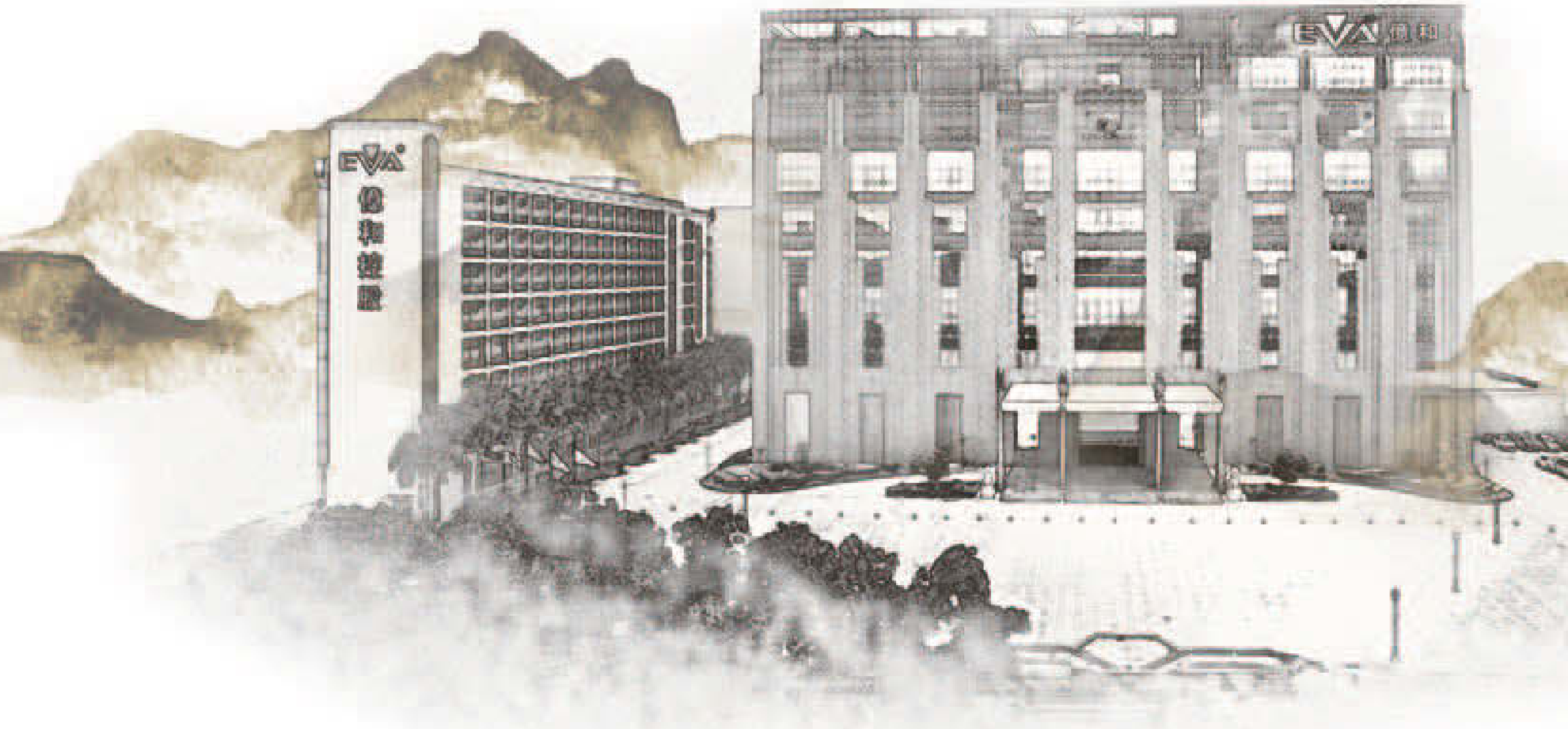
EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(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 2019
Annual Report



聚力以億
齊之以和

Gather and
Harmonise Billions of Strengths

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Digit Mexico (SLP) Automobile Industrial Park

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. At present, the Group operates eleven industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Weihai), Vietnam (Haiphong) and Mexico (San Luis Potosí). The Group is also in the process of building up new production facilities in Weihai to expand its business there.

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 through automated technologies such as laser welding.

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 Zhongshan, Chongqing, Wuhan 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., a subsidiary of the Group, was awarded with the ISO9001 certification in respect of quality management system by the BSI Group.
2002	Yihe Precision Hardware (Shenzhen) Co., Ltd. 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 in EVA Shenzhen (Shiyan) Electronic Industrial Park with a construction area of approximately 21,000 square metres was completed. The Group's production lines were moved to EVA Shenzhen (Shiyan) Electronic Industrial Park in the same year.
2003	The second factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park with a construction area of approximately 19,000 square metres 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 EVA Shenzhen (Shiyan) Electronic Industrial Park 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) system by Ricoh. EVA Precision Industrial Holdings Limited was granted with a gratitude trophy by Fuji Xerox. The construction of the third factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park was completed and thereafter the Group's plastic production line was moved to the third factory building of EVA Shenzhen (Shiyan) Electronic Industrial Park 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 EVA Suzhou Electronic Industrial Park 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) system 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) system 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).

CORPORATE MILESTONE

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 Chinese Association of Market Development (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	EVA (Guangming) Precision Manufacturing Industrial Park which is located at 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 Enterprises 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 Hongkong" by the Federation of Hong Kong Industries.

CORPORATE MILESTONE

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).

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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.

CORPORATE MILESTONE

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 Municipal Development and Reform Commission (深圳市發展改革委員會), Finance Commission of Shenzhen Municipality (深圳市財政委員會), National Tax Bureau of Shenzhen (深圳市國家稅務局) and Local Tax Bureau of Shenzhen (深圳市地方稅務局). 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 in EVA Shenzhen (Shiyan) Electronic Industrial Park 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).

CORPORATE MILESTONE

Year	Event
2012	The construction of EVA Shenzhen (Tianliao) Smart Device Industrial Park commenced operations. EVA Precision Industrial (Suzhou) Limited received "2011 Special Contribution Award" (二零一一年度特別貢獻獎) from Canon. It was also granted with "2010-2011 Taxpaying Credibility - Grade A" (二零一零至二零一一年度A級納稅信用等級) certificate by National Tax Bureau of Suzhou (蘇州市國家稅務局) and Local Tax Bureau of Suzhou (蘇州地方稅務局). 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 Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); – "2012/2013 Reputable Enterprise in Guangdong Province" (二零一二年／二零一三年廣東省著名企業) accreditation from China Quality Brand Evaluation Centre (中國質量品牌測評中心), China Quality Brand Investigation and Evaluation Committee (中國質量品牌調查測評組委會) and China Quality Brand Promotion Committee (中國質量品牌推進聯合會); – "Outstanding Enterprise in China" (中國傑出企業) accreditation from China Economic Trading Promotion Agency (中國經濟貿易促進會); – "2011 Charity Enterprise" (二零一一年愛心企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會); – "2012 Shenzhen Top 100 Enterprise" (二零一二年度深圳百强企業) 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 in EVA Shenzhen (Shiyan) Electronic Industrial Park. 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).

CORPORATE MILESTONE

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).

CORPORATE MILESTONE

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).

CORPORATE MILESTONE

Year	Event
2014	Digit Wuhan Automobile Industrial Park commenced commercial production. The Group also completed the construction of phase 2 of Digit Chongqing Automobile Industrial Park, 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 EVA Vietnam (Haiphong) Electronic Industrial Park, 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 HIT Satellite 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強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報).

CORPORATE MILESTONE

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 phase one of EVA Vietnam (Haiphong) Electronic Industrial Park was completed. 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 Enterprises 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 & Mold 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).

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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 Comprehensive Assembly Capabilities Invitation Tournament – First Class Award" (第十七屆綜合組裝能力邀請賽一等獎) 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 Award" (二零一五年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) 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" (副會長單位) accreditation from Chongqing Die & 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, the Group started to construct EVA Weihai (Double Islands Bay) Electronic Industrial Park in Weihai, Shandong Province, China. The Group also commenced the construction of Digit Mexico (SLP) Automobile Industrial Park in San Luis Potosí, Mexico with a view to serving existing and new customers there. With a view to better serving Hewlett-Packard 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 was re-elected as the "Executive Chairman Enterprise" (執行會長企業) by Shenzhen Machinery Association (深圳市機械行業協會). It also 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" (二零一七年年廣東省製造業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 (2017-2020)" (廣東優質機械模具企業(二零一七年至二零二零年)) 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 the First Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Mould Category)" (二零一六年首屆長安杯中國(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 Mold Product Quality Supervision & Inspection 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); – "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); – "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.

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Year	Event
2017 *(Cont'd)*	EVA Precision Industrial (Zhongshan) Limited received: – "2016 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零一六年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) 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 the First Changan Cup China (Dongguan Changan) Mould Product and Technology Contest" (二零一六年首屆長安杯中國(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 Mold Product Quality Supervision & Inspection 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 Social 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).

CORPORATE MILESTONE

Year	Event
2018	EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2018 – for 8 consecutive years)" (卓越合作夥伴(二零一八年 – 八年連續受賞)) award, "2018 Procurement Premiere Partner – Bronze Award" (採購卓越夥伴 – 銅獎) and "Outstanding Collaborative Supplier" (優秀協力供應商) award from Fuji Xerox; – "Supplier of the Year 2017 – Bronze Award" (二零一七年度供應商 – 銅獎) from Chamberlain; – "2017 Corporate Environmental Leadership Award" (二零一七年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; – "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); – "2017 Outstanding Contribution Award for Shenzhen Quality Project" (二零一七年度深圳質量事業突出貢獻獎) from Shenzhen Association for Quality (深圳市質量協會); – "2018 Top 500 Enterprise in Guangdong Manufacturing Industry" (二零一八年廣東省製造業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); and – "The First Shenzhen Top 100 Brand Enterprise" (首屆深圳品牌百強企業) accreditation from Shenzhen Quality City Promotion Association (深圳市質量強市促進會). Shenzhen EVA Precision Technology Group Limited (formerly known as Yihe Precision Hardware (Shenzhen) Co., Ltd.) received: – "2017 Quality Acclamation" (二零一七年度品質表彰) award from Konica Minolta; – "The Third Shenzhen Industry Award – Nomination Award" (第三屆深圳工業大獎 – 提名獎) from the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報);

Year	Event
2018 *(Cont'd)*	– "2018 Award Winning Entity for Excellent Performance Management Standard Implementation Project of Baoan District" (寶安區二零一八年度卓越績效管理標準實施項目獲獎單位) accreditation from the People's Government of Baoan District, Shenzhen (深圳市寶安區人民政府); and – "2018 Guangdong Machinery and Mould Industry Innovative Achievement – Third Class Award" (二零一八年廣東機械模具產業創新成果三等獎) 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). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Shenzhen EVA Mould Manufacturing Limited received "2017 Guangdong Province Enterprise of Observing Contract and Valuing Credit" (二零一七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). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. also received "2017 Second Half Best Partner" (二零一七年下期最佳夥伴) award from Toshiba. 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"; – 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 Mold Product Quality Supervision & Inspection 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); and – "Guangdong High Quality Machinery and Mould Enterprise (2018-2021)" (廣東優質機械模具企業(二零一八年至二零二一年)) 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).

CORPORATE MILESTONE

Year	Event
2018 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited received: – the "2017 Craftsmanship Award" (二零一七年度匠心獎) from Segway-Ninebot (九號機器人); and – "2018-2019 Procurement Partner" (二零一八年至二零一九年度採購夥伴) award from Canon. 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. Chongqing Digit Auto Body Ltd. also 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); – the excellent award 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 Mold Product Quality Supervision & Inspection 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); and – "Municipal Postdoctoral Science and Research Workstation of Chongqing" (重慶市博士後科研工作站) accreditation from Chongqing Municipal Human Resources and Social Security Bureau (重慶人力資源和社會保障局). Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Zhongshan) Limited received "Excellent Supplier Award of Year 2018" (二零一八年度優秀供應商獎) award from Faurecia. EVA Precision Industrial (Zhongshan) Limited also 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) – 特別改善賞) from Canon. Digit Stamping Technology (Wuhan) Limited received "2018 Top 100 Enterprise in Hubei Manufacturing Industry" (二零一八湖北製造業企業100強) accreditation from Hubei Enterprise Confederation (湖北省企業聯合會) and Hubei Enterprise Directors Association (湖北省企業家協會).
2019	The construction of Digit Mexico (SLP) Automobile Industrial Park was completed. EVA Precision Industrial Holdings Limited received "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) again. It also received: – " Premiere Partner (2019 – for 9 consecutive years)" (卓越合作夥伴(二零一九年一九年連續受賞)) award from Fuji Xerox;

CORPORATE MILESTONE

Year	Event
2019 *(Cont'd)*	– "Outstanding Operation Award (Management and System)" (卓越營運獎(管理及系統)) from Hong Kong Mould & Die Council and the Federation of Hong Kong Industries; – "2018 Best Cooperation Award" (二零一八年度最佳合作獎) from MiTAC; – "2019 Guangdong Top 500 Enterprise" (二零一九年廣東企業500強), "2019 Guangdong Top 100 Private Enterprise" (二零一九年廣東民營企業100強), "2019 Guangdong Top 100 Manufacturing Enterprise" (二零一九年廣東製造業100強) and "2019 Guangdong Top 100 Innovative Enterprise" (二零一九年廣東創新企業100強) accreditations from Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); – "2019 Shenzhen Top 500 Enterprise" (二零一九年深圳500強企業) 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); and – "2019 Shenzhen Top 100 Quality Enterprise" (二零一九年度深圳質量百強企業) 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 Quality City Promotion Association (深圳市質量強市促進會), 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). In addition, EVA Precision Industrial Holdings Limited and Shenzhen EVA Precision Technology Group Limited jointly received "2018 Corporate Environmental Leadership Award" (二零一八年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited. Shenzhen EVA Precision Technology Group Limited also received: – "The First Top 100 Charity Enterprise in Baoan District" (第一屆寶安區慈善百強企業) accreditation from the Civil Affairs Bureau of Shenzhen Baoan District (深圳市寶安區民政局); and – "2019 Shenzhen Private Leading Core Enterprise" (二零一九年度深圳市民營領軍骨幹企業) from 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) and Shenzhen Media Group (深圳廣播電影電視集團).

CORPORATE MILESTONE

Year	Event
2019 *(Cont'd)*	Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "2018 Second Half Best Quality" (二零一八年下期最佳品質) award from Toshiba. Shenzhen EVA Mould Manufacturing Limited received "2018 Shenzhen Small and Medium Enterprises Best Employer Award" (二零一八年度深圳市中小企業最佳僱主獎) from Shenzhen Small and Medium Enterprises Service Bureau (深圳市中小企業服務署), Shenzhen SMEmall (深圳市中小企業公共服務平台) and Shenzhen Small and Medium Sized Enterprises Service Union (深圳市中小企業公共服務聯盟). Zhongshan Digit Automotive Technology Limited (formerly known as EVA Precision Industrial (Zhongshan) Limited) received "2018 Quality VVV Award (Quality Very Valuable Vendor) – Best Excellence Award" (二零一八年度品質VVV賞(品質最有價值供應商)一最優秀賞) from Canon. It also received "Chairman Enterprise" (會長單位) accreditation from Zhongshan Auto Parts & Accessories Manufacturers Industrial Association (中山市汽車零部件及配件製造行業協會). EVA Precision Industrial (Suzhou) Limited received the "Twenty-fourth Comprehensive Assembly Capabilities Invitation Tournament – First Class Award" (第二十四屆綜合組裝能力邀請賽一等獎) from Canon. Chongqing Digit Auto Body Ltd. was re-elected as "Vice Chairman Enterprise" (副會長單位) by Chongqing Die & Mould Industry Association (重慶市模具工業協會). EVA Hai Phong Precision Industrial Co., Ltd. received "Cooperated Supplier Award" (合作供應商獎) from Kyocera.
2020	EVA Precision Industrial Holdings Limited received "Premiere Partner (2020 – for 10 consecutive years)" (卓越合作夥伴(二零二零年一十年連續受賞)) award from Fuji Xerox. EVA Precision Industrial (Suzhou) Limited received "2019 Best Supplier" (二零一九年度最佳供應商) award and "2019 Joint Innovation Award" (二零一九年度聯合創新獎) from Segway-Ninebot (九號機器人). Intops (Weihai) Electronics Co., Ltd. was accredited as "2019 Top 50 Taxpaying Enterprise in the District" (二零一九年度全區納稅50強) by the Working Commission of the Weihai Committee of the Communist Party of China in Torch High Technology Industrial Development Zone (中共威海市委火炬高技術產業開發區工作委員會) and the Management Committee of Weihai Torch High Technology Industrial Development Zone (威海火炬高技術產業開發區管理委員會).

FINANCIAL HIGHLIGHTS

		2019	2018	2017	2016	2015
OPERATING RESULTS						
Turnover	HK$'000	**3,747,055**	3,666,657	3,157,089	3,209,290	3,533,026
Earnings before interest and taxation (EBIT) (Note 1)	HK$'000	**120,042**	143,794	187,723	116,129	257,783
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (Note 1)	HK$'000	**344,712**	373,388	423,926	354,996	507,816
Profit attributable to equity holders of the Company	HK$'000	**51,781**	82,663	133,699	53,486	205,469
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**456,028**	283,381	350,006	605,029	352,508
Net current assets	HK$'000	**681,767**	521,143	649,858	1,051,946	1,263,537
Shareholders' equity	HK$'000	**2,595,249**	2,588,503	2,672,310	2,585,938	2,618,456
PER SHARE DATA						
Earnings per share						
– Basic (Note 2)	HK cents	**3.0**	4.8	7.4	2.9	11.2
– Diluted (Note 3)	HK cents	**3.0**	4.5	7.1	2.8	11.2
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**9.2**	10.2	13.4	11.1	14.4
Net profit margin	(%)	**1.4**	2.3	4.2	1.7	5.8
Return on shareholders' equity	(%)	**2.0**	3.2	5.0	2.1	7.8
Net debt-to-equity ratio (Note 4)	(%)	**22.0**	23.6	4.8	Net cash	8.5

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 or 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 1,830,457,000 shares, 1,827,830,000 shares, 1,806,683,000 shares, 1,738,936,000 shares and 1,725,549,000 shares in issue during the years ended 31 December 2015, 2016, 2017, 2018 and 2019 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 1,839,134,000 shares, 1,892,646,000 shares, 1,886,251,000 shares, 1,825,953,000 shares and 1,726,696,000 shares for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 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 quoted 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 lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$74,010,000 as at 31 December 2019 (as at 31 December 2018: Nil). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

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
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
China Construction Bank Corporation Limited, Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch

Mainland China

Industrial and Commercial Bank of China
Hankou Bank Co., Ltd.

LEGAL ADVISOR

MinterEllison LLP

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

EVA Vietnam (Haiphong) Electronic Industrial Park

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 2019.

First of all, I wish share with you my personal concern as a result of the outbreak of the coronavirus. As you are aware, since the coronavirus was confirmed, many people have been impacted at different levels. I wish to express my heartfelt sympathy to all those affected, and their families and friends. I would also like to personally thank all of the related government departments, and the emergency and medical personnel who have worked tirelessly to assist the community in this challenging time. I would also like to thank all of our staff for their assistance during this period.

