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)

2016 年報
Annual Report

EVA Jiangsu (Suzhou) Electronic Industrial Park

EVA Guangdong Shenzhen (Guangming) Industrial Incubation Park

EVA Guangdong Shenzhen (Shiyan) Electronic Industrial Park

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GROUP PROFILE

EVA Precision Industrial Holdings Limited (the "Company") was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the provision of precision manufacturing services in China and Vietnam, 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. Currently, the Group operates eight industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan) and Vietnam (Haiphong). In 2017, the Group also plans to construct a new industrial park in San Luis Potosí, Mexico, which is scheduled for completion in late 2018.

The Group is a vertically-integrated precision manufacturing service provider. The Group's existing services include mainly i) design and fabrication of precision metal and plastic moulds; ii) manufacturing of precision metal and plastic components by using tailor-made moulds and other sophisticated manufacturing processes; iii) lathing of metal components and iv) assembly of precision metal and plastic components manufactured by the Group into semi-finished products.

The Group's business model is unique and different to ordinary OEMs/ODMs. Brand owners normally require the Group to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in the Group's industrial parks for future mass production of components and semi-finished products. Because of the high level of skills and technologies required to produce moulds, components and semi-finished products with high degree of precision and dimensional accuracy, the Group has strong pricing power for its products.

At present, a majority of the Group's revenue is generated from serving the office automation ("OA") equipment industry. Whilst the OA equipment industry is expected to continue providing growth momentum to the Group, the Group is also making conscious effort for developing into new markets, with particular attention given to the huge automobile, high technology and consumer electronics sectors. To this end, the Group's industrial parks in Chongqing, Wuhan, Zhongshan and Mexico are destined for serving the automobile market.

CORPORATE MILESTONE

Year	Event
1993	The Group started its business through the establishment of EVA Limited, a subsidiary of the Group, in Hong Kong. The Group established its first production base in Shenzhen, the PRC in the same year. The Group started its business as a metal stamping mould manufacturer and its business was later extended to the manufacture of metal stamping components.
2000	Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with the ISO9001:2000 certification in respect of quality management system by the BSI Group.
2002	Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group, was accredited as one of the "300 Enterprises with Highest Growth Potential in Shenzhen" (深圳市300家最具成長性企業) and "Shenzhen Top 10 Industry Practitioner" (深圳行業10強企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). The first factory building of the Group's industrial park in Shiyan, Shenzhen with a construction area of approximately 21,000 sq.m. was completed. The Group's production lines were moved to the Group's industrial park in Shiyan, Shenzhen in the same year.
2003	The second factory building of the Group's industrial park in Shiyan, Shenzhen with a construction area of approximately 19,000 sq.m. was completed. Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with ISO14001:1996 certification in respect of environmental management system by the BSI Group. It was also accredited as: – "Hi-Tech Enterprise in Shenzhen" (深圳市高新技術企業) by Shenzhen Science and Technology Bureau (深圳市科學技術局); – "Reliable and Credible Enterprise" (守合同重信用企業) by Shenzhen Municipal Administration for Industry and Commerce (深圳市工商行政管理局); and – "Quality Assurance Honourable Enterprise in the PRC (Brand)" (中國質量承諾誠信經營企業(品牌)) by Quality Assurance Centre for China's Light Industry Products (中國中輕產品質量保障中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).
2004	Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the "2003 Excellent Supplier" (二零零三年度優秀供應商) award by Toshiba and "Certificate of Green Activity" by Canon. EVA Limited was granted with "Very Valuable Vendor (Improvement) Award" (VVV獎 – 進步獎) by Canon. The Group expanded into plastic mould and component manufacturing business through the establishment of EVA Plastic Mould Products (HK) Limited in Hong Kong and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. in Shenzhen. The first production line of the Group's plastic production line was established and located in the second factory building of the Group's industrial park in Shiyan, Shenzhen for trial production.

CORPORATE MILESTONE

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

Year	Event
2006 *(Cont'd)*	EVA Precision Industrial Holdings Limited was accredited as "Enterprise with Highest Growth Potential in China" (中國最具成長性企業) by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會), "Most Creative Enterprise in China" (中國最具創新力企業) by China Marketing Association (中國市場學會) and China Enterprises News Society (中國企業報社) and "2006 Shenzhen Top 100 Enterprise" (二零零六年度深圳百強企業) by Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報). EVA Precision Industrial Holdings Limited was admitted to the "Database of Outstanding Enterprises in China" (中國優秀企業數據庫) by Chinese Enterprise Confederation (中國企業聯合會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO9001:2000 integrated certification from the BSI Group. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was awarded with ISO/TS16949:2002 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 ISO14001:2004 integrated certification from the BSI Group.
2008	The Group's industrial incubation park in Shenzhen commenced commercial operations in the fourth quarter of 2008. EVA Precision Industrial Holdings Limited was accredited as one of the "Top 50 Listed Companies with Highest Investment Value in Guangdong Province" (廣東最具投資價值上市公司50強) and "Top 100 Manufacturing Enterprises in Guangdong Province" (廣東省製造企業100強) by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會). EVA Precision Industrial (Suzhou) Limited was accredited as an "Outstanding and Advanced Enterprise" (先進單位) by Suzhou Mould Industry Association (蘇州市模具行業協會). EVA Precision Industrial Holdings Limited and EVA Limited received the certificates of honour for donation from Shenzhen Machinery Association (深圳市機械行業協會) and The Hong Kong Mould and Die Technology Association (香港模具科技協會) respectively for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake. Mr. Zhang Hwo Jie, Chairman of the Group, was granted with the "Young Industrialist Award of Hong Kong" (香港青年工業家獎) by the Federation of Hong Kong Industries (香港工業總會).

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" (2008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 Mita (京瓷美達). EVA Precision Industrial Holdings Limited was also granted with: – "Outstanding Enterprise in China Machinery Industry" (中國機械工業優秀企業) award and "Most Influential Brand Name in China Machinery Industry" (中國機械工業最具影響力的品牌) award by China Machinery Industry Federation (中國機械工業聯合會); – "Employee Care Award" (關愛員工獎) by Golden Bee CSR China Honour Roll (金蜜蜂企業社會責任中國榜); – "Great Love in Guangming" (大愛光明) award by the charity committee of Shenzhen Guangming New District; – "Hong Kong Outstanding Enterprises" (香港傑出企業) award by Hong Kong Economic Digest (香港經濟一週); and – "Chairman Enterprise" (會長企業) accreditation by Shenzhen Machinery Association (深圳市機械行業協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). EVA Precision Industrial (Suzhou) Limited was accredited as a "Star Overseas Chinese Enterprise in Jiangsu Province" (江蘇省明星僑資企業) by the Overseas Chinese Office of the People's Government of Jiangsu Province (江蘇省人民政府僑務辦公室). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as a "National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment" (全國外商投資雙優企業) by China Association of Enterprises with Foreign Investment (中國外商投資企業協會) and Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會).

CORPORATE MILESTONE

Year	Event
2010	The construction of the Group's industrial park in Zhongshan was completed by the end of 2010 and commenced production. EVA Limited received "2009 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零九年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received: – "2009 Shenzhen Top 100 Enterprise" (二零零九年度深圳百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報); – "Outstanding Culture Building Organisation in Shenzhen" (深圳企業文化建設優秀單位) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Media Group (深圳廣播電影電視集團); – "Charity Enterprise Award" (慈善企業獎) from the People's Government of Baoan District, Shenzhen (深圳市寶安區人民政府); – Banner of honour for student sponsorship (助學錦旗) from the School of Mechanical and Electrical Engineering, Shenzhen Polytechnic (深圳職業技術學院機電工程學院); – Certificates of honour for donation from the management committee of Shiyan Town, Baoan District, Shenzhen (寶安區石岩街道辦事處) and The Hong Kong Mould and Die Technology Association (香港模具科技協會) for its donations and efforts dedicated to the recovery work of the Qinghai Yushu Earthquake and the Gansu Zhouqu Landslides; and – "Vice Chairman Enterprise" (副會長企業) accreditation from Shenzhen General Chamber of Commerce (深圳市商業聯合會). Shenzhen EVA Mould Manufacturing Limited was recognised as a qualified supplier (合格供應商) and was granted with "Special Contribution Award" (特殊貢獻獎) by Midea (美的). EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2009 Quality Improvement Award" (二零零九年度品質改善獎) from Konica Minolta.

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 Mita. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Environmental Collaboration Program Certificate" (環保系統證書) from Konica Minolta. Shenzhen EVA Mould Manufacturing Limited received "Precision Moulds First Class Award" (精模獎 – 一等獎) from China Die and Mould Industry Association (中國模具工業協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. received certificate of honour for donation (捐贈榮譽證書) from Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳青少年發展基金會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Municipal Research and Development Centre" (深圳市市級研究開發中心) by Shenzhen Science, Technology, Industry, Trade and Information Committee (深圳市科技工貿和信息化委員會), Shenzhen Development and Reform Commission (深圳市發展改革委員會), Finance Commission of Shenzhen Municipality (深圳市財政委員會), National Tax Bureau of Shenzhen (深圳市國家税務局) and Local Tax Bureau of Shenzhen (深圳市地方税務局). Shenzhen EVA Mould Manufacturing Limited was awarded with ISO/TS16949:2009 certification in respect of the production of automobile parts by the BSI Group.
2011	EVA Precision Industrial Holdings Limited acquired Chongqing Digidie Auto Body Ltd. (重慶數碼模車身模具有限公司) in mid 2011 as part of its strategic plan to expand into the huge China automobile sector. As a wholly-owned subsidiary of the Group, Digidie Stamping Technology (Wuhan) Limited (數碼模沖壓技術(武漢)有限公司) was established in September 2011, targeting at serving international and domestic automobile brand names located in Wuhan and its adjacent cities. The construction of the fourth factory building of the Group's industrial park in Shiyan, Shenzhen was completed.

CORPORATE MILESTONE

Year	Event
2011 *(Cont'd)*	EVA Precision Industrial Holdings Limited received: – "2010 Golden Quality Award" (二零一零年度品質金獎) from Konica Minolta; – "Premiere Partner (2011)" (卓越合作夥伴(二零一一年)) award from Fuji Xerox; – "Qualification Certificate in Factory Monitoring Standard for the Management of Special Chemical Substances" (特定化學物質管理工場監察基準合格證) from Brother; – "2009/2010 Pearl River Delta Environmental Award" (二零零九年／二零一零年珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank; – OHSAS18001:2007 certificate in occupational health and safety management system from the BSI Group; and – "2011/2012 Reputable Enterprise in Guangdong Province" (二零一一年／二零一二年廣東省著名企業) award from China Quality Brand Evaluation Centre (中國質量品牌測評中心), the Guangdong Branch of the Society of Social Investigation of China (中國社會調查所廣東分所) and CSA Credit Appraisal Centre (中品評 (北京) 品牌管理顧問中心). 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 Mita. It was also accredited as "Charity Enterprise" (愛心企業) by Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳市青少年發展基金會). Chongqing Digidie Auto Body Ltd. received "China Businessmen Contribution Award" (華商貢獻獎) from The United Front Bureau of Chongqing Municipal Committee of the Communist Party of China (中共重慶市委統戰部), Chongqing Municipal Commission of Economy and Information (重慶市經濟和信息化委員會) and Chongqing Daily (重慶日報報業集團). It was also accredited as "Executive Council Member Enterprise" (常務理事單位) by Chongqing Metal Forming Industry Association (重慶鑄造行業協會). 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 the Group's industrial park in Tianliao, Shenzhen was completed. EVA Precision Industrial (Suzhou) Limited received "2011 Special Contribution Award" (二零一一年度特別貢獻獎) from Canon. It was also granted with "2010-2011 Taxpaying Credibility - Grade A" (二零一零至二零一一年度A級納稅信用等級) 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 Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); – "2012/2013 Reputable Enterprise in Guangdong Province" (二零一二年／二零一三年廣東省著名企業) accreditation from China Quality Brand Evaluation Centre (中國質量品牌測評中心), China Quality Brand Investigation and Evaluation Committee (中國質量品牌調查測評組委會) and China Quality Brand Promotion Committee (中國質量品牌推進聯合會); – "Outstanding Enterprise in China" (中國傑出企業) accreditation from China Economic Trading Promotion Agency (中國經濟貿易促進會); – "2011 Charity Enterprise" (二零一一年愛心企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會); – "2012 Shenzhen Top 100 Enterprise" (二零一二年度深圳百强企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報); and – "2012 Manufacturing Excellence Achievement Award" (卓越製造業成就大獎) from Hong Kong Federation of Innovative Technologies and Manufacturing Industries (香港創新科技及製造業聯合總會).

CORPORATE MILESTONE

Year	Event
2012 *(Cont'd)*	Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as Hong Kong – Guangdong Cleaner Production Partner (Manufacturing) (粵港清潔生產夥伴(製造業)) by The Economic & Information Commission of Guangdong Province (廣東省經濟和信息化委員會) and the Environmental Bureau of the Government of the Hong Kong Special Administrative Region (香港特別行政區政府環保局). Shenzhen EVA Mould Manufacturing Limited and Chongqing Digidie Auto Body Ltd. were recognised as "National High and New Technology Enterprises" (國家級高新技術企業).
2013	The Group's management headquarter moved to the fourth factory building of the Group's industrial park in Shiyan, Shenzhen. EVA Precision Industrial Holdings Limited received "Premiere Partner (2013)" (卓越合作夥伴(二零一三年)) award from Fuji Xerox. It was re-elected as the "Chairman Enterprise" (會長企業) by Shenzhen Machinery Association (深圳市機械行業協會). EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2012 Golden Quality Award" (二零一二年度品質金獎) from Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. received: – "2012 Second Half Best Quality" (二零一二年度下半期最佳品質) award from Toshiba; – "Guangdong Famous Trademark Certificate" (廣東省著名商標證書) from Guangdong Provincial Administration for Industry and Commerce (廣東省工商行政管理局); – "2013 Shenzhen Top 100 Quality Enterprise"(二零一三年度深圳市質量百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Association for Quality (深圳市質量協會), Shenzhen Performance Excellence Management Foundation (深圳市卓越績效管理促進會), Shenzhen Press Group (深圳報業集團), Shenzhen Media Group (深圳廣播電影電視集團) and "Times Entrepreneur" magazine (「時代商家」雜誌社); and – "New Quality Benchmark in Baoan" (寶安品牌新標杆) award from the People's Government of Baoan District, Shenzhen (深圳市寶安區人民政府).

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 Digidie Auto Body Ltd. was recognised as a "2012 Excellent Supplier" (二零一二年度優秀供應商) by Dongfeng (東風). It was also granted with "Mould Supplier Certification" (模具供應商認可證書) by FAW-Volkswagen (一汽大眾). Digidie Stamping Technology (Wuhan) Limited was accredited as "2012 Excellent Enterprise of Wuhan Industrial Investment" (二零一二年度武漢市工業投資優秀企業) and "2012 Advanced Organisation with Major Project Development" (二零一二年度重大項目建設先進單位) by the People's Government of Wuhan (武漢市人民政府).

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 Mita; – "2013 Guangdong Top 500 Manufacturing Enterprise" (二零一三年度廣東省製造業企業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會) and The Institute of Enterprise Research, Guangdong Academy of Social Sciences (廣東省社會科學院企業研究所); – "2013 Excellent Enterprise in Guangdong Manufacturing Industry" (二零一三年度廣東省製造業優秀企業) accreditation from Guangdong Manufacturers Association (廣東省製造業協會); and – "Enterprise Technology Centre" (企業技術中心) accreditation from Shenzhen Baoan Economic Promotion Bureau (深圳市寶安區經濟促進局). 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). Shenzhen Xunneng Precision Technology Limited, a subsidiary of the Group, was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業).

CORPORATE MILESTONE

Year	Event
2014	The Group's industrial park in Wuhan, which targets at automobile business, commenced commercial production. The Group also completed the construction of phase 2 of the industrial park in Chongqing, which was purposely built for expanding the production capacity for automobile components. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2014)" (卓越合作夥伴(二零一四年)) award from Fuji Xerox; – "Best Ongoing Management Award" (最佳持續管理獎) from the BSI Group; and – "2012/2013 Pan Pearl River Delta Environmental Award" (二零一二年／二零一三年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "The Sixth Supplier QCC Forum – First Class Award" (第六回供應商QCC發表會一等獎) from Kyocera Mita. 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).

CORPORATE MILESTONE

Year	Event
2014 *(Cont'd)*	Digidie 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 Digidie 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 (重慶市國家税務局) and Local Tax Bureau of Chongqing (重慶市地方税務局); and – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).
2015	The Group started to construct a new industrial park in Haiphong, Vietnam, signifying its first step to expand outside China. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2015 – for 5 consecutive years)" (卓越合作夥伴(二零一五年 – 五年連續受賞)) award from Fuji Xerox; – "2013/2014 Pan Pearl River Delta Environmental Award" (二零一三年／二零一四年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank; – "Gratitude Certificate" (感謝信) from Shenzhen Aerospace Dongfanghong Development Ltd. (深圳航天東方紅海特衛星有限公司) for the quality of our products used in satellites; and – "2015 Shenzhen Top 100 Enterprise" (二零一五年度深圳百强企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報).

Year	Event
2015 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited received: – "2014 Excellent Supplier Award" (二零一四年度優秀供應商獎) from Canon; – "2014 Excellent Supplier" (二零一四年度優秀供應商) award from Konica Minolta; and – "2014 Outstanding and Advanced Technology Enterprise in Suzhou National New and Hi-Tech Industrial Development Zone" (二零一四年度蘇州高新區科技工作先進單位) accreditation from the Working Commission of the Communist Party of China in Suzhou National New and Hi-Tech Industrial Development Zone (中共蘇州國家高新技術產業開發區工作委員會) and the Management Committee of Suzhou National New and Hi-Tech Industrial Development Zone (蘇州國家高新技術產業開發區管理委員會). Digidie 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 Mita. 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.

