2,399,800
Profit for the year	-	-	-	-	-	-	-	133,699	133,699
Dividends paid	-	-	-	-	-	-	-	(32,054)	(32,054)
Other comprehensive income									
– Translation differences	-	-	-	-	-	-	60,415	-	60,415
– Revaluation gains on available-for-sale financial assets	-	-	-	-	-	10,187	-	-	10,187
– Release of available-for-sale financial assets reserve upon disposal	-	-	-	-	-	(11,990)	-	-	(11,990)
– Release of exchange reserve upon disposal of subsidiaries	-	-	-	-	-	-	(419)	-	(419)
– release of exchange reserve upon disposal of asset held for sale	-	-	-	-	-	-	866	-	866
Employee share option scheme: value of employee services	-	-	-	-	8,833	-	-	-	8,833
Transfer to share premium upon exercise of share options	5,905	-	-	-	(5,905)	-	-	-	-
Proceeds from issuance of shares upon exercise of employee share options	13,745	-	-	-	-	-	-	-	13,745
Transfer to retained profits upon lapse of share options granted by the Company	-	-	-	-	(4,746)	-	-	4,746	-
Transfer of statutory reserve upon disposal of subsidiaries to retained earnings	-	-	(2,122)	-	-	-	-	2,122	-
Premium on repurchase of shares	(90,156)	-	-	-	-	-	-	-	(90,156)
Capital redemption reserve arising from repurchase of shares	-	-	-	9,084	-	-	-	(9,084)	-
Transfer to statutory reserves	-	-	18,947	-	-	-	-	(18,947)	-
As at 31 December 2017	1,149,201	(735)	159,947	31,180	12,897	1,870	(29,498)	1,168,064	2,492,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2016	1,232,848	(735)	138,941	20,329	11,397	(2,527)	(41,126)	1,071,424	2,430,551
Profit for the year	–	–	–	–	–	–	–	53,486	53,486
Dividends paid	–	–	–	–	–	–	–	(31,380)	(31,380)
Other comprehensive income									
– Translation differences	–	–	–	–	–	–	(53,829)	–	(53,829)
– Revaluation gain on available-for-sale financial assets	–	–	–	–	–	12,537	–	–	12,537
– Release of available-for-sale financial assets reserve upon disposal	–	–	–	–	–	(6,337)	–	–	(6,337)
– Release of exchange reserve upon disposal of subsidiaries	–	–	–	–	–	–	4,595	–	4,595
Employee share option scheme: value of employee services	–	–	–	–	3,318	–	–	–	3,318
Transfer of statutory reserve upon disposal of subsidiaries to retained earnings	–	–	(3,890)	–	–	–	–	3,890	–
Premium on repurchase of shares	(13,141)	–	–	–	–	–	–	–	(13,141)
Capital redemption reserve arising from repurchase of shares	–	–	–	1,767	–	–	–	(1,767)	–
Transfer to statutory reserves	–	–	8,071	–	–	–	–	(8,071)	–
As at 31 December 2016	1,219,707	(735)	143,122	22,096	14,715	3,673	(90,360)	1,087,582	2,399,800

24 RESERVES (CONTINUED)

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

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

(iii) 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 capital redemption reserve.

25 OTHER INCOME AND OTHER GAINS – NET

	2017 HK$'000	2016 HK$'000
Other income		
Government grants	**10,946**	746
Rental income	**2,221**	3,007
	13,167	3,753
Other gains – net		
(Loss)/gain on disposal of subsidiaries, net	**(3,225)**	3,880
Gain on bargain purchase	**5,785**	–
Losses on disposal of available-for-sale financial assets	**(1,271)**	(4,316)
Impairment of available-for-sale financial assets (Note 15)	**(2,305)**	–
Gain/(loss) on disposal of property, plant and equipment	**1,331**	(58)
Fair value gain on revaluation of investment property under development (Note 7)	**1,577**	–
Loss on disposal of asset held for sale	**(1,819)**	–
Net exchange gains	**1,616**	3,833
Others	**646**	532
	2,335	3,871