The health and safety of our employees are our first priority. As instructed by the relevant local governments in China, we extended the Chinese New Year holidays of our industrial parks in China to 9 February 2020, and only resumed production thereafter. Although the extension of the Chinese New Year holidays would cause a temporary interruption in our business, we fully supported the government's decision as we believed that it was critical for the society to unite in face of the coronavirus outbreak. Further, we made financial and other in-kind donations to the government

CHAIRMAN'S STATEMENT

Zhang Hwo Jie
Chairman

and charitable organisation to support the prevention initiatives in the community. Internally, we took all preventive measures in our production lines, dormitories and other premises to contain the spread of virus, which included the supply of protective face masks to our staff and testing their body temperature before work. We also collaborated with the relevant government departments, customers, suppliers and other business partners in an effort to fight against the coronavirus outbreak and assist in the relief measures. At present, all of the Group's industrial parks in China have resumed production.

The year 2020 is the 15th anniversary of the Group's IPO on The Stock Exchange of Hong Kong Limited. Since its IPO in 2005, the Group has committed to generating returns to shareholders. To celebrate this benchmark anniversary, the Board declared a one-off special dividend of HK2.67 cents per share on 26 March 2020. The special dividend was paid to shareholders in cash on 24 April 2020. In addition, the Board recommends payment of a final dividend of HK$0.25 cent per share for the year ended 31 December 2019, which is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on 15 June 2020. The Group also repurchased its own 12,522,000 shares from the market in 2019 and January 2020 to enhance earnings and net asset value per share for all of our existing shareholders. In the future, the Group will continue to take appropriate steps and make sensible business decisions with a view to maximising shareholders' returns.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In 2019, the trade dispute between the United States and China continued to cloud the economy. Although the two countries had signed the phase one trade deal in an effort to settle the trade dispute in January 2020, uncertainties over the United States-China trade relations continued to exist and weaken business confidence. However, our business has remained unaffected, which was primarily attributable to the Group's unique customer profile and sensible business strategies. In the office automation ("OA") equipment sector, all of the Group's customers are reputable multi-national companies which possess assembly plants around the world, and the Group's industrial parks in China sell to these customers' assembly plants in China at present. Since 2018, these OA equipment customers have reorganised their internal production logistics whereby they have replaced the export from their assembly plants in China to the United States with export to other countries, and use the assembly plants in other countries for export to the United States. As a result, their total production volume in China, and consequently our sales to their China assembly plants, remained substantially unchanged. The Group also made a right decision a few years ago to expand into China's automobile sector, a huge market which primarily sells domestically. In addition, the Group has embarked on overseas expansion since a few years ago, and currently has industrial parks in Vietnam and Mexico which have already commenced operations. Accordingly, despite a lackluster external environment brought by the United States-China trade dispute, the Group's turnover in 2019 continued to record a growth.

In 2019, the Group's turnover increased by 2.2% to HK$3,747,055,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers. However, the gross profit margin and amount for the year decreased, as the newly completed Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margin at the initial stage of operations. Further, the Group's new industrial park in Mexico incurred initial loss of HK$19,335,000. Income tax expense for the year also increased, mainly because one of the Group's subsidiaries in Mainland China might distribute dividends to its holding company within the Group which was located outside Mainland China, and therefore had made provision for Mainland China dividend withholding tax amounting to HK$10,000,000. As a result, the Group's net profit decreased by 37.4% to HK$51,781,000.

BUSINESS DEVELOPMENT

Despite a short-term profit reduction in 2019, we see enormous business opportunities ahead. In the OA equipment sector, the Group's customers are increasingly shifting their focus from internal production management to devoting more resources on marketing and business development. Accordingly, these OA equipment customers have plans to gradually scale down their own assembly plants in China, and outsource more of their internal production to reliable supplier with proven track record such as the Group. These OA equipment customers will also request the supplier to get increasingly involved in their product design processes. At the request of the customers, the Group has already set up a product development team in Japan, which works closely with the customers' product design departments in Japan. Team members include experienced engineers and product design experts from Japan. Given this new business direction of the customers, production outsourcing in the OA equipment sector will accelerate and the Group expects to see voluminous new orders from the OA equipment sector in the years ahead.

For more than 15 years, the Group has been a trusted and long-standing supplier to Fuji Xerox, a major OA equipment brand name. In November 2019, Fuji Xerox became a wholly-owned subsidiary of Fujifilm after Fujifilm acquired the 25% shareholding in Fuji Xerox from Xerox. Thereafter, Fujifilm laid out a comprehensive collaborative plan with Fuji Xerox whereby Fujifilm will utilise the key technologies of Fuji Xerox such as its document processing technologies for development of new products, particularly in the medical diagnostic equipment area. The Group will strive to capture this business opportunity with a target of also becoming a supplier of Fujifilm and expanding into the medical equipment sector. Meanwhile, the OA equipment production volume of Fuji Xerox is expected to remain stable or even increase after the acquisition, as Fuji Xerox will continue to supply OA equipment products to Xerox for sales under Xerox's brand name.

By end of 2019, the construction of the Group's new industrial park in Weihai was substantially completed, but internal renovation and production commencement were delayed by the coronavirus outbreak in early 2020. The new Weihai industrial park, which has a land area of 349,000 square metres and phase one floor area of 79,000 square metres, was built at the invitation of Hewlett-Packard ("HP"), one of the largest corporations in the OA equipment sector. To cope with the existing orders from HP, the Group continued to utilise the temporary factory which it has rented from the Weihai government since early 2018. The Group presently has a plan to gradually move from this temporary factory to the new self-constructed Weihai industrial park starting from the second quarter of 2020. Apart from the temporary factory, the Group also possesses another production facility in Weihai which was acquired in December 2017 to cope with the existing orders. Upon production commencement, the new self-constructed Weihai industrial park can provide the Group with additional production capacity to cope with the increasing orders from HP, as HP has voluminous purchasing demand in Weihai. At the same time, the new self-constructed Weihai industrial park can also be used for serving other OA equipment customers, as production outsourcing from them is expected to accelerate as mentioned above.

CHAIRMAN'S STATEMENT

Outside China, the Group completed the construction of the phase two of its industrial park located at Haiphong, Vietnam in 2019. The new phase two of the Vietnam industrial park has a floor area of 46,000 square metres. In 2019, the Vietnam industrial park experienced a robust growth in turnover, as multi-national corporations have been increasing their production scales in Southeast Asia particularly in Vietnam. At present, the Vietnam industrial park is primarily serving OA equipment customers which have assembly plants in Vietnam, but it can also expand into other high growth sectors such as the high-end consumer electronics sector in Vietnam at the later stage.

Production commencement ceremony of Digit Mexico (SLP) Automobile Industrial Park in 2019

In the automobile sector, the Group's new industrial park in San Luis Potosí, Mexico commenced production operations in 2019. The new Mexico industrial park, which has a land area of 83,000 square metres and phase one floor area of 17,000 square metres, was built at the invitation of one of the Group's existing automobile customers for the purpose of serving its existing plants in Mexico. This existing customer is a multi-national corporation engaging in the production of automobile seats, interiors and exhaust systems, and the demand from this existing customer in Mexico is huge. At present, San Luis Potosí is one of the major automobile production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp, have production plants either locally or in the adjacent states. Therefore, apart from the said existing customer, an enormous demand exists for the precision manufacturing services offered by the Group in Mexico.

Construction of EVA Weihai (Double Islands Bay) Electronic Industrial Park was substantially completed

The China automobile market underwent a slowdown in 2019. During the year, we continued to deepen our business relationships with reputable automakers in China such as Dongfeng, Changan and SAIC-GM-Wuling. To drive business growth, the Group also made conscious efforts to add more customers into its automobile customer base. In 2019, the Group had successfully become a qualified supplier of Tesla, and moulds were sold to Tesla's production facilities outside China during the year. The Group has a plan to deepen its business relationship with Tesla in China following the completion of construction of Tesla Shanghai Gigafactory at the end of 2019. Apart from automakers, the Group is also actively sourcing new orders from internationally renowned tier-one suppliers in the automobile industry. These tier-one suppliers have a huge and stable production demand which is less affected by the sales performance of a single car model as their products are sold to different automakers. At present, reputable tier-one suppliers such as Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-tech have already become our customers in China. Positive feedback for our services and products has been received from them. Going forward, the Group will continue to devote substantial efforts to broaden its automobile customer base.

In recent years, the Chinese government has taken 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 opportunities for the Group in the market of high technology products. The Group has a plan to source new orders from the burgeoning technology sector in China, and is confident about the outcome since the Group's is reputed for outstanding quality and engineering expertise which are essential for producing high technology products.

The Group is committed to delivering excellent manufacturing services. During the year, the Group continued to receive accolades for outstanding quality and services from numerous renowned brand names such as Fuji Xerox, Kyocera, Canon and Toshiba, thereby providing us with the valuable credentials to obtain other high value orders both in China and overseas.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking into 2020, it is no denying that the coronavirus outbreak will bring about a short-term setback to the business performance of the Group. However, over the past few years, the Group has taken sensible steps to set up various business growth drivers for itself, including investments in both China and overseas countries, and deepening the business relationships with the existing and new customers. These business growth drivers are unlikely to be significantly altered by any short-term impact brought by the coronavirus outbreak. Further, the governments around the world have taken actions in an effort to alleviate the economic impact of the coronavirus outbreak, including an emergency interest rate cut made by the United States Federal Reserve which can directly reduce the Group's finance costs. We also expect business to bounce back quickly in the aftermath of the coronavirus outbreak, as our customers will need to make up for the production delay during the outbreak period. We also have a strong and healthy balance sheet, which enables us to withstand any short-term financial impact caused by the coronavirus outbreak. Therefore, we remain optimistic about the Group's prospect in the mid-to-long term.

In face of the coronavirus outbreak, the entire community needs to work together to overcome the challenges. We faced numerous challenges in the past, and we had overcome those previous challenges. I am confident that we will overcome the current challenge eventually.

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, 6 May 2020

EVA Suzhou Electronic Industrial Park

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 ("ESG") related 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 ESG information in this report covers the Company and its subsidiaries.

MATERIALITY ASSESSMENT

To identify the ESG issues relevant to the Group, we engaged our management and staff to review our operations and obtain feedbacks from various stakeholders including shareholders, customers, employees, suppliers, creditors, regulators and the general public. Subsequently, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as the Group. Reference was also made to the ESG Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other relevant industrial standards.

The ESG issues considered to be material are listed below:

ESG aspects as set forth in ESG Reporting Guide		Material ESG issues for the Group
A.	**Environmental**	
A1	Emissions	Emission and waste management
A2	Use of resources	Use of electricity, water and packaging materials
A3	The environment and natural resources	Measures to minimise the impact on the environment and natural resources
B.	**Social**	
B1	Employment	Working conditions and employee care
B2	Health and safety	Health and safety workplace
B3	Development and training	Staff development and training
B4	Labour standards	Anti-child and forced labour
B5	Supply chain management	Supply chain management
B6	Product responsibility	Quality assurance and product responsibility
B7	Anti-corruption	Anti-corruption measures
B8	Community investment	Community services and care

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

The 2018 annual performance accreditation and 2019 new year gala which was held in January 2019

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 and invite our employees to perform on stage in the new year galas at around Chinese New Year every year with a view to providing a platform for our employees to showcase their artistic talents and morale, and the year 2019 was no exception. In 2019, we organised a group hiking activity to Yangtai Mountain in Shenzhen for our employees. We also organised basketball tournaments for our employees in Shenzhen and Suzhou. For those employees who enjoy more tranquil activities, we also organised other relevant activities for them which included a spring festival couplets competition for the Year of the Pig, a lantern riddles quiz on the Lantern Festival and a wrapping rice dumplings activity on the Dragon Boat Festival in 2019. We also publish our own corporate periodicals named "Pursuit of Dreams", which our colleagues can use as a platform to share their life stories and experiences, and solicited written articles from employees in relation to the Group's IPO anniversary in 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other internal activities organised by the Group for employees in 2019 included baking class, fun race and tug-of-war contests. During the year, we also organised a trip to Daming Mountain and Digang Town in Zhejiang Province, China for outstanding employees as compliments for their excellent performance.

We organised basketball tournaments for our employees

Externally, we dispatched teams to participate in various sport and artistic performance competitions organised by the governments and other organisations. During the year, we dispatched our corporate soccer team to participate in the soccer tournament of the Eleventh Foreign Investment Enterprises Game of Suzhou. We also dispatched our employees to participate in the sport game of Weihai Torch High Technology Industrial Development Zone and a basketball tournament organised by the Labour Union of Shuangdao Town, Weihai. In 2019, our employees also participated in the Suzhou Taihu Marathon, and a singing and speech contest in Weihai which was held for the 70th National Day of China.

As at 31 December 2019 the Group had 8,999 employees. Employment expenses during the year ended 31 December 2019, including directors' and chief executive's emoluments, amounted to approximately HK$892,458,000.

Health and safety

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

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Certificate of Registration

OHSAS18001 certification

We adopt international best practices in occupational health and safety, and follow the OHSAS18001:2007 requirements in respect of occupational health and safety management system. We have been certified as OHSAS18001 compliant by the BSI Group since 2011. As the OHSAS18001 standard is in the process of being replaced by ISO45001 standard over a three-year migration period from 2018 to 2021, the Group currently has a plan to upgrade to ISO45001 standard within the prescribed migration period. 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 production safety information seminar, safety coaching programme 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 believes 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 Objectives Conference" and "New Year Discussion Forum" in January 2019. During these events, 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 2018 annual performance accreditation in January 2019 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.

2019 Business Objectives Conference

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, internal training offered to the employees of the Group included the training courses relating to SAP enterprise resource planning, management skills for enterprise front line supervisors, environment laws and garbage classification. We also offered training courses relating to the manufacturing technologies and processes for moulds and products conducted by experienced engineers to non-technical employees such as the finance staff so that these non-technical employees could deepen their understanding about the production lines. We organised numerous experience sharing forums in 2019, during which senior management members from different departments shared experience with their colleagues about various topics such as time management, management skills, product technologies and risk management. 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.

2019 outward bound activity for our employees

Training offered by the Group to senior management members (including executive directors) during the year included two interactive training courses about lean production and the development of China automobile industry which was held in Haiphong, Vietnam and Guangzhou, China respectively in November 2019. We also organised two strategy exploration workshops in November 2019 in which the Group's management members with different job responsibilities met together and shared experiences with a view to facilitating cross-functional exchanges within the management team. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. Therefore, the Group received the "2018 Shenzhen Small and Medium Enterprises Best Employer Award" from Shenzhen Small and Medium Enterprises Service Bureau, Shenzhen SMEmall and Shenzhen Small and Medium Sized Enterprises Service Union in 2019.

At the Board level, the Group sees diversity as an essential element in supporting the attainment of the Board's strategic objectives and sustainable development. Accordingly, the Group 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. The board diversity policy is available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

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 2019, the Group's employee caring fund continued to offer assistances to the employees in need.

We arranged nursery classes in our industrial parks in the summer of 2019

During the year, we also organised crowd funding activities within the Group to raise donations for the employees in need, so that these employees could not only receive financial assistances, but also experience the care and support from their fellow colleagues. In summer 2019, we arranged nursery classes in our industrial parks to help our employees take care of their children during working hours in the summer holiday of schools. We also organised various celebration activities on important festivals such as the international women's day, the Dragon Boat Festival and the Mid-Autumn Festival, and arranged group birthday parties for our employees in 2019, with a view to delivering warmth and kindness to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 Waste Electrical and Electronic Equipment Directive (WEEE), in all aspects.

Emission and waste management

During the year ended 31 December 2019, the Group's greenhouse gas (CO_2) emission was approximately 82,210 tonnes, or approximately 21.94 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 gradually 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year ended 31 December 2019, the Group generated non-hazardous wastes such as metals, degradable plastics, paper pallets, wooden boxes and pallets and other non-chemical wastes of approximately 2,450 tonnes, or approximately 0.65 tonne 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 closed-loop recycling system by increasing the use of recycled materials for the purpose of reducing wastes.

During the year ended 31 December 2019, the Group generated hazardous wastes such as waste electrical and electronic items, waste chemicals, waste oils and cutting fluids of approximately 84 tonnes, or approximately 0.02 tonne 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 wastes, 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 wastes 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 65.2 million kwh, or approximately 17,407.5 kwh per HK$1 million of output, of electricity during the year ended 31 December 2019. 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 dormitories areas to identify any cases of energy waste. All demerit points recorded by the resources conservation teams 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 systems, 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 6.0 million tonnes, or approximately 1,605.9 tonnes per HK$1 million of output, of water during the year ended 31 December 2019. 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 2019, the Group used packaging materials of approximately 8,471 tonnes, or approximately 2.26 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 and energy, water and packaging material use efficiency management initiatives

Corporate Environmental Leadership Award

ISO14001 certification

As a result of our emission, waste and energy, water and packaging material use efficiency management measures, our greenhouse gas (CO_2) emission, waste (both hazardous and non-hazardous) generation and electricity, water and packaging material consumption per output were maintained at low level during the year ended 31 December 2019. 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 and energy, water and packaging material use efficiency management initiatives and their results enabled us to comply with latest ISO14001 standards (i.e. the 2015 version), and therefore the Group was ISO14001:2015 compliant as at the date of this report.

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 2019. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

ISO9001 certification

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 "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, Kyocera, Canon and Toshiba.

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 help us uphold a commitment to serving the community by way of cash and in-kind donations, as well as staff participation.

Containing the spread of the coronavirus

Since the outbreak of the coronavirus, the governments from all around the world have dedicated significant resources to combat the virus. The Group is committed to the health and safety of all our employees and business partners and to maintaining a high level of hygiene in the community. In light of the pneumonia outbreak, we adopted and supported all protective measures laid out by the relevant government departments. In accordance with the governmental instructions, we extended the Chinese New Year holidays of our industrial parks in China to at least 9 February 2020, and only resumed production thereafter. The Group also implemented a wide range of protective measures, including the supply of protective face masks to employees, testing their body temperature before work and thorough sterilisation of production lines, with a view to containing the spread of the virus.

In face of the challenges brought by the coronavirus outbreak, the Group believes that it is critical for the entire community to unite and work diligently together to overcome these challenges. Accordingly, the Group made various cash and other in-kind donations to support the prevention initiatives in the community, which included financial donations, and donating protective face masks and other hygiene materials to the government and charitable organisation for fighting against the coronavirus outbreak and assisting in the relief measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community investment

During the year ended 31 December 2019, donations of approximately HK$565,000 was made to charitable organisations in Hong Kong and China, covering community projects across our focus areas of community, education, youth and the elderlies.

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. In Hong Kong, we continued to sponsor the "Outstanding Industrial Attachment Scholarships" of the Vocational Training Council in 2019. We also made donation to Weihai Vocational College and donated materials to Tangtou School in Baoan District, Shenzhen during the year.

