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

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**3,666,657**	3,157,089
Cost of sales	*5*	**(2,877,691)**	(2,373,987)
Gross profit		**788,966**	783,102
Other income		**28,857**	13,167
Other (losses)/gains – net		**(183)**	2,335
Selling and marketing costs	*5*	**(213,800)**	(166,865)
General and administrative expenses	*5*	**(460,046)**	(444,016)
Operating profit		**143,794**	187,723
Finance income	*6*	**15,707**	7,315
Finance costs	*6*	**(55,587)**	(32,282)
Share of (losses)/profits of associates		**(404)**	5,484
Profit before income tax		**103,510**	168,240
Income tax expense	*7*	**(20,847)**	(33,453)

	Note	**2018** *HK$'000*	2017 *HK$'000*
Profit for the year		**82,663**	134,787
Other comprehensive gain/(loss) for the year, net of tax			
Items that have been reclassified or may be reclassified subsequently to profit or loss			
– Revaluation gains on available-for-sale ("AFS") financial assets		**–**	10,187
– Currency translation differences		**(58,832)**	60,534
– Release of AFS financial asset reserve upon disposal		**–**	(11,990)
– Release of exchange reserve upon disposal of subsidiaries		**–**	(419)
– Release of exchange reserve upon disposal of asset held for sale		**–**	866
Item that will not be reclassified subsequently to profit or loss			
– Revaluation losses on financial assets at fair value through other comprehensive income ("FVOCI")		**(7,814)**	–
Total comprehensive income for the year		**16,017**	193,965
Profit for the year attributable to:			
– Equity holders of the Company		**82,663**	133,699
– Non-controlling interests		**–**	1,088
		82,663	134,787
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**16,017**	192,758
– Non-controlling interests		**–**	1,207
		16,017	193,965
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**4.8**	7.4
– diluted	*8*	**4.5**	7.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,017,140**	1,742,601
Investment property under development		**156,003**	120,490
Leasehold land and land use rights		**238,778**	228,737
Goodwill		**2,510**	2,510
Investments in associates		**63,043**	65,441
Prepayments, deposits and other receivables		**104,498**	196,252
AFS financial assets		**–**	98,972
Financial assets at FVOCI		**105,851**	–
		2,687,823	2,455,003
Current assets			
Inventories		**445,241**	381,662
Trade receivables	*10*	**989,599**	854,917
Prepayments, deposits and other receivables		**248,506**	273,709
Restricted bank deposits		**51,563**	82,295
Short-term bank deposits		**174,169**	196,382
Cash and cash equivalents		**1,111,046**	1,305,823
		3,020,124	3,094,788
LIABILITIES			
Current liabilities			
Trade payables	*11*	**838,136**	818,753
Contract liabilities		**68,493**	–
Accruals and other payables		**230,448**	310,197
Bank borrowings		**1,348,580**	1,297,507
Finance lease liabilities		**2,482**	5,210
Current income tax liabilities		**10,842**	13,263
		2,498,981	2,444,930

	Note	2018 HK$'000	2017 HK$'000
Net current assets		**521,143**	649,858
Total assets less current liabilities		**3,208,966**	3,104,861
LIABILITIES			
Non-current liabilities			
Bank borrowings		**597,253**	406,271
Finance lease liabilities		**–**	2,482
Deferred taxation		**23,210**	23,798
		620,463	432,551
Net assets		**2,588,503**	2,672,310
EQUITY			
Capital and reserves			
Share capital		**172,944**	179,384
Reserves		**2,415,559**	2,492,926
Total equity		**2,588,503**	2,672,310

Note:

1. BASIS OF PRESENTATION

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy. At present, the Group operates ten industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Weihai) and Vietnam (Haiphong). The Group is also in the process of building up new production facilities in Weihai to expand its business there. Further, the construction of another new industrial park located at San Luis Potosí, Mexico is nearly complete and is scheduled for production soon.

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.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment property under development which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. ACCOUNTING POLICIES

(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 2018:

Annual Improvements Projects HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 which are disclosed in note 2.1. The adoption of other new and amended standards and interpretation did not have any material impact on the current period or any prior periods.