26 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Depreciation of property, plant and equipment (Note 6)		
– Owned assets	**202,334**	205,541
– Leased assets	**29,238**	29,087
	231,572	234,628
Amortisation of leasehold land and land use rights (Note 8)	**4,631**	4,239
Employment expenses (Note 27)	**670,698**	711,590
Auditor's remuneration		
– Audit services	**3,540**	3,540
– Non-audit services	**320**	320
Changes in inventories of finished goods and work-in-progress	**(56,335)**	141,118
Raw materials and consumables used	**1,622,852**	1,549,818
Provision for inventory obsolescence/(reversal of provision)	**9,083**	(6,905)
Subcontracting expenses	**145,697**	97,307
Utilities expenses	**58,560**	58,135
Transportation expenses	**33,055**	32,433
Packaging expenses	**91,741**	98,525
Marketing expenses	**4,534**	5,398
Office expenses	**41,599**	43,525
Operating lease payments for properties	**9,346**	10,423
Others	**113,975**	116,691
	2,984,868	3,100,785

27 EMPLOYMENT EXPENSES

	2017 HK$'000	2016 HK$'000
Wages, salaries and bonus	**580,056**	611,759
Staff welfare	**45,234**	56,323
Retirement benefit – defined contribution plans (a)	**36,575**	40,190
Share based payment (Note 23)	**8,833**	3,318
	670,698	711,590

(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 from RMB927 to RMB7,008 and from RMB566 to RMB5,114, 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$1,500 per month.

During the year ended 31 December 2017, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$36,575,000 (2016: HK$40,190,000). As at 31 December 2017, the Group was not entitled to any forfeited contributions to reduce its future contributions (2016: Nil).

27 EMPLOYMENT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2016: three) directors whose emoluments are reflected in the analysis in Note 38.

The emoluments payable to the remaining two (2016: two) individuals are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries	**1,665**	1,665
Discretionary bonus	**311**	241
Contribution to pension scheme	**61**	61
Share option granted	**846**	88
	2,883	2,055

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$0 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**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 (2016: Nil).

28 FINANCE INCOME/COSTS

	2017 HK$'000	2016 HK$'000
Finance income		
Interest income on bank deposits	**7,315**	5,378
Finance costs		
Interest expense on:		
Bank borrowings	**34,258**	36,655
Finance lease liabilities	**356**	1,121
Interest capitalised	**(2,332)**	(1,857)
	32,282	35,919

29 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current taxation		
– Hong Kong profits tax	**–**	99
– Mainland China corporate income tax	**32,082**	19,040
(Over)/under-provision in prior years	**(1,890)**	3,747
Deferred income tax (Note 22)	**3,261**	(490)
	33,453	22,396

29 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:

	2017	2016
	HK$'000	HK$'000
Profit before income tax	**168,240**	84,123
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**25,957**	6,523
Income not subject to tax	**(5,213)**	(2,016)
Expenses not deductible for tax purpose	**8,974**	5,909
Tax losses for which no deferred income tax asset was recognised	**5,625**	8,233
(Over)/under-provision in prior years	**(1,890)**	3,747
Tax charge	**33,453**	22,396

The weighted average applicable tax rate for the year ended 31 December 2017 was approximately 15.4% (2016: 7.8%). The increase is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions of tax in current year.

(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 (2016: 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 rates:

(i) Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% (2016: 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.

29 INCOME TAX EXPENSE (CONTINUED)

(b) Mainland China corporate income tax (Continued)

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Yihe Precision Hardware (Shenzhen) Co., Ltd., EVA Precision Industrial (Zhongshan) Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2016 and 2017.

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 subsidiaries of Hong Kong incorporated holding companies.

(c) Other income taxes

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

The subsidiary established and operating in Vietnam during the year is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group did not have any taxable profit for the year ended 31 December 2017 after offsetting losses in prior years.

Provision for income taxes in other jurisdiction is based on the assessable profit of the relevant subsidiaries and the applicable tax rates.

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

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**133,699**	53,486
Weighted average number of ordinary shares in issue ('000)	**1,806,683**	1,827,830
Basic earnings per share (HK cents per share)	**7.4**	2.9

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 quoted 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.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**133,699**	53,486
Weighted average number of ordinary shares in issue ('000)	**1,806,683**	1,827,830
Adjustment for share options ('000)	**79,568**	64,816
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,886,251**	1,892,646
Diluted earnings per share (HK cents per share)	**7.1**	2.8

31 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividend paid of HK1.27 cent (2016: HK0.37 cents) per share	**22,973**	6,952
Proposed final dividend of HK1.00 cent (2016: HK0.51 cents) per share	**17,578**	9,140
	40,551	16,092