Other charitable donations made in 2019 included donations to Shenzhen Charity Federation, Shenzhen Baoan Charity Federation, the Charity Committee of Shenzhen Guangming District and the Red Cross Society of China, Zhongshan Branch. To compliment our active involvement in charitable activities and community services, the Group was granted with "the Top 100 Charity Enterprise in Baoan District" accreditation from the Civil Affairs Bureau of Shenzhen Baoan District in May 2019.

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 Executive 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 2019, a total of 42 enterprises (including the Group) made donations through this platform and the total donations raised was RMB408,220.

The Top 100 Charity Enterprise in Baoan District accreditation

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 continued to actively participate in the "YIC x OUHK Internship Programme in Newly Industrialised Country" jointly organised by the Open University of Hong Kong and Hong Kong Young Industrialists Council in summer 2019. As part of the activities under this programme, we arranged for the Hong Kong students to travel to our Vietnam industrial park for summer internship to help them understand the latest industrial practices and gain knowledge beyond their school curriculum. We once again supported the "Suzhou Internship Programme" jointly 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 2019.

In 2019, we organised our employees to participate in a tree planting activity organised by the People's Government of Suzhou. We also arranged for our colleagues in China to visit the elderlies during the year. In January 2019, we joined with Hong Kong Young Industrialists Council to organise a factory tour to our Shenzhen (Shiyan) industrial park for the students and teaching staff of Hong Kong Taoist Association Tang Hin Memorial Secondary School to assist the young students and their teachers to understand more about the latest industrial development and business culture in China.

We arranged our colleagues in China to visit the elderlies

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

Stamping production line in Digit Mexico (SLP) Automobile Industrial Park

Since the outbreak of the coronavirus, the Chinese central government has dedicated significant resources to combat the virus. All of the government departments are working diligently with enterprises and other non-governmental organisations to minimise the impact of the coronavirus outbreak. The Group is committed to the well-being and safety of all our employees and business partners and to maintaining a high level of hygiene. In light of the pneumonia outbreak, we adopted and supported all protective measures laid out by the relevant local governments. In accordance with the governmental instructions, we extended the Chinese New Year holidays of our industrial parks in China to 9 February 2020, and only resumed production thereafter. At present, all of our industrial parks in China had resumed production. The Group also took a wide range of protective measures, including the supply of protective face masks to employees and thorough sterilisation of production lines, with a view to containing the spread of the virus. Further, as substantially all of the Group's products are supplied to our customers' assembly plants located in the proximity of our industrial parks, we also collaborated closely with our customers to ensure smooth production for both sides during the period of the coronavirus outbreak.

In January 2020, the United States and China entered into the phase one trade deal in an effort to settle the trade dispute between the two countries, but uncertainties continued to exist over the prospect of the United States-China trade relations. The United States-China trade dispute, which started in mid-2018, had weakened the investment sentiment in the business community and created uneasiness among the majority of manufacturers in China. However, thanks to the Group's unique customer profile and sensible business strategies, the Group is unlikely to be significantly affected by the United States-China trade dispute. Over the years, the Group has focused on serving internationally renowned office automation ("OA") equipment customers, which possess a worldwide production network and have established assembly plants in different countries around the world. Since 2018, these OA equipment customers have embarked on reorganising their internal production logistics whereby the production of those products that were previously carried out in China and targeted at the United States market were transferred to assembly plants in other countries such as those in Southeast Asia. At the same time, the production of those products that were previously carried out in other countries such as those in Southeast Asia and targeted at markets outside the United States were transferred to China. Through such reorganisation, the total production volume of these OA equipment customers in China, and consequently our sales to their China assembly plants, remained substantially unaffected by the United States-China trade dispute.

Production line for lathing components

In addition, the Group has started building up production facilities in overseas countries since a few years ago, and had established industrial parks in Vietnam and Mexico in 2016 and 2019 respectively. Further, the Group's automobile business in China primarily targets at the Chinese automobile market, and therefore it is unlikely for this business to be significantly affected by the United States-China trade dispute as most of the cars manufactured in China are sold within China and are rarely sold to the United States. Due to the above factors, the Group's turnover continued to grow in 2019 in spite of the uncertainties brought by the United States-China trade dispute.

In the OA equipment sector, we have seen a trend for the Group's customers to get reliable supplier such as the Group increasingly involved in their product design processes. This is because these customers have a plan to nurture a supplier which can take up more of their internal production in the long-term, so that they can focus more resources on marketing and business development. In view of such trend, the Group has set up a product development team in Japan since late 2018. This product development team, which includes relevant experts from Japan, works closely with the customers' product design departments in Japan and provides valuable inputs to the customers' product design processes. The Group believes that the establishment of its product development team in Japan and an increasing involvement in the customers' product design processes will elevate the Group's strategic partnership with its OA equipment customers to the next and more synergic level.

MANAGEMENT DISCUSSION AND ANALYSIS

Automobile mould production area in Digit Wuhan Automobile Industrial Park

In November 2019, Fujifilm acquired the remaining 25% shareholding in Fuji Xerox from Xerox and thereafter, Fuji Xerox became a 100% owned subsidiary of Fujifilm. Following the acquisition, the production volume of OA equipment by Fuji Xerox is expected to remain stable or even increase as Fuji Xerox will continue to supply OA equipment products to Xerox for sales under Xerox's brand name. At the same time, as Fuji Xerox has become wholly owned by Fujifilm, Fujifilm announced a comprehensive business collaborative plan with Fuji Xerox whereby Fujifilm will utilise the key technologies of Fuji Xerox such as its document processing technologies for development of new products, particularly in the medical diagnostic equipment area. Being a long-standing supplier of Fuji Xerox, the Group will strive to capture this business opportunity with a target of also becoming a supplier of Fujifilm and expanding into the medical equipment sector.

In recent years, multi-national corporations have been increasing their production scales in Southeast Asia particularly in Vietnam, and the Group's OA equipment customers are no exception. To cope with the burgeoning production demand in Vietnam, the Group had completed the construction of phase two of its Vietnam industrial park in the first half of 2019. The new phase two of the Vietnam industrial park, which has a floor area of 46,000 square metres, has provided the Group with additional capacity to cope with the rapidly increasing orders from its customers, a majority of which are the OA equipment customers who have established assembly plants in Vietnam. During the year, the Group's revenue from its Vietnam industrial park increased rapidly, a trend which we expect to continue into 2020 and the years after. Apart from the OA equipment sector, the Group's Vietnam industrial park can also develop new customers in other high growth sectors such as the high-end consumer electronics sector in Vietnam at a later stage, as Vietnam is also well known for being one of the global manufacturing hubs for high-end consumer electronics products.

In China, the Group's OA equipment customers operate large-scale assembly plants at present, which purchase moulds and components from outside suppliers such as the Group. The Group was informed by its major OA equipment customers that they have long-term plans to gradually scale down their own production lines in China with a view to focusing more resources on marketing and business development. As part of such long-term plans, these customers will select supplier with proven track record such as the Group and increasingly outsource more of their internal production to the selected supplier. Given this new business direction of the customers, the Group expects to see voluminous new orders from the OA equipment sector which are driven by accelerated outsourcing in China in the years ahead.

Laser welding assembly line

During the year, the Group continued the construction of a new industrial park in Weihai, China, which has a land area of approximately 349,000 square metres and a floor area (phase one) of 79,000 square metres. The new Weihai industrial park is built at the invitation of Hewlett-Packard ("HP"), one of the largest corporations in the OA equipment sector, as HP has informed the Group that their production scale in Weihai will expand significantly in the future. As at 31 December 2019, the construction of the new Weihai industrial park was substantially completed, but internal renovation and production commencement were delayed by the outbreak of coronavirus in early 2020. To cope with the imminent demand from HP, the Group continued to use the temporary factory which it has rented from the Weihai government since early 2018. The Group currently has a plan to gradually move from the temporary rented factory to the new self-constructed Weihai industrial park starting from the second quarter of 2020. Apart from the temporary rented factory, the Group also has another production facility in Weihai which was acquired in December 2017 for serving the orders in Weihai. As the production demand from HP in Weihai is voluminous, the Group is confident that the new self-constructed Weihai industrial park can deliver robust sales performance upon production commencement. The new Weihai industrial park can also be used for serving other OA equipment customers, since these customers have a plan to accelerate production outsourcing in China and increasing sales orders are expected from them as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group also completed the construction of a new industrial park in San Luis Potosí, Mexico for its automobile business. The new Mexico industrial park has a land area of 83,000 square metres and phase one floor area of 17,000 square metres. It was built at the invitation of one of the Group's existing automobile customers, which is an international leader in the production of automobile seats, interiors and exhaust systems, for the purpose of serving their existing plants in Mexico. Potential for sales orders from this customer in Mexico is huge. At present, San Luis Potosí is one of the major automobile production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp, have production plants either locally or in the adjacent states. Therefore, apart from the orders from the said existing customer, an enormous demand exists for the Group's automobile products in Mexico and the Group sees robust growth potential for the new Mexico industrial park.

Robotic assembly line for office automation equipment

In China, the automobile market underwent a slowdown during the year ended 31 December 2019. With a view to driving business growth, the Group made conscious efforts to add more customers into its automobile customer base in China during the year. Particular attention was given to internationally renowned tier-one suppliers in the automobile industry which have production plants in China. 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. At present, reputable tier-one suppliers which have already become our customers in China include Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-tech. At the same time, businesses with automakers were not ignored. During the year, the Group has successfully become a qualified supplier of Tesla, and moulds were sold to Tesla's overseas production facilities during the year. Following the completion of the construction of Tesla Gigafactory in China at the end of 2019, the Group has a plan to deepen its business relationship with Tesla in China in the future. At the same time, the Group continued to supply high quality automobile moulds and components to other reputable automakers in China such as Dongfeng, Changan and SAIC-GM-Wuling during the year. Going forward, the Group will continue to devote substantial efforts to broaden its automobile customer base.

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, the emergence of high technology industries in China creates a rapidly growing demand for highly sophisticated moulds and components. At the same time, the Chinese government has taken measures to nurture high quality local suppliers with a view to reducing the reliance on foreign suppliers for sophisticated moulds and components. This has created a lot of new business opportunities for the Group, as the Group is reputed for outstanding product quality and engineering expertise which are essential for producing high technology products. Therefore, the Group will also actively seek new manufacturing orders from the high technology sector in China.

2,700T servo line

Despite a lackluster economic environment brought by the United States-China trade dispute in 2019, the Group's turnover increased by 2.2% to HK$3,747,055,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the year. Gross profit margin for the year decreased to 20.4% (2018: 21.5%), as the newly completed Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margin at the initial stage of operations. During the year, the Group's new industrial park in Mexico incurred initial loss of HK$19,335,000. In addition, income tax expense for the year also increased, mainly because one of the Group's subsidiaries in Mainland China might distribute dividends to its holding company within the Group which was located outside Mainland China, and therefore had made provision for Mainland China dividend withholding tax amounting to HK$10,000,000. As a result, the Group's net profit decreased by 37.4% to HK$51,781,000.

During the year, the Group continued to devote substantial efforts on maintaining a healthy balance sheet. As at 31 December 2019, the Group's net debt-to-equity ratio decreased slightly to 22.0% (2018: 23.6%), despite the capital expenditure used for the construction of the new Weihai industrial park during the year. This was primarily because the Group was able to generate substantial cash flows through its business activities. Going forward, we will remain committed to conservative financial management policies and take efforts to streamline our working capital requirements with a view to improving the net debt-to-equity ratio and reducing the finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

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 potential which can add to our existing portfolio. Investment decisions are made after comprehensive consideration of various factors such as the business viabilities and potential returns of the projects, legal and regulatory requirements and the financial capabilities of the Group. Investments are primarily made to projects which are related to the Group's principal businesses and, if such projects are not directly related to the Group's principal businesses, they should be of high growth potential and the amount of investments will be limited. For investments required to be carried at fair values on the financial statements, they are valued by reference to recent transaction prices in arm's length transactions, net asset values or valuations determined by independent firms of professional valuers.

We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout policy at approximately 30% of net profit. In addition to such normal dividend payout, the Board also declared a one-off special dividend for 2019 on 26 March 2020 in order to celebrate the 15th anniversary of the Group's IPO on The Stock Exchange of Hong Kong Limited. Together with the special dividend, the total dividends for the year ended 31 December 2019 amounted to HK$61,354,000, representing a total dividend payout ratio of 118.5% for this year. 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 12,522,000 shares from the market during the year ended 31 December 2019 and in January 2020. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources to maximise the returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

At present, although the coronavirus outbreak starts to subside in China, we continue to work diligently to ensure the health and safety of our staff and business partners, and have taken various measures to minimise the impact of the coronavirus outbreak on our operations. Whilst the coronavirus crisis will bring about a negative impact on our 2020 financial results, we remain confident in the longer-term outlook for the Group, as the various mid-to-long term growth factors of the Group remain unscathed despite the temporary slowdown brought by the coronavirus outbreak. In the aftermath of the coronavirus outbreak, it is also very likely to see a sharp rebound in business as the Group's customers will have a need to make up for the delay in product supply during the outbreak period. The emergency interest rate cut which was announced by the United States Federal Reserve in response to the coronavirus outbreak in March 2020 can also reduce the finance costs of the Group. Last but not the least, the Group has a strong and healthy balance sheet which enables the Group to withstand any short-term business slowdown, and also enabled the Group to increase the return to shareholders through declaring a special dividend in March 2020.

Digit Chongqing Automobile Industrial Park

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	2019 HK$'000		2018 HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**210,705**	**5.6%**	201,064	5.5%
Manufacturing of metal stamping components	**1,495,846**	**39.9%**	1,545,032	42.1%
Manufacturing of lathing components	**85,063**	**2.3%**	99,194	2.7%
Others (Note 1)	**44,105**	**1.2%**	25,578	0.7%
	1,835,719		1,870,868	
Plastic division				
Design and fabrication of plastic injection moulds	**73,938**	**2.0%**	72,029	2.0%
Manufacturing of plastic injection components	**1,824,532**	**48.7%**	1,713,685	46.7%
Others (Note 1)	**12,866**	**0.3%**	10,075	0.3%
	1,911,336		1,795,789	
Total	**3,747,055**		3,666,657	
Segment results				
Metal division	**49,733**		73,144	
Plastic division	**73,977**		75,764	
Micro lending business	**(1,530)**		867	
Operating profit	**122,180**		149,775	
Unallocated expenses	**(4,220)**		(6,385)	
Finance income	**15,031**		15,707	
Finance costs	**(55,389)**		(55,587)	
Income tax expense	**(25,821)**		(20,847)	
Profit attributable to equity holders of the Company	**51,781**		82,663	

Note 1: Others mainly represented sales of scrap materials.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

During the year, the Group's turnover increased by 2.2% to HK$3,747,055,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the year.

Gross profit

During the year, gross profit margin decreased to 20.4% (2018: 21.5%). It was mainly because the Group's new industrial parks, namely, the new Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margin at the initial stage of operations.

Segment results

Due to the reduction in gross profit margin, the operating profit margin of the Group's metal and plastic divisions for the year ended 31 December 2019 decreased to 2.7% and 3.9% (2018: 3.9% and 4.2%) respectively. Operating profit margin of the metal division was lower because the Group's new Mexico industrial park, which was included in metal division, incurred an initial loss of HK$19,335,000 during the year. Operating loss from the micro lending business for the year ended 31 December 2019 represented the Group's share of 40% of the loss of the micro lending company through equity pick-up.

Finance income and costs

The Group's finance income and costs for the year ended 31 December 2019 were comparable to those in 2018.

Income tax expense

During the year, income tax expense increased to HK$25,821,000. The Group's effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) in 2019 was 33.3%, which increased as compared to that in 2018. It was mainly because one of the Group's subsidiaries in Mainland China might distribute dividends to its holding company within the Group which was located outside Mainland China, and therefore had made provision for Mainland China dividend withholding tax amounting to HK$10,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company decreased to HK$51,781,000, which was primarily caused by the reduction in operating profit and the increase in income tax expense as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2019, the Group's net cash generated from operating activities increased to HK$399,735,000 (2018: HK$219,609,000), which was primarily due to the Group's efforts to streamline working capital requirements. During the year, the Group's capital expenditure decreased. Therefore, the Group's net cash used in investing activities decreased to HK$356,045,000 (2018: HK$514,534,000). The Group recorded a net decrease in bank borrowings of HK$33,016,000 during the year, whilst there was a net increase in bank borrowings of HK$242,055,000 in 2018. Therefore, the Group recorded net cash outflows from financing activities of HK$80,124,000 during the year (2018: net cash inflows of HK$124,696,000).

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 31 December 2019 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), almost all of the Group's borrowings as at 31 December 2019 were denominated in Hong Kong dollars or United States dollars to match repayment currency with the Group's major source of operating cash inflows. 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 2019	31 December 2018
Inventory turnover days *(Note 1 and 5)*	**74**	56
Debtors' turnover days *(Note 2 and 5)*	**89**	99
Creditors' turnover days *(Note 3 and 5)*	**120**	106
Cash conversion cycle *(Note 4 and 5)*	**43**	49
Current ratio *(Note 6 and 8)*	**1.28**	1.21
Net debt-to-equity ratio *(Note 7 and 8)*	**22.0%**	23.6%
Net profit margin *(Note 9 and 11)*	**1.4%**	2.3%
Return on shareholders' equity *(Note 10 and 11)*	**2.0%**	3.2%

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. These ratios have a significant impact on the ability of the Group to generate cash flows from its operations. Therefore, they are selected as key financial performance indicators.

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

7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$74,010,000 as at 31 December 2019 (as at 31 December 2018: Nil). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

8. These ratios reflect the Group's financial stability and its ability to pay its debts as they fall due. Therefore, they are selected as key financial performance indicators.

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

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

11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators.

Inventory turnover days

The Group's inventory turnover days for the year was 74 days, which was higher than that for the year ended 31 December 2018. It was mainly because the Group's new industrial parks, namely, the new Mexico industrial park and phase two of the Vietnam industrial park, commenced operations during the year and had purchased inventories in preparation for the predicted increase in sales orders in 2020 and onwards.

Debtors' and creditors' turnover days

Debtors' turnover days for the year improved to 89 days, which was primarily due to the Group's stringent credit control. Creditors' turnover days for the year increased to 120 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with longer credit periods during the year.

Cash conversion cycle

The decrease in cash conversion cycle in 2019 was mainly caused by the decrease in debtors' turnover days and the increase in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 31 December 2019 was 1.28, which was comparable to that as at 31 December 2018. During the year, the Group continued to generate cash from business operations. Therefore, despite the Group's capital expenditure, cash and bank deposits as at 31 December 2019 increased which led to a slight improvement in the Group's net debt-to-equity ratio to 22.0% as at 31 December 2019.

Net profit margin and return on shareholders' equity

The reduction in the Group's net profit margin and return on shareholders' equity was caused by the decrease 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 2019, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	20.8%	5.8%
US dollars	50.3%	54.3%
Renminbi	27.3%	39.6%
Other currencies	1.6%	0.3%

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 71.1% of the Group's sales and 60.1% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) 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 other currencies 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 other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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 from 8,635 employees as at 31 December 2018 to 8,999 employees as at 31 December 2019. This was primarily because the Group's new Mexico industrial park and phase two of the Vietnam industrial park commenced operations during the year.

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.