(b) New standards, amendments to existing standards and interpretation that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2018 and have not been early adopted

		Effective for annual periods beginning on or after
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKAS 10 and HKFRS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

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 interpretation. The directors of the Group will adopt the new standards, amendments to standards and interpretation when they become effective.

Impact of HKFRS 16, 'Leases'

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

Impact

Management of the Group has reviewed all the group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$125,265,000. Upon adoption of HKFRS 16, operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. These lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be amortised on a straight-line basis during the lease term.

Net current asset will be lower due to the presentation of a portion of the liability as a current liability. Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of lease liabilities will be reclassified as cash flow from financing activities.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

2.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information.

(a) Impact on financial information

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening of the consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated balance sheet (extract)	**31 December 2017 As originally presented**	**HKFRS 9 & HKFRS 15**	**1 January 2018 Restated**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
AFS financial assets	98,972	(98,972)	–
Financial assets at FVOCI	–	98,972	98,972
Current liabilities			
Other payables and accruals	310,197	(50,695)	259,502
Contract liabilities	–	50,695	50,695

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as AFS financial assets to financial assets at FVOCI.

The impact of the reclassification is as follows:

	AFS financial assets *HK$'000*	**Financial assets at FVOCI** *HK$'000*
Closing balance 31 December 2017 – HKAS 39	98,972	–
Reclassify investments from AFS financial assets to financial assets at FVOCI	(98,972)	98,972
Opening balance 1 January 2018 – HKFRS 9	–	98,972

The impact of change on the Group's equity is as follows:

	AFS financial asset reserve *HK$'000*	**Financial assets at FVOCI reserve** *HK$'000*
Opening balance – HKAS 39	1,870	–
Reclassify reserve from AFS financial asset reserve to financial assets at FVOCI reserve	(1,870)	1,870
Opening balance – HKFRS 9	–	1,870

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as AFS financial assets. As a result, assets with a fair value of HK$98,972,000 were reclassified from AFS financial assets to financial assets at FVOCI and cumulative fair value gain of HK$1,870,000 was reclassified from AFS financial assets reserve to financial assets at FVOCI reserve.

(ii) Impairment of financial assets

The Group has two type of financial assets that is subject to HKFRS 9's new expected credit loss model.

- Trade receivables
- Deposits and other receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets. While cash and cash equivalents, short-term bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristic and the days past due, and expected credit losses is amount based on historical settlement records, past credit losses experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 January 2018.

Other receivables

The impairment loss on other receivables is immaterial.

(c) HKFRS 15 Revenue from Contracts with Customers

(i) Impact of adoption

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings on 1 January 2018. Thus the comparative figures have not been restated.

The impacts of the adoption of HKFRS 15 are as follows:

Timing difference of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

Presentation of contract liabilities

"Deposit from customers" which were previously included in accruals and other payables, amounting to HK$50,695,000 as at 1 January 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

3. SEGMENT INFORMATION

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

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.

The segment results and other segment items are as follows:

	2018				2017			
	Metal stamping	**Plastic injection**	**Mircocredit**	**Total**	Metal stamping	Plastic injection	Mircocredit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**2,243,914**	**2,058,765**	**–**	**4,302,679**	2,270,742	1,680,596	–	3,951,338
Inter-segment revenue	**(373,046)**	**(262,976)**	**–**	**(636,022)**	(493,369)	(300,880)	–	(794,249)
Revenue	**1,870,868**	**1,795,789**	**–**	**3,666,657**	1,777,373	1,379,716	–	3,157,089
Segment results	**73,144**	**75,764**	**867**	**149,775**	108,456	86,296	5,470	200,222
Unallocated expenses				**(6,385)**				(7,015)
Finance income				**15,707**				7,315
Finance costs				**(55,587)**				(32,282)
Profit before income tax				**103,510**				168,240
Income tax expense				**(20,847)**				(33,453)
Profit for the year				**82,663**				134,787
Share of (losses)/profits of associates	**(1,271)**	**–**	**867**	**(404)**	14	–	5,470	5,484
Depreciation	**157,139**	**66,500**	**–**	**223,639**	179,096	52,476	–	231,572
Amortisation	**5,027**	**928**	**–**	**5,955**	4,347	284	–	4,631

For the years ended 31 December 2017 and 2018, unallocated expenses represent corporate expenses.