A final dividend in respect of the year ended 31 December 2017 of HK1.00 cent per share, totaling of HK$17,578,000 has been proposed for approval at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2017 HK$'000	2016 HK$'000
Profit before income tax	**168,240**	84,123
Adjustments for:		
– Depreciation of property, plant and equipment	**231,572**	234,628
– Amortisation of leasehold land and land use rights	**4,631**	4,239
– (Gain)/loss on sales of property, plant and equipment	**(1,331)**	58
– Loss/(gain) on disposal of subsidiaries, net	**3,225**	(3,880)
– Loss on disposal of asset held for sale	**1,819**	–
– Losses on disposal of available-for-sale investments	**1,271**	4,316
– Impairment of available-for-sale investments	**2,305**	–
– Gain on bargain purchase	**(5,785)**	–
– Fair value gain on revaluation of investment property under development	**(1,577)**	
– Share of (profits)/losses of associates	**(5,484)**	1,465
– Share-based payment	**8,833**	3,318
– Interest income	**(7,315)**	(5,378)
– Interest expense	**32,282**	35,919
Changes in working capital:		
– Inventories	**(67,748)**	122,050
– Trade receivables	**(120,107)**	(47,587)
– Loan and interest receivables	**–**	(11,038)
– Prepayments, deposits and other receivables	**(83,579)**	(79,398)
– Amount due from a related company	**1,587**	1,587
– Trade payables	**153,045**	109,243
– Accruals and other payables	**34,122**	151,364
Cash generated from operations	**350,006**	605,029

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

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

	2017 **HK$'000**	2016 HK$'000
Net book amount	**4,337**	1,592
Gain/(Loss) on disposal of property, plant and equipment	**1,331**	(58)
Proceeds	**5,668**	1,534

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net Debt

	2017 **HK$'000**	2016 HK$'000
Cash and cash equivalents	**1,305,823**	1,423,134
Finance lease liabilities – repayable within one year	**(5,210)**	(12,365)
Finance lease liabilities – repayable after one year	**(2,482)**	(8,408)
Borrowings – repayable within one year	**(1,297,507)**	(1,011,083)
Borrowings – repayable after one year	**(406,271)**	(566,161)
Net debt	**(405,647)**	(174,883)
Cash and liquid investments	**1,305,823**	1,423,134
Gross debt – fixed interest rates	**(280,000)**	(240,000)
Gross debt – variable interest rates	**(1,431,470)**	(1,358,017)
Net debt	**(405,647)**	(174,883)

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

Net debt reconciliation (Continued)

	Other Assets	Liabilities from financing activities				
	Cash and cash equivalents	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as at 1 January 2016	1,607,660	(40,440)	(25,822)	(1,118,303)	(729,688)	(306,593)
Cash flows	(174,092)	45,489	–	21,125	151,822	44,344
Foreign exchange adjustments	(10,434)	–	–	86,095	11,705	87,366
Other non-cash movements	–	(17,414)	17,414	–	–	–
Net debt as at 31 December 2016	**1,423,134**	**(12,365)**	**(8,408)**	**(1,011,083)**	**(566,161)**	**(174,883)**
Cash flows	**(133,231)**	**13,081**	**-**	**18,436**	**(150,000)**	**(251,714)**
Foreign exchange adjustments	**15,920**	**-**	**-**	**-**	**-**	**15,920**
Other non-cash movements	**-**	**(5,926)**	**5,926**	**(304,860)**	**309,890**	**5,030**
Net debt as at 31 December 2017	**1,305,823**	**(5,210)**	**(2,482)**	**(1,297,507)**	**(406,271)**	**(405,647)**

33 COMMITMENTS – GROUP

(a) Capital commitments

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

	2017 **HK$'000**	2016 HK$'000
Contracted but not provided for		
– Construction of buildings	**66,392**	32,339
– Purchase of plant and machinery	**51,405**	44,943
	117,797	77,282

(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 are as follows:

	2017 **HK$'000**	2016 HK$'000
Not later than one year	**10,591**	13,926
Later than one year but not later than five years	**45,836**	42,839
Later than five years	**76,042**	80,265
	132,469	137,030

34 BUSINESS COMBINATION

(a) Acquisition of equity interest in Sichuan Junyuan Investment Management Limited

On 3 January 2017, the Group acquired all of the equity interest in Sichuan Junyuan Investment Management Limited with total consideration of RMB41,575,000 (equivalent to HK$43,206,000). Sichuan Junyuan Investment Management Limited ("Junyuan") owned an industrial park under development. The industrial park was classified as investment property under development after acquisition.