As at 31 December 2019, the average length of services of the Group's employees below and above manager grade was 2.7 years and 8.0 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK$62,154,000 for securing lease liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPACT OF THE CORONAVIRUS OUTBREAK ON BUSINESS

Since the outbreak of the coronavirus, the Group has adopted various measures to assist in the containment of the virus in the community, and to minimise the impact on our business. In accordance with the relevant governmental instructions, we extended the Chinese New Year holidays of our industrial parks in China to 9 February 2020, and only resumed production thereafter. We also supported and adopted all protective and hygienic measures and guidelines laid out by the relevant government departments. Internally, we imposed restrictions on business travels, and required our staff to conduct businesses with customers, suppliers and other business partners through electronic means such as video conferencing whenever possible. We have also taken a wide range of other protective measures, such as requiring the staff who returned from epidemic regions to self-quarantine, the supply of protective face masks to employees, testing their body temperature before work and through sterilsiation of production lines, with a view to containing the spread of the virus.

At present, the coronavirus outbreak shows signs of subsiding in China, and all of our industrial parks in China has resumed production. However, the coronavirus outbreak has brought about a general slowdown in business activities and market demand. Further, substantially all of the components manufactured by us are presently sold to our customers' assembly plants for producing the finished products. To form the finished products, these customers also require certain additional parts from overseas countries such as Japan. A slowdown in the supply of these additional parts from overseas countries caused by the coronavirus outbreak will result in production delays at our customers' assembly plants, which consequently affect their sales orders to us. Therefore, there is no denying that the coronavirus outbreak will negatively affect our business performance in 2020.

To get through this difficult period, the Group has adopted numerous measures to control costs, such as slowing down the recruitment of new staff, planning our production schedules in a more efficient manner to shorten the operating hours of the production lines with a view to reducing overhead expenses, and taking up more of the production procedures in-house to lower subcontracting costs.

The Group is confident about overcoming the challenges brought by the coronavirus outbreak. The Group's existing customers primarily consist of internationally renowned companies in the office automation equipment and automobile sectors. These customers have sound financial capabilities, and accordingly the Group considers that there is no material risk of default of payment from customers as a result of the coronavirus outbreak. The Group also has a strong and healthy balance sheet, and had successfully obtained additional loan facilities from banks in February and March 2020. Therefore, the Group has adequate financial resources to withstand any business slowdown brought by the coronavirus outbreak.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2019 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 57, 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 25 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 president honoris causa 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, and is also a director of Prosper Empire Limited, which was interested in 39.12% of the issued share capital of the Company as at 31 December 2019. 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, both are the executive directors of the Company. Mr. Zhang was appointed as a director on 27 July 2004.

Mr. ZHANG Jian Hua (Former name: Wong Yat, Michael), aged 45, 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, both one the executive directors of the Company. Mr. Zhang was appointed as a director on 14 September 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. ZHANG Yaohua, aged 47, 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 25 years of operational management experience in the industry of precision mould and component manufacturing. He is the deputy supervisor of the Committee for Economic Affairs of the 6th Shenzhen Committee of the Chinese People's Political Consultative Conference. Mr. Zhang is also the chairman of Guangdong-Hong Kong-Macao Advanced Manufacturing Industry Alliance (粵港澳先進製造業產業聯盟), the vice chairman of the 8th executive committee of Shenzhen Federation of Industry & Commerce (深圳市工商業聯合會), the executive president of Shenzhen Machinery Association (深圳市機械行業協會), the vice president of Guangdong Die & Mould Industry Association (廣東省模具工業協會), Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會) and Shenzhen General Chamber of Commerce (深圳市商業聯合會). Mr. Zhang was accredited as one of the outstanding people in machinery industry (深圳機械行業傑出人物) by Shenzhen Machinery Association (深圳市機械行業協會) in 2004, a "Creative and Outstanding Person of China Enterprises" (中國企業創新優秀人物) by Chinese Association of Market Development (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" (廣東商界十大新鋭人物) 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" (深圳百名行業領軍人物) by Shenzhen Social 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, both are the executive directors of the Company. He is also a director of Prosper Empire Limited, which was interested in 39.12% of the issued share capital of the Company as at 31 December 2019. 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 91, 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 Ltd. 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 & Overseas Chinese Association of Commerce Ltd., the honorary permanent president of Hong Kong Commerce and Industry Associations Limited and the permanent honorary president of The Chinese General Chamber of Commerce. Mr. Choy was appointed as a director on 11 January 2005.

As Mr. Choy has reached retirement age, Mr. Choy has informed the Board that he will not offer himself for re-election at the forthcoming annual general meeting, and will retire as an independent non-executive director and a member and the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company.

Mr. LEUNG Tai Chiu, aged 74, 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 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 58, 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 30 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 Planetree International Development Limited (formerly known as Yugang International Limited), a public company listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 47, is the chief financial officer and the company secretary of the Group. Mr. Wong is responsible for the accounting, taxation and financial affairs of the Group. Mr. Wong has more than 20 years of experience in the field of auditing, accounting and taxation. He is a member of Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in 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.

CORPORATE GOVERNANCE REPORT

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 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.

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 70 to page 73 under the section headed "Directors and Senior Management Profile" of the annual report.

Relationship between the Board members

Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua are brothers. Save as aforesaid, the Board members have no financial, business, family or other material relationships with each other.

Independent non-executive directors

The Group has a balanced board composition to ensure strong independence exists across the Board and currently more than one-third of the Board members comprise independent non-executive directors. The independent non-executive directors are persons of high caliber, with extensive experience in the field of accounting, financial management, trading, manufacturing and property development businesses. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The composition of the Board also complies with the requirement under rule 3.10(2) of the Listing Rules in respect of appropriate professional qualifications, or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

Mr. 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 an annual confirmation that each of them and their immediate family members are independent from the Group as required under 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 and develop 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. Choy Tak Ho shall retire from office by rotation at the forthcoming annual general meeting. As Mr. Choy has reached retirement age, Mr. Choy has indicated that he will not offer himself for re-election at the forthcoming annual general meeting, and will only hold office until the conclusion of the forthcoming annual general meeting.

The Group has also received from Mr. Lam Hiu Lo an annual confirmation that he and his immediate family members are independent from the Group as required under rule 3.13 of the Listing Rules. As such, the Group considers that Mr. Lam Hiu Lo 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 a balance of power and authority, the role of the Chairman and Chief Executive Officer is segregated. The Chairman of the Board is Mr. Zhang Hwo Jie and the Chief Executive Officer is Mr. Zhang Yaohua. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are brothers. However, there is a clear distinction between the Chairman's responsibility for overall strategic planning and management of the Board and the Chief Executive Officer's responsibility for the management of day-to-day operations of the Group's business.

Directors' responsibilities for the financial statements

The directors acknowledged their responsibilities for the preparation of financial statements of the Group to ensure that these financial statements give a true and fair view of the state of affairs of the Group, its results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2019, 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 2019.

Board and general meetings

During the year ended 31 December 2019, the Company held seven full Board meetings and one general meeting.

	Number of attendance	
Directors	**Board meeting**	**General meeting**
Executive directors		
Mr. Zhang Hwo Jie	7/7	1/1
Mr. Zhang Jian Hua	7/7	0/1
Mr. Zhang Yaohua	7/7	1/1
Independent non-executive directors		
Mr. Choy Tak Ho	7/7	1/1
Mr. Leung Tai Chiu	7/7	1/1
Mr. Lam Hiu Lo	7/7	0/1

Mr. Zhang Jian Hua and Mr. Lam Hiu Lo had not attended the annual general meeting of the Company in 2019 since they had other business commitments that required their attendance. The Chairman of the Board and the chairmen of audit, remuneration, nomination committees of the Company had attended the annual general meeting in 2019 to gain and develop a balanced understanding of the views of the shareholders in accordance with E.1.2 of the CG Code.

In addition, a Board meeting between the Chairman and the independent non-executive directors without the other directors present was held in 2019 pursuant to A.2.7 of the CG Code. The Chairman and all independent non-executive directors had attended that meeting. Since the attendance of the other directors was not 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 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 of the Listing Rules and other applicable regulatory requirements from time to time, with a view to ensuring compliance and enhancing the directors' awareness of good corporate governance practices.

The individual training record of each director during the year ended 31 December 2019 is set out below:

Directors	Type of continuous professional development programmes (Note)
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:

(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 2019, the audit committee held two 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 2018 and the interim financial statements for the six months ended 30 June 2019 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 2019. 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 factors listed below would be used as reference by the nomination committee in assessing the suitability of a proposed candidate:

(i) Reputation for integrity and professional ethnics;

(ii) Accomplishment and experience in his/her field of industry. Priority will be given to candidates with high level of experience in the Group's core markets;

(iii) Commitment in respect of available time and relevant interest; and

(iv) Board diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

These factors are for reference only, and not meant to be exhaustive and decisive. In the case of the appointment of independent non-executive directors, the nomination committee will also assess the independence of the candidates and their immediate family members. 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.

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 2019, the nomination committee held two 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

CORPORATE GOVERNANCE REPORT

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 2019. 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.

PROCEDURES FOR THE NOMINATION OF A DIRECTOR

(i) The company secretary shall call a meeting of the nomination committee, and invite nominations of candidates from Board members for consideration by the nomination committee prior to its meeting;

(ii) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation;

(iii) Any director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be subject to re-election by shareholders;

(iv) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information of the proposed candidates, as required pursuant to the applicable laws, rules and regulations, will be included in the circular to shareholders;

(v) A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary;

(vi) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting; and

(vii) The Company's shareholders have the right to propose a person for election as a director at a general meeting without the recommendation by the Board and the nomination committee. The procedures for shareholders to propose a person for election as a director are available on the Company's website at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Accordingly, the nomination committee has a policy concerning the diversity of Board members. The Company's board diversity policy is available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

Summary

With a view to achieving a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the Board's composition, Board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision making in respect of the core businesses and strategy of the Group, and support succession planning and development of the Board. For achieving an optimal Board, additional measurable objectives or specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

Measurable Objectives

In selecting candidates for nomination as a director, the Board will take into account its board diversity policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

During the year ended 31 December 2019, the nomination committee had reviewed the board diversity policy of the Company, and 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 Listing Rules and is appropriate to the Group's requirements.

At present, the Board does not have any female member. However, the Board recognises the benefits of achieving an appropriate balance of gender diversity at the Board level by making reference to stakeholders' expectation and international and local recommended best practices. Going forward, the Board will take opportunities to increase the proportion of female members over time, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic and cultural backgrounds, and reflecting the Group's strategy.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Group had established a remuneration committee on 22 June 2005. The remuneration committee is principally responsible for making recommendations to the Board on the Group's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee is also responsible for making recommendation to the Board on the remuneration packages of individual executive directors and senior management and for ensuring that no director or any of his associates is involved in deciding his own remuneration. The terms of reference of the remuneration committee, which are aligned with the provisions set out in the CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The remuneration committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely, Mr. Choy Tak Ho and Mr. Lam Hiu Lo. Mr. Choy Tak Ho is the chairman of the remuneration committee. During the year ended 31 December 2019, the remuneration committee held two 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 2019 are set out in Note 35 and Note 26 to the consolidated financial statements.

The Company had conditionally adopted a share option scheme on 20 April 2005 which became unconditional on 11 May 2005 (the "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 at the annual general meeting of the Company that was held on the same day.

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. 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 2019. 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 2019, and considered them effective and adequate.

CORPORATE GOVERNANCE REPORT

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 2019, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$3,830,000. 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 112 to page 120 of the annual report.

During the year ended 31 December 2019, 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$489,000. The non-audit services comprised tax compliance and consulting services of approximately HK$144,000 and certain agreed-upon procedures of interim consolidated financial statements of approximately HK$345,000. 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 2019 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.

DIVIDEND POLICY

The Group is committed to enhancing shareholders' returns. In deciding its dividend policy, the Group has an objective of achieving a balance between shareholders' expectation and the Group's future expansion needs. Since the Group's IPO in 2005, the Board has adopted a policy of paying regular dividends with a normal target payout ratio of about 30% of the Group's net profit of the year, while retaining about 70% of the profit as reserve for future development. Accordingly, dividends per share have generally moved in line with earnings per share.

The Board recommends the payment of a final dividend of HK0.25 cent per ordinary share, totaling approximately HK$4,291,000, for the year ended 31 December 2019 which is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on 15 June 2020. Together with the interim dividend of HK$11,230,000 paid on 23 September 2019 in respect of the six months ended 30 June 2019, the interim and final dividends for the year ended 31 December 2019 will be approximately HK$15,521,000, which is in line with the Group's normal target payout ratio of about 30% of the net profit.

To celebrate the 15th anniversary of the Group's IPO on The Stock Exchange of Hong Kong Limited, the Board had also declared the payment of a one-off special dividend of HK2.67 cents per ordinary share for the year ended 31 December 2019, which amounted to HK$45,833,000 on 26 March 2020. The special dividend was paid to the shareholders in cash on 24 April 2020. Including the interim dividend and the final dividend recommended by the Board and to be approved at the forthcoming annual general meeting, the total dividends for the year ended 31 December 2019 will be approximately HK$61,354,000, representing a total dividend payout ratio of 118.5%.

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 2019.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors have complied with the required standards set out in the Model Code during the year ended 31 December 2019 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 2019.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 6 May 2020

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 2019.

PRINCIPAL ACTIVITIES

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

At present, the Group operates eleven industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Weihai), Vietnam (Haiphong) and Mexico (San Luis Potosí). At the same time, the Group is in the process of building up new production facilities in Weihai to expand its business there.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2019 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 2019 attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	4.7%
Five largest suppliers combined	18.7%

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

Sales

The largest customer	15.1%
Five largest customers combined	51.8%

Except for one of the five largest customers which had 2 years of relationship with the Group, 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 year 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.

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2019 is set out in the sections headed "Chairman's Statement" on page 32 to page 38, "Environmental, Social and Governance Report" on page 39 to page 53 and "Management Discussion and Analysis" on page 54 to page 69 of this report.

For the year ended 31 December 2019, sales to the five largest customers represented 51.8% of the Group's total turnover. Accordingly, any change in these customers' businesses and financial conditions is likely to have an impact on the financial performance of the Group. To manage this risk, the Group performs credit evaluation of its customers to ensure that sales are made only to entities with viable businesses and sound financial background. Credit periods granted to the customers are closely monitored and approved by the appropriate level of management. At the same time, the Group identifies and develops new customers with high potentials in an effort to widen the customer base and reduce the reliance on existing key customers.

Foreign currency risks arising from dealings with customers and suppliers in foreign currencies are discussed in the section headed "Foreign Currency Exposure" in the "Management Discussion and Analysis" section of this report. Other 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 2019 are set out in the consolidated statement of comprehensive income on page 123 to page 124.

DIVIDENDS

The Board recommends the payment of a final dividend of HK0.25 cent per ordinary share, totaling approximately HK$4,291,000. Subject to the approval of the directors' recommendation by the shareholders at the forthcoming annual general meeting to be held on 15 June 2020, the final dividend will be paid in cash on 6 July 2020. Including the interim dividend of HK$11,230,000 for the six months ended 30 June 2019 and the special dividend of HK$45,833,000 for the year ended 31 December 2019 paid on 23 September 2019 and 24 April 2020 respectively, the total dividends declared for the year ended 31 December 2019 will be approximately HK$61,354,000.

REPORT OF THE DIRECTORS

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 39 to 53.

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 39 to 53.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2019, 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 2019 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST

Details of borrowings are set out in Note 7 and Note 20 to the consolidated financial statements. Interest and other borrowing costs are set out in Note 27 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of movements in share capital and reserves during the year ended 31 December 2019 are set out in Note 22 and Note 23 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2019 amounted to HK$565,000.

PENSION SCHEMES

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

FIVE YEARS FINANCIAL SUMMARY

A five years financial summary of the Group is set out on page 228.

REPORT OF THE DIRECTORS

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 2019.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors during the year ended 31 December 2019 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. Zhang Yaohua and Mr. Choy Tak Ho will retire from office by rotation at the forthcoming annual general meeting. Mr. Zhang Yaohua, being eligible, has offered himself for re-election at the forthcoming annual general meeting. As Mr. Choy has reached retirement age, Mr. Choy has indicated that he will not offer himself for re-election at the forthcoming annual general meeting, and will only hold office until the conclusion of the forthcoming annual general meeting. During the year ended 31 December 2019 and up to the date of this report, no other 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 2019 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 2019 and up to the date of this report.

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$200,000,000 with a repayment term of five years from the date of first drawdown (the outstanding loan balance was HK$200,000,000 as at 31 December 2019);

(ii) another term loan facility up to HK$200,000,000 with a repayment term of four years from the date of first drawdown (the outstanding loan balance was HK$200,000,000 as at 31 December 2019); and

(iii) 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 2019).

REPORT OF THE DIRECTORS

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 35% of the issued share capital of the Company and 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$200,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$125,000,000 as at 31 December 2019);

(ii) another term loan facility up to HK$300,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$300,000,000 as at 31 December 2019);

(iii) another term loan facility up to HK$300,000,000 for a term of four years from the date of drawdown of the loan (this facility was obtained after 31 December 2019 and therefore there was no outstanding balance as at 31 December 2019); and

(iv) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$150,000,000 as at 31 December 2019).

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.

A subsidiary of the Company is a party to loan agreements with MUFG Bank, Ltd. in respect of the following banking facilities ("MUFG Facilities Agreements"):

(i) a term loan facility up to HK$125,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$70,313,000 as at 31 December 2019); and

(ii) another term loan facility up to HK$200,000,000 with a repayment term of four years from the date of the first drawdown (this facility was obtained after 31 December 2019 and therefore there was no outstanding balance as at 31 December 2019).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the MUFG 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$90,000,000 as at 31 December 2019);

(ii) revolving loan of HK$175,000,000 (the outstanding loan balance was HK$70,000,000 as at 31 December 2019); and

(iii) combined trade facilities of HK$25,000,000 (there was no outstanding balance as at 31 December 2019).

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

(i) short term advance facility on a revolving basis of up to US$7,000,000, or an equivalent amount in other currencies (there was no outstanding balance as at 31 December 2019); and

(ii) a term loan facility for an amount up to HK$100,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK$76,923,000 as at 31 December 2019).

REPORT OF THE DIRECTORS

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

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

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

A subsidiary of the Company had also entered into a banking facility agreement with Chong Hing Bank Limited in respect of the following banking facilities ("Chong Hing Facility Agreement"):

(i) a term loan facility up to HK$150,000,000 with a repayment period of three years after drawdown (this facility was obtained after 31 December 2019 and therefore there was no outstanding balance as at 31 December 2019); and

(ii) revolving loan facility of HK$50,000,000 (the outstanding loan balance was HK$15,000,000 as at 31 December 2019).

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall at any time 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.

Further, a subsidiary of the Company had entered into a banking facility agreement with China Construction Bank Corporation Limited, Hong Kong Branch in respect of a revolving loan facility of HK$200,000,000 ("CCB Facility Agreement"), and the outstanding loan balance was HK$200,000,000 as at 31 December 2019.

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

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

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall remain as the largest shareholder with controlling power in the Company.