CORPORATE MILESTONE

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

Year	Event
2016 *(Cont'd)*	Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局). EVA Precision Industrial (Suzhou) Limited received: – "2015 Excellent Supplier Award" (二零一五年度優秀供應商獎) and "The Seventeenth Unit Improvement Contest – First Class Award" (第十七屆組裝技能改善競賽一等獎) from Canon; and – "2015 Golden Quality Award" (二零一五年度品質金獎) from Samsung. EVA Precision Industrial (Zhongshan) Limited received: – "2015 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution" (二零一五年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻) award from Canon; and – "2015 A Class Supplier" (二零一五年度A級供應商) award from Brother. Digidie 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 Digidie Auto Body Ltd. received: – "Vice Chairman Enterprise" (副會長企業) accreditation from Chongqing Die and Mould Industry Association (重慶市模具工業協會); and – "Top Ten High and New Technology Enterprise" (十佳高新技術企業) accreditation from the People's Government of Dadukou District, Chongqing (重慶市大渡口區人民政府). Shenzhen Yineng Network Communication Equipment Limited (which was a subsidiary of the Group prior to August 2016 and formerly named as Shenzhen Xunneng Precision Technology Limited) received "2015 Most Supportive Award" (二零一五年度鼎力支持獎) from DFLC Jingmi Technology Co., Ltd. (東方亮彩精密技術有限公司).

CORPORATE MILESTONE

Year	Event
2017	The Group was invited by one of the key customers in automobile sector to establish a new industrial park in San Luis Potosí, Mexico for serving the automobile customers there. EVA Precision Industrial (Zhongshan) Limited received "2016 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution" (二零一六年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻) award from Canon. Shenzhen EVA Mould Manufacturing Limited won the championship in "2016 Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Mould Category)" (二零一六年長安杯中國(東莞長安)模具作品與製造技能大賽 – 作品賽(五金類模具組)) which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mould Product Quality Monitoring and Testing Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會). 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; and – "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.

FINANCIAL HIGHLIGHTS

		2016	2015	2014	2013	2012
OPERATING RESULTS						
Turnover	HK$'000	**3,209,290**	3,533,026	3,454,977	2,655,715	2,367,023
Earnings before interest and taxation (EBIT) (Note 1)	HK$'000	**116,129**	257,783	344,477	93,629	103,774
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (Note 1)	HK$'000	**354,996**	507,816	577,595	291,930	253,884
Profit attributable to equity holders of the Company	HK$'000	**53,486**	205,469	277,125	55,427	70,889
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**605,029**	352,508	401,910	173,184	226,910
Net current assets	HK$'000	**1,051,946**	1,263,537	810,140	660,995	659,458
Shareholders' equity	HK$'000	**2,585,938**	2,618,456	2,335,155	2,102,257	2,013,650
PER SHARE DATA						
Earnings per share						
– Basic (Note 2)	HK cents	**2.9**	11.2	16.5	3.3	4.1
– Diluted (Note 3)	HK cents	**2.8**	11.2	15.7	3.2	4.1
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**11.1**	14.4	16.7	11.0	10.7
Net profit margin	(%)	**1.7**	5.8	8.0	2.1	3.0
Return on shareholders' equity	(%)	**2.1**	7.8	11.9	2.6	3.5
Net debt-to-equity ratio (Note 4)	(%)	**Net cash**	8.5	14.0	17.7	7.9

FINANCIAL HIGHLIGHTS

Note 1: Earnings before interest and taxation and earnings before interest, taxation, depreciation and amortisation are calculated before taking into account share of loss of 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 1,733,043,000 shares, 1,679,760,000 shares, 1,680,330,000 shares, 1,830,457,000 shares and 1,827,830,000 shares in issue during the year ended 31 December 2012, 2013, 2014, 2015 and 2016 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 1,742,133,000 shares, 1,741,406,000 shares, 1,769,979,000 shares, 1,839,134,000 shares and 1,892,646,000 shares for the years ended 31 December 2012, 2013, 2014, 2015 and 2016 respectively adjusted to assume conversion of all dilutive potential shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

HEAD OFFICE

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

REGISTERED OFFICE

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

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

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

STOCK CODE

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PRINCIPAL BANKERS

Hong Kong

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

Mainland China

Industrial and Commercial Bank of China

LEGAL ADVISOR

Minter Ellison

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.eva-group.com
www.irasia.com/listco/hk/evaholdings

EVA's exhibition booth at Shenzhen International Machinery Manufacturing Industry Exhibition

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 2016.

BUSINESS REVIEW

The year 2016 was a year full of uncertainties. At the beginning of 2016, the volatility in the stock market led to the prevalence of pessimism in the business community, and this was followed by the unexpected changes in the political environment in Europe and the United States. Under such a macro environment, consumer sentiment weakened and corporations delayed spending, which in turn created a negative impact on market demand for the products of our customers in the office automation ("OA") equipment and high end consumer electronics sectors. At the same time, we continued to encounter inflationary pressure in China, as China adheres to its path of transforming into a higher value economy and the standard of living improves.

CHAIRMAN'S STATEMENT

Zhang Hwo Jie
Chairman

Orders from the OA equipment and high end consumer electronics sectors decreased for the most part of 2016. Although we saw signs of recovery by the end of 2016, it was unable to compensate for the order reduction earlier in the year, which resulted in a decrease in our turnover for the year by 9.2% to HK$3,209,290,000. Profit margin was negatively affected by declining economy of scale caused by turnover reduction as certain costs such as depreciation were fixed. At the same time, finance income decreased to HK$5,378,000 (2015: HK$18,478,000) as we converted a significant portion of our Renminbi bank deposits into Hong Kong and United States dollars deposits in the second half of 2015 for the purpose of minimising exchange rate risk, and the interest rates from Hong Kong and United States dollars bank deposits were lower than those from Renminbi bank deposits. Share option costs of HK$3,318,000 were incurred for new share options granted in 2016 and non-recurrent subsidies from the Chinese government reduced to HK$746,000 (2015: HK$7,838,000). Coupled with the initial costs of HK$10,111,000 incurred by the new industrial park in Vietnam, the Group's net profit decreased by 74.0% to HK$53,486,000.

During the year, we continued to devote substantial resources on working capital management. We took step to reduce inventory level, and our inventory balance actually saw a significant reduction by 30.1% from HK$465,854,000 as at 31 December 2015 to HK$325,615,000 as at 31 December 2016. Accordingly, our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) decreased significantly from 63 days in 2015 to 36 days in 2016. Cash flows from operations increased despite the reduction in profit, which enabled us to pay down our debts and repurchased our own shares from the market at the same time. From October 2016 up to the date of this report, a total of 87,000,000 shares of the Company were repurchased, which leads to an enhancement of earnings and net asset value per share for all existing shareholders of the Company. In the expectation of interest rate hikes from 2017 onwards, we also used our operating cash flows to pay down the debts, and therefore the Group was in net cash position as at 31 December 2016.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

Apart from maintaining a healthy balance sheet and operating cash flows, a number of initiatives were also taken by the Group to revitalise profit growth. In particular, the Group has been actively exploring new business opportunities from overseas markets. In 2017, the Group was invited by one of its major automobile customers, which is an international leader for producing automobile seats, interiors and exhaust systems, to set up a new industrial park in Mexico. The new Mexico industrial park is planned to be located at San Luis Potosí, Mexico, and will have a land area of approximately 83,000 square metres. Taking into account the current uncertainties in international politics clouding over the trade relations between the United States and Mexico, the development of the new Mexico industrial park will be divided into phases, and the planned floor area of phase one will be approximately 15,000 square metres. Phase one is scheduled for completion in late 2018. Having said that, we are optimistic about the prospects of the new Mexico industrial park because Mexico is one of the major automobile hubs in the world. A lot of reputable automakers and multinational tier-one suppliers, including BMW, Volkswagen, Audi, Fiat-Chrysler and Faurecia, have already established assembly plants in San Luis Potosí or its adjacent states in Mexico, and therefore there is a huge existing demand for the precision manufacturing services offered by the Group. Should our production capacity be unable to cope with a surge in orders, the new Mexico industrial park has adequate land area for future capacity expansion.

By the end of 2016, our new industrial park in Haiphong, Vietnam was completed. The new Vietnam industrial park was constructed at the invitation of certain major OA equipment customers which already had existing assembly plants in Vietnam. The procurement policies of these customers require their suppliers to be located in their proximity for logistics and production efficiency purposes. Accordingly, these customers were unable to enlist the Group into their supply chain in Vietnam as the Group only had production facilities in China in the past. By entering into our customers' supply chain in Vietnam through establishing a new industrial park there, our addressable market within the OA equipment industry is enlarged. This not only fortifies our leading position in the OA equipment industry, but also provides us with an exciting opportunity to source new customers in other industries, since Vietnam is also well known as one of the global manufacturing hubs for various other industries such as high end consumer electronics products.

In recent years, the Chinese government has taken conscious efforts to nurture a higher value economy focusing on innovation, productivity and technology, and significant progresses have been made. This has presented the Chinese manufacturers with a lot of challenges and opportunities. Operating costs in China such as salaries are expected to continue in an upward trend, but at the same time the quality of its labour force has also improved to an unprecedented level. Products with higher value and sophistication are increasingly produced in China, and the emergence of local high technology industries also provides the Chinese manufacturers with a lot of new business opportunities. To benefit from this new industry environment, the Group devoted substantial efforts to sharpen its technology edge and improve productivity during the year, which included production automation and increasing the proportion of engineers to its total workforce. As a result, the Group's total headcount was reduced from 8,804 employees as at 31 December 2015 to 7,855 employees as at 31 December 2016 despite the construction of a new industrial park in Vietnam. During the year, we continued to strengthen our business partnerships with key customers in China and received accolades for outstanding quality and services from numerous renowned brand names such as Dongfeng, Samsung, Canon and Fuji Xerox once again, providing us with the valuable credentials to source other high value orders in China. In addition, we reduced the shareholding interest in the Group's micro lending company in Shenzhen from 60% to 40% in August 2016. Thereafter, the micro lending company ceased to be a subsidiary of the Group, enabling us to focus resources on our core manufacturing business.

PROSPECTS

Over the years, our outstanding engineering and production management expertise have differentiated ourselves from other low end manufacturers in China. Whilst the increasing costs in China will undoubtedly cause many weaker manufacturers to lose their advantages and finally go out of business, the resulting consolidation of China's manufacturing industry provides a much less crowded marketplace for surviving companies. At the same time, China's increasing concentration on higher value products creates an even stronger demand for the precision manufacturing services offered by the Group. In addition, we have been actively exploring new business opportunities, and our entry into Vietnam and Mexico not only fortifies our partnerships with key customers, but can also provide the Group with new streams of revenue from overseas markets. We possess the management capability to overcome difficulties, and our ability to significantly improve our cash flows despite a difficult external environment in 2016 was an evident proof of that. Therefore, we remain optimistic about the Group's prospect.

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

Zhang Hwo Jie
Chairman
Hong Kong, 27 March 2017

Digidie Guangdong (Zhongshan) Automobile 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 risks of the Group. It is also responsible for ensuring that relevant risk management and internal control systems are in place and operate effectively. The Group's management also reports to the Board on the effectiveness of these systems regularly.

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

QUALITY OF WORKPLACE

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

Working conditions

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.

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.

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We organise talent competition every year for employees to showcase their artistic talents and morale

The Group encourages employees to take part in work-life balance activities and community services. These include various cultural events, employee outings, community volunteering and supporting charitable organisations. For example, as our yearly regular events, we organise new year galas at around Chinese New Year and talent competitions at around Mid-Autumn Festival every year with a view to providing a platform for our employees to showcase their artistic talents and morale, and the year 2016 was no exception. In 2016, we also invited Mr. Xie Wen Lun, a famous Chinese calligraphy master, to conduct a lecture on Chinese calligraphy for our employees. Other internal sport and cultural activities organised by the Group in 2016 included basketball competition, speech contest and matchmaking party for unmarried employees.

We dispatched team to participate in a friendly soccer match with one of our customers

Externally, we also dispatched teams to participate in various sport and artistic performance competitions organised by the governments and other organisations in 2016, which included a friendly soccer match with our customer, Konica Minolta, and the 2016 Torch Cup Zhongshan Artistic Elite Competition organised by The Management Committee of Zhongshan Torch National Hi-Tech Industrial Development Zone. Our

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

team won the overall second runner up and other awards in the 2016 Torch Cup Zhongshan Artistic Elite Competition. Our cheerleading team also won a cheerleading award in a public basketball tournament which was held for the employees of non-governmental organisations in Zhongshan Torch National Hi-Tech Industrial Development Zone in 2016.

As at 31 December 2016, the Group had 7,855 employees. Employment expenses during the year ended 31 December 2016, including directors' and chief executive's emoluments, amounted to approximately HK$711,590,000.

Health and safety

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

We adopt international best practices in occupational health and safety, and follow the OHSAS18001:2007 requirements in respect of occupational health and safety management system. Therefore, we have been certified as OHSAS18001 compliant by the BSI Group since 2011. Our subsidiaries in China also comply with "Work Safety Standardisation" in China, a standard established by State Administration of Work Safety. In addition, various activities and training courses were organised to elevate our employees' awareness about occupational health and safety. The design, operations and maintenance of our industrial parks also comply with the relevant government regulations in respect of occupational safety and fire prevention.

Development and training

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

Apart from offering training programmes about job-related skills, the Group believe that an in-depth understanding about the condition and development trend of our industry and the economy as a whole is also very important for our employees to make sound decisions in business. Therefore, we once again hosted the "EVA Summit Forum" in January 2016, and renowned economists, industrial leaders and government officials were invited to share their views about the industry and the economy. In addition, as one of our traditional events, we organised our 2015 annual performance accreditation in January 2016 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.

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Training offered by the Group to senior management members (including executive directors) during the year included two interactive training courses about leadership and management execution skills which were held in May and October 2016.

Interactive training courses about leadership and management execution skills were offered to senior management members of the Group

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.

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 2016, the Group's employee caring fund continued to offer assistances to the employees in need. During the year, we also organised crowd funding activities within the Group to

2016 Best Employer in Guangdong Province

OHSAS18001 certification

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

Our commitment to high labour standards, employee care, training and development was well recognised in the industry. During the year, the Group received the "2016 Best Employer in Guangdong Province" award from Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs.

ISO14001 certification

Corporate Environmental Leadership Award

ENVIRONMENTAL MANAGEMENT

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

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


We use ultrasonic cleaners to clean our metal products to replace the traditional method of using corrosive liquids

The Group is a pioneer in environmental management. Since 2003, we have been accredited with ISO14001 environmental management system certificate by the BSI Group, and therefore have been ISO14001 compliant since then. During the year, we continued to participate in the "One Enterprise-One Year-

One Environmental Project Programme" organised by the Federation of Hong Kong Industries, and was granted with the "Corporate Environmental Leadership Award" under that programme in 2016. These exemplify our efforts in conserving the environment and developing our business in a sustainable manner.

Emission and waste management

During the year ended 31 December 2016, the Group's greenhouse gas (CO_2) emission was approximately 75,000 tonnes, or approximately 23.37 tonnes per HK$1 million of output. With the target of minimising greenhouse gas (CO_2) emission, all of our key production equipment are driven by electricity instead of being fueled by diesel. Greenhouse gas (CO_2) is mainly generated from transportation activities and certain ancillary equipment. As one of our emission reduction initiatives, we have a policy of phasing out those ancillary equipment fueled by fossil energy and replace them with new equipment driven by electricity or natural gas. 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. As a result, our emission was maintained at a low level.

During the year ended 31 December 2016, the Group generated non-hazardous wastes such as metals, degradable plastics, wooden boxes and other non-chemical wastes of approximately 1,717 tonnes, or approximately 0.54 tonnes per HK$1 million of output. The Group aims to operate our industrial parks with maximum resources efficiency by minimising the materials used throughout the manufacturing processes and increasing the recycling rate and the use of reusable materials. We keep track on the materials that we use, aiming to reduce unnecessary waste of materials. Moulds, which are manufactured by ourselves for subsequently producing components, are carefully designed with a target of minimising material wastage in the component production processes. Throughout our production, we have also developed and installed devices to further reduce the consumption of excessive parts and materials. In order to increase our recycling rate and maximise our resources efficiency, we have set up recycling centres at all industrial parks, where staff collect and compact recyclable materials, including cardboard and metals. Recyclable materials are recycled at material recovery centres. We also work closely with our suppliers by returning recyclable materials to suppliers for reuse. As a result, we could create a close-loop recycling system by increasing the use of recycled materials for the purpose of reducing wastes.

During the year ended 31 December 2016, the Group generated hazardous wastes such as waste electrical and electronic items and waste chemicals of approximately 68 tonnes, or approximately 0.02 tonnes per HK$1 million of output. To meet our stakeholders' expectations and our environmental goals, it is critical to ensure that we have the high degree of safety in treating our hazardous wastes, as well as compliance 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 wastes and chemicals 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 areas within the sites;
- Hazardous wastes are categorised and stored in corresponding sections within the storage units; and
- Hazardous waste will be disposed and handled by government authorised hazardous waste disposal companies.

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

Use of resources

The Group consumed approximately 55.6 million kwh, or approximately 17,324.7 kwh per HK$1 million of output, of electricity during the year ended 31 December 2016. Since electricity is the major energy source in our manufacturing processes, energy use efficiency has become 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 team are reported to the appropriate level of management and affect the monthly performance appraisal of the responsible employees, and the responsible employees are also required to prepare corrective action plans for improvements.