The segment assets and liabilities are as follows:

	2018					2017				
	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	**4,349,705**	**1,291,384**	**49,400**	**17,458**	**5,707,947**	4,289,925	1,178,802	61,057	20,007	5,549,791
Liabilities	**613,267**	**523,721**	**–**	**1,982,456**	**3,119,444**	563,792	537,073	–	1,776,616	2,877,481
Capital expenditure	**464,225**	**123,440**	**–**	**–**	**587,665**	339,876	111,678	–	–	451,554

Segment assets consist primarily of certain property, plant and equipment, investment property under development, leasehold land and land use rights, goodwill, investment in associates, prepayments, deposits, certain other receivables, AFS financial assets, financial assets at FVOCI, inventories, trade receivables, cash and cash equivalents, restricted bank deposit and short-term bank deposits.

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 and leasehold land and land use rights.

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

Revenue by geographical region

	2018				2017			
	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	**3,474,296**	**192,361**	**-**	**3,666,657**	3,060,049	97,040	–	3,157,089
Non-current assets by geographical region								
Total segment non-current assets	**2,295,019**	**247,718**	**145,086**	**2,687,823**	2,225,683	179,775	49,545	2,455,003
Total segment assets	**5,069,204**	**419,045**	**219,698**	**5,707,947**	5,237,385	246,800	65,606	5,549,791

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	As at 31 December			
	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Segment assets/liabilities	**5,690,489**	**1,136,988**	5,529,784	1,100,865
Unallocated:				
Cash and cash equivalents	**15,029**	**–**	16,574	–
Other receivables	**2,429**	**–**	3,433	–
Current income tax liabilities	**–**	**10,842**	–	13,263
Deferred taxation	**–**	**23,210**	–	23,308
Bank borrowings	**–**	**1,945,833**	–	1,703,778
Accruals and other payables	**–**	**2,571**	–	36,267
Total	**5,707,947**	**3,119,444**	5,549,791	2,877,481

An analysis of the Group's three (2017: three) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Customer A	**543,780**	559,102
Customer B	**469,477**	393,644
Customer C	**349,409**	360,886

4 REVENUE

	2018 *HK$'000*	2017 *HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**201,064**	231,326
Manufacturing of metal stamping components	**1,545,032**	1,417,489
Manufacturing of lathing components	**99,194**	99,660
Design and fabrication of plastic injection moulds	**72,029**	77,371
Manufacturing of plastic injection components	**1,713,685**	1,294,265
Others *(Note)*	**35,653**	36,978
	3,666,657	3,157,089

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.

5 OPERATING PROFIT

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– Owned assets	**221,606**	202,334
– Leased assets	**2,033**	29,238
	223,639	231,572
Amortisation of leasehold land and land use rights	**5,955**	4,631
Employment expenses		
– Wages, salaries and bonus	**698,183**	580,184
– Staff welfare	**69,782**	45,228
– Retirement benefit – defined contribution plans	**74,437**	36,453
– Share-based payment	**12,325**	8,833
Auditor's remuneration		
– Audit services	**3,830**	3,540
– Non-audit services	**345**	320
Changes in inventories of finished goods and work-in-progress	**(68,615)**	(56,335)
Raw materials and consumables used	**1,915,114**	1,622,852
Provision for inventory obsolescence	**3,639**	9,083
Subcontracting expenses	**209,434**	145,697
Utilities expenses	**65,342**	58,560
Transportation expenses	**34,743**	33,055
Packaging expenses	**118,912**	91,741
Marketing expenses	**6,860**	4,534
Office expenses	**46,598**	41,599
Operating lease payments for properties	**6,464**	9,346
Others	**124,550**	113,975
	3,551,537	2,984,868

6 FINANCE INCOME/COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**15,707**	7,315
Finance costs		
Interest expense on:		
Bank borrowings	**60,192**	34,258
Finance lease liabilities	**158**	356
Interest capitalised	**(4,763)**	(2,332)
	55,587	32,282

7 INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**–**	–
– Mainland China corporate income tax	**29,991**	32,082
Over-provision in prior years	**(8,556)**	(1,890)
Deferred income tax	**(588)**	3,261
	20,847	33,453

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:

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**103,510**	168,240
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**20,112**	25,957
Income not subject to tax	**(5,451)**	(5,213)
Expenses not deductible for tax purpose	**2,402**	8,974
Tax losses for which no deferred income tax asset was recognised	**12,340**	5,625
Over-provision in prior years	**(8,556)**	(1,890)
Tax charge	**20,847**	33,453

The weighted average applicable tax rate for the year ended 31 December 2018 was approximately 19.4% (2017: 15.4%). The increase is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions of tax in the current year.