A subsidiary of the Company is also a party to a banking facility agreement with Bank of Communications Co., Ltd. Hong Kong Branch in respect of the following banking facilities ("BOCOM Facility Agreement"):

(i) a term loan facility of HK$200,000,000 which is repayable by instalments within 3 years from the first utilisation date (this facility was obtained after 31 December 2019 and therefore there was no outstanding balance as at 31 December 2019); and

(ii) a revolving loan facility of HK$100,000,000 (this facility was obtained after 31 December 2019 and therefore there was no outstanding balance as at 31 December 2019).

Under the BOCOM Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) beneficially own in aggregate (directly or indirectly) at least 35% of the issued share capital of the Company; and (ii) have the single largest shareholding interest in the Company.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in, inter alia, the cancellation of all or any part of the commitments under the relevant facilities agreements and all borrowed amounts outstanding becoming immediately due and payable.

SHARE OPTIONS

(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 ten years commencing on 20 April 2005, and it expired on 19 April 2015.

REPORT OF THE DIRECTORS

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 ten 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.

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 ten years. It commenced on 20 April 2005 and expired on 19 April 2015.

REPORT OF THE DIRECTORS

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 2019 and up to the date of this report is as follows:

	As at 1 January 2019	Exercised during the year	As at 31 December 2019 and the date of this report	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
				HK$	HK$	HK$
Employees of the Group						
In aggregate						
– Granted on 2 October 2009	200,000	(200,000)	–	0.405	0.41	0.69

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 2 October 2009 with exercise price of HK$0.41		
100%	5 October 2009	5 October 2009 to 1 October 2019

(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 above-mentioned 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 ("Scheme Mandate Limit"), 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. At the annual general meeting of the Company held on 21 May 2018 ("2018 AGM"), the Scheme Mandate Limit was refreshed with the shareholders' approval whereby the directors were authorised to grant options to subscribe for up to 172,901,180 shares, representing 10% of the Company's issued share capital as at the date of the 2018 AGM. Subsequent to the 2018 AGM and up to the date of this report, no option has been granted by the directors. Accordingly, options to subscribe for up to 172,901,180 shares (representing 10.07% of the issued share capital as at the date of this report) are available for issue under the Scheme Mandate Limit refreshed as aforesaid.

4. ***Maximum entitlement of each participant under the 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.

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 ten years. It commenced on 21 May 2015 and will expire on 20 May 2025.

REPORT OF THE DIRECTORS

During the year ended 31 December 2019 and up to the date of this report, there was no movement in the share options granted under the 2015 Share Option Scheme, and details of these share options as at 31 December 2019 and the date of this report are as follows:

	As at 1 January 2019, 31 December 2019 and the date of this report	Share price immediately before offer date	Exercise price
		HK$	HK$
Executive directors			
Mr. Zhang Hwo Jie			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Jian Hua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Yaohua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Independent non-executive directors			
Mr. Choy Tak Ho			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Leung Tai Chiu			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Lam Hiu Lo			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Employees of the Group			
Mr. Zhang Hanming (Note 1)			
– Granted on 3 November 2017	600,000	1.08	1.10
Ms. Zhang Shen Monica Quian Yi (Note 2)			
– Granted on 3 November 2017	600,000	1.08	1.10
Others			
– Granted on 8 July 2016	11,850,000	0.64	0.692
– Granted on 3 November 2017	16,900,000	1.08	1.10
	137,350,000		

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 schedules and exercise periods 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 2 October 2009 under the 2005 Share Option Scheme of 200,000 options which were exercised during the year ended 31 December 2019 was HK$17,000. The fair value of the options granted on 8 July 2016 and 3 November 2017 under the 2015 Share Option Scheme with outstanding balances as at 31 December 2019 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:

REPORT OF THE DIRECTORS

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK$				
Granted on 2 October 2009	0.41	56.65%	1 year	0.16%	3.68%
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 change 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.

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

As at 31 December 2019, 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 the shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives	Total interests	Approximate percentage of interest in the Company as at 31 December 2019
				(Note 1)		
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	35,000,000	722,442,000	42.07%
Mr. Zhang Jian Hua	–	664,000	–	35,000,000	35,664,000	2.08%
Mr. Zhang Yaohua	671,750,000 (Note 2)	18,164,000	156,000	35,000,000	725,070,000	42.23%
Mr. Choy Tak Ho	–	–	–	800,000	800,000	0.05%
Mr. Leung Tai Chiu	–	–	–	800,000	800,000	0.05%
Mr. Lam Hiu Lo	–	–	–	800,000	800,000	0.05%

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 and Mr. Zhang Yaohua held 52.93% and 47.07% of the entire issued capital of Prosper Empire Limited respectively, and Prosper Empire Limited was interested in 39.12% of the entire issued capital of the Company as at 31 December 2019. Under the SFO, Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are both deemed to be interested in the shares held by Prosper Empire Limited.

(ii) Long position in the 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 2019
Mr. Zhang Hwo Jie	Personal interests	52.93%
Mr. Zhang Yaohua	Personal interests	47.07%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, 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	39.12%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	35,000,000	722,442,000	42.07%
Ms. Jiang Lu	Interest of spouse (Note 2)	690,070,000	35,000,000	725,070,000	42.23%
Pandanus Associates Inc.	Interest of controlled corporation (Note 3(a))	122,536,000	–	122,536,000	7.14%
Pandanus Partners L.P.	Interest of controlled corporation (Note 3(b))	122,536,000	–	122,536,000	7.14%
FIL Limited	Interest of controlled corporation (Note 3(b))	122,536,000	–	122,536,000	7.14%
FIL Asia Holdings Pte Limited	Interest of controlled corporation (Note 3(b))	122,536,000	–	122,536,000	7.14%
FIL Investment Management (Hong Kong) Limited	Beneficial owner (Note 3(b))	122,536,000	–	122,536,000	7.14%
Invesco Asset Management Limited	Investment manager	86,614,000	–	86,614,000	5.04%

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 52.93% 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. Under the SFO, Ms. Jiang Lu is deemed to be interested in the shares held by Mr. Zhang Yaohua, who is interested in 47.07% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Jiang Lu included the 671,750,000 shares of the Company held by Prosper Empire Limited.

3. (a) The corporate substantial shareholder notice filed by Pandanus Associates Inc. indicated that it was deemed to be interested in 122,536,000 shares under the SFO by virtue of its interests held through Pandanus Partners L.P, its immediate wholly-owned subsidiary.

   (b) The corporate substantial shareholder notice filed by Pandanus Partners L.P. indicated that Pandanus Partners L.P. was interested in 38.10% of the issued share capital of FIL Limited. The same notice also indicated that FIL Investment Management (Hong Kong) Limited ("FIL (Hong Kong)") was wholly-owned by FIL Asia Holdings Pte Limited, which was in turn wholly-owned by FIL Limited. Accordingly, under the SFO, each of Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited is deemed to be interested in the 122,536,000 shares held by FIL (Hong Kong).

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2019, the Company repurchased its 11,972,000 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 2019 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 2019	1,052,000	0.81	0.71	808
July 2019	390,000	0.68	0.66	264
August 2019	492,000	0.61	0.60	298
September 2019	4,300,000	0.69	0.64	2,868
October 2019	1,920,000	0.65	0.62	1,218
November 2019	2,140,000	0.62	0.58	1,291
December 2019	1,678,000	0.62	0.59	1,007
	11,972,000			7,754

REPORT OF THE DIRECTORS

In addition, the Company repurchased its 538,000 listed shares on The Stock Exchange of Hong Kong Limited in December 2018 at a price range from HK$0.66 per share (lowest price) to HK$0.68 per share (highest price). Aggregate consideration paid for such share repurchases was HK$363,000. These shares were cancelled on 3 January 2019. Together with the 11,972,000 listed shares which were repurchased and cancelled in 2019, the total number of shares cancelled by the Company during the year ended 31 December 2019 was 12,510,000 shares.

Subsequent to 31 December 2019, the Company repurchased its 550,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2020 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 2019 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 2020	550,000	0.58	0.56	317

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they uplifted 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 2019 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Monday, 15 June 2020, the register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive, during which period no share transfer 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, 9 June 2020.

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, 6 July 2020 to shareholders whose names appear on the register of members on Monday, 22 June 2020. To determine eligibility for the final dividend, the register of members of the Company will be closed from Friday, 19 June 2020 to Monday, 22 June 2020, both days inclusive, during which period no share transfer 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 Thursday, 18 June 2020.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 74 to page 88.

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, risk management, internal control systems and corporate governance matters 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, corporate governance and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2019.

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 2019 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 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, 6 May 2020

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 121 to 227, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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 and valuation of financial assets at fair value through other comprehensive income

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 12 "Inventories" to the consolidated financial statements. At 31 December 2019, the Group held inventories of HK$607,705,000, which is net of provision for obsolete or slow moving inventories of HK$37,036,000. 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. 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. 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. We also reviewed the historical inventory shrinkage experience, latest selling price and subsequent inventory utilisation to justify the inventory provision.

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, aging, 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.	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 13 "Trade receivables" to the consolidated financial statements. At 31 December 2019, the Group had trade receivables amounting to HK$914,511,000, which is net of loss allowance of HK$1,188,000. Loss allowance is made for lifetime expected credit losses on trade receivables. The Group generally allows a credit period of 30 to 180 days after invoice date to its customers. Management applied judgement in assessing the expected credit losses. Expected credit losses are estimated by grouping the trade receivables based on shared credit risk characteristics and aging profile and collectively assessed for likelihood of recovery. The expected credit loss rates are determined based on past repayment history and historical credit losses experienced over the past 3 years and adjusted to reflect current and forward-looking information including macroeconomic factors affecting the ability of the customers to settle the receivables. Management also reviewed subsequent settlement status and the relevant customers' credit profile to assess loss allowance.	Our procedures in relation to management's assessment of the expected credit losses for trade receivables included the following: We understood, evaluated and validated the key controls over credit procedures performed by management, including the periodic review of aged receivables and the assessment of the expected credit losses for trade receivables, including the identification of trade receivables subject to collective assessment. We obtained management's assessment of the expected credit losses for trade receivables and assessed the appropriateness of management's assessment including the grouping of trade receivables by credit risk characteristics and aging profile. We tested the expected credit loss rate by checking to the customers' historical settlement pattern and credit loss over the past 3 years, on subsequent settlement and forward-looking information used.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables (Continued) We focused on this area due to the significance of the balance and the estimation and judgement involved in determining the expected credit losses for the trade receivables.	We tested the accuracy of the aging profile of trade receivables by checking to the underlying invoices on a sample basis. 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. We circulated confirmations to confirm the balance due from customers on a sample basis. 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 financial assets at fair value through other comprehensive income ("FVOCI") Refer to note 4 "Critical accounting estimates and judgements" and note 15 "Financial assets at FVOCI" to the consolidated financial statements. The Group had various unlisted equity interests of companies in the People's Republic of China classified as financial assets at FVOCI with total fair values of HK$81,247,000 as at 31 December 2019. 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 financial assets at FVOCI or by engaging an external valuer to perform valuations of certain financial assets at FVOCI as at 31 December 2019. The valuation models adopted by the external valuer are market based approach and asset based approach dependent on characteristics of respective financial investments. The key underlying assumptions used included price-to-book multiple, adjusted net asset value, and 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. We also compared the fair value of certain investments to recent arm's length transactions. 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 Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 May 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019 HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,082,318**	2,017,140
Right-of-use assets	7	**371,454**	–
Investment property under development	8	**176,521**	156,003
Leasehold land and land use rights	9	**–**	238,778
Intangible assets	10	**8,524**	2,510
Investments in associates	11	**55,165**	63,043
Prepayments, deposits and other receivables	14	**44,831**	104,498
Financial assets at fair value through other comprehensive income	15	**81,247**	105,851
		2,820,060	2,687,823
Current assets			
Inventories	12	**607,705**	445,241
Trade receivables	13	**914,511**	989,599
Prepayments, deposits and other receivables	14	**232,562**	248,506
Restricted bank deposits	16	**84,460**	51,563
Short-term bank deposits	16	**218,060**	174,169
Cash and cash equivalents	16	**1,070,738**	1,111,046
		3,128,036	3,020,124
LIABILITIES			
Current liabilities			
Trade payables	17	**977,855**	838,136
Contract liabilities	18	**59,284**	68,493
Accruals and other payables	19	**253,970**	230,448
Bank borrowings	20	**1,125,744**	1,348,580
Lease liabilities	7	**18,223**	–
Finance lease liabilities		**–**	2,482
Current income tax liabilities		**11,193**	10,842
		2,446,269	2,498,981
Net current assets		**681,767**	521,143

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Total assets less current liabilities		**3,501,827**	3,208,966
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	**787,073**	597,253
Lease liabilities	7	**86,919**	–
Deferred taxation	21	**32,586**	23,210
		906,578	620,463
Net assets		**2,595,249**	2,588,503
EQUITY			
Capital and reserves			
Share capital	22	**171,713**	172,944
Reserves	23	**2,423,536**	2,415,559
Total equity		**2,595,249**	2,588,503

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

The financial statements on pages 121 to 227 were approved by the Board of Directors on 6 May 2020 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 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**3,747,055**	3,666,657
Cost of sales	25	**(2,982,064)**	(2,877,691)
Gross profit		**764,991**	788,966
Other income	24	**48,056**	28,857
Other losses – net	24	**(14,619)**	(183)
Selling and marketing costs	25	**(215,596)**	(213,800)
General and administrative expenses	25	**(462,790)**	(460,046)
Operating profit		**120,042**	143,794
Finance income	27	**15,031**	15,707
Finance costs	27	**(55,389)**	(55,587)
Share of losses of associates	11b	**(2,082)**	(404)
Profit before income tax		**77,602**	103,510
Income tax expense	28	**(25,821)**	(20,847)
Profit for the year		**51,781**	82,663
Other comprehensive loss for the year, net of tax			
Items that may be reclassified to profit or loss			
– Currency translation differences		**(25,308)**	(58,832)
Items that will not be reclassified to profit or loss			
– Revaluation losses on financial assets at FVOCI		**(1,875)**	(7,814)
Total comprehensive income for the year		**24,598**	16,017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Profit for the year attributable to equity holders of the Company		**51,781**	82,663
Total comprehensive income for the year attributable to equity holders of the Company		**24,598**	16,017
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	29	**3.0**	4.8
– diluted	29	**3.0**	4.5

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Attributable to equity holders of the Company		
		Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 January 2019		172,944	2,415,559	2,588,503
Comprehensive income				
Profit for the year		–	51,781	51,781
Other comprehensive loss				
Revaluation losses on financial assets at FVOCI		–	(1,875)	(1,875)
Currency translation differences		–	(25,308)	(25,308)
Total comprehensive income for the year		–	24,598	24,598
Transactions with owners				
Repurchase of shares	23	(1,251)	(6,866)	(8,117)
Employee share option scheme – value of employee services	23	–	12,287	12,287
Proceeds from issuance of shares upon exercise of employee share options	23	20	62	82
Dividends paid		–	(22,104)	(22,104)
		(1,231)	(16,621)	(17,852)
Balance at 31 December 2019		171,713	2,423,536	2,595,249

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Attributable to equity holders of the Company		
		Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 January 2018		179,384	2,492,926	2,672,310
Comprehensive income				
Profit for the year		–	82,663	82,663
Other comprehensive loss				
Revaluation losses on financial assets at FVOCI		–	(7,814)	(7,814)
Currency translation differences		–	(58,832)	(58,832)
Total comprehensive income for the year		–	16,017	16,017
Transactions with owners				
Repurchase of shares	23	(6,725)	(73,965)	(80,690)
Employee share option scheme – value of employee services	23	–	12,325	12,325
Proceeds from issuance of shares upon exercise of employee share options	23	285	214	499
Dividends paid		–	(31,958)	(31,958)
		(6,440)	(93,384)	(99,824)
Balance at 31 December 2018		172,944	2,415,559	2,588,503

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	31	**456,028**	283,381
Interest received		**15,031**	15,707
Interest paid		**(55,389)**	(55,587)
Income tax paid		**(15,935)**	(23,892)
Net cash generated from operating activities		**399,735**	219,609
Cash flows from investing activities			
Purchases of property, plant and equipment		**(200,102)**	(287,921)
Prepayments for property, plant and equipment and land use rights		**(41,273)**	(100,896)
Purchases of land use rights		**–**	(122,428)
Addition of investment property under development		**(26,154)**	(42,373)
Investment in financial assets at FVOCI		**–**	(14,693)
Proceeds from sale of property, plant and equipment	31	**8,054**	832
Purchase of intangible assets		**(6,992)**	–
Dividends from associates		**4,609**	–
(Increase)/decrease in restricted bank deposits		**(32,897)**	30,732
(Increase)/decrease in short-term bank deposits		**(43,891)**	22,213
Upfront payment of lease payments		**(17,399)**	–
Net cash used in investing activities		**(356,045)**	(514,534)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**1,280,582**	1,538,000
Repayments of borrowings		**(1,313,598)**	(1,295,945)
Repayments of principal element of lease payments (2018: Repayments of capital element of finance lease liabilities)		**(16,969)**	(5,210)
Proceeds from issuance of shares upon exercise of share options	22	**82**	499
Repurchase of shares	22	**(8,117)**	(80,690)
Dividends paid	23	**(22,104)**	(31,958)
Net cash (used in)/generated from financing activities		**(80,124)**	124,696
Net decrease in cash and cash equivalents		**(36,434)**	(170,229)
Cash and cash equivalents at beginning of the year		**1,111,046**	1,305,823
Exchange loss on cash and cash equivalents		**(3,874)**	(24,548)
Cash and cash equivalents at end of the year	16	**1,070,738**	1,111,046

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy.

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.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the requirements of the Hong Kong Company Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI and investment property under development which are carried at fair values.

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

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

2.1 Basis of preparation (Continued)

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

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2019:

Amendments to Annual Improvement Project	Annual improvements 2015 – 2017 cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies following the adoption of HKFRS 16 which are disclosed in note 2.2. The adoption of other new and amended standards and interpretation did not have any material impact in the current period or any prior periods.

(b) *New standards, amendments to existing standards that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2019 and have not been early adopted*

		Effective for annual periods beginning on or after
Amendments to HKFRS 3 (Revised)	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2.1 Basis of preparation (Continued)

(b) *New standards, amendments to existing standards that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2019 and have not been early adopted* (Continued)

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and do not expect them to have a material impact in the current or future reporting periods and on foreseeable future transactions. The directors of the Group will adopt the new standards, amendments to standards and interpretation when they become effective.

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) *Adjustments recognised on the adoption of HKFRS 16*

On adoption of HKFRS 16, as a lessee, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.88%.