The following table summarises the consideration paid for Junyuan, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	3 January 2017 HK$'000
Purchase consideration	
– Consideration payable recorded as other payable (Note 19)	**27,485**
– Consideration payable netted off with other receivable	**15,721**
Total purchase consideration	**43,206**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	**2,576**
Investment property under development (Note 7)	**63,088**
Property, plant and equipment	**3**
Accruals and other payables	**(22,461)**
Total identifiable net assets	**43,206**
Cash flow to acquire business, net of cash acquired	
– cash and cash equivalents in subsidiary acquired	**2,576**
Cash inflow on acquisition	**2,576**

34 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of equity interest in Intops (Weihai) Electronics Co. Limited

On 26 December 2017, the Group acquired all of the equity interest in Intops (Weihai) Electronics Co., Limited ("Intops") with total consideration of RMB44,083,000 (equivalent to HK$52,736,000).

The following table summarises the consideration paid for Intops, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	26 December 2017 HK$'000
Purchase consideration	
– Consideration payable recorded as other payable (Note 19)	**52,736**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	**3,147**
Leasehold land use right (Note 8)	**11,713**
Property, plant and equipment	**40,420**
Inventories	**3,912**
Trade receivables	**37,692**
Prepayment, deposits and other receivables	**1,249**
Trade payables	**(31,480)**
Accruals and other payables	**(8,149)**
Total identifiable net assets	**58,504**
Gain on bargain purchase	**5,785**
Cash flow to acquire business, net of cash acquired	
– cash and cash equivalents in subsidiary acquired	**3,147**
Cash inflow on acquisition	**3,147**

35 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

(a) Disposal of equity interest in Shenzhen Keben Precision Moulds Limited

In July 2017, the Group disposed of its 21% equity interest in Shenzhen Keben Precision Moulds Limited, a 51% owned subsidiary for an aggregate cash consideration of approximately HK$7,713,000, and recognised a loss of HK$164,000. Shenzhen Keben Precision Moulds Limited was engaged in the manufacturing of metal stamping moulds and components in Mainland China. Thereafter, the interest in the company was classified as an available-for-sale financial asset.

Details of the net assets disposed of and the loss on disposal of the equity interest in the subsidiary at the date of disposal were as follows:

	HK$'000
Net assets at the date of disposal	**37,510**
Less: Fair value of investment retained	**(11,253)**
Less: Non-controlling interest	**(18,380)**
Share of net assets disposed at the date of disposal	**7,877**
Net loss on disposal of the equity interest of the subsidiary	**(164)**
Consideration	**7,713**
Satisfied by:	
Cash consideration	**7,713**

35 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) Disposal of equity interest in Shenzhen Keben Precision Moulds Limited (Continued)

The assets and liabilities of the subsidiary at the date of disposal were as follows:

	HK$'000
Carrying amount of assets and liabilities disposed of:	
Property, plant and equipment	21,636
Trade receivables	33,691
Prepayments, deposits and other receivables	14,364
Inventories	9,146
Cash and cash equivalents	8,932
Trade payables	(19,101)
Other payables and accruals	(29,562)
Borrowings	(1,596)
	37,510
Cash consideration received	7,713
Cash and cash equivalents disposed of	(8,932)
Net cash outflow from disposal of a subsidiary	(1,219)

(b) Disposal of equity interest in Shenzhen Huangming Wanghe Metals Limited

In July 2017, the Group disposed of its 21% equity interest in Shenzhen Huangming Wanghe Metals Limited, a 51% owned subsidiary for an aggregate cash consideration of approximately HK$5,413,000, and recognised a loss of HK$3,065,000. Shenzhen Huangming Wanghe Metals Limited was engaged in the trading of metal materials in Mainland China. Thereafter, the interest in the company was classified as an available-for-sale financial asset.