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

The Group consumed approximately 5.28 million tonnes, or approximately 1,645.22 tonnes per HK$1 million of output, of water during the year ended 31 December 2016. 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 2016, the Group used packaging materials of approximately 7,511 tonnes, or approximately 2.34 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.

OPERATING PRACTICES

Supply chain management

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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. 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 total improvement activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years, such as Fuji Xerox, Konica Minolta, Canon, Samsung and Dongfeng.

Total improvement activity

ISO9001 certification

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Accolades from customers

Anti-corruption

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

COMMUNITY INVOLVEMENT

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

Community investment

During the year ended 31 December 2016, donations of approximately HK$1,050,000 was made to charitable organisations in Hong Kong and China, covering community projects across our focus areas of community, education, youth and the elderly.

The Group believes that education is the foundation for social improvement and therefore has been contributing substantial resources to education. Back in 2008, we donated for the construction of Chong Shi EVA Primary School in Zhangjiajie, Hunan Province, China, and this school has been

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

providing learning opportunities for many underprivileged children since then. In 2016, we also made donations to the "Realising the Dreams of Tai Xing Mountains" charity project under Shenzhen Lions Club for the underprivileged children in the rural mountain areas of China and sponsored the "2016 Future Stars – Upward Mobility Scholarship" under the Commission on Poverty of the Government of the Hong Kong Special Administrative Region.

To promote sports and a healthy life style, the Group sponsored various public sport activities, which included the 2016 "Li Xue Rui Cup" Open Amateur Badminton Tournament and the 2016 "All People's Sport Game" of Caidian District, Wuhan. During the year, we also sponsored the compilation of the "2017 Caidian Yellow Page", which was a public directory of businesses in Caidian District, Wuhan for the purpose of promoting its economic development.

Serving the community

Apart from participating in community services on its own, the Group also encourages other fellow enterprises to contribute to the community through its influence in the industry. As the Chairman Enterprise (會長企業) 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 for underprivileged students in China. In 2016, a total of 35 enterprises (including the Group) made donations through this platform and the total donations raised was RMB320,300.

The Group also sponsored staff to participate in sport charity events. In 2016, our employees once again participated and won the overall championship in the Corporate Challenge organised by the Outward Bound Trust of Hong Kong, supporting the organisation's various charity projects. Further, with a view to providing Hong Kong students with the opportunities to learn more about the latest development of Hong Kong industries in the Pearl River Delta region, we actively participated in the "HK Students' Visits to HK/PRD Industries" program organised by the Federation of Hong Kong Industries. As part of the activities under this program, we organised a tour to our Shenzhen (Shiyan) industrial park for the Hong Kong students to help them understand the latest industrial development and gain knowledge beyond their school curriculum.

In 2016, our employees won the overall championship in the Corporate Challenge organised by the Outward Bound Trust of Hong Kong

We organised a tour to our Shenzhen (Shiyan) industrial park for the Hong Kong students who participated in the "HK Students' Visits to HK/PRD Industries" program organised by the Federation of Hong Kong Industries

In recent years, the "maker" culture emerged among the younger generation. The "maker" culture emphasises on creativity, learning-through-doing, entrepreneurship and cross applications of different technologies. Considering this "maker" culture to be important for the innovative development of the manufacturing industry, we actively participated in the "Shenzhen International Maker Week" activity organised by the municipal government of Shenzhen in October 2016, and arranged a factory visit to our Shenzhen (Guangming) industrial park for the young "makers". To facilitate experience sharing among industry peers, we provided the venue and acted as one of the speakers for the "Metal Stamping Automation Technology Seminar" which was held in Shenzhen in June 2016. In addition, the Group participated in a tree planting activity in Shenzhen in April 2016 which was co-organised by Shenzhen Urban Management Bureau and other organisations to promote green awareness and demonstrate our commitment to conserving a green environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Assembly lines for automobile components in Wuhan

SIGNIFICANT EVENTS AND DEVELOPMENT

The year 2016 saw a very challenging start for the Group. For most part of 2016, the global economy was clouded by uncertainties in both international politics and economic growth. In particular, our customers in the office automation ("OA") equipment and consumer electronics sectors experienced a slowdown in market demand, as many corporations delayed their equipment replacement and consumer sentiment weakened. Although these customers had actively developed new products in 2015 which were launched to the market at the beginning of 2016, the sales volume of these new products was less than expected and therefore fewer orders were placed to the Group. At the same time, manufacturers faced increasing difficulties since operating costs in China such as salaries continued to increase as the standard of living improves.

2,000T servo line

These difficulties had a negative impact on the business performance of the Group in 2016. Although the economy had shown signs of recovery by the end of 2016, we were unable to make up for the revenue

MANAGEMENT DISCUSSION AND ANALYSIS

reduction earlier and therefore total turnover for the year decreased. However, we remained committed to developing our businesses and a number of initiatives were taken with a view to revitalising growth. In particular, under the invitation of certain of our major customers in the OA equipment market, we had established a new industrial park in Haiphong, Vietnam. The construction of the new Vietnam industrial park, which has a land area of approximately 37,000 square metres and floor area of approximately 12,000 square metres, was completed by the end of 2016 and is now under trial production.

Our customers in the OA equipment sector have already set up assembly plants in Vietnam for a long time. However, in the past, we only had production facilities in China and were therefore unable to serve the assembly plants of our OA equipment customers in Vietnam, as these customers adopts just-in-time production system which requires their suppliers to be located in their proximity. By entering into our customers' supply chain in Vietnam through the establishment of a new industrial park there, our addressable market within the OA equipment industry is enlarged. Therefore, after production commences, the new Vietnam industrial park will generate a new stream of revenue from the OA equipment sector for the Group. In addition, although the new Vietnam industrial park will initially focus on tapping businesses from the OA equipment customers, it 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 major manufacturing hubs for high end consumer electronics products.

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. Although such efforts have brought about a continuous increase in wage levels, the

Automated robotic welding lines in Chongqing

MANAGEMENT DISCUSSION AND ANALYSIS


Plastic injection production lines

technological expertise and productivity of the labour force in China have also progressed to an unprecedented level. Accordingly, despite the trend for low end manufacturers to migrate from China to other developing countries, China remains very attractive to many international companies such as our customers in OA equipment sector whose products are of high quality and sophistication, and China is very likely to become their major production hub for high value models. At the same time, a lot of local high technology companies have emerged in China in recent years, which created many new opportunities for our consumer electronics business line as the Group is reputed for its outstanding quality and engineering expertise which are essential for high technology products. With a view to benefiting from China's increasing concentration on higher value products, conscious steps were taken by the Group to reinforce its technology edge during the year, which included production automation and increasing the proportion of engineers to its total workforce.

During the year, we continued to see significant progress in the automobile business line of the Group. In 2017, the Group was invited by one of its existing automobile customers, which is an international leader in the production of automobile seats, interiors and exhaust systems, to establish a new industrial park in Mexico to serve their existing plants there. This not only signifies the acknowledgement of our outstanding production services in the automobile market, but also represents a significant development milestone as this will be our second overseas venture after the industrial park in Vietnam.

Currently, Mexico is one of the major production hubs in the world for automobiles. Numerous international automakers have established production bases in Mexico for sales either domestically or to other countries in the Americas such as the United States, Canada and Brazil. We are confident that by establishing the new Mexico industrial park, and by utilising our precision engineering and production management expertise obtained through more than 20 years of experience in serving the precision equipment and automobile industries, we can stand out in the domestic automobile supply chain in Mexico and open up a new phase of development for the benefit of the Group.


Laser welding machine

MANAGEMENT DISCUSSION AND ANALYSIS

The new Mexico industrial park is planned to be located at San Luis Potosí, Mexico where a lot of famous automakers and multinational tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler and Faurecia, have production bases either locally or in the adjacent states. The new Mexico industrial park will have a land area of approximately 83,000 square metres and its development is divided into phases. Taking into account the recent uncertainties over the trade relations between Mexico and the United States, the planned floor area of phase one of our new Mexico industrial park is confined to approximately 15,000 square metres. The construction of phase one of the new Mexico industrial park is planned to be completed in late 2018. Additional capacity can be added should the uncertainties over trade relations be dispelled and the surge in turnover be seen.

In China, we continued to strengthen our business partnership with key automobile customers. During the year, our automobile business received the "Excellent Supplier" awards from a leading automaker in China again, our fourth accolade from them since we became their supplier four years ago. This has not only strengthened our business partnership with them, but has also provided us with the valuable credentials for sourcing other new orders in the automobile industry. Therefore, the automobile business line of the Group has been actively sourcing new customers to widen its customer base during the year. New customers included another leading automaker in China which had established a production plant in Chongqing and a number of multinational tier-one suppliers in the automobile industry. These new customers are expected to contribute revenue to the Group from 2017 onwards.

During the year, the Group continued to implement various cost control measures and streamline its workforce with a view to coping with the rising wages in China and improving productivity. The roles of various departments were carefully revisited, and administrative responsibilities were reassigned to optimise performance. At the same time, innovative automation solutions and new robotic equipment were brought into our production lines. Accordingly, the total headcount of the Group was reduced from 8,804 employees as at 31 December 2015 to 7,855 employees as at 31 December 2016 despite the construction of a new industrial park in Vietnam. In addition, for the purpose of focusing resources on our core manufacturing business, we reduced the shareholding interest in the Group's micro lending company in Shenzhen from 60% to 40% in August 2016, and thereafter the micro lending company ceased to be a subsidiary of the Group.

During the year, the total turnover of the Group decreased by 9.2% to HK$3,209,290,000, which was primarily caused by the reduction in orders from customers in the OA equipment and consumer electronics sectors as mentioned above. Gross profit margin decreased to 23.3%, which was mainly attributable to the slowdown in new product development activities of the customers which resulted in a decrease in the revenue contribution from the production of moulds (higher margin products

MANAGEMENT DISCUSSION AND ANALYSIS

manufactured during new product development stages) to the Group's total turnover and declining economies of scale brought by the reduction in turnover. Further, with a view to minimising Renminbi exchange rate risks, the Group converted a significant portion of its bank deposits in Renminbi into bank deposits in Hong Kong and United States dollars in the second half of 2015. Although such action safeguarded the Group from the instability caused by Renminbi exchange rate fluctuations, it led to a reduction in the Group's finance income to HK$5,378,000 (2015: HK$18,478,000) as the interest rates from bank deposits in Hong Kong and United States dollars were lower than those from bank deposits in Renminbi. The Group also incurred share option costs of HK$3,318,000 relating to the share options granted to the directors and certain employees on 8 July 2016, and non-recurrent subsidies from the Chinese government reduced to HK$746,000 (2015: HK$7,838,000). Coupled with the initial costs of HK$10,111,000 incurred by the Group's new industrial park in Vietnam, the Group's net profit decreased by 74.0% to HK$53,486,000 despite the various cost control measures implemented by the Group.

During the year, we continued to devote substantial efforts on maintaining a healthy balance sheet. We took steps to streamline our working capital requirements, and accordingly our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) reduced significantly from 63 days in 2015 to 36 days in 2016. Despite the decrease in profit, the Group continued to generate operating cash inflows to reduce the level of debts. The Group was in net cash position as at 31 December 2016, which has a strong appeal to existing and target customers looking for manufacturing partners as financial stability has become one of their key criteria for supplier selection in order to ensure a reliable supply chain.

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, and will also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities with high potentials which can add to our existing portfolio. We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2016 was 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 87,000,000 shares from the market in 2016 and early 2017. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	2016 HK$'000		2015 HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**303,246**	9.4%	347,610	9.8%
Manufacturing of metal stamping components	**1,312,068**	40.9%	1,339,799	37.9%
Manufacturing of lathing components	**126,151**	3.9%	143,604	4.1%
Others (Note 1)	**27,291**	0.8%	24,169	0.7%
	1,768,756		1,855,182	
Plastic division				
Design and fabrication of plastic injection moulds	**127,689**	4.0%	191,303	5.4%
Manufacturing of plastic injection components	**1,279,243**	39.9%	1,443,056	40.8%
Others (Note 1)	**8,723**	0.3%	10,260	0.3%
	1,415,655		1,644,619	
Income from micro lending business	**24,879**	0.8%	33,225	1.0%
Total	**3,209,290**		3,533,026	
Segment results				
Metal division	**56,819**		138,194	
Plastic division	**48,292**		126,440	
Micro lending business	**15,499**		(2,609)	
Operating profit	**120,610**		262,025	
Unallocated expenses	**(5,946)**		(6,009)	
Finance income	**5,378**		18,478	
Finance costs	**(35,919)**		(34,956)	
Income tax expense	**(22,396)**		(24,058)	
Non-controlling interests	**(8,241)**		(10,011)	
Profit attributable to equity holders of the Company	**53,486**		205,469	

Note 1: Others mainly represented sales of scrap materials.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

During the year, our customers in the OA equipment and consumer electronics sectors experienced a slowdown in market demand, and therefore less orders were placed to the Group. Accordingly, the total turnover of the Group reduced by approximately 9.2% to HK$3,209,290,000.

The Group's micro lending company has ceased to be a subsidiary of the Group since end of August 2016, and thereafter the Group ceased to recognise the income from micro lending business as its own turnover. Accordingly, income from micro lending business in 2016 decreased to HK$24,879,000.

Gross profit

Affected by the unstable global and Chinese economies, the new product development activities of our customers slowed down. As we produced moulds for our customers during their product development stages, the Group experienced a reduction in the revenue contribution from mould production to total turnover which had a negative impact on the overall gross profit margin since moulds are products of higher profit margin. In addition, the decrease in the Group's total turnover led to declining economies of scale since certain costs such as depreciation were fixed. Accordingly, the gross profit margin for the year reduced to 23.3%.

Segment results

As mentioned above, the Group experienced a reduction in turnover and gross profit in 2016. During the year, the Group had share option costs of HK$3,318,000 in relation to share options granted to directors and certain employees and the Group's new industrial park in Vietnam incurred initial costs of HK$10,111,000. Further, non-recurrent subsidies from the Chinese government reduced to HK$746,000 (2015: HK$7,838,000). Accordingly, despite the various cost control measures implemented by the Group, the operating profit margin of the Group's metal and plastic divisions decreased to 3.2% and 3.4% respectively.

In 2015, the Group increased the allowance for loan impairment of the micro lending company significantly by HK$18,992,000 to cover all overdue loans and therefore the micro lending company recorded an operating loss last year. There was no additional overdue loan in 2016 and therefore the micro lending company returned to profit in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance income and costs

With a view to minimising exchange rate risks, the Group converted a significant portion of its bank deposits in Renminbi into bank deposits Hong Kong and United States dollars by end of 2015. Although such action safeguarded the Group from the instability caused by exchange rate fluctuations, it led to a reduction in the Group's finance income to HK$5,378,000 in 2016 as the interest rates from bank deposits in Hong Kong and United States dollars were lower than those from bank deposits in Renminbi.

The Group's finance costs in 2016 was HK$35,919,000, which was comparable to that in 2015.

Income tax expense

During the year, income tax expense amounted to HK$22,396,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 26.6%, which increased as compared to that in 2015. It was because (1) as mentioned above, the Group's micro lending company returned to profit in 2016, which increased the Group's overall effective tax rate as the micro lending company was subject to the highest income tax rate among our subsidiaries; (2) the Group paid additional taxes of HK$3,747,000 to the tax authorities in China in relation to certain non-tax deductible expenses in prior years; and (3) certain subsidiaries such as the new industrial park in Vietnam incurred losses during the year, and such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries.

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company decreased by 74.0% to HK$53,486,000, which was primarily caused by the reduction of the Group's operating profit margin as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2016, the Group continued to devote substantial resources to control its working capital requirements. Accordingly, despite the reduction in profit, the Group's net cash inflow from operating activities increased by 84.9% to HK$552,092,000 (2015: HK$298,567,000). During the year, the Group increased its short-term bank deposits with maturities of more than three months by HK$81,025,000 and therefore recorded a cash outflow item from investing activities of the same amount, whereas the Group recorded a decrease in short-term bank deposits of HK$119,287,000 in 2015. In addition, the Group sold the shareholding interests in certain of its subsidiaries during the year. Thereafter, the cash and bank balances of such subsidiaries ceased to be included in the consolidated financial statements of the Group due to a change in accounting treatment, leading to a reduction of the Group's cash and bank balances by HK$26,908,000. Therefore, the Group's net cash outflow from investing activities increased from HK$167,716,000 in 2015 to HK$373,307,000 in 2016. The Group received net proceeds from a share placement and the exercises of share options by directors and employees amounting to HK$131,270,000 and HK$89,585,000 respectively in 2015, and there was no such item in 2016. Further, the Group took steps to reduce its debts in 2016. New bank borrowings decreased and repayments increased during the year. The Group also paid HK$14,908,000 for repurchasing its own shares in 2016. Accordingly, the Group recorded a net cash outflow from financing activities amounting to HK$352,877,000 during the year (2015: net cash inflow of HK$502,737,000).

Bank loans as at 31 December 2016 were denominated in Hong Kong and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

	31 December 2016	31 December 2015
Inventory turnover days (Note 1)	**48**	65
Debtors' turnover days (Note 2)	**90**	83
Creditors' turnover days (Note 3)	**102**	85
Cash conversion cycle (Note 4)	**36**	63
Current ratio (Note 5)	**1.54**	1.64
Net debt-to-equity ratio (Note 6)	**Net Cash**	8.5%
Net profit margin (Note 7)	**1.7%**	5.8%
Return on shareholders' equity (Note 8)	**2.1%**	7.8%

Notes –

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the year.