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2017: 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% (2017: 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, EVA Precision Industrial (Zhongshan) Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2017 and 2018.

Under the Corporate Income Tax Law of Mainland China, dividend distributions out of profit of foreign invested enterprises earned after January 2008 are subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for subsidiaries of Hong Kong incorporated holding companies.

(c) Other income taxes

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

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

The subsidiary established and operating in Vietnam during the year is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group does not have any taxable profit for the year ended 31 December 2018 (2017: nil).

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

8 EARNINGS PER SHARE

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

Basic

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**82,663**	133,699
Weighted average number of ordinary shares in issue ('000)	**1,738,936**	1,806,683
Basic earnings per share (HK cents per share)	**4.8**	7.4

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.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**82,663**	133,699
Weighted average number of ordinary shares in issue ('000)	**1,738,936**	1,806,683
Adjustment for share options ('000)	**87,017**	79,568
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,825,953**	1,886,251
Diluted earnings per share (HK cents per share)	**4.5**	7.1

9 DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid of HK0.85 cent (2017: HK1.27 cent) per share	**14,678**	22,973
Proposed final dividend of HK0.63 cent (2017: HK1.00 cent) per share	**10,885**	17,578
	25,563	40,551

A final dividend in respect of the year ended 31 December 2018 of HK$0.63 cent per share, totaling of HK$10,885,000 has been proposed for approval at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

10 TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**990,787**	856,105
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**989,599**	854,917

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

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**830,915**	775,066
91 to 180 days	**159,872**	81,039
	990,787	856,105
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**989,599**	854,917

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 30.2% (2017: 30.3%) and 9.7% (2017: 9.5%), respectively, of the trade receivables balance as at 31 December 2018. 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 2018, no trade receivables (2017: Nil) were past due.

Trade receivables are denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong dollars ("HK$")	**147,104**	151,929
United States dollars ("US$")	**432,828**	375,346
Chinese Renminbi ("RMB")	**378,309**	305,818
Others	**32,546**	23,012
	990,787	856,105

11 TRADE PAYABLES

The ageing of trade payables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**510,521**	561,260
91 to 180 days	**327,615**	257,493
	838,136	818,753

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

	2018	2017
	HK$'000	*HK$'000*
HK$	**31,548**	40,801
RMB	**556,705**	517,500
US$	**248,558**	259,830
Others	**1,325**	622
	838,136	818,753

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events And Development

In 2018, the trade and tariff disputes between the United States and China brought significant uncertainties over the global economic outlook. However, the Group's revenue growth during the year remained unaffected, thanks to its unique customer profile and sensible business strategies. Over the years, the Group focused on serving internationally renowned office automation ("OA") equipment customers. These customers have an international production network, and have established assembly plants in different countries around the world. Currently, the Group's industrial parks in China supplies moulds, components and semi-finished products to the assembly plants of its OA equipment customers in China which, in turn, may sell to the United States after the finished products are completed in the customers' assembly plants. However, the Group was informed by its OA equipment customers that they could reorganise their internal production logistics whereby the production of those products that were carried out in China and targeted at the United States market could be transferred to assembly plants in other countries such as those in Southeast Asia. At the same time, the production of those products that were carried out in other countries such as those in the Southeast Asia and targeted at markets outside the United States could be transferred to China, leaving the total volume of production in China substantially unchanged. By having a unique customer base which comprises internationally renowned customers with flexible worldwide production network, the Group's exposure to the United States-China trade dispute was greatly mitigated.