35 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) Disposal of equity interest in Shenzhen Huangming Wanghe Metals Limited (Continued)

Details of the net assets disposed of and the loss on disposal of the equity interest in the subsidiary at the date of disposal were as follows:

	HK$'000
Net assets at the date of disposal	28,753
Less: Fair value of investment retained	(7,858)
Less: Non-controlling interests	(12,836)
Share of net assets disposed at the date of disposal	8,059
Release of exchange reserve	(419)
Net loss on disposal of the equity interest of the subsidiary	(3,065)
Consideration	5,413
Satisfied by:	
Cash consideration	5,413

The assets and liabilities of the subsidiary at the date of disposal were as follows:

	HK$'000
Carrying amount of assets and liabilities disposed of:	
Property, plant and equipment	1,996
Goodwill (Note 9)	2,557
Trade receivables	44,270
Prepayments, deposits and other receivables	1,270
Inventories	6,467
Cash and cash equivalents	5,555
Trade payables	(17,556)
Other payables and accruals	(12,373)
Borrowings	(3,433)
	28,753
Cash consideration received	5,413
Cash and cash equivalents disposed of	(5,555)
Net cash outflow from disposal of a subsidiary	(142)

35 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) Disposal of equity interest in Hong Kong For Boon Precise Industrial Co., Limited

In July 2017, the Group disposed of its all equity interest in Hong Kong For Boon Precise Industrial Co., Limited, a 51% owned subsidiary, for an aggregate cash consideration of approximately HK$1,539,000, and recognised a gain of HK$4,000. Hong Kong For Boon Precise Industrial Co., Limited was engaged in the sales of metal stamping moulds and components.

Details of the net assets disposed of and the gain on disposal of the equity interest in the subsidiary at the date of disposal were as follows:

	HK$'000
Net assets at the date of disposal	3,009
Less: Non-controlling interest	(1,474)
Share of net assets disposed at the date of disposal	1,535
Net gain on disposal of the equity interest of the subsidiary	4
Consideration	1,539
Satisfied by:	
Cash consideration	1,539

35 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) Disposal of equity interest in Hong Kong For Boon Precise Industrial Co., Limited (Continued)

The assets and liabilities of the subsidiary at the date of disposal were as follows:

	HK$'000
Carrying amount of assets and liabilities disposed of:	
Trade receivables	11,235
Prepayments, deposits and other receivables	6,970
Cash and cash equivalents	1,087
Trade payables	(10,504)
Other payables and accruals	(5,779)
	3,009
Cash consideration received	1,539
Cash and cash equivalents disposed of	(1,087)
Cash inflow from disposal of a subsidiary	452

36 RELATED-PARTY TRANSACTIONS – GROUP

Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owned 37.45% (2016: 36.09%) of the Company's shares as at 31 December 2017.

(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 (11 May 2005) of the Company and not provided for by the respective companies in the Group.

During the year ended 31 December 2014, the Group agreed with the Hong Kong Inland Revenue Department the basis and the amount of assessment for Hong Kong profits tax for a number of past years, including those periods prior to the 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 was also received from Prosper Empire Limited, a related company, by three annual instalments from December 2015 to December 2017. Therefore, there was no outstanding balance in relation to the aforementioned tax indemnity as at 31 December 2017.

(b) Key management compensation

	2017	2016
	HK$'000	HK$'000
Salaries, allowances and bonus	**19,510**	19,440
Share-based payment	**23,464**	2,683
Retirement benefits – defined contribution plans	**72**	72
	43,046	22,195

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**123,358**	123,358
Amounts due from subsidiaries	**1,649,901**	1,815,793
	1,773,259	1,939,151
Current assets		
Other receivables	**1,496**	989
Cash and cash equivalents	**13,559**	5,936
	15,055	6,925
LIABILITIES		
Current liabilities		
Short term borrowings	**30,000**	–
Accruals and other payables	**13,107**	29,414
	43,107	29,414
Net current liabilities	**(28,052)**	(22,489)
Total assets less current liabilities	**1,745,207**	1,916,662
Non-current liabilities		
Bank borrowings	**125,000**	187,500
Net assets	**1,620,207**	1,729,162
EQUITY		
Capital and reserves		
Share capital	**179,384**	186,138
Reserves	**1,440,823**	1,543,024
Total equity	**1,620,207**	1,729,162

The statement of financial position of the Company was approved by the Board of Directors on 27 March 2018 and were signed on its behalf.