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

2.2 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

	2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	125,265
Discounted using the lessee's incremental borrowing rate at the date of initial application	84,470
Add: finance lease liabilities recognised as at 31 December 2018	2,482
Less: short-term leases recognised on a straight-line basis as expense	(286)
Lease liability recognised as at 1 January 2019	86,666
Of which are:	
Current lease liabilities	10,835
Non-current lease liabilities	75,831
	86,666

	2019 HK$'000
Lease liabilities – Plant and machinery	2,482
Lease liabilities – Factory and office premises	84,184
	86,666

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

2.2 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Leasehold land and land use rights previously presented as a separate item on the consolidated statement of financial position is grouped as part of right-of-use assets with effect from 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Leasehold land and land use rights	**230,685**	238,778
Land under finance lease	**6,199**	6,461
Plant and machinery under finance lease	**62,154**	11,990
Factory and office premises	**72,416**	84,184
Total right-of-use assets	**371,454**	341,413

The change in accounting policies affected the following items in the consolidated statement of financial position on 1 January 2019, which leasehold land and land use rights decreased by HK$238,778,000, property, plant and equipment decreased by HK$18,451,000, right-of-use assets increase by HK$341,413,000, finance lease liabilities decreased by HK$2,482,000 and lease liabilities increased by HK$86,666,000. There was no impact on retained earnings on 1 January 2019.

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

2.2 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

(i) Impact on segment disclosures and earnings per share

Segment results, segment assets and segment liabilities as at 31 December 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Increase in segment results	**Increase in segment assets**	**Increase in segment liabilities**
	HK$'000	HK$'000	HK$'000
Metal stamping	759	26,323	26,902
Plastic injection	1,330	46,093	47,108
Total	2,089	72,416	74,010

Earnings per share decreased by HK0.1 cent per share for the year ended 31 December 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

2.2 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

(ii) Practical expedients applied (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 "Determining whether an Arrangement contains a Lease".

2.3 Principles of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2019.

(a) *Subsidiaries*

Subsidiaries are all entities (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.

Intercompany 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.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group hold between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting after initially being recognised at cost.

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

2.3 Principles of consolidation and equity accounting (Continued)

(c) *Equity method*

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

The Group's share of post-acquisition profit or loss is recognised in profit or loss, 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 losses of associates' 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 profit or loss.

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

2.4 Changes in ownership interests

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.

2.5 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.

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

2.6 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.

2.7 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.

2.8 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 profit or loss.

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

2.8 Foreign currency translation (Continued)

(b) *Transactions and balances* (Continued)

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other losses – net'.

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

(c) *Group companies*

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

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

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

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

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)

2.8 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.

2.9 Property, plant and equipment

Land and buildings comprise mainly factories and offices. 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.

Freehold land is stated at historical cost.

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 profit or loss during the financial period in which they are incurred.

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

2.9 Property, plant and equipment (Continued)

Depreciation 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:

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 losses-net' in the consolidated statement of comprehensive income.

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

2.10 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. From 1 January 2019, these are grouped as part of right-of-use assets.

2.11 Investment property under development

Investment property under development, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property under development 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 losses-net".

2.12 Intangible assets

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

2.12 Intangible assets (Continued)

(b) *Software*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation is calculated using the straight-line method to allocate the cost of source codes over their estimated useful lives of five years.

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

2.13 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.

2.14 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(b) Recognition and derecognition

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. 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.

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

2.14 Financial assets (Continued)

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment as a FVPL. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other losses-net" in the statement of other comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

2.14 Financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.15 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.

2.16 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 the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 180 days and therefore are all classified as current.

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

2.18 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 that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.19 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.

2.20 Trade payables, accruals and other payables

These amounts represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. They 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 profit or loss over the period of the borrowings using the effective interest method.

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

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

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.

2.22 Borrowing costs

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

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

2.23 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.23 Current and deferred income tax (Continued)

(b) *Deferred income tax* (Continued)

Outside basis differences

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

(c) *Offsetting*

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

2.24 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.

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

2.24 Employee benefits (Continued)

(c) *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.

(d) *Share-based payments – expense recognition and grant date*

Share-based payment expenses should be recognised over the period during which the employees provide the relevant services. Once the grant date has been established, the entity revises the earlier estimate so that the amounts recognised for services received is ultimately based on the grant date fair value of the equity instruments.

2.25 Share-based payments

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 profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable 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.

2.27 Revenue recognition and other income

(a) Sales of goods

The Group manufactures metal stamping and plastic injection components and lathing components to its customers. The sales mainly consist of design and fabrication of metal stamping and plastic injection moulds, manufacturing of metal stamping and plastic injection components and lathing components.

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

2.27 Revenue recognition and other income (Continued)

(a) *Sales of goods* (Continued)

Deposits received from customers are classified as contract liabilities and then recognised as revenue when the obligation is performed.

2.28 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account, the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.29 Leases (as lessee)

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 7). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

2.29 Leases (as lessee) (Continued)

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 32). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

2.29 Leases (as lessee) (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Leases (as lessee) (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.30 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.31 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.

Government grants relating to the purchase of plant and equipment and land use right are initially included in liabilities as deferred government grants and when such plant and equipment and land use right are built or purchased, the received government grants are netted off with carrying value of the related assets.

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

2.32 Interest income

Interest income is presented as finance income (Note 27) where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.33 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

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.

	2019 **HK$'000**
Chinese Renminbi 1.8% depreciation against Hong Kong dollars	**(6,846)**
Japanese Yen 1.1% appreciation against Hong Kong dollars	**213**
Euro 2.3% appreciation against Hong Kong dollars	**769**
US dollars 0.4% depreciation against Hong Kong dollars	**(2,680)**
Decrease in post-tax profit	**(8,544)**

	2018 HK$'000
Chinese Renminbi 4.8% depreciation against Hong Kong dollars	(14,211)
Japanese Yen 2.5% appreciation against Hong Kong dollars	544
Euro 4.2% appreciation against Hong Kong dollars	1,471
US dollars 0.2% appreciation against Hong Kong dollars	1,710
Decrease in post-tax profit	(10,486)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) Foreign exchange risk (Continued)

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.

(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 lease liabilities (2018: finance lease liabilities). Bank deposits and bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Bank borrowings and 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 lease liabilities have been disclosed in Notes 16, 20 and 7 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 2019, 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$8,732,000 (2018: by HK$8,434,000), mainly as a result of lower/higher interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, short-term bank deposits, restricted bank deposits, trade receivables, deposits and other receivables. 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 2018 and 2019, 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.

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.

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:

	2019	2018
	HK$'000	HK$'000
Deposits and other receivables	**163,022**	183,619
Trade receivables	**914,511**	989,599
Restricted bank deposits	**84,460**	51,563
Short-term bank deposits	**218,060**	174,169
Cash and cash equivalents	**1,070,738**	1,111,046

The majority of the Group's trade receivables is aged within the granted credit period. Refer to Note 13 for disclosure of concentrations of credit risk of trade receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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

(i) Impairment of financial assets

The Group only has trade receivables that is subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(ii) Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristic and days past due. Expected credit losses is based on past repayment history, historical credit losses experience and available forward-looking information.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before the statement of financial position date and the corresponding historical credit losses experienced within this period and available forward-looking information. The historical loss rates are not adjusted as the impact of the expected credit loss is insignificant.

Impairment losses on trade receivables are presented as loss allowance for trade receivables within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(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$'000	Over 5 years HK$'000	Total HK$'000
As at 31 December 2019					
Bank borrowings	**1,125,744**	**342,762**	**444,311**	**–**	**1,912,817**
Lease liabilities	**18,223**	**17,788**	**26,433**	**42,698**	**105,142**
Interest payables	**48,712**	**31,077**	**14,780**	**7,646**	**102,215**
Trade payables	**977,855**	**–**	**–**	**–**	**977,855**
Other payables	**143,408**	**–**	**–**	**–**	**143,408**
	2,313,942	**391,627**	**485,524**	**50,344**	**3,241,437**
As at 31 December 2018					
Bank borrowings	1,348,580	250,180	347,073	–	1,945,833
Finance lease liabilities	2,482	–	–	–	2,482
Interest payables	35,560	19,949	5,904	–	61,413
Trade payables	838,136	–	–	–	838,136
Other payables	135,524	–	–	–	135,524
	2,360,282	270,129	352,977	–	2,983,388

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 bank borrowings and lease liabilities (2018: finance lease liabilities), 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 net debt divided by total equity.

The gearing ratios were as follows:

	2019	2018
	HK$'000	HK$'000
Bank borrowings (Note 20)	**1,912,817**	1,945,833
Lease liabilities (2018: finance lease liabilities) (Note 7)	**105,142**	2,482
Less: Cash and cash equivalents (Note 16)	**(1,070,738)**	(1,111,046)
Total net debt	**947,221**	837,269
Total equity	**2,595,249**	2,588,503
Gearing ratio	**36.5%**	32.3%

The net debt to equity ratio increased from 32.3% to 36.5% following the adoption of HKFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. See note 2.2 for further information.

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 valuation by an external valuer using asset based approach or market based approach and the key underlying assumptions used included price-to-book multiple, adjusted net asset value, 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	
	2019	2018
	HK$'000	HK$'000
Financial assets at FVOCI – unlisted equity securities	**81,247**	105,851

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 2018 and 2019.

	2019	2018
	HK$'000	HK$'000
As at 1 January	**105,851**	98,972
Addition	**–**	14,693
Disposal	**(22,729)**	–
Revaluation losses transferred to other comprehensive income	**(1,875)**	(7,814)
As at 31 December	**81,247**	105,851

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.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on the assumption about risk of expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 the estimated cost to completion and the estimated costs necessary to make the sale. 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 financial assets at FVOCI

The fair value of financial assets at FVOCI that is not traded in an active market is determined by using valuation techniques including cost method and net asset value assessment or market based approach. 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.

(g) Fair value of investment property under development

The Group carries its investment properties under development at fair value with changes in the fair value recognised in the consolidated profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, management updates its assessment of the fair value of each property, taking into account the most recent independent valuations. Refer to Note 8 for the assumptions, valuation techniques and fair value measurement of investment properties.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2019	2018
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**210,705**	201,064
Manufacturing of metal stamping components	**1,495,846**	1,545,032
Manufacturing of lathing components	**85,063**	99,194
Design and fabrication of plastic injection moulds	**73,938**	72,029
Manufacturing of plastic injection components	**1,824,532**	1,713,685
Others (Note)	**56,971**	35,653
	3,747,055	3,666,657

The Group derives all revenue from the sales of goods at a point in time.

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 the operating segment 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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

	2019				2018			
	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	2,188,915	2,201,080	-	4,389,995	2,243,914	2,058,765	–	4,302,679
Inter-segment revenue	(353,196)	(289,744)	-	(642,940)	(373,046)	(262,976)	–	(636,022)
Revenue	1,835,719	1,911,336	-	3,747,055	1,870,868	1,795,789	–	3,666,657
Segment results	49,733	73,977	(1,530)	122,180	73,144	75,764	867	149,775
Unallocated expenses				(4,220)				(6,385)
Finance income				15,031				15,707
Finance costs				(55,389)				(55,587)
Profit before income tax				77,602				103,510
Income tax expense				(25,821)				(20,847)
Profit for the year				51,781				82,663
Share of (losses)/profits of associates	(552)	-	(1,530)	(2,082)	(1,271)	–	867	(404)
Depreciation	165,071	58,718	-	223,789	157,139	66,500	-	223,639
Amortisation	881	-	-	881	5,027	928	–	5,955

For the years ended 31 December 2018 and 2019, unallocated expenses represent corporate expenses.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	2019					2018				
	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	4,023,310	1,847,997	55,165	21,624	5,948,096	4,349,705	1,291,384	49,400	17,458	5,707,947
Liabilities	949,182	443,060	-	1,960,605	3,352,847	613,267	523,721	–	1,982,456	3,119,444
Capital expenditure	293,590	106,108	-	-	399,698	464,225	123,440	–	–	587,665

Segment assets consist primarily of certain property, plant and equipment, investment property under development, right-of-use assets (2018: leasehold land and land use rights), intangible assets, investments in associates, prepayments, deposits, certain other receivables, financial assets at FVOCI, inventories, trade receivables and cash and cash equivalents.

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, right-of-use assets (2018: leasehold land and land use rights) and intangible assets.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	2019				2018			
	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	3,447,130	279,313	20,612	3,747,055	3,474,296	192,361	–	3,666,657

Non-current assets by geographical region

Total segment non-current assets	2,313,340	255,315	251,405	2,820,060	2,295,019	247,718	145,086	2,687,823
Total segment assets	5,258,554	403,646	285,896	5,948,096	5,069,204	419,045	219,698	5,707,947

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			
	2019		2018	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	**5,926,472**	**1,392,242**	5,690,489	1,136,988
Unallocated:				
Cash and cash equivalents	**19,280**	**–**	15,029	–
Other receivables	**2,344**	**–**	2,429	–
Current income tax liabilities	**–**	**11,193**	–	10,842
Deferred taxation	**–**	**32,586**	–	23,210
Bank borrowings	**–**	**1,912,817**	–	1,945,833
Accruals and other payables	**–**	**4,009**	–	2,571
Total	**5,948,096**	**3,352,847**	5,707,947	3,119,444

An analysis of the Group's three (2018: three) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2019 HK$'000	2018 HK$'000
Customer A	**566,663**	543,780
Customer B	**548,280**	469,477
Customer C	**345,755**	349,409

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Land and buildings HK$'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 2019							
Opening net book amount	**26,670**	**676,420**	**765,762**	**115,668**	**10,791**	**421,829**	**2,017,140**
Changes in accounting policies (Note 2.2)	**–**	**(6,461)**	**(11,990)**	**–**	**–**	**–**	**(18,451)**
Restated opening net book amount	**26,670**	**669,959**	**753,772**	**115,668**	**10,791**	**421,829**	**1,998,689**
Exchange differences	**–**	**(5,891)**	**(5,795)**	**(425)**	**(15)**	**(2,284)**	**(14,410)**
Additions	**–**	**10,885**	**37,509**	**15,142**	**4,464**	**243,812**	**311,812**
Transfers	**–**	**214,422**	**137,352**	**23,285**	**173**	**(375,232)**	**–**
Disposals	**–**	**(565)**	**(292)**	**(7,713)**	**(452)**	**(1,753)**	**(10,775)**
Depreciation	**–**	**(48,797)**	**(126,497)**	**(24,761)**	**(2,943)**	**–**	**(202,998)**
Closing net book amount	**26,670**	**840,013**	**796,049**	**121,196**	**12,018**	**286,372**	**2,082,318**
As at 31 December 2019							
Cost	**26,670**	**1,208,436**	**1,824,602**	**500,118**	**40,356**	**286,372**	**3,886,554**
Accumulated depreciation	**–**	**(368,423)**	**(1,028,553)**	**(378,922)**	**(28,338)**	**–**	**(1,804,236)**
Net book amount	**26,670**	**840,013**	**796,049**	**121,196**	**12,018**	**286,372**	**2,082,318**
Year ended 31 December 2018							
Opening net book amount	–	686,697	833,805	117,771	12,727	91,601	1,742,601
Exchange differences	–	(7,625)	(11,288)	(1,064)	(6)	(5,646)	(25,629)
Additions	26,670	1,069	80,609	38,108	1,062	377,254	524,772
Transfers	–	40,005	1,906	(531)	–	(41,380)	–
Disposals	–	(111)	(516)	(338)	–	–	(965)
Depreciation	–	(43,615)	(138,754)	(38,278)	(2,992)	–	(223,639)
Closing net book amount	26,670	676,420	765,762	115,668	10,791	421,829	2,017,140
As at 31 December 2018							
Cost	26,670	1,000,616	1,786,075	507,346	36,894	421,829	3,779,430
Accumulated depreciation	–	(324,196)	(1,020,313)	(391,678)	(26,103)	–	(1,762,290)
Net book amount	26,670	676,420	765,762	115,668	10,791	421,829	2,017,140

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Cost of sales	**142,667**	150,009
Selling and marketing costs	**1,602**	1,778
General and administrative expenses	**58,729**	71,852
	202,998	223,639

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

	2019 **HK$'000**	2018 HK$'000
Buildings (2018: Land and buildings) in Hong Kong, located on land with lease of between 10 and 50 years	**370**	5,280
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years	**733,665**	671,140
Building in overseas, located on freehold land	**105,978**	–
	840,013	676,420

No assets (2018: land and buildings of HK$5,280,000) were pledged as collateral for the Group's bank borrowings (Note 20).

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Analysis of construction-in-progress is as follows:

	2019	2018
	HK$'000	HK$'000
Construction costs of buildings	**178,799**	102,655
Cost of machinery	**107,573**	319,174
	286,372	421,829

As at 31 December 2018, plants and machinery included the following amounts where the Group is a lessee under finance leases (refer to Note 7 for further details):

	2018
	HK$'000
Leased equipment	
Cost	37,913
Accumulated depreciation	(25,923)
Net book amount	11,990

From 1 January 2019, these are grouped as part of right-of-use assets. Refer to Note 2.2 for details about the changes in accounting policy.

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balances recognised in the consolidated statement of financial position

Right-of-use assets

	Leasehold land and land use rights HK$'000	Land under finance lease HK$'000	Plant and machinery under finance lease HK$'000	Factory and office premises HK$'000	Total HK$'000
Balance at 1 January 2019	–	–	–	–	–
Changes in accounting policies (Note 2.2)	238,778	6,461	11,990	84,184	341,413
Restated balance at 1 January 2019	238,778	6,461	11,990	84,184	341,413
Additions	–	–	54,740	–	54,740
Depreciation (Note 25)	(5,967)	(262)	(4,576)	(9,986)	(20,791)
Exchange differences	(2,126)	–	–	(1,782)	(3,908)
Balance at 31 December 2019	230,685	6,199	62,154	72,416	371,454

Lease liabilities

	2019 HK$'000	2018 HK$'000
Current portion	**18,223**	–
Non-current portion	**86,919**	–
	105,142	–
Lease liabilities – Plant and machinery	**31,132**	–
Lease liabilities – Factory and office premises	**74,010**	–
	105,142	–

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Amounts recognised in the consolidated income statement

	2019	2018
	HK$'000	HK$'000
Depreciation charge of right-of-use assets	**20,791**	–
Unwinding of interests on lease liabilities	**4,774**	–
Operating lease rental for short-term and low value leases	**782**	286

The total cash outflow of leases for the year ended 31 December 2019 was approximately HK$39,924,000.

For the year ended 31 December 2019, depreciation expense of HK$4,576,000 and HK$16,215,000 have been charged to 'cost of sales' and 'administrative expenses' respectively in the consolidated statement of comprehensive income.

(c) The Group's leasing activities

The Group leases various buildings, plant and machineries. Rental contracts are typically made for fixed periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but certain lease liabilities are effectively secured as the right to the leased assets revert to the lessors in the event of default. As at 31 December 2019, the net book amount of the secured right-of-use assets was approximately HK$62,154,000 (31 December 2018: HK$11,990,000).

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(c) The Group's leasing activities (Continued)

	2019	2018
	HK$'000	HK$'000
Minimum lease payments – within one year	**–**	2,499
Less: Future finance charges on finance leases	**–**	(17)
Present value of finance lease liabilities	**–**	2,482

The present value of finance lease liabilities is as follows:

	2019	2018
	HK$'000	HK$'000
Minimum lease payments – Within one year	**–**	2,482
Total finance lease liabilities	**–**	2,482
Less: Amount included in current liabilities	**–**	(2,482)
	–	–

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

As at 31 December 2018, the effective interest rate of the Group's finance lease liabilities was 4.3% 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 2018, the net book amount of the leased assets was approximately HK$11,990,000.