With a view to diversifying its business and driving revenue growth, the Group has adopted a strategy of expanding from its previous focus on just OA equipment to devoting more resources on other high growth markets, with particular attention given to the huge automobile sector in China, since a few years ago. As most of the cars manufactured in China are sold within China and are rarely sold to the United States, it is unlikely that the Group's business in the automobile sector will be affected by the United States-China trade dispute. The Group also embarked on overseas expansion a few years ago, and completed the construction of an industrial park in Haiphong, Vietnam back in 2016 which has already commenced production operations. The Group has also started building another new industrial park in San Luis Potosí, Mexico since 2017, which is now substantially completed and is scheduled for production soon. Accordingly, despite the uncertainties caused by the United States-China trade dispute, the Group recorded turnover growth during the year ended 31 December 2018.

In the OA equipment sector, we expect to see an accelerating trend of production outsourcing from existing customers with Japanese background. At present, although these OA equipment customers have already outsourced the production of most of the moulds and components of their products to outside suppliers, they still maintain large-scale assembly plants for final product assembly, and moulds and components are outsourced to numerous suppliers, with each of them producing only a small portion of components (and the relevant moulds) within the final products. The Group has been informed by certain major OA equipment customers that they have adopted a strategy of gradually scaling down their internal production lines with a view to focusing more on product design and market development. As the first step of this strategy, these OA equipment customers will concentrate more of their mould and component purchases from suppliers with outstanding production track record like the Group with a view to nurturing a supplier with comprehensive capabilities to take up more of their internal production in the long term. Therefore, the Group expects to see increasing orders from its existing OA equipment customers. Further, as our share of the customers' production volume increases, it will be inevitable for the Group to have a higher level of involvement in the customers' product design processes as it is necessary for the customers to obtain production feasibility advices from the Group when they design their new products. Accordingly, the Group has already set up a new product development team which includes relevant experts from Japan. This team will work closely with the customers' product design departments in Japan, and the Group has a plan to expand this team as business volume increases in the future.

During the year, the Group started the construction of a new industrial park in Weihai, China at the invitation of Hewlett-Packard, one of the largest corporations in the OA equipment sector. The new Weihai industrial park has a land area of 349,000 square metres and a planned floor area (phase one) of 79,000 square metres, and is scheduled for production by the end of 2019. As the production demand from Hewlett-Packard in Weihai was imminent, the Group acquired a component manufacturer named Intops (Weihai) Electronics Co., Ltd. ("Intops") at the end of December 2017 to accelerate our development in Weihai and better serve Hewlett-Packard. The Group had also rented a temporary factory in Weihai to serve Hewlett-Packard before the new self-constructed Weihai industrial park is completed. Both Intops and the rented factory in Weihai started to contribute revenue to the Group during the year. After completion, the new Weihai industrial park will primarily derive business from Hewlett-Packard at the early stage of business as Hewlett-Packard has voluminous purchasing demand in Weihai. However, the new Weihai industrial park can also expand its capacity to serve other OA equipment customers at a later stage should the orders from them increase significantly in the future.

At the same time, the Group's new industrial park in Vietnam, which was constructed at the invitation of certain OA equipment customers and commenced operations in 2017, continued to scale up its production in 2018. During the year, the Vietnam industrial park experienced a robust growth in turnover, a trend which we expect to continue into 2019 and onwards. To cope with the rapidly growing sales orders, the Group has started the construction of phase two of the Vietnam industrial park since 2017. The new phase two of the Vietnam industrial park, which has a floor area of 46,000 square metres, is now substantially completed and will commence production operations in the second quarter of 2019. At present, the Vietnam industrial park is primarily serving OA equipment customers. However, the Vietnam industrial park can also expand into other sectors such as the high-end consumer electronics sector at a later stage, as Vietnam is also well known as one of the global manufacturing hubs for high-end consumer electronics products.

In the automobile sector, we continued to deepen our business relationships with reputable automakers in China such as Dongfeng, Changan Suzuki and SAIC-GM-Wuling during the year. The Group also made conscious efforts to add more customers into its automobile customer base, with a focus on 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, numerous reputable tier-one suppliers such as Faurecia, Brose, Yamada, Webasto and F-tech have already become our customers. Positive feedback and increasing sale orders were received from them, which drove the growth of revenue of our automobile business line in China for the year ended 31 December 2018.