2. Calculation of debtors' turnover days is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the year.

3. Calculation of creditors' turnover days is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the year.

4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Inventory turnover days

With a view to reducing the Group's working capital requirements, we devoted substantial effort on strengthening our inventory control during the year ended 31 December 2016. Inventories reduced substantially by 30.1% to HK$325,615,000 as at 31 December 2016. Accordingly, inventory turnover days for the year decreased significantly to 48 days.

Debtors' and creditors' turnover days

The Group's credit periods with its customers and suppliers in the OA equipment sector are shorter as compared to the other business lines of the Group. The reduction of the Group's businesses from the OA equipment sector resulted in the lengthening of the Group's average debtors' and creditors' turnover days. In addition, for the purpose of streamlining working capital requirements, the Group arranged with its banks for issuing discountable notes to certain of the Group's suppliers for the settlement of raw material purchases. Accordingly, the debtors' and creditors' turnover days of the Group for the year increased to 90 days and 102 days respectively.

Current ratio and net debt-to-equity ratio

Despite the reduction in profit, the Group's operating cash inflows improved as the Group devoted substantial efforts on streamlining working capital requirements during the year. However, as such cash were used for the repayment of bank borrowings (mainly being long-term loans through instalment payments), the Group's total current assets decreased and its current ratio as at 31 December 2016 reduced slightly to 1.54.

As the debt level decreased, the Group was in net cash position as at 31 December 2016.

Net profit margin and return on shareholders' equity

The reduction of 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 2016, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	23.4%	5.2%
US dollars	46.9%	55.2%
Renminbi	28.4%	39.6%
Euro and British Pounds	1.3%	–

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 70.3% of the Group's sales and 60.4% 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 denominated in Euro and British Pounds were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers. 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 an 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

Despite the construction of the new Vietnam industrial park, the total number of the Group's employees reduced from 8,804 employees as at 31 December 2015 to 7,855 employees as at 31 December 2016, which was primarily caused by production automation and management improvement measures to streamline the headcount and internal structures of the Group.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2016, 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$5,832,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$178,471,000 for securing finance lease liabilities.

MAJOR CHANGES IN THE DIRECTORS' INFORMATION

Mr. Leung Tai Chiu, an independent non-executive director of the Company, was appointed as an independent non-executive director, a member of the audit committee, the remuneration committee and the nomination committee of Kingboard Chemical Holdings Limited with effect from 1 October 2016. The shares of Kingboard Chemical Holdings Limited are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Other information relating to the directors of the Company is set out in the section headed "Directors and Senior Management Profile" on page 54 to page 56.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Looking ahead, we expect to see increasing volatility in international politics and the global economy. Therefore, it is no denying that the year of 2017 will continue to be challenging for the manufacturing industry. However, the market never lacks opportunities. Over the years, we have been devoting resources for technology improvement and strengthening our engineering teams. Such investments have given us the reputation as a leader in precision engineering and innovative production solutions in China. Accordingly, the Group sees ample business opportunities from the rapid development of high technology industries in China, as product quality and engineering expertise are essential for high technology products. We also expect to see significant development in the Group's automobile business, as our outstanding production services have been acknowledged by key customers in the automobile market. This was clearly demonstrated by the facts that the Group has received quality accolades from a leading automaker in China for four consecutive years, and was invited by another key automobile customer for overseas development in Mexico. The new industrial parks in Vietnam and Mexico have presented us with exciting opportunities for overseas expansion, and can also provide us additional streams of revenue from new geographical markets upon commencement of production.

At the same time, the Group's leading position in the OA equipment industry remains unparalleled despite the temporary slowdown in market demand, and our customer base covers all major brand owners which together oligopolise the market. Accordingly, the Group is poised to be a major beneficiary should market demand show any sign of recovery. We will continue to implement cost control measures and production automation with a view to improving productivity and are committed to maintaining a healthy balance sheet. Taking into account the forthcoming interest rate hikes, we will also continue to pay down debts for the purpose of reducing finance costs. Therefore, despite the challenges ahead, we remain confident about the Group's prospects.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2016 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 54, is the Chairman of the Group. He is the chairman of the nomination committee, and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's overall strategic planning and marketing development. Prior to the establishment of the Group, Mr. Zhang had worked for a PRC joint venture company engaging in civil engineering projects. He started his first business in 1983 by acting as a contractor for civil engineering projects of the local government. In 1993, Mr. Zhang established EVA Limited and thereafter Mr. Zhang acquired extensive experience in customer relationship development and corporate management. He has more than 20 years of experience in marketing, strategic planning and corporate management in manufacturing industry. Mr. Zhang was granted with the "Young Industrialist Award of Hongkong" by the Federation of Hong Kong Industries in 2008, and was bestowed as an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2014. He is a member of the Chongqing Committee of the Chinese People's Political Consultative Conference, and is also the president of Hong Kong Young Industrialists Council, the honorary chairman of The Hong Kong Metals Manufacturers Association and the honorary president of Hong Kong Mould and Product Technology Association. Mr. Zhang is one of the co-founders of the Group in 1993. Mr. Zhang also serves as the independent non-executive director of Sinomax Group Limited since 4 March 2014. He is a brother of Mr. Zhang Jian Hua and Mr. Zhang Yaohua. Mr. Zhang was appointed as a director on 27 July 2004.

Mr. ZHANG Jian Hua, aged 42, is the Vice Chairman of the Group, and is also a director of certain subsidiaries of the Group. He is responsible for the Group's organisational structure, production facilities management and business risk monitoring. Mr. Zhang previously worked for the tax bureau in Shenzhen, where he accumulated extensive experience in tax regulations and communications with government departments in China. He also possesses substantial experience in organisational planning, production facilities management and business risk monitoring in the industry of precision mould and component manufacturing. Mr. Zhang is one of the co-founders of the Group in 1993. He is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Yaohua. Mr. Zhang was appointed as a director on 14 September 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. ZHANG Yaohua, aged 44, is the Chief Executive Officer of the Group, and is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's operation and management. He was one of the co-founders of the Group in 1993, and has more than 20 years of operational management experience in the industry of precision mould and component manufacturing. He is a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference, and is also the president of Shenzhen Machinery Association (深圳市機械行業協會), the council member of Shenzhen General Chamber of Commerce (深圳市商業聯合會), the vice president of Guangdong Die & Mould Industry Association (廣東省模具工業協會), Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會). Mr. Zhang was accredited as one of the outstanding people in machinery industry (深圳機械行業傑出人物) by Shenzhen Machinery Association (深圳市機械行業協會) in 2004. Further, Mr. Zhang was accredited as a "Creative and Outstanding Person of China Enterprises" (中國企業創新優秀人物) by China Marketing Association (中國市場學會) and China Enterprise News Society (中國企業報社) in 2006, an "Outstanding Entrepreneur in China Machinery Industry" (中國機械工業優秀企業家) by China Machinery Industry Federation (中國機械工業聯合會) in 2009 and a "Remarkable Person of Commerce in Shenzhen" (深商風雲人物) by Shenzhen General Chamber of Commerce (深圳市商業聯合會) and Shenzhen Economic Daily (深圳商報) in 2010. He was also accredited as one of the "Ten New Figures in Guangdong's Business Community" (廣東商界十大新銳人物) by Guangdong General Chamber of Commerce (廣東省商業聯合會) in 2015 and received "30 years in Shenzhen Machinery Industry – Outstanding Contribution Award" (深圳機械三十年 – 卓越貢獻獎) from Shenzhen Machinery Association (深圳市機械行業協會) in 2016. Mr. Zhang is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua. Mr. Zhang was appointed as a director on 11 January 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho, aged 88, is an independent non-executive director. He is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Choy has over 50 years of experience in international trading business in Hong Kong. He is the president of Union International (H.K.) Co., Ltd., the founding chairman of Hong Kong Kwun Tong Industries and Commerce Association Limited and the honorary president of the Chinese Manufacturers' Association of Hong Kong. He was also a member of National Committee of the 8th and 9th Chinese People's Political Consultative Conference, the honorary director of China Overseas Friendship Association, a member of the 6th, 7th and 8th executive committee of All China Federation of Industry and Commerce, the 4th honorary president of Guangdong Chamber of Foreign Investors, the charter president of Hong Kong and Overseas Chinese Association of Commerce Ltd., the honorary permanent president of Hong Kong Commerce and Industry Associations Limited and the honorary life chairman of The Chinese General Chamber of Commerce. On 14 September 2015, Mr. Choy resigned as an independent non-executive director of Sino Golf Holdings Limited, which he had served since December 2000. Mr. Choy was appointed as a director on 11 January 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. LEUNG Tai Chiu, aged 70, is an independent non-executive director and the chairman of the audit committee of the Company. Mr. Leung is a Fellow of the Institute of Chartered Accountants in England and Wales. He obtained his professional qualification in the United Kingdom in 1975 and has worked in the auditing profession for over 30 years, 20 years of which as a partner. Mr. Leung retired from PricewaterhouseCoopers effective from 1 May 2005. Mr. Leung is a Fellow of The Hong Kong Institute of Directors, and is also the independent non-executive director of Kingboard Laminates Holdings Limited and G-Vision International (Holdings) Limited. Mr. Leung also serves as the independent non-executive director of Kingboard Chemical Holdings Limited since 1 October 2016. He was appointed as a director on 5 June 2006.

Mr. LAM Hiu Lo, aged 55, was appointed as an independent non-executive director on 11 January 2013. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Lam has over 25 years of experience in sales and marketing in China. Over the years, he has successfully built up a strong business and personal network in China. Mr. Lam is currently an executive director of Yugang International Limited. Previously he also served as an executive director of Qualipak International Holdings Limited (currently known as China Touyun Tech Group Limited) from May 2012 to November 2014. All these companies are public companies listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 44, 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.

The Group is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to promote investor confidence and protect the interest of the shareholders. The Company has its own code of conduct regarding corporate governance which is not less stringent than the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company also has a policy of seeking to comply with established best practices in the field of corporate governance.

THE BOARD OF DIRECTORS

The Group is controlled by its Board. Accountable to the shareholders, the Board is collectively responsible for formulating the strategic business direction of the Group, setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies. The Board is also responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the implementation of internal control and risk management procedures and ensuring compliance with relevant statutory requirements and other rules and regulations. The Board reviews the performance of the operating divisions on a regular basis and also exercises a number of reserved powers, including:

– formulating long-term strategy;

– approving public announcements including the interim and annual financial statements;

– setting dividend policy;

– approving major acquisitions, divestments and capital expenditure;

– overseeing the Group's management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis, and reviewing the effectiveness of the Group's risk management and internal control systems which cover all material controls, including financial, operational and compliance controls;

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

– approving material borrowings and treasury policy.

CORPORATE GOVERNANCE REPORT

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

COMPOSITION OF THE BOARD

During the year, the Board had the following directors:

Executive directors

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

Independent non-executive directors

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

The biographical details of the directors are set out on page 54 to page 56 under the section headed "Directors and Senior Management Profile" of the annual report.

Relationship between the Board members

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

Independent non-executive directors

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

Mr. Choy Tak Ho and Mr. Leung Tai Chiu have acted as the independent non-executive directors of the Company for more than nine years. The Company has received from each of Mr. Choy Tak Ho and Mr. Leung Tai Chiu a confirmation of independence according to Rule 3.13 of the Listing Rules. Throughout their directorships with the Company, Mr. Choy Tak Ho and Mr. Leung Tai Chiu have participated in Board meetings to offer impartial advice and exercise independent judgement, served on governance committees of the Board to scrutinise the Company's performance in meeting governance goals, and attended general meetings of the Company to gain a balanced understanding of the shareholders' views, but have never engaged in any executive management. Taking into consideration the independent nature of their roles and duties, the Board considers Mr. Choy Tak Ho and Mr. Leung Tai Chiu to be independent under the Listing Rules although they have served the Company for more than nine years.

In accordance with the Company's Articles of Association, Mr. Choy Tak Ho shall retire from office by rotation at the forthcoming annual general meeting. The Board believes that the continuous appointment of Mr. Choy Tak Ho as an independent non-executive director will help to maintain the stability of the Board as Mr. Choy Tak Ho has, over time, gained valuable insight into the business strategy and policies of the Group. The Board therefore recommends the re-appointment of Mr. Choy Tak Ho, who stands for re-election, at the forthcoming annual general meeting. A circular containing detailed information of all directors standing for re-election at the forthcoming annual general meeting of the Company will be sent to the shareholders.

The Group has also received from Mr. Lam Hiu Lo an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules. As such, the Group considers that he is also independent. Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years and is also subject to retirement by rotation at the annual general meeting of the Company. These contracts are terminable by the Company within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

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

CORPORATE GOVERNANCE REPORT

Directors' responsibilities for the financial statements

The directors acknowledged their responsibilities for the preparation of financial statements of the Group to ensure that these financial statements give a true and fair view of the state of affairs of the Group, its results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2016, 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 2016.

Board and general meetings

During the year ended 31 December 2016, the Company held 11 full Board meetings and one general meeting.

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

In addition, a Board meeting between the Chairman and the independent non-executive directors was held in 2016 pursuant to A.2.7 of the CG Code. The Chairman and all independent non-executive directors had attended that meeting. Since the non-attendance of the other executive directors was required for that meeting, Mr. Zhang Jian Hua and Mr. Zhang Yaohua had not attended that meeting.

Board meetings are held on a regular and ad hoc basis. Regular meetings are convened by the Chairman at least four times a year, at approximately quarterly intervals and fourteen days' notice is given to all directors before such meetings. Agendas and related documents are sent to the directors at least three days prior to such meetings. During the year, Mr. Zhang Hwo Jie, Chairman of the Board, had also met with the independent non-executive directors without the other executive directors present.

Board minutes are kept by the company secretary and are open for inspection by the directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the company secretary and has the liberty to seek external professional advice if so required.

The procedures for shareholders to convene an extraordinary general meeting and to put forward proposals at shareholders' meetings are set out in the section headed "Shareholders' Rights" below.

Directors' Continuing Professional Development Programme

The Group believes that directors' training is an ongoing process. During the year, the directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Group updates the directors and organises briefing sessions conducted by the Company's auditor or legal advisor for the directors about the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, with a view to ensuring compliance and enhancing the directors' awareness of good corporate governance practices.

CORPORATE GOVERNANCE REPORT

The individual training record of each director during the year ended 31 December 2016 is set out below:

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

Note:

1. (A): attending briefing sessions and/or seminars, (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 matters. 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 2016, the audit committee held 2 meetings and had attended to the following matters:

– discuss with external auditor with respect to the accounting principles and practices adopted by the Group, and compliance with the Listing Rules and other financial reporting requirements; and

– discuss the risk management, internal control and financial reporting matters relating to the annual financial statements for the year ended 31 December 2015 and the interim financial statements for the six months ended 30 June 2016 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 2016. The audit committee considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The audit committee also reviewed the training and continuous development of the directors and senior management.

NOMINATION COMMITTEE

The Company has set up a nomination committee on 31 January 2012. The nomination committee is principally responsible for the selection and assessment of candidates for appointment as directors, and determining the policy for nomination of directors. In considering the nomination of new directors, the nomination committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. It will also assess the independence of candidates in the case of the appointment of independent non-executive directors. The terms of reference of the nomination committee, which are aligned with the provisions set out in the CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

CORPORATE GOVERNANCE REPORT

The nomination committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely, Mr. Choy Tak Ho and Mr. Lam Hiu Lo. Mr. Zhang Hwo Jie is the chairman of the nomination committee. During the year ended 31 December 2016, the nomination committee held 2 meetings. Individual attendance of each nomination committee member at the meetings is as follows:

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

The nomination committee had reviewed the structure, size and composition of the Board and assessed the independency of the independent non-executive directors during the year ended 31 December 2016. The nomination committee had also considered the number and nature of offices in other public companies and organisations held by the directors and evaluated the performance and contribution of the directors including the sufficiency of their time and attention given to the Company's affairs.

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

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

REMUNERATION COMMITTEE

The Group has 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 2016, the remuneration committee held 2 meetings. Individual attendance of each remuneration committee member at the meetings is as follows:

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

The remuneration committee reviewed and discussed the policy and structure for directors' and senior management remuneration by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The remuneration committee also considered the terms of appointment and remuneration proposal of individual directors upon renewal of directors' service contracts. Details of the remuneration to directors and senior management for the year ended 31 December 2016 are set out in Note 27 and Note 37 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

The Company had conditionally adopted a share option scheme on 20 April 2005 which became unconditional on 11 May 2005 (the "2005 Share Option Scheme"). As the 2005 Share Option Scheme expired on 19 April 2015, the Company adopted a new share option scheme (the "2015 Share Option Scheme") to replace the 2005 Share Option Scheme. The terms of the 2015 Share Option Scheme had been reviewed by the remuneration committee before recommending to the Board and shareholders for approval. The 2015 Share Option Scheme became effective on 21 May 2015, the date on which it was approved by the shareholders on the annual general meeting of the Company that was held on the same day.

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. On 8 July 2016, 67,050,000 options were granted to the eligible participants under the 2015 Share Option Scheme. The grant of these options had been approved by the remuneration committee. Further details in respect of the Group's share option schemes are set out in the sub-section headed "Share Options" under the section headed "Report of the Directors" of this 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 2016. 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 and not absolute assurance against material misstatement or loss. Reviews on the effectiveness of the Group's risk management and internal control systems are conducted at least annually, which cover the changes in the nature and extent of significant risks, the quality of management's ongoing monitoring of risks and internal control systems, the frequency of communication of monitoring results, significant control weaknesses and the Groups 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 2016, and considered them effective and adequate.