(d) Finance lease liabilities – 2018

As at 31 December 2018, the Group leased various plant and equipment with a carrying amount of HK$11,990,000 under finance leases expiring within one year. Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See Note 2.2 for further information about the change in accounting policy for leases.

8 INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	2019 HK$'000	2018 HK$'000
Investment property under development	**176,521**	156,003

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

Movements are:

	2019 HK$'000	2018 HK$'000
Opening balance	**156,003**	120,490
Additions	**26,154**	42,373
Changes in fair value	**(1,749)**	143
Exchange differences	**(3,887)**	(7,003)
	176,521	156,003

A valuation of the Group's investment property under development was performed by an independent firm of professional valuer (深圳天大聯合資產評估房地產估價有限公司) to determine the fair value of the investment property as at 31 December 2019.

The valuation was determined by using depreciated replacement cost approach for the investment property under development as at 31 December 2019, in which the land portion was valued using direct comparison method and the benchmark land price method (as at 31 December 2018: direct comparison approach). Replacement cost of the property is estimated and sales price of comparable land portion in close proximity are adjusted for differences in key attributes such as size.

The key unobservable inputs used in the valuation of the investment property under development as at 31 December 2019 are adopted unit rate of land and adopted replacement cost new for the properties (as at 31 December 2018: adopted unit rate of land).

9 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:

	2019	2018
	HK$'000	HK$'000
In Mainland China and overseas, held on:		
Land use rights of between 10 and 50 years	**–**	238,778

Movements are:

	2019	2018
	HK$'000	HK$'000
As at 1 January	**238,778**	228,737
Changes in accounting policies (Note 2.2)	**(238,778)**	–
Exchange differences	**–**	(4,524)
Additions	**–**	20,520
Amortisation	**–**	(5,955)
As at 31 December	**–**	238,778

Government grants amounting to RMB140,400,000 (equivalent to HK$161,233,000) were received from the PRC government in relation to the purchase of land use right in 2018. The grant received were netted off with the cost of the related land use right as at 31 December 2018.

	2019	2018
	HK$'000	HK$'000
Representing –		
Cost	**–**	275,569
Accumulated amortisation	**–**	(36,791)
Net book amount	**–**	238,778

10 INTANGIBLE ASSETS

	Goodwill HK$'000	Software HK$'000	Total HK$'000
Year ended 31 December 2018			
Opening net book amount	2,510	–	2,510
Amortisation (Note 25)	–	–	–
Closing net book amount	2,510	–	2,510
At 31 December 2018			
Cost	2,510	–	2,510
Accumulated amortisation	–	–	–
Net book amount	2,510	–	2,510
Year ended 31 December 2019			
Opening net book amount	**2,510**	**–**	**2,510**
Addition	**–**	**6,992**	**6,992**
Amortisation (Note 25)	**–**	**(881)**	**(881)**
Exchange difference	**–**	**(97)**	**(97)**
Closing net book amount	**2,510**	**6,014**	**8,524**
At 31 December 2019			
Cost	**2,510**	**6,874**	**9,384**
Accumulated amortisation	**–**	**(860)**	**(860)**
Net book amount	**2,510**	**6,014**	**8,524**

For the year ended 31 December 2019, amortisation expense of HK$881,000 (2018: Nil) has been charged to 'administrative expenses' in the consolidated profit or loss.

10 INTANGIBLE ASSETS (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Corporate	**2,510**	2,510
At 31 December	**2,510**	2,510

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2019 (2018: Nil).

11A SUBSIDIARIES

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2019:

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%	Trading of metal moulds and components

11A SUBSIDIARIES (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 Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of plastic moulds and components
Okutatu (Macao Commercial Offshore) Limited	Macau, limited liability company	MOP500,000	100%	Trading of metal and plastic moulds and components
Shenzhen EVA Precision Technology Group Limited (深圳市億和精密科技集團有限公司) (a)	Mainland China, limited liability company	HK$221,880,000	100%	Manufacturing of metal 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 moulds and components
EVA Precision Industrial (Suzhou) Limited (億和精密工業(蘇州)有限公司) (a)	Mainland China, limited liability company	US$43,000,000	100%	Manufacturing of metal and plastic moulds and components
Zhongshan Digit Automotive Technology Limited (億和精密工業(中山)有限公司) (a)	Mainland China, limited liability company	HK$120,000,000	100%	Manufacturing of metal and plastic moulds and components
Shenzhen EVA Mould Manufacturing Limited (深圳億和模具製造有限公司) (a)	Mainland China, limited liability company	HK$240,000,000	100%	Manufacturing of metal and plastic moulds
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 metal moulds and components
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 metal moulds
EVA Hai Phong Precision Industrial Co., Ltd.	Vietnam, limited liability company	US$10,000,000	100%	Manufacturing of metal moulds and components

11A SUBSIDIARIES (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
Digit Automotive de Mexico S.A. de C.V.	Mexico, limited liability company	MXN19,000	100%	Manufacturing of moulds and components for automobiles
EVA Precision Industrial (Weihai) Limited (億和精密工業(威海)有限公司) (b)	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 (四川駿源投資管理有限公司) (b)	Mainland China, limited liability company	RMB90,000,000	100%	Property development
Yixinhe Investment (Suzhou) Limited (億新和投資(蘇州)有限公司) (a) (b)	Mainland China, limited liability company	US$30,000,000	100%	Investment holding
Shenzhen Yizhi Investment Holding Limited (深圳億智投資控股有限公司)	Mainland China, limited liability company	RMB10,000,000	100%	Investment holding
Intops (Weihai) Electronics Co., Limited (因塔思(威海)電子有限公司) (a)	Mainland China, limited liability company	RMB28,975,345.99	100%	Manufacturing of metal stamping and plastic injection moulds and components
Shenzhen EVA Smart Device Limited (深圳市億和智能裝備有限公司) (b)	Mainland China, limited liability company	RMB10,000,000	100%	Manufacturing of metal stamping and plastic injection moulds and components
Shenzhen Digit Automotive Technology Limited (深圳數碼模汽車技術有限公司) (a) (b)	Mainland China, limited liability company	RMB65,000,000	100%	Manufacturing of moulds and components for automobiles

11A 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
Shenzhen EVA Precision Technology Group Limited	Shenzhen, Guangdong Province, Mainland China	20 years up to May 2021
Yihe Precision Plastic and Electronics Products (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to July 2024
Chongqing Digit Auto Body Ltd.	Chongqing, Sichuan Province, Mainland China	20 years up to March 2026
Digit Stamping Technology (Wuhan) Limited	Wuhan, Wubei 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
Zhongshan Digit Automotive Technology 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
Yixinhe Investment (Suzhou) Limited	Suzhou, Jiangsu Province, Mainland China	30 years up to November 2046
Intops (Weihai) Electronics Co., Limited	Weihai, Shandong Province, Mainland China	50 years up to November 2046
Shenzhen Digit Automotive Technology Limited	Shenzhen, Guangdong Province, Mainland China	50 years up to March 2068

11A SUBSIDIARIES (CONTINUED)

(b) At 31 December 2019, the Group was committed to making additional capital contributions to the following principal subsidiaries:

Name	Committed capital injection	Due date
Shenzhen Digit Automotive Technology Limited	RMB40,000,000	March 2021
Shenzhen EVA Smart Device Limited	RMB5,000,000	September 2020
EVA Precision Industrial (Weihai) Limited	USD77,833,000	March 2028
Sichuan Junyuan Investment Management Limited	RMB13,500,000	December 2021
Digit Stamping Technology (Wuhan) Limited	RMB34,039,000	December 2020
Shenzhen EVA Mould Manufacturing Limited	HK$69,902,000	July 2021
Chongqing Digit Auto Body Ltd.	RMB26,790,000	December 2048

11B INVESTMENTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
As at 1 January	**63,043**	65,441
Exchange difference	**(1,187)**	(1,994)
Share of losses, net	**(2,082)**	(404)
Dividend received	**(4,609)**	–
As at 31 December	**55,165**	63,043

11B INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the associates as at 31 December 2019:

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 and capital commitment 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:

Summarised statement of financial position

	Microcredit	
	2019	2018
	HK$'000	HK$'000
ASSETS		
Non-current assets	**1,577**	2,151
Current assets	**137,480**	152,660
LIABILITIES		
Current liabilities	**1,144**	–
Net current assets	**136,336**	152,660
Net assets	**137,913**	154,811

11B INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income

	Microcredit	
	2019	2018
	HK$'000	HK$'000
Reconciliation of carrying amounts:		
Net assets as at 1 January	**154,811**	151,236
Profits for the year	**(3,825)**	2,168
Dividend paid	**(11,523)**	–
Other comprehensive (loss)/gain	**(1,550)**	1,407
Net assets as at 31 December	**137,913**	154,811
Interest in an associate (40%)	**55,165**	61,924
Revenue	**24,014**	31,488
Profit before income tax	**(76)**	2,891
Income tax expense	**(3,749)**	(723)
Total comprehensive income for the year	**(3,825)**	2,168
Share of (loss)/profit of an associate (40%)	**(1,530)**	867

The Group considered its interest in the other associate as immaterial.

12 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**135,039**	101,390
Work-in-progress	**281,545**	261,339
Finished goods	**228,157**	114,062
	644,741	476,791
Less: Provision for impairment	**(37,036)**	(31,550)
Inventories – net	**607,705**	445,241

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,956,861,000 (2018: HK$1,826,699,000).

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

	2019 HK$'000	2018 HK$'000
At 1 January	**31,550**	27,911
Provision for impairment (Note 25)	**5,486**	3,639
At 31 December	**37,036**	31,550

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

13 TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**915,699**	990,787
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**914,511**	989,599

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

	2019 HK$'000	2018 HK$'000
0 to 90 days	**731,749**	830,915
91 to 180 days	**183,950**	159,872
	915,699	990,787
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**914,511**	989,599

13 TRADE RECEIVABLES (CONTINUED)

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 30.1% (2018: 30.2%) and 10.8% (2018: 9.7%), respectively, of the trade receivables balance as at 31 December 2019. 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 2019, no trade receivables (2018: Nil) were past due.

Trade receivables are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
Hong Kong dollars ("HK$")	**94,057**	147,104
United States dollars ("US$")	**446,888**	432,828
Chinese Renminbi ("RMB")	**353,695**	378,309
Others	**21,059**	32,546
	915,699	990,787

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Non-current:		
Deposits for purchases of property, plant and equipment	**41,273**	100,896
Others	**3,558**	3,602
	44,831	104,498
Current:		
Consideration receivables from disposal of subsidiaries	**4,829**	5,761
Prepayments for purchases of raw materials	**57,747**	56,943
VAT recoverable	**79,853**	84,187
Prepayment of utilities expenses	**2,215**	879
Receivables from employees and staff advances (Note)	**6,097**	7,121
Deposits placed with customs in Mainland China	**4,579**	3,838
Receivables from the then subsidiaries (Note)	**65,101**	79,865
Others	**12,141**	9,912
	232,562	248,506

Note: Consideration receivables from disposal of subsidiaries, receivables from employees and staff advances and receivables from the then subsidiaries are unsecured, non-interest bearing and denominated in RMB.

15 FINANCIAL ASSETS AT FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	2019	2018
	HK$'000	HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**81,247**	105,851

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 financial assets at FVOCI are denominated in RMB.

Movements of the financial assets at FVOCI are as follows:

	2019	2018
	HK$'000	HK$'000
As at 1 January	**105,851**	98,972
Additions	**–**	14,693
Disposal (Note)	**(22,729)**	–
Revaluation losses transferred to other comprehensive income	**(1,875)**	(7,814)
As at 31 December	**81,247**	105,851

Note: On disposal of the equity instrument, any related balance within 'Financial assets at FVOCI reserve' is reclassified to 'Retained earnings'. The shares are sold during the year ended 31 December 2019.

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

	Group	
	2019	2018
	HK$'000	HK$'000
Restricted bank deposits	**84,460**	51,563
Short-term bank deposits	**218,060**	174,169
Cash and cash equivalents	**1,070,738**	1,111,046
	1,373,258	1,336,778

As at 31 December 2019, 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:

	2019		2018	
	Effective interest rate (per annum)	**Average maturity (days)**	Effective interest rate (per annum)	Average maturity (days)
Restricted bank deposits	**1.6%**	**180**	0.2%	180
Short-term bank deposits	**3.5%**	**264**	3.6%	365
Cash and cash equivalents	**0.1%**	**7**	0.1%	7

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

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

	2019	2018
	HK$'000	HK$'000
HK$	**267,671**	205,965
RMB	**499,749**	439,112
US$	**560,241**	657,589
Japanese yen	**19,543**	21,550
Euro	**22,798**	8,252
Vietnamese dong	**2,532**	3,359
Mexican peso	**418**	72
Others	**306**	879
	1,373,258	1,336,778

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

17 TRADE PAYABLES

The aging of trade payables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 to 90 days	**646,810**	510,521
91 to 180 days	**331,045**	327,615
	977,855	838,136

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

	2019 HK$'000	2018 HK$'000
HK$	**18,086**	31,548
RMB	**660,712**	556,705
US$	**297,713**	248,558
Others	**1,344**	1,325
	977,855	838,136

18 CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019	2018
	HK$'000	HK$'000
Receipt in advance from customers	**59,284**	68,493

Contract liabilities for receipt in advance have decreased by HK$9,209,000 (2018: increased by HK$17,798,000) was due to less (2018: larger) prepayments from customers.

For the year ended 31 December 2019, HK$68,493,000 (2018: HK$50,695,000) of revenue recognised was included in the contract liability balance at the beginning of the period.

19 ACCRUALS AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
Payable for purchase of property, plant and equipment	**81,472**	70,658
Accrued utilities expenses	**3,874**	3,927
Accrued wages, salaries and welfare	**99,500**	87,145
Accrued operating expenses	**7,188**	3,852
Payable for acquisition of a subsidiary	**25,648**	26,221
Other payables	**36,288**	38,645
	253,970	230,448

19 ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
HK$	**27,950**	5,804
RMB	**85,120**	91,327
Others	**30,338**	38,393
	143,408	135,524

20 BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Current:		
Short-term bank loans	**850,582**	983,000
Portion of long-term loans from banks due for repayment within one year	**275,162**	365,160
Mortgage loan, current portion	**–**	420
	1,125,744	1,348,580
Non-current:		
Portion of long-term loans from banks due for repayment after one year	**787,073**	597,235
Mortgage loan, non-current portion	**–**	18
	787,073	597,253
Total bank borrowings	**1,912,817**	1,945,833

20 BANK BORROWINGS (CONTINUED)

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:

	2019	2018
	HK$'000	HK$'000
Within 1 year	**1,125,744**	1,348,580
Between 1 and 2 years	**342,762**	250,180
Between 2 and 5 years	**444,311**	347,073
	1,912,817	1,945,833

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

	2019	2018
	HK$'000	HK$'000
HK$	**1,907,235**	1,945,833
RMB	**5,582**	–
	1,912,817	1,945,833

20 BANK BORROWINGS (CONTINUED)

As at 31 December 2019, 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	
	2019	2018	**2019**	2018	**2019**	2018
HK dollars	**4.2%**	2.6%	**4.46%**	3.14%	**–**	2.4%
Renminbi	**5.22%**	–	**–**	–	**–**	–

As at 31 December 2019, the Group has undrawn floating rate borrowing facilities of approximately HK$558,130,000 (2018: HK$571,519,000).

The Group has complied with the financial covenants of its borrowing facilities in 2019 and 2018.

As at 31 December 2019, no asset (2018: land and buildings of HK$5,280,000) were pledged as collateral for the Group's bank borrowings.

21 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	2019 **HK$'000**	2018 HK$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**21,962**	22,720
Deferred tax liability to be recovered within 12 months	**10,624**	490
	32,586	23,210

21 DEFERRED TAXATION (CONTINUED)

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

	Fair value gains	**Withholding tax**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2018	18,669	5,129	23,798
Credited to profit or loss	(588)	–	(588)
As at 31 December 2018	18,081	5,129	23,210
(Credited)/debited to profit or loss	(624)	10,000	9,376
As at 31 December 2019	17,457	15,129	32,586

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$70,666,000 (2018: HK$83,505,000) 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$18,310,000 (2018: HK$18,495,000) in respect of losses amounting to HK$77,051,000 (2018: HK$86,915,000) that can be carried forward against future taxable income. Tax losses of HK$3,151,000, HK$7,420,000, HK$20,644,000, HK$13,418,000, HK$10,287,000, HK$1,066,000, HK$5,008,000 and HK$16,057,000 will expire in 2020, 2021, 2022, 2023, 2024, 2027, 2028 and 2029, respectively (2018: HK$14,936,000, HK$7,421,000, HK$6,666,000, HK$22,364,000, HK$29,454,000, HK$1,066,000 and HK$5,008,000 will expire in 2019, 2020, 2021, 2022, 2023, 2027 and 2028, respectively).

22 SHARE CAPITAL

	Note	Number of ordinary shares (thousands)	Nominal value HK$'000
Authorised:			
As at 1 January 2018, 31 December 2018 and 2019		200,000,000	20,000,000
Issued and fully paid:			
As at 1 January 2018		1,793,844	179,384
New shares issued upon exercise of share options	(ii)	2,850	285
Repurchase of shares	(i)	(67,252)	(6,725)
As at 31 December 2018		1,729,442	172,944
New shares issued upon exercise of share options	(ii)	200	20
Repurchase of shares	(iii)	(12,510)	(1,251)
As at 31 December 2019		1,717,132	171,713

22 SHARE CAPITAL (CONTINUED)

Notes:

(i) During the year ended 31 December 2018, the Company repurchased a total of 67,252,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.64 to HK$1.25 per share for a total consideration of approximately HK$80,690,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 21 May 2018. The repurchased shares were cancelled before 31 December 2018. 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
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
March 2018	4,312,000	1.20	1.18	5,155
April 2018	18,320,000	1.21	1.19	22,064
May 2018	6,200,000	1.21	1.21	7,502
July 2018	2,240,000	0.89	0.84	1,973
October 2018	180,000	0.64	0.64	115
	67,252,000			80,690

(ii) During the year ended 31 December 2018, 2,850,000 ordinary shares were issued at HK$0.175 per share, and net proceeds of HK$499,000 were received upon the exercise of certain options under the share options scheme. During the year ended 31 December 2019, 200,000 ordinary shares were issued at HK$0.41 per share, and net proceeds of HK$82,000 were received upon the exercise of certain options under the share options scheme.

(iii) During the year ended 31 December 2019, the Company repurchased a total of 12,510,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.58 to HK$0.81 per share for a total consideration of approximately HK$8,117,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 21 May 2019. The repurchased shares were cancelled before 31 December 2019. 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.

22 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 2019	1,590,000	0.81	0.66	1,171
July 2019	390,000	0.68	0.66	264
August 2019	492,000	0.61	0.60	298
September 2019	4,300,000	0.69	0.64	2,868
October 2019	1,920,000	0.65	0.62	1,218
November 2019	2,140,000	0.62	0.58	1,291
December 2019	1,678,000	0.62	0.59	1,007
	12,510,000			8,117

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.

22 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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.