Outside China, the Group was in the process of constructing a new automobile industrial park at San Luis Potosí, Mexico in 2018. At present, the construction of the new Mexico industrial park is nearly completed and it is scheduled for production in the second quarter of 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 in China. This customer is an internationally renowned tier-one supplier of automobile seats, interiors and exhaust systems, and has production plants in San Luis Potosí and other cities of Mexico which also require the Group's services. We are optimistic about the prospect of the new Mexico industrial park because Mexico is one of the major automobile hubs in the world. A lot of reputable automakers and multinational tier-one suppliers, including BMW, Volkswagen, Audi, Fiat-Chrysler, Faurecia and Brose, have already established production plants in San Luis Potosí or its adjacent states in Mexico. Therefore, apart from the said customer, an existing and huge demand exists for the precision manufacturing services offered by the Group in Mexico.

In recent years, products with higher value and sophistication are increasingly produced in China, and the emergence of local high technology industries also provides the Chinese manufacturers with a lot of new business opportunities. To benefit from the rapid development of the technology sector, the Group made an investment of HK$14,693,000 into a start-up company engaging in clean water technology during the year. The Group will also actively seek for new manufacturing orders from high technology companies in China, and is confident about the outcome as the Group is reputed for excellent engineering expertise and product quality which are also the key to producing high technology products.

Under the Group's business model, our customers will normally require us to jointly co-develop the relevant moulds with them during their new product development stages. The completed moulds will then be consigned in the Group's industrial parks for future mass production of components and semi-finished products when our customers launch their new products to the market. In 2018, as business sentiments weakened due to the United States-China trade dispute, our customers' new production development activities slowed down which resulted in a decrease in the Group's mould sales to HK$273,093,000 (2017: HK$308,697,000) during the year. However, as mentioned above, the Group's customers are accelerating their processes of outsourcing internal production and consolidating their presently fragmented supplier bases. Sales of components increased, which was mainly driven by the transfer of orders from the internal production lines and the other suppliers of the Group's customers. Together with the revenue contribution from the Group's new production operations in Weihai, the Group's total turnover for the year ended 31 December 2018 increased by 16.1% to HK$3,666,657,000 (2017: HK$3,157,089,000).

Gross profit margin for the year, however, decreased to 21.5%. This was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the year which diluted the overall gross profit margin, and (ii) the Group's new businesses in Weihai operated at a lower gross profit margin at its initial stage of operations. During the year, the Group's new businesses in Weihai and Mexico incurred initial costs of HK$17,922,000 and HK$5,008,000 respectively. Share option costs for the year also increased to HK$12,325,000 (2017: HK$8,833,000) owing to the issuance of new share options to directors and employees in November 2017. Further, the sharp rise in Renminbi exchange rate in the first half of 2018 resulted in an appreciation of the average yearly exchange rate of Renminbi in 2018. As a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi, the Group experienced an increase in various operating expenses during the year. Coupled with an increase in finance costs to HK$55,587,000 (2017: HK$32,282,000) as a result of higher borrowings and market interest rates, the Group's net profit decreased by 38.2% to HK$82,663,000.

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 measures and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities with high potentials which can add to our existing portfolio. 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 potentials 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, and 2018 is no exception. Further, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 68,842,000 shares from the market during the year ended 31 December 2018 and in January 2019. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

FINANCIAL REVIEW

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

	2018		2017	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**201,064**	**5.5%**	231,326	7.3%
Manufacturing of metal stamping components	**1,545,032**	**42.1%**	1,417,489	44.9%
Manufacturing of lathing components	**99,194**	**2.7%**	99,660	3.2%
Others *(Note 1)*	**25,578**	**0.7%**	28,898	0.9%
	1,870,868		1,777,373	
Plastic division				
Design and fabrication of plastic injection moulds	**72,029**	**2.0%**	77,371	2.4%
Manufacturing of plastic injection components	**1,713,685**	**46.7%**	1,294,265	41.0%
Others *(Note 1)*	**10,075**	**0.3%**	8,080	0.3%
	1,795,789		1,379,716	
Total	**3,666,657**		3,157,089	
Segment results				
Metal division	**73,144**		108,456	
Plastic division	**75,764**		86,296	
Micro lending business	**867**		5,470	
Operating profit	**149,775**		200,222	
Unallocated expenses	**(6,385)**		(7,015)	
Finance income	**15,707**		7,315	
Finance costs	**(55,587)**		(32,282)	
Income tax expense	**(20,847)**		(33,453)	
Non-controlling interests	**–**		(1,088)	
Profit attributable to equity holders of the Company	**82,663**		133,699	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the year, the Group's turnover increased by 16.1% to HK$3,666,657,000, which was primarily attributable to the revenue contribution from the Group's new production operations in Weihai, and the increasing orders from new and existing customers in the other regions of China and Vietnam.