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2016, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$3,540,000. The audit fee was approved by the audit committee. The statement made by the external auditor in respect of their reporting responsibilities is set out on page 92 to page 98 of the annual report.

During the year ended 31 December 2016, 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$384,000. The non-audit services comprised tax compliance services of approximately HK$64,000 and non-audit review of interim consolidated financial statements of approximately HK$320,000. The audit committee had been briefed in respect of the non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of external auditor. The re-appointment of PricewaterhouseCoopers as the auditor of the Company has been recommended by the audit committee and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

CORPORATE GOVERNANCE REPORT

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 2016 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.

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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors had confirmed their compliance with the required standards set out in the Model Code during the year ended 31 December 2016 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 2016.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2017

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 2016.

PRINCIPAL ACTIVITIES

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

Currently, the Group operates eight industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan) and Vietnam (Haiphong). In 2017, the Group also plans to construct a new industrial park in San Luis Potosí, Mexico, which is scheduled for completion in late 2018.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2016 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 2016 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	5.3%
Five largest suppliers combined	20.7%
Sales	
The largest customer	16.2%
Five largest customers combined	53.8%

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

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2016 is set out in the sections headed "Chairman's Statement" on page 24 to page 27, "Environmental, Social and Governance Report" on page 28 to page 39 and "Management Discussion and Analysis" on page 40 to page 53 of this report. Principal financial risks and uncertainties facing the Group are set out in Note 3 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 101 to page 102.

DIVIDENDS

The Board recommends the payment of a final dividend of HK0.51 cent per ordinary share, totaling approximately HK$9,140,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 19 May 2017, the final dividend will be paid on or about 2 June 2017. Including the interim dividend of approximately HK$6,952,000 paid on 21 September 2016 in respect of the six months ended 30 June 2016, the total dividends declared for the year ended 31 December 2016 will be approximately HK$16,092,000.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the Group's key relationships with employees, customers and suppliers are set out in the section headed "Environmental, Social and Governance Report" on page 28 to 39.

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 28 to 39.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2016, 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 2016 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST

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

SHARE CAPITAL AND RESERVES

Details of movements in share capital and reserves during the year ended 31 December 2016 are set out in Note 23 and Note 24 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DONATIONS

The donations made by the Group during the year ended 31 December 2016 amounted to HK$1,050,000.

PENSION SCHEMES

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

FIVE YEARS FINANCIAL SUMMARY

A five years financial summary of the Group is set out on page 196.

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 2016.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors during the year ended 31 December 2016 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 and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. During the year ended 31 December 2016 and up to the date of this report, no director has resigned or refused re-election.

None of the directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

PERMITTED INDEMNITY

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

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the directors' service contracts, no other transaction, arrangement or contract of significance in relation to the Company's business to which the Company, its subsidiaries or holding companies was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2016 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 2016 and up to the date of this report.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

As disclosed in the Company's prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 36.09% shareholder of the Company as at 31 December 2016 and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua who are directors and beneficial shareholders of the Company (together the "Indemnifiers"). Under this deed of tax indemnity, each of the Indemnifiers has jointly and severally undertaken to indemnify the Group for any taxation falling on any member of the Group (other than those established or acquired subsequent to the listing of the Company) attributable to periods before the listing date of the Company which had not been provided for in the annual financial statements of the relevant members of the Group before the listing date. This deed of tax indemnity was approved by the Board on 20 April 2005.

In 2014, EVA Limited and EVA Plastic Mould Products (HK) Limited settled with The Hong Kong Inland Revenue Department (the "HKIRD") regarding their offshore claims which had been queried by the HKIRD since 2005 by an amount of HK$33,612,000. This was settled by the Group through cash payment of HK$7,211,000 and utilisation of tax reserve certificates and other advance payments previously made to the HKIRD. The tax amount attributable to the periods prior to 11 May 2005 (the listing date of the Company) which had not been provided for in the annual financial statements of EVA Limited and EVA Plastic Mould Products (HK) Limited before the listing date was HK$8,798,000, of which HK$4,038,000 had been indemnified by the Indemnifiers. The remaining balance of HK$4,760,000 would also be indemnified by the Indemnifiers by instalments in three years from December 2015 to December 2017. The first and second instalments with a total amount of HK$3,173,000 had been paid by the Indemnifiers before 31 December 2016, and the remaining balance payable by the Indemnifier amounted to HK$1,587,000.

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

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

A subsidiary of the Company is a party to a loan agreement with DBS Bank (Hong Kong) Limited in respect of a finance lease facility up to HK$140,000,000 with a repayment term of four years after the date of advance of the loan ("DBS Facility Agreement"). The outstanding loan balance was approximately HK$5,529,000 as at 31 December 2016.

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively maintain not less than 35% of the issued shares of the Company and shall remain as the single largest shareholder of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the Board.

Further, a subsidiary of the Company is a party to the loan agreements with Bank of China (Hong Kong) Limited in respect of the following banking facilities ("BOC Facilities Agreements"):

(i) a term loan facility up to HK$100,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$75,000,000 as at 31 December 2016);

(ii) a term loan facility up to HK$200,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$200,000,000 as at 31 December 2016); and

(iii) a revolving loan for an amount up to HK$40,000,000 (there was no outstanding loan balance as at 31 December 2016).

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 and an executive director of the Company.

REPORT OF THE DIRECTORS

In addition, a subsidiary of the Company is a party to the loan agreements with Hang Seng Bank Limited in respect of the following facilities ("HSB Facilities Agreements"):

(i) a term loan facility in the principal amount of HK$250,000,000, which is repayable by instalments over 4 years from the date of drawdown (the outstanding loan balance was HK$42,000,000 as at 31 December 2016);

(ii) a term loan facility up to HK$150,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$96,000,000 as at 31 December 2016);

(iii) a term loan facility up to HK$250,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$218,000,000 as at 31 December 2016);

(iv) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$120,000,000 as at 31 December 2016);

(v) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 31 December 2016); and

(vi) treasury products facility with a notional amount of HK$52,631,579 (there was no outstanding balance as at 31 December 2016).

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.

The Company is a party to a loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. in respect of a four years term loan facility of up to HK$250,000,000 ("BTMU Facility Agreement"), and the total outstanding balance of the loan was HK$187,500,000 as at 31 December 2016.

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

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

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

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$30,000,000 with a repayment period of five years after drawdown (the outstanding loan balance was HK$500,000 as at 31 December 2016);

(ii) a term loan facility for an amount up to HK$250,000,000 with a repayment period of five years from the date of acceptance of the relevant facility letter (the outstanding loan balance was HK$32,500,000 as at 31 December 2016);

(iii) 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$60,000,000 as at 31 December 2016);

(iv) revolving loan of HK$200,000,000 (the outstanding loan balance was HK$200,000,000 as at 31 December 2016); and

(v) combined trade facilities of HK$100,000,000 (there was no outstanding balance as at 31 December 2016).

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.

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

(i) short term advance facility on a revolving basis of up to US$7,000,000 (the outstanding loan balance was US$2,581,000 as at 31 December 2016); and

(ii) a term loan facility for an amount up to US$4,000,000 with a repayment period of 3 years after drawdown (the outstanding loan balance was US$2,182,000 as at 31 December 2016).

Pursuant to the Fubon Facilities Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall maintain not less than 35% of the issued share capital of the Company.

REPORT OF THE DIRECTORS

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

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

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

   The purpose of the 2005 Share Option Scheme was to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

2. *Participants of the 2005 Share Option Scheme:*

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

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

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

4. *Maximum entitlement of each participant under the 2005 Share Option Scheme:*

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

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

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

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

There was no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option could be exercised under the terms of the 2005 Share Option Scheme.

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.

REPORT OF THE DIRECTORS

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

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

The share options which were previously issued under the 2005 Share Option Scheme and remain outstanding after the 2005 Share Option Scheme had expired will continue to be valid and exercisable during their respective prescribed exercisable periods. There was no movement in these share options during the year ended 31 December 2016, and details of these share options as at 31 December 2016 are as follows:

	As at 31 December 2015 and 2016	**Share price immediately before offer date**	**Exercise price**
		HK$	HK$
Executive directors			
Mr. Zhang Hwo Jie			
– Granted on 7 November 2012	5,100,000	0.69	0.69
Independent non-executive directors			
Mr. Leung Tai Chiu			
– Granted on 26 April 2013	300,000	1.20	1.16
Mr. Lam Hiu Lo			
– Granted on 26 April 2013	300,000	1.20	1.16
Employees of the Group			
In aggregate			
– Granted on 10 December 2008	2,930,200	0.165	0.175
– Granted on 2 October 2009	200,000	0.405	0.41
– Granted on 7 November 2012	18,196,000	0.69	0.69
– Granted on 26 April 2013	11,650,000	1.20	1.16
	38,676,200		

All options referred to the above are subject to vesting schedules and exercise periods as follows:

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 10 December 2008 with exercise price of HK$0.175		
100%	10 December 2008	10 December 2008 to 19 November 2018
With respect to the options granted on 2 October 2009 with exercise price of HK$0.41		
100%	5 October 2009	5 October 2009 to 1 October 2019
With respect to the options granted on 7 November 2012 and 26 April 2013 with exercise prices of HK$0.69 and HK$1.16 respectively		
100%	2 January 2014	2 January 2014 to 6 November 2017

(b) The 2015 Share Option Scheme

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

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

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

   The purpose of the 2015 Share Option Scheme is to provide the eligible participants with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group by granting options to them as incentives or rewards.

REPORT OF THE DIRECTORS

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

   a. employees of the Group (whether full-time or part-time);

   b. directors (including executive directors, non-executive directors and independent non-executive directors) of the Group;

   c. substantial shareholders of each member of the Group;

   d. associates of directors or substantial shareholders of the Group;

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

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

3. *Total number of shares available for issue under the 2015 Share Option Scheme and the percentage of issued share capital as at the date of this report:*

   Pursuant to the terms of the 2015 Share Option Scheme, the maximum number of shares in respect of which options may be granted thereunder must not exceed 186,405,180 shares, representing 10.4% of the Company's issued share capital as at the date of this report, unless the Company obtains a fresh approval from its shareholders. However, the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's shares in issue from time to time.

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

   The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each participant (including both exercised and outstanding options) in any period of twelve consecutive months shall not exceed 1% of the Company's shares in issue. Any further grant of options in excess of this limit must be subject to shareholders' approval in general meeting at which the relevant participant and his associates must abstain from voting.

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

   Commencing from the date of grant of an option and ending on such date as the Board may determine in granting the option but in any event not exceeding ten years from the date of grant.

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

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

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

   Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant. Any offer may be accepted in respect of less than the number of shares for which it is offered provided that it is accepted in a board lot for dealing in the Company's shares on The Stock Exchange of Hong Kong Limited or an integral multiple thereof. An offer is open for acceptance within 21 days from the date of offer provided that no offer shall be open for acceptance after the expiry of the scheme period or after the 2015 Share Option Scheme has been terminated.

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

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

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

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

REPORT OF THE DIRECTORS

On 8 July 2016, 67,050,000 options were granted to the eligible participants under the 2015 Share Option Scheme. There was no movement in these options after the grant date, and details of these share options as at 31 December 2016 are as follows:

	Granted on 8 July 2016 and as at 31 December 2016	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
Mr. Zhang Jian Hua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
Mr. Zhang Yaohua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
Independent non-executive directors			
Mr. Choy Tak Ho			
– Granted on 8 July 2016	400,000	0.64	0.692
Mr. Leung Tai Chiu			
– Granted on 8 July 2016	400,000	0.64	0.692
Mr. Lam Hiu Lo			
– Granted on 8 July 2016	400,000	0.64	0.692
Employees of the Group			
In aggregate			
– Granted on 8 July 2016	11,850,000	0.64	0.692
	67,050,000		

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

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

(c) Valuation

The fair value of the options granted on 10 December 2008, 2 October 2009, 7 November 2012 and 26 April 2013 under the 2005 Share Option Scheme with outstanding balances as at 31 December 2016 of 2,930,200 options, 200,000 options and 23,296,000 options and 12,250,000 options were HK$140,000, HK$17,000, HK$5,905,000 and HK$4,745,000 respectively. The fair value of the 67,050,000 options granted on 8 July 2016 under the 2015 Share Option Scheme was HK$10,236,000. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK$				
Granted on 10 December 2008	0.175	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.41	56.65%	1 year	0.16%	3.68%
Granted on 7 November 2012	0.69	64.19%	2.2 years	0.241%	3.3333%
Granted on 26 April 2013	1.16	66.349%	1.74 years	0.184%	1.087%
Granted on 8 July 2016	0.692	45.98%	3.24 years	0.52%	2.33%

The expected volatility is based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. Dividend paid-out rate is based on historical dividend paid-out rate. Changes in these subjective input assumptions could affect the fair value estimate. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

REPORT OF THE DIRECTORS

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

As at 31 December 2016, the interests and/or short positions of the directors or chief executive 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 of the Listing Rules to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 31 December 2016
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	23,100,000	710,542,000	38.17%
Mr. Zhang Jian Hua	–	664,000	–	18,000,000	18,664,000	1.00%
Mr. Zhang Yaohua	–	15,780,000	156,000	18,000,000	33,936,000	1.82%
Mr. Choy Tak Ho	–	–	–	400,000	400,000	0.02%
Mr. Leung Tai Chiu	–	2,200,000	–	700,000	2,900,000	0.16%
Mr. Lam Hiu Lo	–	–	–	700,000	700,000	0.04%

Notes:

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

2. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 36.09% of the entire issued capital of the Company as at 31 December 2016. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

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

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 31 December 2016
Mr. Zhang Hwo Jie	Personal interests	38%
Mr. Zhang Jian Hua	Personal interests	29%
Mr. Zhang Yaohua	Personal interests	33%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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	36.09%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	23,100,000	710,542,000	38.17%
FIL Limited	Investment manager	112,200,000	–	112,200,000	6.03%
Invesco Asset Management Limited	Investment manager	94,820,000	–	94,820,000	5.09%

REPORT OF THE DIRECTORS

Note:

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

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2016, the Company repurchased its 17,668,000 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 2016 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
October 2016	8,526,000	0.84	0.83	7,157
November 2016	9,142,000	0.85	0.84	7,751
	17,668,000			14,908

Subsequent to 31 December 2016, the Company repurchased its 69,332,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2017 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 2016 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2017	25,386,000	1.00	0.84	23,563
February 2017	43,946,000	1.20	1.00	50,081
	69,332,000			73,644

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they enhanced the earnings and net asset value 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 2016 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Friday, 19 May 2017, the register of members of the Company will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 May 2017.

REPORT OF THE DIRECTORS

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on or about Friday, 2 June 2017 to shareholders whose names appear on the register of members on Friday, 26 May 2017. To determine eligibility for the final dividend, the register of members of the Company will be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2017.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 57 to page 69.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the CG 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 2016.

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 2016 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 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 2017

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 99 to 195, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- 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 2016, 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 available-for-sale financial assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for obsolete or slow moving inventories Refer to note 10 "Inventories" and note 4 "Critical accounting estimates and judgements" to the consolidated financial statements. At 31 December 2016, the Group held inventories of HK$325,615,000 and the provision for obsolete or slow moving inventories was HK$17,477,000. Inventories are stated at the lower of cost and net realizable value in the consolidated financial statements. Management assessed the provision at each period end for obsolete or slow moving inventories based on consideration of potential obsolescence of raw materials and work in progress, and the estimated selling price less cost to sell of its finished goods. The identification of inventory obsolescence and determination of estimated selling price less cost to sell require the use of significant judgements by considering various factors, including their nature, ageing, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends, customer demands and technology development. We focused on this area due to the significance of the balance, significant management estimates and judgements involved in determining the provision for impairment of obsolete or slow moving inventories.	We understood, evaluated and tested the controls by which management identified obsolescence and determined the net realizable value of inventories based on a consistent process in prior years. We tested, on a sample basis, by comparing the estimated selling price with post year-end sales data of the selected items. We tested, on a sample basis, the inventory aging by comparing the inventory records with the underlying documents. In addition, we discussed with management about the latest sales pattern for both price and quantity for potential orders, and other factors, including the product change and the market trend. Based upon the above, we found that the estimation and judgement made by management in respect of the provision for obsolete or slow moving inventories were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables Refer to note 11 "Trade receivables" and note 4 "Critical accounting estimates and judgements" to the consolidated financial statements. The Group's trade receivables had a net carrying value of HK$787,367,000 as at 31 December 2016, of which, nil was past due but not considered as impaired based on management's assessment, and the provision for trade receivables was HK$1,188,000. The Group generally allows a credit period of 30 to 180 days after invoice date to its customers. Management reviews trade receivables to determine the necessary impairment provision by analyzing the trade receivables aging, past repayment history, subsequent settlement status, and the relevant customers' credit profile. We focused on this area due to the significance of the balance.	We tested, on a sample basis, of the aging of trade receivables by comparing the records with the underlying documents. We tested, on a sample basis, the post year-end settlement of the Group's trade receivables by examining the remittance advices from the banks. We also inquired and assessed management's judgement on the recoverability of un-settled amounts, corroborating and evaluating the underlying rationale with the creditability of the customers. Based upon the above, we found that the estimation and judgement made by management in respect of the recoverability of trade receivables were supportable by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition and valuation of available-for-sale financial assets Refer to note 15 "Available-for-sale financial assets" and note 4 "Critical accounting estimates and judgements" to the consolidated financial statements. The Group had various unlisted equity interests of companies in the People's Republic of China classified as available-for-sale financial assets with total fair values of HK$106,861,000 as at 31 December 2016. Management has assessed the classification of the investments and determined the Group did not have control, joint control and 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 applied different valuation methods to determine the fair values of different investments and some of these valuation methods involve the application of unobservable inputs. The Group also engaged an external valuer to perform valuations of certain available-for-sale financial assets. The valuations undertaken by the external valuer using the market based approach and asset based approach, required significant judgement to determine the assumptions used, which include multiples of price-to-book ratios, price-to-earning ratios, adjusted net asset value, minority discount 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 available-for-sale financial assets using the market based approach and asset based approach.	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 management's judgement to apply which methods to determine the fair value of each investment. For fair value of the available-for-sale financial assets appraised by the external valuer using the market based approach and asset based approach, we assessed the competency and objectivity of the external valuer by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist to assess the appropriateness of the model applied in these valuations and to assess the reasonableness of the key assumptions and inputs used with market data and industry knowledge. We also discussed with the external valuer to understand the rationale for the models applied based on the nature of the investments and the basis of the assumptions and inputs. Based on the above procedures performed, we found the classifications of the investments and their fair value assessments 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,692,626**	1,920,739
Leasehold land and land use rights	7	**171,061**	179,046
Goodwill	8	**5,067**	5,067
Loan and interest receivables	12	**–**	4,804
Investments in associates	9b	**56,208**	12,720
Prepayments, deposits and other receivables	13	**128,758**	80,419
Amount due from a related company	14	**–**	1,587
Available-for-sale financial assets	15	**106,861**	56,461
		2,160,581	2,260,843
Current assets			
Inventories	10	**325,615**	465,854
Trade receivables	11	**787,367**	793,166
Loan and interest receivables	12	**–**	128,481
Prepayments, deposits and other receivables	13	**250,904**	147,824
Amount due from a related company	14	**1,587**	1,587
Restricted bank deposits	17	**60,569**	42,097
Short-term bank deposits	17	**123,996**	42,971
Cash and cash equivalents	17	**1,423,134**	1,607,660
		2,973,172	3,229,640
Asset classified as held for sale	16	**11,376**	–
		2,984,548	3,229,640
LIABILITIES			
Current liabilities			
Trade payables	18	**683,255**	602,704
Accruals and other payables	19	**219,100**	198,121
Bank borrowings	20	**1,011,083**	1,118,303
Finance lease liabilities	21	**12,365**	40,440
Current income tax liabilities		**6,799**	6,535
		1,932,602	1,966,103