Zhang Hwo Jie
Chairman

Zhang Jian Hua
Director

37 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Reserve movement of the Company:

	Share premium HK$'000	Contributed Surplus (Note (i)) HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2017	**1,219,707**	**121,351**	**22,096**	**14,715**	**165,155**	**1,543,024**
Loss for the year	**–**	**–**	**–**	**–**	**(2,569)**	**(2,569)**
Dividends paid	**–**	**–**	**–**	**–**	**(32,054)**	**(32,054)**
Employee share option scheme – value of employee services	**–**	**–**	**–**	**8,833**	**–**	**8,833**
Transfer to share premium upon exercise of share options	**5,905**	**–**	**–**	**(5,905)**	**–**	**–**
Proceeds from issuance of shares upon exercise of employee share options	**13,745**	**–**	**–**	**–**	**–**	**13,745**
Premium on repurchase of shares	**(90,156)**	**–**	**–**	**–**	**–**	**(90,156)**
Capital redemption reserve arising from repurchase of shares	**–**	**–**	**9,084**	**–**	**(9,084)**	**–**
Balance at 31 December 2017	**1,149,201**	**121,351**	**31,180**	**17,643**	**121,448**	**1,440,823**
Balance at 1 January 2016	1,232,848	121,351	20,329	11,397	131,814	1,517,739
Profit for the year	–	–	–	–	66,488	66,488
Dividends paid	–	–	–	–	(31,380)	(31,380)
Employee share option scheme – value of employee services	–	–	–	3,318	–	3,318
Premium on repurchase of shares	(13,141)	–	–	–	–	(13,141)
Capital redemption reserve arising from repurchase of shares	–	–	1,767	–	(1,767)	–
Balance at 31 December 2016	1,219,707	121,351	22,096	14,715	165,155	1,543,024

Note:

(i) 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.

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2017 is set out below:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	4,560	1,380	7,650	18	13,608
Mr. Zhang Jian Hua	–	4,560	1,380	7,650	18	13,608
Mr. Zhang Yaohua (i)	–	4,560	1,380	7,650	18	13,608
Independent non-executive directors						
Mr. Choy Tak Ho	160	–	–	19	–	179
Mr. Leung Tai Chiu	160	–	–	19	–	179
Mr. Lam Hiu Lo	160	–	–	19	–	179
	480	13,680	4,140	23,007	54	41,361

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The remuneration of every director and the chief executive for the year ended 31 December 2016 is set out below:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	4,560	1,380	875	18	6,833
Mr. Zhang Jian Hua	–	4,560	1,380	875	18	6,833
Mr. Zhang Yaohua (i)	–	4,560	1,380	875	18	6,833
Independent non-executive directors						
Mr. Choy Tak Ho	160	–	–	19	–	179
Mr. Leung Tai Chiu	160	–	–	19	–	179
Mr. Lam Hiu Lo	160	–	–	19	3	182
	480	13,680	4,140	2,682	57	21,039

Note:

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

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2016: Nil).

During the year, no emoluments, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2016: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2016: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2016: None).

39 SUBSEQUENT EVENT

On 9 February 2018, the Group entered into the Agreements with Weihai Land Resources Bureau for the land use rights in respect of the land in total consideration of RMB141,547,700 (equivalent to HK$169,334,000).

FIVE YEARS FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONSOLIDATED RESULTS					
Turnover	**3,157,089**	3,209,290	3,533,026	3,454,977	2,655,715
Profit for the year	**134,787**	61,727	215,480	286,771	59,475
Non-controlling interests	**(1,088)**	(8,241)	(10,011)	(9,646)	(4,048)
Profit attributable to equity holders of the Company	**133,699**	53,486	205,469	277,125	55,427
CONSOLIDATED BALANCE SHEET					
Non-current assets	**2,455,003**	2,160,581	2,260,843	2,219,443	2,212,981
Current assets	**3,094,788**	2,984,548	3,229,640	2,581,384	2,135,863
Current liabilities	**(2,444,930)**	(1,932,602)	(1,966,103)	(1,771,244)	(1,474,868)
Non-current liabilities	**(432,551)**	(595,106)	(776,537)	(618,717)	(704,025)
Net assets	**2,672,310**	2,617,421	2,747,843	2,410,866	2,169,951
Share capital	**179,384**	186,138	187,905	168,334	167,977
Reserves	**2,492,926**	2,399,800	2,430,551	2,166,821	1,934,280
Non-controlling interests	**–**	31,483	129,387	75,711	67,694
Total equity	**2,672,310**	2,617,421	2,747,843	2,410,866	2,169,951

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