Gross profit

During the year, gross profit margin decreased to 21.5%, which was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the year which diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations.

Segment results

As mentioned above, the Group experienced a reduction in gross profit margin during the year. Further, the Group's new businesses in Weihai and Mexico incurred initial losses of HK$17,922,000 and HK$5,008,000 respectively in 2018, and share option costs for the year increased to HK$12,325,000 (2017: HK$8,833,000) which was caused by the issuance of new share options to directors and employees in November 2017. In addition, there was a rise in yearly average exchange rate of Renminbi in 2018 which was driven by the sharp appreciation of Renminbi exchange rate in the first half of the year. This led to an increase in the Group's yearly operating expenses in 2018 as a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Therefore, the operating profit margin of the Group's metal and plastic divisions decreased to 3.9% and 4.2% respectively.

Operating profit from the micro lending business for the year ended 31 December 2018 represented the Group's share of 40% of the profit of the micro lending company through equity pick-up.

Finance income and costs

A substantial portion of the Group's cash and bank deposits are denominated in Hong Kong and United States dollars. During the year ended 31 December 2018, finance income increased as the interest rates from bank deposits in Hong Kong and United States dollars increased.

The Group's finance costs increased to HK$55,587,000, which was primarily caused by the increase in bank borrowings and finance lease liabilities during the year.

Income tax expense

During the year, income tax expense amounted to HK$20,847,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 20.1%, which was comparable to that in 2017.

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company decreased to HK$82,663,000, which was primarily caused by the reduction in gross profit margin, and the increase in operating expenses and finance costs as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2018, the Group's net cash generated from operating activities decreased to HK$219,609,000 (2017: HK$301,469,000), which was primarily caused by the reduction in profit and the increase in working capital requirements such as inventories and trade receivables to cope with the increase in turnover. During the year, the Group was in the process of setting up new industrial parks in Weihai and Mexico, and was also constructing phase two of the Vietnam industrial park. Therefore, capital expenditure increased which led to an increase in net cash used in investing activities to HK$514,534,000 (2017: HK$437,964,000). To finance the capital expenditure, the Group drew more bank borrowings during the year and therefore recorded an increase in net cash generated from financing activities to HK$124,696,000 (2017: HK$3,264,000).

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 2018 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), all of the Group's borrowings as at 31 December 2018 were denominated in Hong Kong dollars and 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 2018	31 December 2017
Inventory turnover days (Note 1 and 5)	**56**	59
Debtors' turnover days (Note 2 and 5)	**99**	99
Creditors' turnover days (Note 3 and 5)	**106**	126
Cash conversion cycle (Note 4 and 5)	**49**	32
Current ratio (Note 6 and 8)	**1.21**	1.27
Net debt-to-equity ratio (Note 7 and 8)	**23.6%**	4.8%
Net profit margin (Note 9 and 11)	**2.3%**	4.2%
Return on shareholders' equity (Note 10 and 11)	**3.2%**	5.0%

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 finance lease liabilities less cash and bank balances divided by shareholders' equity.

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

Inventory turnover days for the year ended 31 December 2018 was slightly lower than that in 2017 due to the continuous improvement in the Group's inventory management to streamline working capital requirements.

Debtors' and creditors' turnover days

The Group's debtors' turnover days for the year ended 31 December 2018 was comparable to that in 2017. Creditors' turnover days for the year decreased to 106 days, which was mainly because (i) a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the year; and (ii) the purchases from certain major raw material suppliers happened to be due for payment shortly before year-end.

Cash conversion cycle

The increase in cash conversion cycle in 2018 was mainly caused by the decrease in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 31 December 2018 was comparable to that as at 31 December 2017. Net debt-to-equity ratio as at 31 December 2018 increased to 23.6%, which was caused by the increase in borrowings to finance the construction of the Group's new industrial parks in Weihai and Mexico, and phase two of the Vietnam industrial park.