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Net current assets		**1,051,946**	1,263,537
Total assets less current liabilities		**3,212,527**	3,524,380
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	**566,161**	729,688
Finance lease liabilities	21	**8,408**	25,822
Deferred taxation	22	**20,537**	21,027
		595,106	776,537
Net assets		**2,617,421**	2,747,843
EQUITY			
Capital and reserves			
Share capital	23	**186,138**	187,905
Reserves	24	**2,399,800**	2,430,551
Equity attributable to equity holders of the Company		**2,585,938**	2,618,456
Non-controlling interests		**31,483**	129,387
Total equity		**2,617,421**	2,747,843

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

The financial statements on pages 99 to 195 were approved by the Board of Directors on 27 March 2017 and were signed on its behalf.

Zhang Hwo Jie	**Zhang Jian Hua**
Chairman	*Director*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**3,209,290**	3,533,026
Cost of sales	26	**(2,461,621)**	(2,597,999)
Gross profit		**747,669**	935,027
Other income	25	**3,753**	10,301
Other gains/(losses) – net	25	**3,871**	(17,454)
Selling and marketing costs	26	**(167,500)**	(181,447)
General and administrative expenses	26	**(471,664)**	(488,644)
Operating profit		**116,129**	257,783
Finance income	28	**5,378**	18,478
Finance costs	28	**(35,919)**	(34,956)
Share of losses of associates	9b	**(1,465)**	(1,767)
Profit before income tax		**84,123**	239,538
Income tax expense	29	**(22,396)**	(24,058)
Profit for the year		**61,727**	215,480
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 gain/(loss) on available-for-sale financial assets		**20,189**	(2,527)
– Currency translation differences		**(54,923)**	(56,788)
– Release of available-for-sale financial asset revaluation reserve upon disposal		**(6,337)**	–
– Release of exchange reserve upon disposal of subsidiaries		**4,595**	–
Total comprehensive income for the year		**25,251**	156,165

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Profit for the year attributable to:			
– Equity holders of the Company		**53,486**	205,469
– Non-controlling interests		**8,241**	10,011
		61,727	215,480
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**10,452**	150,053
– Non-controlling interests		**14,799**	6,112
		25,251	156,165
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	30	**2.9**	11.2
– diluted	30	**2.8**	11.2

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Attributable to equity holders of the Company			
		Share capital HK$'000	Reserves HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2016		187,905	2,430,551	129,387	2,747,843
Comprehensive income					
Profit for the year		–	53,486	8,241	61,727
Other comprehensive loss					
Revaluation gain on available-for-sale financial assets		–	12,537	7,652	20,189
Currency translation differences		–	(53,829)	(1,094)	(54,923)
Release of available-for-sale financial asset revaluation reserve upon disposal	34	–	(6,337)	–	(6,337)
Release of exchange reserve upon disposal of subsidiaries	34	–	4,595	–	4,595
Total comprehensive income for the year		–	10,452	14,799	25,251
Transactions with owners					
Release of non-controlling interests upon disposal of subsidiaries		–	–	(110,645)	(110,645)
Repurchase of shares	23	(1,767)	(13,141)	–	(14,908)
Employee share option scheme – value of employee services	23	–	3,318	–	3,318
Dividends paid		–	(31,380)	(2,058)	(33,438)
		(1,767)	(41,203)	(112,703)	(155,673)
Balance at 31 December 2016		186,138	2,399,800	31,483	2,617,421

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Attributable to equity holders of the Company			
		Share capital HK$'000	Reserves HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2015		168,334	2,166,821	75,711	2,410,866
Comprehensive income					
Profit for the year		–	205,469	10,011	215,480
Other comprehensive loss					
Revaluation loss on available-for-sale financial assets		–	(2,527)	–	(2,527)
Currency translation differences		–	(52,889)	(3,899)	(56,788)
Total comprehensive income for the year		–	150,053	6,112	156,165
Transactions with owners					
Non-controlling interest arising on business combination		–	–	10,583	10,583
Change in ownership interest in a subsidiary without change of control		–	–	39,200	39,200
Disposal of interest in a subsidiary		–	–	(2,219)	(2,219)
Proceeds from issuance of shares upon exercise of employee share options	23&24	12,571	77,014	–	89,585
Proceeds from issue of shares upon placing	23&24	7,000	128,800	–	135,800
Expenses for issuance of shares upon placing	24	–	(4,530)	–	(4,530)
Dividends paid		–	(87,607)	–	(87,607)
		19,571	113,677	47,564	180,812
Balance at 31 December 2015		187,905	2,430,551	129,387	2,747,843

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	**605,029**	352,508
Interest received		**5,378**	18,478
Interest paid		**(35,919)**	(34,956)
Hong Kong profits tax paid		**–**	(2,220)
Overseas income tax paid		**(22,396)**	(35,243)
Net cash generated from operating activities		**552,092**	298,567
Cash flows from investing activities			
Purchases of property, plant and equipment		**(162,069)**	(239,999)
Prepayments for property, plant and equipment		**(64,035)**	(19,548)
Purchases of land use rights		**–**	(22,733)
Additions of available-for-sale financial assets		**(22,332)**	(33,791)
Proceeds from sales of property, plant and equipment	32	**1,534**	2,203
Increase in restricted bank deposits		**(18,472)**	(12,118)
(Increase)/decrease in short-term bank deposits		**(81,025)**	119,287
Acquisition of a subsidiary, net of cash acquired		**–**	(1,636)
Sales of subsidiaries, net of cash disposed	34	**(26,908)**	1,419
Sales of interest in a subsidiary		**–**	39,200
Net cash used in investing activities		**(373,307)**	(167,716)
Cash flows from financing activities			
Proceeds from borrowings		**524,261**	1,031,040
Repayments of borrowings		**(783,303)**	(594,737)
Repayments of capital element of finance lease liabilities		**(45,489)**	(66,814)
Proceeds from issuance of shares upon exercise of share options		**–**	89,585
Proceeds from issue of shares upon placing, net of share issuance expenses		**–**	131,270
Repurchase of shares	23	**(14,908)**	–
Dividends paid		**(33,438)**	(87,607)
Net cash (used in)/generated from financing activities		**(352,877)**	502,737

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Net (decrease)/increase in cash and cash equivalents		**(174,092)**	633,588
Cash and cash equivalents at beginning of the year		**1,607,660**	989,428
Exchange losses on cash and cash equivalents		**(10,434)**	(15,356)
Cash and cash equivalents at end of the year	17	**1,423,134**	1,607,660

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in (1) design and fabrication of metal stamping and plastic injection moulds, (2) manufacturing of metal stamping and plastic injection components and lathing components, and (3) the micro lending business in Mainland China (through a 40% owned associate).

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2017.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of EVA Precision Industrial Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

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

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 are mandatory for the first time for the financial year beginning 1 January 2016, but have not had a significant impact to the preparation of the Group's financial statements.

HKFRS 10 and HKAS 28 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements
Annual improvements 2012 to 2014	Improvements to HKASs and HKFRSs
HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation

(b) *New standards and amendments to existing standards that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2016 and have not been early adopted*

		Effective for annual periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

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

2.2 Consolidation

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

(a) Subsidiaries

2.2.1 Consolidation

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

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

2.2.2 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

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

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

2.2.2 Business combination (Continued)

Acquisition-related costs are expensed as incurred.

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

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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

2.2 Consolidation (Continued)

(b) *Transactions with non-controlling interests*

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interests in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associates

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

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

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

2.3 Associates (Continued)

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

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

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

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

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified collectively as the executive directors and senior management that make strategic decisions.

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

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

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

2.5 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

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

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal (Continued)

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

2.6 Property, plant and equipment

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

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

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

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

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

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

2.6 Property, plant and equipment (Continued)

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.

2.7 Leasehold land and land use rights

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired the rights to use certain land in Mainland China. The premiums paid for leasehold land and land use rights are treated as prepayments for operating leases, recorded as leasehold land and land use rights, and are amortised over the lease/land use right periods using the straight-line method.

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

2.8 Impairment of investments in subsidiaries and non-financial assets

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

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries 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)

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

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

2.11 Financial assets/liabilities

2.11.1 Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

2.11 Financial assets/liabilities (Continued)

2.11.1 *Classification* (Continued)

(c) Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current liabilities. Other financial liabilities are classified as 'bank borrowings', 'finance lease liabilities', 'other payables' and 'trade payables' in the consolidated statement of financial position.

2.11.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

Recognitions and measurements of other financial liabilities at amortised cost are described in Notes 2.16 (Trade payables), 2.17 (Borrowings) and 2.22 (Leases).

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

2.11 Financial assets/liabilities (Continued)

2.11.3 Offsetting financial instruments

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

2.11.4 Impairment of financial assets

(a) Loan and receivables

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

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

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

(b) Assets classified as available for sale

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

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

2.11 Financial assets/liabilities (Continued)

2.11.4 *Impairment of financial assets* (Continued)

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

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

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade, loan and other receivables

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

Trade, loan and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade, loan and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments and where observable data indicate that there is a measurable decrease in the estimate future cash flows, such as changes in arrears or economic condition that correlate with default are considered indicators that the trade and loan receivable are impaired.

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

2.13 Trade, loan and other receivables (Continued)

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within selling and marketing costs for trade receivables and general and administrative expenses for loan and other receivables. When trade and loan receivable are uncollectible, they are written off against the allowance for trade and loan receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs for trade receivables and general and administrative expenses for loan and other receivables in the consolidated statement of comprehensive income.

2.14 Cash and cash equivalents

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

2.15 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.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

2.17 Borrowings

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

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

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

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

2.19 Employee benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

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

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets and the requirement to remain an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

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

2.19 Employee benefits (Continued)

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

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

(d) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, taking into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Provisions

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

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

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

2.21 Revenue and other income

Revenue comprises the fair value of the consideration received and receivable for the sale of goods in the ordinary course of the Group's activities and interest income derived from the provision of micro lending. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

2.21 Revenue and other income (Continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.22 Leases (as lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including any upfront payment made for leasehold land interests and land use rights (Note 2.7), are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

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

2.22 Leases (as lessee) (Continued)

Each finance lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings.

The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.23 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.

2.24 Government grants

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

(a) *Market risk*

(i) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi, Japanese Yen, Euro and US dollar. Foreign exchange risk also arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and the Group has not arranged any hedges against foreign exchange exposures.

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.

	2016 HK$'000
Chinese Renminbi 6.28% depreciation against Hong Kong dollars	**3,735**
Japanese Yen 2.55% appreciation against Hong Kong dollars	**11**
Euro 2.80% depreciation against Hong Kong dollars	**(902)**
US dollars 0.07% appreciation against Hong Kong dollars	**779**
Increase in post-tax profit	**3,623**

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 finance lease liabilities. Bank deposits and bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Bank borrowings and finance lease liabilities obtained at fixed rates expose the Group to fair value interest rate risk.

Details of the Group's bank deposits, bank borrowings and finance lease liabilities have been disclosed in Notes 17, 20 and 21 to the consolidated financial statements.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2016, 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$1,749,000 (2015: by HK$2,215,000), 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, loan and interest receivables, deposits and other receivables, and amount due from a related company. The carrying amounts of these asset categories represent the Group's maximum exposure to credit risk in relation to financial assets. Credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

As at 31 December 2015 and 2016, 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.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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

	2016 **HK$'000**	2015 HK$'000
Deposits and other receivables	**264,596**	199,508
Trade receivables	**788,555**	794,354
Loan and interest receivables	**–**	151,285
Amount due from a related company	**1,587**	3,174
Short-term bank deposits	**123,996**	42,971
Restricted bank deposits	**60,569**	42,097
Cash and cash equivalents	**1,423,134**	1,607,660

The majority of the Group's trade receivables and loan and interest receivables is aged within the granted credit period. Refer to Note 11 and Note 12 for disclosure of concentrations of credit risk of trade receivables and loan and interest receivables, respectively.

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

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

(c) *Liquidity risk*

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2016				
Bank borrowings	**1,011,083**	**295,890**	**270,271**	**1,577,244**
Finance lease liabilities	**12,365**	**5,926**	**2,482**	**20,773**
Interest payable	**18,332**	**9,604**	**3,484**	**31,420**
Trade payables	**683,255**	**–**	**–**	**683,255**
Other payables	**89,913**	**–**	**–**	**89,913**
	1,814,948	**311,420**	**276,237**	**2,402,605**
As at 31 December 2015				
Bank borrowings	1,118,303	330,527	399,161	1,847,991
Finance lease liabilities	40,440	17,414	8,408	66,262
Interest payable	26,278	13,776	7,673	47,727
Trade payables	602,704	–	–	602,704
Other payables	76,523	–	–	76,523
	1,864,248	361,717	415,242	2,641,207

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings and finance lease liabilities as disclosed in Note 20 and Note 21, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

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

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

The gearing ratios were as follows:

	2016 **HK$'000**	2015 HK$'000
Borrowings (Note 20)	**1,577,244**	1,847,991
Finance lease liabilities (Note 21)	**20,773**	66,262
Less: Cash and cash equivalents (Note 17)	**(1,423,134)**	(1,607,660)
Total net debt	**174,883**	306,593
Total equity	**2,617,421**	2,747,843
Gearing ratio	**6.7%**	11.2%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The decrease in the gearing ratio during 2016 resulted primarily from the decrease in borrowings and finance lease liabilities by repayment during the year outweighed inception of new borrowing/finance lease liabilities during the year.

3.3 Fair value estimation

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

The different methods of valuation have been defined as follows:

- Quoted prices (unadjusted) in active markets for similar assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the unlisted equity securities is determined based on recent arm's length transactions, net asset value or valued by an external valuer using asset based approach and market based approach and the key underlying assumptions used included the multiples of price-to-book ratios, price-to-earning ratios, adjusted net asset value, minority discount and the 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	
	2016	2015
	HK$'000	HK$'000
Available-for-sale financial assets – unlisted equity securities	**106,861**	56,461

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 2015 and 2016.