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

	2019		2018	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
As at 1 January	**0.90**	**137,550**	0.885	140,480
Exercised	**0.41**	**(200)**	0.175	(2,850)
Expired	**–**	**–**	0.175	(80)
As at 31 December	**0.90**	**137,350**	0.90	137,550

22 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

	2019		2018	
Expiry date	**Exercise price HK$**	**Number of options '000**	Exercise price HK$	Number of options '000
1 October 2019	**0.41**	**–**	0.41	200
2 July 2021	**0.692**	**67,050**	0.692	67,050
4 November 2024	**1.10**	**70,300**	1.10	70,300
		137,350		137,550

The amount of share-based payment charged to the consolidated statement of comprehensive income during the year ended 31 December 2019 was HK$12,287,000 (2018: HK$12,325,000).

23 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$'000	Financial assets at FVOCI reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2019	1,075,586	(735)	178,752	37,905	25,082	(5,944)	(88,330)	1,193,243	2,415,559
Profit for the year	-	-	-	-	-	-	-	51,781	51,781
Dividends paid	-	-	-	-	-	-	-	(22,104)	(22,104)
Other comprehensive income									
– Translation differences	-	-	-	-	-	-	(25,308)	-	(25,308)
– Revaluation losses on financial assets at FVOCI	-	-	-	-	-	(1,875)	-	-	(1,875)
Employee share option scheme - value of employee services	-	-	-	-	12,287	-	-	-	12,287
Transfer to share premium upon exercise of share options	17	-	-	-	(17)	-	-	-	-
Proceeds from share issuance of shares upon exercise of employee share options	62	-	-	-	-	-	-	-	62
Premium on repurchase of shares	(6,866)	-	-	-	-	-	-	-	(6,866)
Capital redemption reserve arising from repurchase of shares	-	-	-	1,251	-	-	-	(1,251)	-
Transfer to statutory reserves	-	-	6,934	-	-	-	-	(6,934)	-
Transfer to retained earnings upon disposal of financial assets at FVOCI	-	-	-	-	-	1,349	-	(1,349)	-
As at 31 December 2019	1,068,799	(735)	185,686	39,156	37,352	(6,470)	(113,638)	1,213,386	2,423,536

23 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$'000	Financial assets at FVOCI reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2018	1,149,201	(735)	159,947	31,180	12,897	1,870	(29,498)	1,168,064	2,492,926
Profit for the year	–	–	–	–	–	–	–	82,663	82,663
Dividends paid	–	–	–	–	–	–	–	(31,958)	(31,958)
Other comprehensive income									
– Translation differences	–	–	–	–	–	–	(58,832)	–	(58,832)
– Revaluation losses on financial assets at FVOCI	–	–	–	–	–	(7,814)	–	–	(7,814)
Employee share option scheme - value of employee services	–	–	–	–	12,325	–	–	–	12,325
Transfer to share premium upon exercise of share options	136	–	–	–	(136)	–	–	–	–
Proceeds from share issuance of shares upon exercise of employee share options	214	–	–	–	–	–	–	–	214
Transfer to retained earnings upon lapse of share options granted by the Company	–	–	–	–	(4)	–	–	4	–
Premium on repurchase of shares	(73,965)	–	–	–	–	–	–	–	(73,965)
Capital redemption reserve arising from repurchase of shares	–	–	–	6,725	–	–	–	(6,725)	–
Transfer to statutory reserves	–	–	18,805	–	–	–	–	(18,805)	–
As at 31 December 2018	1,075,586	(735)	178,752	37,905	25,082	(5,944)	(88,330)	1,193,243	2,415,559

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.

23 RESERVES (CONTINUED)

Notes: (Continued)

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

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

24 OTHER INCOME AND OTHER LOSSES – NET

	2019 **HK$'000**	2018 HK$'000
Other income		
Government grants	**44,376**	26,375
Storage income	**3,680**	2,482
	48,056	28,857
Other losses – net		
Losses on disposal of property, plant and equipment	**(2,721)**	(133)
Fair value (loss)/gain on revaluation of investment property under development (Note 8)	**(1,749)**	143
Net exchange losses	**(11,479)**	(541)
Others	**1,330**	348
	(14,619)	(183)

25 EXPENSES BY NATURE

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

	2019 HK$'000	2018 HK$'000
Depreciation of property, plant and equipment (Note 6)	**202,998**	221,606
Depreciation of right-of-use assets (Note 7)	**20,791**	2,033
Amortisation of leasehold land and land use rights (Note 9)	**–**	5,955
Amortisation of intangible assets (Note 10)	**881**	–
Employee benefit expenses (Note 26)	**892,458**	854,727
Auditor's remuneration		
– Audit services	**3,830**	3,830
– Non-audit services	**345**	345
Changes in inventories of finished goods and work-in-progress	**(134,301)**	(68,615)
Raw materials and consumables used	**2,124,811**	1,915,114
Provision for inventory obsolescence (Note 12)	**5,486**	3,639
Subcontracting expenses	**126,782**	209,434
Utilities expenses	**70,651**	65,342
Transportation expenses	**30,629**	34,743
Packaging expenses	**115,854**	118,912
Marketing expenses	**5,225**	6,860
Office expenses	**48,051**	46,598
Operating lease payments for properties	**–**	6,464
Operating lease payments for short-term and low value lease	**782**	–
Others	**145,177**	124,550
	3,660,450	3,551,537

26 EMPLOYEE BENEFIT EXPENSES

	2019	2018
	HK$'000	HK$'000
Wages, salaries and bonus	**777,368**	698,183
Staff welfare	**52,552**	69,782
Retirement benefit – defined contribution plans (a)	**50,251**	74,437
Share-based payment (Note 22)	**12,287**	12,325
	892,458	854,727

(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 2019, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$50,251,000 (2018: HK$74,437,000). As at 31 December 2019, the Group was not entitled to any forfeited contributions to reduce its future contributions (2018: Nil).

26 EMPLOYMENT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2018: three) directors whose emoluments are reflected in the analysis in Note 35.

The emoluments payable to the remaining two (2018: two) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries	**2,100**	1,984
Discretionary bonus	**300**	293
Contribution to pension scheme	**36**	36
Share options granted	**315**	315
	2,751	2,628

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
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**	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 (2018: Nil).

27 FINANCE INCOME/COSTS

	2019 HK$'000	2018 HK$'000
Finance income		
Interest income on bank deposits	**15,031**	15,707
Finance costs		
Interest expense on:		
Bank borrowings	**64,989**	60,192
Finance lease liabilities	**–**	158
Lease liabilities – plant and machinery	**978**	–
Lease liabilities – factory and office premises	**3,796**	–
Interest capitalised	**(14,374)**	(4,763)
	55,389	55,587

28 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current taxation		
– Hong Kong profits tax	**–**	–
– Mainland China corporate income tax	**24,100**	29,991
Over-provision in prior years	**(7,655)**	(8,556)
Deferred income tax (Note 21)	**9,376**	(588)
	25,821	20,847

28 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits in the respective countries/places of business of the Group entities, as follows:

	2019 HK$'000	2018 HK$'000
Profit before income tax	**77,602**	103,510
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**13,240**	20,898
Income not subject to tax	**(2,179)**	(1,247)
Expenses not deductible for tax purpose	**18,650**	8,842
Tax concession	**(6,050)**	(3,104)
Tax losses for which no deferred income tax asset was recognised	**7,388**	6,742
Utilisation of tax loss previously not recognised	**(7,573)**	(2,728)
Withholding tax	**10,000**	–
Over-provision in prior years	**(7,655)**	(8,556)
Tax charge	**25,821**	20,847

The weighted average applicable tax rate for the year ended 31 December 2019 was approximately 17.1% (2018: 20.2%). The increase is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions of tax in the current year.

28 INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2018: 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% (2018: 25%) on the assessable income of each of the group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology 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 2018 and 2019.

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. Deferred tax charge of HK$10,000,000 is recognised for the withholding tax related to the unremitted retained earnings of a subsidiary for the year ended 31 December 2019 (2018: Nil).

28 INCOME TAX EXPENSE (CONTINUED)

(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 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 was exempted from corporate income tax in Vietnam for the year ended 31 December 2019 (2018: Same).

Provisions for income taxes in other jurisdictions are based on the assessable profits of the respective subsidiaries and the applicable tax rates.

29 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

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**51,781**	82,663
Weighted average number of ordinary shares in issue ('000)	**1,725,549**	1,738,936
Basic earnings per share (HK cents per share)	**3.0**	4.8

29 EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual 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.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**51,781**	82,663
Weighted average number of ordinary shares in issue ('000)	**1,725,549**	1,738,936
Adjustment for share options ('000)	**1,147**	87,017
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,726,696**	1,825,953
Diluted earnings per share (HK cents per share)	**3.0**	4.5

30 DIVIDENDS

	2019 **HK$'000**	2018 HK$'000
Interim dividend paid of HK0.65 cent (2018: HK0.85 cents) per share	**11,230**	14,678
Declared special dividend of HK2.67 cents (2018: Nil) per share	**45,833**	–
Proposed final dividend of HK0.25 cent (2018: HK0.63 cents) per share	**4,291**	10,885
	61,354	25,563

A final dividend in respect of the year ended 31 December 2019 of HK$0.25 cent per share, totaling of HK$4,291,000 has been proposed for approval at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
	HK$'000	HK$'000
Profit before income tax	**77,602**	103,510
Adjustments for:		
– Depreciation of property, plant and equipment	**202,998**	223,639
– Depreciation of right-of-use assets	**20,791**	–
– Amortisation of leasehold land and land use rights	**–**	5,955
– Amortisation of intangible assets	**881**	–
– Loss on sales of property, plant and equipment	**2,721**	133
– Fair value loss/(gain) on revaluation of investment property under development	**1,749**	(143)
– Share of losses of associates	**2,082**	404
– Share-based payment	**12,287**	12,325
– Interest income	**(15,031)**	(15,707)
– Interest expense	**55,389**	55,587
Changes in working capital:		
– Inventories	**(162,464)**	(63,579)
– Trade receivables	**75,088**	(136,511)
– Prepayments, deposits and other receivables	**15,988**	91,961
– Trade payables	**139,719**	17,818
– Accruals and other payables	**35,437**	(29,809)
– Contract liabilities	**(9,209)**	17,798
Cash generated from operations	**456,028**	283,381

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

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

	2019	2018
	HK$'000	HK$'000
Net book amount	**10,775**	965
Loss on disposal of property, plant and equipment	**(2,721)**	(133)
Proceeds	**8,054**	832

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

	2019	2018
	HK$'000	HK$'000
Cash and cash equivalents	**1,070,738**	1,111,046
Lease liabilities (2018: finance lease liabilities – repayable within one year)	**(18,223)**	(2,482)
Lease liabilities (2018: finance lease liabilities – repayable after one year)	**(86,919)**	–
Borrowings – repayable within one year	**(1,125,744)**	(1,348,580)
Borrowings – repayable after one year	**(787,073)**	(597,253)
Net debt	**(947,221)**	(837,269)
Cash and liquid investments	**1,070,738**	1,111,046
Gross debt – fixed interest rates	**(79,592)**	(503,000)
Gross debt – variable interest rates	**(1,938,367)**	(1,445,315)
Net debt	**(947,221)**	(837,269)

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

Net debt reconciliation (Continued)

		Liabilities from financing activities		
	Cash and cash equivalents	Leases	Borrowings	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as at 1 January 2018	1,305,823	(7,692)	(1,703,778)	(405,647)
Cash flows	(170,229)	5,210	(242,055)	(407,074)
Foreign exchange adjustments	(24,548)	–	–	(24,548)
Net debt as at 31 December 2018	1,111,046	(2,482)	(1,945,833)	(837,269)
Changes in accounting policies (Note 2.2)	–	(84,184)	–	(84,184)
Restated net debt as at 31 December 2018	1,111,046	(86,666)	(1,945,833)	(921,453)
Cash flows	(36,434)	16,969	33,016	13,551
Foreign exchange adjustments	(3,874)	–	–	(3,874)
Other non-cash movements	–	(35,445)	–	(35,445)
Net debt as at 31 December 2019	1,070,738	(105,142)	(1,912,817)	(947,221)

32 COMMITMENTS – GROUP

(a) Capital commitments

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

	2019 HK$'000	2018 HK$'000
Contracted but not provided for		
– Construction of buildings	**120,926**	156,527
– Purchase of plant and machinery	**60,754**	106,940
	181,680	263,467

Details of the Group's commitments to make additional capital contributions to subsidiaries are disclosed in Note 11a (b).

(b) Operating lease commitments – group companies as lessees

From 1 January, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 2.2 for further information.

The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases for the year ended 31 December 2018 are as follows:

	2018 HK$'000
Not later than one year	11,751
Later than one year but not later than five years	49,870
Later than five years	63,644
	125,265

33 RELATED PARTY TRANSACTIONS

Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owned 39.12% (2018: 38.84%) of the Company's shares as at 31 December 2019.

(a) Key management compensation

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and bonus	**23,470**	24,050
Share-based payment	**9,124**	9,155
Retirement benefits – defined contribution plans	**72**	72
	32,666	33,277

The following transactions were undertaken by the Group with related party. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(b) Transactions with a related party

	2019	2018
	HK$'000	HK$'000
Sales of goods to an associate		
L&L Auto-tech Co., Ltd.	**2,813**	2,186

(c) Balances with a related party

	2019	2018
	HK$'000	HK$'000
Amounts due from an associate		
L&L Auto-tech Co., Ltd.	**4,181**	3,097

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**123,358**	123,358
Amounts due from subsidiaries	**1,446,490**	1,523,087
	1,569,848	1,646,445
Current assets		
Other receivables	**1,496**	1,496
Cash and cash equivalents	**15,398**	7,697
	16,894	9,193
LIABILITIES		
Current liabilities		
Bank borrowings	**30,000**	30,000
Accruals and other payables	**37,143**	21,196
	67,143	51,196
Net current liabilities	**(50,249)**	(42,003)
Total assets less current liabilities	**1,519,599**	1,604,442
Non-current liabilities		
Bank borrowings	**–**	62,500
Net assets	**1,519,599**	1,541,942
EQUITY		
Capital and reserves		
Share capital	**171,713**	172,944
Reserves	**1,347,886**	1,368,998
Total equity	**1,519,599**	1,541,942

34 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 2019	**1,075,586**	**121,351**	**37,905**	**25,082**	**109,074**	**1,368,998**
Profit for the year	**–**	**–**	**–**	**–**	**(4,491)**	**(4,491)**
Dividends paid	**–**	**–**	**–**	**–**	**(22,104)**	**(22,104)**
Employee share option scheme – value of employee services	**–**	**–**	**–**	**12,287**	**–**	**12,287**
Transfer to share premium upon exercise of share options	**17**	**–**	**–**	**(17)**	**–**	**–**
Proceeds from share issuance of shares upon exercise of employee share options	**62**	**–**	**–**	**–**	**–**	**62**
Premium on repurchase of shares	**(6,866)**	**–**	**–**	**–**	**–**	**(6,866)**
Capital redemption reserve arising from repurchase of shares	**–**	**–**	**1,251**	**–**	**(1,251)**	**–**
Balance at 31 December 2019	**1,068,799**	**121,351**	**39,156**	**37,352**	**81,228**	**1,347,886**
Balance at 1 January 2018	1,149,201	121,351	31,180	17,643	121,448	1,440,823
Profit for the year	–	–	–	–	21,559	21,559
Dividends paid	–	–	–	–	(31,958)	(31,958)
Employee share option scheme – value of employee services	–	–	–	12,325	–	12,325
Transfer to share premium upon exercise of share options	136	–	–	(136)	–	–
Proceeds from share issuance of shares upon exercise of employee share options	214	–	–	–	–	214
Transfer to retained earnings upon lapse of share options granted by the Company	–	–	–	(4,750)	4,750	–
Premium on repurchase of shares	(73,965)	–	–	–	–	(73,965)
Capital redemption reserve arising from repurchase of shares	–	–	6,725	–	(6,725)	–
Balance at 31 December 2018	1,075,586	121,351	37,905	25,082	109,074	1,368,998

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.

35 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 2019 is set out below:

Name	Fees	Salaries	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Zhang Hwo Jie	-	5,760	1,480	2,971	18	10,229
Mr. Zhang Jian Hua	-	5,760	1,480	2,971	18	10,229
Mr. Zhang Yaohua (i)	-	5,760	1,480	2,971	18	10,229
Independent non-executive directors						
Mr. Choy Tak Ho	160	-	-	70	-	230
Mr. Leung Tai Chiu	160	-	-	70	-	230
Mr. Lam Hiu Lo	160	-	-	70	-	230
	480	17,280	4,440	9,123	54	31,377

35 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 2018 is set out below:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	5,460	1,980	2,981	18	10,439
Mr. Zhang Jian Hua	–	5,460	1,980	2,981	18	10,439
Mr. Zhang Yaohua (i)	–	5,460	1,980	2,981	18	10,439
Independent non-executive directors						
Mr. Choy Tak Ho	160	–	–	70	–	230
Mr. Leung Tai Chiu	160	–	–	70	–	230
Mr. Lam Hiu Lo	160	–	–	70	–	230
	480	16,380	5,940	9,153	54	32,007

Note:

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

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2018: 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 (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: Nil).

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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 (2018: Nil).

36 SUBSEQUENT EVENTS

After the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. With the extension of Chinese New Year holiday nationwide and travel restriction, the Group postponed the resumption of production of its PRC production facilities after Chinese New year. As at the date the financial statements are issued, all of the Group's production facilities have resumed operations. The Group expects that the COVID-19 outbreak may bring temporary interruption to the business but will not significantly alter the long term business growth. The Group will pay close attention to the development of the COVID-19 outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

In February 2020, the Group entered into an agreement to dispose its 10% equity interest in Shenzhen Jinggong Microcredit Limited, for a cash consideration of RMB12,460,000 (equivalent to approximately HK$13,910,000). Shenzhen Jinggong Microcredit Limited was engaged in the microcredit business in Mainland China.

FIVE YEARS FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONSOLIDATED RESULTS					
Turnover	**3,747,055**	3,666,657	3,157,089	3,209,290	3,533,026
Profit for the year	**51,781**	82,663	134,787	61,727	215,480
Non-controlling interests	**–**	–	(1,088)	(8,241)	(10,011)
Profit attributable to equity holders of the Company	**51,781**	82,663	133,699	53,486	205,469
CONSOLIDATED BALANCE SHEET					
Non-current assets	**2,820,060**	2,687,823	2,455,003	2,160,581	2,260,843
Current assets	**3,128,036**	3,020,124	3,094,788	2,984,548	3,229,640
Current liabilities	**(2,446,269)**	(2,498,981)	(2,444,930)	(1,932,602)	(1,966,103)
Non-current liabilities	**(906,578)**	(620,463)	(432,551)	(595,106)	(776,537)
Net assets	**2,595,249**	2,588,503	2,672,310	2,617,421	2,747,843
Share capital	**171,713**	172,944	179,384	186,138	187,905
Reserves	**2,423,536**	2,415,559	2,492,926	2,399,800	2,430,551
Non-controlling interests	**–**	–	–	31,483	129,387
Total equity	**2,595,249**	2,588,503	2,672,310	2,617,421	2,747,843

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