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 2018, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	20.0%	4.0%
US dollars	49.8%	57.8%
Renminbi	28.2%	38.1%
Other currencies	2.0%	0.1%

A majority of the Group's customers in both China and Vietnam are reputable international brand owners with worldwide distribution networks. At the same time, a substantial portion of the Group's suppliers in both China and Vietnam are international metal and plastic material producers designated by the Group's customers. Accordingly, approximately 69.8% of the Group's sales and 61.8% of its raw material purchases were made in Hong Kong dollars and US dollars (which are pegged) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in 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. In addition, it is currently planned that the Group's new industrial parks in Weihai, China and Mexico will target at serving international office automation equipment and automobile customers respectively, and will purchase raw materials from international suppliers designated by such customers. Accordingly, it is expected that the majority of sales and raw material purchases of the Group's new industrial parks in Weihai and Mexico will be denominated in US dollars.

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

HUMAN RESOURCES

During the year, the total number of the Group's employees increased from 8,015 employees as at 31 December 2017 to 8,635 employees as at 31 December 2018. This was primarily caused by the Group's new production businesses in Weihai, which included the takeover of the business operations and headcount of Intops (Weihai) Electronics Co., Ltd. by the Group since January 2018. Excluding the headcount of the new Weihai production businesses, the Group's headcount in other regions was 7,726 employees as at 31 December 2018, which decreased as compared to 2017 due to production automation and management improvement measures to streamline the headcount and internal structure of the Group.

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

As at 31 December 2018, the average length of services of the Group's employees below and above manager grade was 2.7 years and 7.4 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK$5,280,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$11,990,000 for securing finance lease liabilities.

OUTLOOK

In 2018, the Group's turnover recorded an increase despite the negative business sentiments brought by the trade disputes between the United States and China. This clearly demonstrated the outstanding management capabilities of the Group in overcoming difficulties. Looking ahead, the Group expects to see increasing orders from the OA equipment market, as major OA equipment customers are accelerating the outsourcing of their internal production and concentrating more of their purchases from reliable suppliers like the Group. As the Group's share in these customers' production volume increases, it will be necessary for these customers to get the Group highly involved in new product design, thereby fortifying the business partnership between the Group and its key customers. A higher involvement of the Group in the customers' new product design is also likely to bring about a rebound in the higher-margin mould sales, as moulds are produced and sold to the customers at the product development stages. At the same time, the foundation of the Group's automobile business line has become more solid, as the Group expanded its customer base and deepened its business relationships with multi-national tier-one suppliers in the automobile industry. This created a lot of business opportunities for the Group not only in China, but also in overseas countries, as these multi-national tier-one suppliers have strong purchasing demand around the world. The rapid development of high technology industries in China has also created a growing demand for the high-quality manufacturing services offered by the Group, since product quality and engineering capabilities are essential for producing high technology products.

To capture these business opportunities, the Group has started building up additional production capacity since 2017. Upon the commencement of production of the Group's new industrial parks in Vietnam (phase two), Mexico and Weihai, the Group will have adequate capacity to deal with the burgeoning orders from its customers. An increasing turnover will also bring about economies of scale to improve the profitability of both new and existing industrial parks of the Group. Therefore, the Group is confident about its prospect.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2018, the Company repurchased its 67,790,000 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 2018 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
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
December 2018	538,000	0.68	0.66	363
	67,790,000			81,053

Subsequent to 31 December 2018, the Company repurchased its 1,052,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2019 up to the date of this announcement. 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 2018 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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2018 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

The Board recommends the payment of a final dividend of HK0.63 cent per ordinary share, totaling approximately HK$10,885,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 21 May 2019, the final dividend will be paid on 6 June 2019. Including the interim dividend of approximately HK$14,678,000 paid on 19 September 2018 in respect of the six months ended 30 June 2018, the total dividends declared for the year ended 31 December 2018 will be approximately HK$25,563,000.

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Tuesday, 21 May 2019, the register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, 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 Wednesday, 15 May 2019.

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 Thursday, 6 June 2019 to shareholders whose names appear on the register of members on Tuesday, 28 May 2019. To determine eligibility for the final dividend, the register of members of the Company will be closed from Monday, 27 May 2019 to Tuesday, 28 May 2019, 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 Friday, 24 May 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2018 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2018.

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 2018 and up to the date of this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2019

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