	2016	2015
	HK$'000	HK$'000
As at 1 January	**56,461**	25,197
Additions	**22,332**	33,791
Transfer from disposal of a subsidiary	**48,424**	–
Disposal	**(40,545)**	–
Revaluation gain/(loss) transferred to other comprehensive income	**20,189**	(2,527)
As at 31 December	**106,861**	56,461
Total gains or losses for the year included in profit or loss for assets held at the end of the year	**–**	–
Changes in fair value gains or losses for the year included in profit or loss at the end of the year	**–**	–

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful lives of property, plant and equipment

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

(b) Impairment of long-lived assets

The Group conducts impairment reviews of assets when events or changes in circumstances indicate that their carrying amounts may not be recoverable or annually in accordance with relevant accounting standards. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its fair value less costs to sell and value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of trade, loan and other receivables

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

(d) Income taxes

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

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

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

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

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2016	2015
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**303,246**	347,610
Manufacturing of metal stamping components	**1,312,068**	1,339,799
Manufacturing of lathing components	**126,151**	143,604
Design and fabrication of plastic injection moulds	**127,689**	191,303
Manufacturing of plastic injection components	**1,279,243**	1,443,056
Income from micro lending business	**24,879**	33,225
Others (Note)	**36,014**	34,429
	3,209,290	3,533,026

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 three main business segments:

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

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

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

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)

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

The segment results and other segment items are as follows:

	2016				2015			
	Metal stamping HK$'000	Plastic injection HK$'000	Mircocredit HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Mircocredit HK$'000	Total HK$'000
Total gross segment revenue	2,078,442	1,691,827	24,879	3,795,148	2,007,370	1,803,030	33,225	3,843,625
Inter-segment revenue	(309,686)	(276,172)	-	(585,858)	(152,188)	(158,411)	–	(310,599)
Revenue	1,768,756	1,415,655	24,879	3,209,290	1,855,182	1,644,619	33,225	3,533,026
Segment results	56,819	48,292	15,499	120,610	138,194	126,440	(2,609)	262,025
Unallocated expenses				(5,946)				(6,009)
Finance income				5,378				18,478
Finance costs				(35,919)				(34,956)
Profit before income tax				84,123				239,538
Income tax expense				(22,396)				(24,058)
Profit for the year				61,727				215,480
Share of gain/(loss) of associates	401	(937)	(929)	(1,465)	-	(1,767)	-	(1,767)
Depreciation	175,224	58,898	506	234,628	174,121	71,014	767	245,902
Amortisation	3,969	270	-	4,239	3,886	245	–	4,131

For the years ended 31 December 2015 and 2016, unallocated expenses represents corporate expenses.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	2016					2015				
	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	3,543,867	1,538,750	55,587	6,925	5,145,129	3,462,970	1,787,175	142,069	98,269	5,490,483
Liabilities	93,349	796,689	-	1,637,670	2,527,708	83,949	741,699	1,576	1,915,416	2,742,640
Capital expenditure	168,666	9,382	-	-	178,048	259,341	59,270	370	–	318,981

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	As at 31 December			
	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Segment assets/liabilities	**5,138,204**	**890,038**	5,392,214	827,224
Unallocated:				
Cash and cash equivalents	**5,936**	**–**	98,117	–
Other receivables	**989**	**–**	152	–
Current income tax liabilities	**–**	**6,799**	–	6,535
Deferred taxation	**–**	**20,047**	–	21,027
Bank borrowings	**–**	**1,577,244**	–	1,847,991
Accruals and other payables	**–**	**33,580**	–	39,863
Total	**5,145,129**	**2,527,708**	5,490,483	2,742,640

Substantially all of the Group's operations and assets are located in Mainland China and the Group's sales are primarily delivered from Mainland China.

An analysis of the Group's three (2015: three) major customers, each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2016	2015
	HK$'000	HK$'000
Customer A	**518,762**	591,801
Customer B	**402,083**	491,308
Customer C	**366,463**	411,572

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Year ended 31 December 2016						
Opening net book amount	592,471	917,756	209,615	11,770	189,127	1,920,739
Exchange differences	(7,822)	(14,644)	(1,949)	(50)	(4,688)	(29,153)
Additions	22,686	26,715	15,318	1,786	111,543	178,048
Transfers	84,461	113,729	3,105	292	(201,587)	-
Disposals	-	(486)	(1,015)	(91)	-	(1,592)
Disposal of subsidiaries (Note 34)	(1,297)	(109,674)	(16,469)	(1,383)	(11,965)	(140,788)
Depreciation	(35,531)	(130,481)	(65,754)	(2,862)	-	(234,628)
Closing net book amount	654,968	802,915	142,851	9,462	82,430	1,692,626
As at 31 December 2016						
Cost	874,005	1,668,191	438,908	31,826	82,430	3,095,360
Accumulated depreciation	(219,037)	(865,276)	(296,057)	(22,364)	-	(1,402,734)
Net book amount	654,968	802,915	142,851	9,462	82,430	1,692,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction–in-progress HK$'000	Total HK$'000
Year ended 31 December 2015						
Opening net book amount	622,702	869,672	253,979	15,208	152,091	1,913,652
Exchange differences	(7,008)	(16,773)	(2,585)	(148)	(2,225)	(28,739)
Additions	9,251	61,636	27,212	1,813	196,336	296,248
Acquisition of a subsidiary	–	581	550	219	–	1,350
Transfers	2,555	151,634	2,669	–	(156,858)	–
Disposals	–	(71)	(11)	(2,174)	(217)	(2,473)
Disposal of a subsidiary	–	(11,053)	(2,344)	–	–	(13,397)
Depreciation	(35,029)	(137,870)	(69,855)	(3,148)	–	(245,902)
Closing net book amount	592,471	917,756	209,615	11,770	189,127	1,920,739
As at 31 December 2015						
Cost	777,574	1,693,809	446,633	32,315	189,127	3,139,458
Accumulated depreciation	(185,103)	(776,053)	(237,018)	(20,545)	–	(1,218,719)
Net book amount	592,471	917,756	209,615	11,770	189,127	1,920,739

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

	2016 HK$'000	2015 HK$'000
Plant and machinery	**178,471**	235,691

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Cost of sales	**149,273**	157,655
Selling and marketing costs	**1,494**	1,611
General and administrative expenses	**83,861**	86,636
	234,628	245,902

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

	2016 HK$'000	2015 HK$'000
Land and buildings in Hong Kong, located on land with lease of between 10 and 50 years	**5,832**	6,095
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years (Note 7)	**649,136**	586,376
	654,968	592,471

Land and buildings with net book amount of HK$5,832,000 (2015: HK$6,095,000) were pledged as collateral for the Group's borrowings (Note 20).

Analysis of construction-in-progress is as follows:

	2016 HK$'000	2015 HK$'000
Construction costs of buildings	**49,323**	89,340
Cost of machinery	**33,107**	99,787
	82,430	189,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 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:

	2016 **HK$'000**	2015 HK$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**171,061**	179,046

Movements are:

	2016 **HK$'000**	2015 HK$'000
As at 1 January	**179,046**	163,940
Exchange differences	**(3,746)**	(3,496)
Additions	**–**	22,733
Amortisation	**(4,239)**	(4,131)
As at 31 December	**171,061**	179,046
Representing –		
Cost	**195,071**	199,689
Accumulated amortisation	**(24,010)**	(20,643)
Net book amount	**171,061**	179,046

8 GOODWILL

	2016 **HK$'000**	2015 HK$'000
As at 1 January	**5,067**	2,545
Addition	**–**	2,557
Disposal	**–**	(35)
As at 31 December	**5,067**	5,067

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

	2016 **HK$'000**	2015 HK$'000
Metal stamping	**2,557**	2,557
Corporate	**2,510**	2,510
At 31 December	**5,067**	5,067

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2016 (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9A SUBSIDIARIES

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2016:

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
Digidie Auto Components 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
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
Yihe Precision Hardware (Shenzhen) Co., Ltd. (億和精密金屬製品(深圳)有限公司) (a)	Mainland China, limited liability company	HK$221,880,000	100%	Manufacturing of metal moulds and components

9A SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2016: (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
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
EVA Precision Industrial (Zhongshan) Limited (億和精密工業(中山)有限公司) (a)(b)	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
Digidie Stamping Technology (Wuhan) Limited (數碼模沖壓技術(武漢)有限公司) (a)(b)	Mainland China, limited liability company	US$26,000,000	100%	Manufacturing of metal moulds and components
Chongqing Digidie Auto Body Ltd. (重慶數碼模車身模具有限公司) (a)	Mainland China, limited liability company	RMB191,250,000	100%	Manufacturing of metal stamping moulds and components for automobiles
EVA Hai Phong Precision Industrial Co., Ltd.	Vietnam, limited liability company	US$10,000,000	100%	Manufacturing of metal stamping and plastic injection moulds and components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9A SUBSIDIARIES (CONTINUED)

(a) The Group's principal wholly foreign owned enterprises in Mainland China and their respective terms of business are as follows:

Name	Place of establishment	Terms of business
Yihe Precision Hardware (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to May 2021
Yihe Plastic and Electronics Products (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to July 2024
Chongqing Digidie Auto Body Ltd.	Chongqing, Sichuan Province, Mainland China	20 years up to March 2026
Digidie Stamping Technology (Wuhan) Limited	Wuhan, Hubei Province, Mainland China	20 years up to August 2031
EVA Precision Industrial (Suzhou) Limited	Suzhou, Jiangsu Province, Mainland China	50 years up to August 2055
EVA Precision Industrial (Zhongshan) Limited	Zhongshan, Guangdong Province, Mainland China	50 years up to August 2056
Shenzhen EVA Mould Manufacturing Limited	Shenzhen, Guangdong Province, Mainland China	50 years up to June 2057

9A SUBSIDIARIES (CONTINUED)

(b) At 31 December 2016, the Group was committed to making additional capital contributions to the following principal subsidiaries:

Name	Committed capital injection HK$'000	Due date
Digidie Stamping Technology (Wuhan) Limited	41,197	November 2017
EVA Precision Industrial (Zhongshan) Limited	2,500	January 2018

Material non-controlling interests

As at 31 December 2016, there are no non-controlling interests that is considered material to the Group. As at 31 December 2015, total non-controlling interests amounted to HK$129,387,000, of which HK$57,311,000 and HK$42,798,000 are attributable to Shenzhen Jinggong Microcredit Limited ("Microcredit") and Shenzhen Yineng Network Communication Equipment Limited ("Yineng") respectively. The remaining non-controlling interests in subsidiaries are not individually material.

Set out below is summarised financial information of Microcredit and Yineng –

Summarised statement of financial position

	Microcredit 2015 HK$'000	Yineng 2015 HK$'000
ASSETS		
Non-current assets	2,884	147,696
Current assets	141,970	119,954
LIABILITIES		
Current liabilities	(1,576)	(180,307)
Net current assets/(liabilities)	140,394	(60,353)
Net assets	143,278	87,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9A SUBSIDIARIES (CONTINUED)

Material non-controlling interests (Continued)

Summarised statement of comprehensive income

	Microcredit 2015 HK$'000	Yineng 2015 HK$'000
Revenue	33,225	157,839
(Loss)/profit before income tax	(1,184)	5,225
Income tax expense	(165)	–
(Loss)/profit for the year/ Total comprehensive (loss)/income for the year	(1,349)	5,225
Total comprehensive (loss)/income allocated to non-controlling interests	(540)	3,598
Dividend paid to non-controlling interests	–	–

Summarised statements of cash flows

	Microcredit 2015 HK$'000	Yineng 2015 HK$'000
Net cash (used in)/generated from operating activities	(8,441)	9,982
Net cash used in investing activities	(370)	(81,095)
Net cash generated from financing activities	–	83,499
Net (decrease)/increase in cash and cash equivalents	(8,811)	12,386
Cash and cash equivalents at beginning of year	14,859	2,929
Exchange losses on cash and cash equivalents	(518)	(571)
Cash and cash equivalents at end of year	5,530	14,744

The information above are the amounts before inter-company eliminations.

9B INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
As at 1 January	**12,720**	14,927
Additions	**59,103**	–
Transfer to non-current asset held for sale	**(11,376)**	–
Exchange difference	**(2,774)**	(440)
Share of loss	**(1,465)**	(1,767)
As at 31 December	**56,208**	12,720

Details of the associates as at 31 December 2016:

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 gear reducers and motor gear reducers	Equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9B INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position

	Microcredit	
	2016	2015
	HK$'000	HK$'000
ASSETS		
Non-current assets	**2,006**	N/A
Current assets	**150,261**	N/A
LIABILITIES		
Current liabilities	**13,300**	N/A
Net current liabilities	**136,961**	N/A
Net assets	**138,967**	N/A

Summarised statement of comprehensive income

	Microcredit	
	2016	2015
	HK$'000	HK$'000
Revenue	**36,032**	N/A
Profit before income tax	**11,831**	N/A
Income tax expenses	**(7,335)**	N/A
Total comprehensive income for the year	**4,496**	N/A
Dividend received from associates	**–**	N/A

10 INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	**92,641**	99,259
Work-in-progress	**184,564**	271,790
Finished goods	**65,887**	119,778
	343,092	490,827
Less: Provision for impairment	**(17,477)**	(24,973)
Inventories – net	**325,615**	465,854

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,690,936,000 (2015: HK$1,678,927,000).

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

	2016 HK$'000	2015 HK$'000
At 1 January	**24,973**	24,084
Disposal of a subsidiary	**(591)**	(191)
(Reversal of provision)/provision for impairment (Note 26)	**(6,905)**	1,080
At 31 December	**17,477**	24,973

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 TRADE RECEIVABLES

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**788,555**	794,354
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**787,367**	793,166

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:

	2016 **HK$'000**	2015 HK$'000
0 to 90 days	**655,370**	750,347
91 to 180 days	**133,185**	44,007
	788,555	794,354
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**787,367**	793,166

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 55.7% (2015: 47.8%) and 17.3% (2015: 13.2%), respectively, of the trade receivables balance as at 31 December 2016. 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 2016, no trade receivables (2015: Nil) were past due.

11 TRADE RECEIVABLES (CONTINUED)

Trade receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollars ("HK$")	156,739	217,557
United States dollars ("US$")	314,181	308,604
Chinese Renminbi ("RMB")	294,424	250,693
Others	23,211	17,500
	788,555	794,354

12 LOAN AND INTEREST RECEIVABLES

Loans to customers relate to the Group's micro lending business and have loan periods ranging from 30 days to 36 months.

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

	2016 HK$'000	2015 HK$'000
0 to 90 days	–	52,255
91 to 180 days	–	25,585
181 to 365 days	–	39,993
Over 365 days	–	33,452
	–	151,285
Less: Provision for impairment	–	(18,000)
Total loan and interest receivables	–	133,285
Less: Amount included in non-current assets	–	(4,804)
Current	–	128,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 LOAN AND INTEREST RECEIVABLES (CONTINUED)

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

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

As at 31 December 2015, no loan and interest receivables were overdue but considered not impaired.

As at 31 December 2015, loan and interest receivables of HK$11,459,000 was considered impaired and had been fully provided for. The aging analysis of these receivables by due date is as follows:

	2016	2015
	HK$'000	HK$'000
0 to 90 days	**–**	11,459

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

	2016	2015
	HK$'000	HK$'000
As at 1 January	**18,000**	1,391
Disposal of a subsidiary	**(18,000)**	–
Provision for impairment (Note 26)	**–**	18,992
Written-off	**–**	(2,383)
As at 31 December	**–**	18,000

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Non-current:		
Deposits for purchases of property, plant and equipment	**123,397**	76,726
Others	**5,361**	3,693
	128,758	80,419
Current:		
Loan to the other shareholder of the associate (Note)	**11,247**	11,936
Consideration receivables from disposal of subsidiaries (Note)	**28,323**	–
Consideration receivable from disposal of available for-sale financial asset (Note)	**12,527**	–
Prepayments for purchases of raw materials	**15,767**	13,055
VAT recoverable	**25,298**	59,558
Prepayment of utilities expenses	**668**	1,572
Receivables from employees and staff advances (Note)	**12,084**	22,546
Deposits placed with customs in Mainland China	**4,435**	9,879
Receivables from the then subsidiaries (Note)	**120,613**	–
Others	**19,942**	29,278
	250,904	147,824

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

14 AMOUNT DUE FROM A RELATED COMPANY

As at 31 December 2016, amount due from a related company is unsecured, non-interest bearing, denominated in Hong Kong dollars, and repayable by December 2017. The balance arose from the tax indemnity provided by the related company (Note 35(a)).

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

The maximum outstanding balance during the year was HK$3,174,000 (2015: HK$4,760,000).

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**106,861**	56,461

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

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

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

	2016	2015
	HK$'000	HK$'000
As at 1 January	**56,461**	25,197
Additions	**22,332**	33,791
Transfer from the disposal of the equity interest of a subsidiary	**48,424**	–
Disposal	**(40,545)**	–
Revaluation gain/(loss) transferred to other comprehensive income	**20,189**	(2,527)
As at 31 December	**106,861**	56,461

16 ASSET CLASSIFIED AS HELD FOR SALE

	2016	2015
	HK$'000	HK$'000
Transferred from investment in an associate	**11,376**	–

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

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

	Group	
	2016	2015
	HK$'000	HK$'000
Restricted bank deposits	**60,569**	42,097
Short-term bank deposits	**123,996**	42,971
Cash and cash equivalents	**1,423,134**	1,607,660
	1,607,699	1,692,728

As at 31 December 2016, 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:

	2016		2015	
	Effective interest rate (per annum)	**Average maturity (days)**	Effective interest rate (per annum)	Average maturity (days)
Restricted bank deposits	**0.4%**	**172**	0.4%	172
Short-term bank deposits	**1.9%**	**365**	2.7%	91
Cash and cash equivalents	**0.3%**	**N/A**	0.3%	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 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:

	2016 **HK$'000**	2015 HK$'000
HK$	**375,594**	554,293
RMB	**179,573**	264,064
US$	**1,041,430**	870,127
Japanese yen	**430**	408
Euro	**9,112**	3,639
Others	**1,560**	197
	1,607,699	1,692,728

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

18 TRADE PAYABLES

The ageing of trade payables is as follows:

	2016 **HK$'000**	2015 HK$'000
0 to 90 days	**428,324**	438,252
91 to 180 days	**254,931**	163,113
181 to 365 days	**–**	1,339
	683,255	602,704

18 TRADE PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
HK$	**21,420**	48,704
RMB	**449,052**	331,016
US$	**212,476**	222,984
VND	**307**	–
	683,255	602,704

19 ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Payable for purchase of property, plant and equipment	**37,500**	23,060
Deposits from customers	**41,243**	32,704
Accrued utilities expenses	**4,720**	4,562
Accrued wages, salaries and welfare	**76,563**	78,948
Accrued operating expenses	**6,661**	5,384
Other payables	**52,413**	53,463
	219,100	198,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	2016	2015
	HK$'000	HK$'000
HK$	**25,442**	–
RMB	**61,493**	76,185
Others	**2,978**	338
	89,913	76,523

20 BANK BORROWINGS

	2016	2015
	HK$'000	HK$'000
Current:		
Short-term bank loans	**647,556**	668,681
Portion of long-term loans from banks due for repayment within one year	**363,107**	449,202
Mortgage loan, current portion	**420**	420
	1,011,083	1,118,303
Non-current:		
Portion of long-term loans from banks due for repayment after one year	**565,303**	728,410
Mortgage loan, non-current portion	**858**	1,278
	566,161	729,688
Total bank borrowings	**1,577,244**	1,847,991

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:

	2016	2015
	HK$'000	HK$'000
Within 1 year	**1,011,083**	1,118,303
Between 1 and 2 years	**295,890**	330,527
Between 2 and 5 years	**270,271**	399,161
	1,577,244	1,847,991

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

	2016	2015
	HK$'000	HK$'000
HK$	**1,552,578**	1,686,127
US$	**24,666**	161,864
	1,577,244	1,847,991

20 BANK BORROWINGS (CONTINUED)

As at 31 December 2016, 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	
	2016	2015	**2016**	2015	**2016**	2015
HK dollars	**1.8%**	2.2%	**1.8%**	2.4%	**2.4%**	2.4%
US dollars	**0.6%**	2.3%	**2.3%**	2.3%	**–**	–

As at 31 December 2016, the Group has undrawn floating rate borrowing facilities of approximately HK$231,841,000 (2015: HK$162,385,000).

As at 31 December 2016, land and buildings with a carrying amount of HK$5,832,000 (2015: HK$6,095,000) were pledged as collateral for the Group's borrowing.

21 FINANCE LEASE LIABILITIES

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**12,732**	41,916
In the second year	**6,047**	17,836
In the third to fifth year	**2,499**	8,546
	21,278	68,298
Less: Future finance charges on finance leases	**(505)**	(2,036)
Present value of finance lease liabilities	**20,773**	66,262

21 FINANCE LEASE LIABILITIES (CONTINUED)

The present value of finance lease liabilities is as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**12,365**	40,440
In the second year	**5,926**	17,414
In the third to fifth year	**2,482**	8,408
Total finance lease liabilities	**20,773**	66,262
Less: Amount included in current liabilities	**(12,365)**	(40,440)
	8,408	25,822

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

As at 31 December 2016, the effective interest rate of the Group's finance lease liabilities was 3.2% (2015: 3.1%) 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 2016, the net book amount of the leased assets was approximately HK$178,471,000 (2015: HK$235,691,000).

22 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**20,047**	20,536
Deferred tax liability to be recovered within 12 months	**490**	491
	20,537	21,027

22 DEFERRED TAXATION (CONTINUED)

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

	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
As at 1 January 2015	16,389	5,129	21,518
Charged to profit or loss	(491)	–	(491)
As at 31 December 2015	15,898	5,129	21,027
Charged to profit or loss	(490)	–	(490)
As at 31 December 2016	15,408	5,129	20,537

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$61,397,000 (2015: HK$57,246,000) 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$34,263,000 (2015: HK$36,652,000) in respect of losses amounting to HK$201,255,000 (2015: HK$195,431,000) that can be carried forward against future taxable income. Tax losses of HK$170,074,000 (2015: HK$137,030,000) can be carried forward indefinitely. Tax losses of HK$706,000, HK$15,256,000 and HK$5,108,000 and HK$10,111,000 will expire in 2017, 2018, 2019 and 2021, respectively (2015: HK$3,417,000, HK$9,457,000, HK$34,525,000, HK$9,817,000 and HK$1,185,000 will expire in 2016, 2017, 2018, 2019 and 2020, respectively).

23 SHARE CAPITAL

	Note	Number of ordinary shares (thousands)	Nominal value HK$'000
Authorised:			
As at 1 January 2015, 31 December 2015 and 2016		200,000,000	20,000,000
Issued and fully paid:			
As at 1 January 2015		1,683,348	168,334
Issue of shares pursuant to share options scheme	(a)	125,704	12,571
Issue of shares	(b)	70,000	7,000
As at 31 December 2015		1,879,052	187,905
Repurchase of shares	(c)	(17,668)	(1,767)
As at 31 December 2016		1,861,384	186,138

Notes:

(a) During the year ended 31 December 2015, 111,874,000, 9,600,000, 3,010,000, 920,000 and 300,000 ordinary shares were issued at HK$0.69, HK$1.16, HK$0.175, HK$0.41 and HK$1.172 per share, respectively, upon exercise of options under the share options scheme.

(b) In January 2015, the Group issued 70,000,000 shares at HK$1.94 each, by way of placing, for HK$135,800,000. The related share issuance expenses amounting to HK$4,530,000 have been netting off against the proceeds. The excess over the par value of the shares was credited to the share premium account.

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

23 SHARE CAPITAL (CONTINUED)

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

Share options

In 2005, the Company adopted a share options scheme ("2005 Share Options Scheme"). Under the 2005 Share Options Scheme, the Company's directors may, at their sole discretion, grant to any director or employee of the Group options to subscribe for shares of the Company at the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2005 Share Options Scheme and any other share options scheme of the Group must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

In 2015, the Company adopted a share options scheme ("2015 Share Options Scheme"). Under the 2015 Share Options Scheme, the Company's directors may, at their sole discretion, grant to any director or employee of the Group options to subscribe for shares of the Company at the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2015 Share Options Scheme and any other share options scheme of the Group must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time.

23 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

	2016 Average exercise price per share HK$	**2016** Number of options '000	2015 Average exercise price per share HK$	2015 Number of options '000
As at 1 January		**38,676**		164,380
Exercised	**–**	**–**	1.172	(300)
Exercised	**–**	**–**	1.16	(9,600)
Granted	**0.692**	**67,050**	–	–
Exercised	**–**	**–**	0.69	(111,874)
Exercised	**–**	**–**	0.41	(920)
Exercised	**–**	**–**	0.175	(3,010)
As at 31 December		**105,726**		38,676

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

Expiry date	**2016** Exercise price HK$	**2016** Number of options '000	2015 Exercise price HK$	2015 Number of options '000
6 November 2017	**1.16**	**12,250**	1.16	12,250
6 November 2017	**0.69**	**23,296**	0.69	23,296
1 October 2019	**0.41**	**200**	0.41	200
7 July 2021	**0.692**	**67,050**	–	–
19 November 2018	**0.175**	**2,930**	0.175	2,930
		105,726		38,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL (CONTINUED)

Share options (Continued)

On 8 July 2016, 67,050,000 share options were granted to the Company's directors and employees with an exercise price HK$0.692 per share. The options have vesting period approximately of 1.5 years and exercisable from 2 January 2018 to 7 July 2021.

The fair values of 67,050,000 options granted on 8 July 2016, determined using the Black-Scholes Valuation Model, were approximately HK$10,236,000. The significant inputs into the model were as follows:

	7 July 2016
Exercise price	**HK$0.692**
Expected volatility	**45.98%**
Expected life	**3.24years**
Risk-free rate	**0.52%**
Dividend paid-out rate	**2.33%**

The amount charged to the consolidated statement of comprehensive income during the year ended 31 December 2016 was HK$3,318,000.

24 RESERVES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
As at 1 January 2015	999,147	(735)	121,473	20,329	43,814	–	11,763	971,030	2,166,821
Profit for the year	–	–	–	–	–	–	–	205,469	205,469
Dividends paid	–	–	–	–	–	–	–	(87,607)	(87,607)
– Translation differences	–	–	–	–	–	–	(52,889)	–	(52,889)
– Revaluation loss on available-for-sale financial assets	–	–	–	–	–	(2,527)	–	–	(2,527)
Proceeds from issuance of shares upon exercise of employee share options	77,014	–	–	–	–	–	–	–	77,014
Proceeds from issuance of shares upon placing	128,800	–	–	–	–	–	–	–	128,800
Expenses for issuance of shares upon placing	(4,530)	–	–	–	–	–	–	–	(4,530)
Transfer to share premium upon exercise of share options	32,417	–	–	–	(32,417)	–	–	–	–
Transfer to statutory reserves	–	–	17,468	–	–	–	–	(17,468)	–
As at 31 December 2015	1,232,848	(735)	138,941	20,329	11,397	(2,527)	(41,126)	1,071,424	2,430,551

24 RESERVES (CONTINUED)

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. The reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 OTHER INCOME AND OTHER LOSSES – NET

	2016 HK$'000	2015 HK$'000
Other income		
Government grants	**746**	7,838
Rental income	**3,007**	2,463
	3,753	10,301

	2016 HK$'000	2015 HK$'000
Other gains/(losses) – net		
Gains on disposal of subsidiaries, net (Note 34)	**3,880**	2,644
Loss on disposal of an available-for-sale financial asset	**(4,316)**	–
Losses on sales of property, plant and equipment	**(58)**	(270)
Net exchange gains/(losses)	**3,833**	(21,628)
Others	**532**	1,800
	3,871	(17,454)

26 EXPENSES BY NATURE

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

	2016 HK$'000	2015 HK$'000
Depreciation of property, plant and equipment (Note 6)		
– Owned assets	**205,541**	217,855
– Leased assets	**29,087**	28,047
	234,628	245,902
Amortisation of leasehold land and land use rights (Note 7)	**4,239**	4,131
Employment expenses (Note 27)	**711,590**	779,388
Auditor's remuneration		
– Audit services	**3,540**	3,758
– Non-audit services	**320**	320
Changes in inventories of finished goods and work-in-progress	**141,118**	(34,323)
Raw materials and consumables used	**1,549,818**	1,713,250
(Reversal of provision)/provision for inventory obsolescence	**(6,905)**	1,080
Provision for loan and interest receivables	**–**	18,992
Subcontracting expenses	**97,307**	147,733
Utilities expenses	**58,135**	70,527
Transportation expenses	**32,433**	35,985
Packaging expenses	**98,525**	99,910
Marketing expenses	**5,398**	6,503
Office expenses	**43,525**	45,872
Operating lease payments for properties	**10,423**	13,104
Others	**116,691**	115,958
	3,100,785	3,268,090

27 EMPLOYMENT EXPENSES

	2016 HK$'000	2015 HK$'000
Wages, salaries and bonus	**611,759**	683,076
Staff welfare	**56,323**	52,523
Retirement benefit – defined contribution plans (a)	**40,190**	43,789
Share options granted (Note 23)	**3,318**	–
	711,590	779,388

(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 2016, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$40,190,000 (2015: HK$43,789,000). As at 31 December 2016, the Group was not entitled to any forfeited contributions to reduce its future contributions (2015: Nil).

27 EMPLOYMENT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2015: three) directors whose emoluments are reflected in the analysis in Note 37.

The emoluments payable to the remaining two (2015: two) individuals are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries	**1,665**	1,665
Discretionary bonus	**241**	241
Share option granted	**88**	–
Contribution to pension scheme	**61**	61
	2,055	1,967

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
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 (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 FINANCE INCOME/COSTS

	2016 HK$'000	2015 HK$'000
Finance income		
Interest income on bank deposits	**5,378**	18,478
Finance costs		
Interest expense on:		
Bank borrowings	**36,655**	32,994
Finance lease liabilities	**1,121**	3,634
Interest capitalised	**(1,857)**	(1,672)
	35,919	34,956

29 INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Current taxation		
– Hong Kong profits tax	**99**	315
– Mainland China corporate income tax	**19,040**	28,998
Under/(over)-provision in prior years	**3,747**	(4,764)
Deferred income tax (Note 22)	**(490)**	(491)
	22,396	24,058

29 INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Profit before income tax	**84,123**	239,538
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**6,523**	16,726
Income not subject to tax	**(2,016)**	(441)
Expenses not deductible for tax purpose	**5,909**	4,448
Tax losses for which no deferred income tax asset was recognised	**8,233**	8,089
Under/(over)-provision in prior years	**3,747**	(4,764)
Tax charge	**22,396**	24,058

The weighted average applicable tax rate for the year ended 31 December 2016 was approximately 7.8% (2015: 7.0%). The increase is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions of tax in current year.

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2015: 16.5%).

29 INCOME TAX EXPENSE (CONTINUED)

(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% (2015: 25%) on the assessable income of each of the group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digidie Auto Body Ltd., Yihe Precision Hardware (Shenzhen) Co., Ltd., EVA Precision Industrial (Zhongshan) Limited and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. 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 2015 and 2016. Digidie Stamping Technology (Wuhan) Limited is 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 year ended 31 December 2016.

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.

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

30 EARNINGS PER SHARE

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

Basic

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**53,486**	205,469
Weighted average number of ordinary shares in issue ('000)	**1,827,830**	1,830,457
Basic earnings per share (HK cents per share)	**2.9**	11.2

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.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**53,486**	205,469
Weighted average number of ordinary shares in issue ('000)	**1,827,830**	1,830,457
Adjustment for share options ('000)	**64,816**	8,677
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,892,646**	1,839,134
Diluted earnings per share (HK cents per share)	**2.8**	11.2

31 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend paid of HK0.37 cent (2015: HK2 cents) per share	**6,952**	37,281
Proposed final dividend of HK0.51 cent (2015: HK1.3 cents) per share	**9,140**	24,428
	16,092	61,709

A final dividend in respect of the year ended 31 December 2016 of HK$0.51 cent per share, totaling of HK$9,140,000 has been proposed for approval at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 HK$'000	2015 HK$'000
Profit for the year	**61,727**	215,480
Adjustments for:		
– Income tax	**22,396**	24,058
– Provision for loan and interest receivables	**–**	18,992
– Depreciation of property, plant and equipment	**234,628**	245,902
– Amortisation of leasehold land and land use rights	**4,239**	4,131
– Losses on sales of property, plant and equipment	**58**	270
– Gains on disposal of subsidiaries, net (Note 34)	**(3,880)**	(2,644)
– Gain on disposal of an available-for-sales investment	**2,689**	–
– Share of losses of associates	**1,465**	1,767
– Share-based payment	**3,318**	–
– Interest income	**(5,378)**	(18,478)
– Interest expense	**35,919**	34,956
Changes in working capital:		
– Inventories	**122,050**	(42,486)
– Trade receivables	**(47,587)**	(73,079)
– Loan and interest receivables	**(11,038)**	(13,558)
– Prepayments, deposits and other receivables	**(79,398)**	(7,671)
– Amount due from a related company	**1,587**	1,587
– Trade payables	**109,243**	(19,526)
– Accruals and other payables	**152,991**	(17,193)
Cash generated from operations	**605,029**	352,508

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

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

	2016 HK$'000	2015 HK$'000
Net book amount	**1,592**	2,473
Loss on disposal of property, plant and equipment	**(58)**	(270)
Proceeds	**1,534**	2,203

33 COMMITMENTS – GROUP

(a) Capital commitments

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

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
– Construction of buildings	**32,339**	51,617
– Purchase of plant and machinery	**44,943**	26,984
	77,282	78,601

(b) Operating lease commitments – group companies as lessees

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

	2016 HK$'000	2015 HK$'000
Not later than one year	**13,926**	13,468
Later than one year but not later than five years	**42,839**	38,882
Later than five years	**80,265**	103,529
	137,030	155,879

34 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES

(a) Disposal of equity interest in Shenzhen Jinggong Microcredit Limited

In August 2016, the Group disposed of its 20% equity interest in Shenzhen Jinggong Microcredit Limited, a 60% owned subsidiary for a cash consideration of RMB25,183,000 (equivalent to approximately HK$29,323,000), and recognised a loss of HK$4,695,000. Shenzhen Jinggong Microcredit Limited was engaged in the microcredit business in Mainland China. Thereafter, the interest in the company was classified as investment in an associate and accounted for using equity method.

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

	HK$'000
Net asset at the date of disposal	147,155
Less: Fair value of investment retained	(58,862)
Less: Non-controlling interests	(58,862)
Share of net asset disposed at the date of disposal	29,431
Release of exchange reserve	4,587
Net loss on disposal of the equity interest of the subsidiary	(4,695)
Consideration	29,323
Satisfied by:	
Consideration receivable	29,323

34 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES (CONTINUED)

(a) Disposal of equity interest in Shenzhen Jinggong Microcredit Limited (Continued)

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

	HK$'000
Carrying amount of assets and liabilities disposed of:	
Property, plant and equipment (Note 6)	2,334
Loan and interest receivables	144,323
Prepayments, deposits and other receivables	273
Cash and cash equivalents	14,512
Other payables and accruals	(2,582)
Borrowings	(11,705)
	147,155
Cash consideration received	–
Cash and cash equivalents disposed of	(14,512)
Net cash disposed of from disposal of a subsidiary	(14,512)

(b) Disposal of equity interest in Shenzhen Yineng Network Communication Equipment Limited

In July 2016, the Group disposed of its 5% equity interest in Shenzhen Yineng Network Communication Equipment Limited, a 51% owned subsidiary, for a cash consideration of RMB5,000,000 (approximately HK$5,801,000), and recognised a gain of HK$8,503,000, which included the gain on disposal of the available-for-sale financial asset of HK$7,964,000. Shenzhen Yineng Network Communication Equipment Limited was engaged in the manufacturing of metal and plastic moulds and components in Mainland China. Thereafter, the interest in the company was classified as an available-for-sale financial asset.

34 DISPOSAL OF EQUITY INTERESTS IN SUBSIDIARIES (CONTINUED)

(b) Disposal of equity interest in Shenzhen Yineng Network Communication Equipment Limited (Continued)

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

	HK$'000
Net assets at the date of disposal	105,268
Less: Fair value of investment retained	(48,424)
Less: Non-controlling interest	(51,582)
Share of net asset disposed at the date of disposal	5,262
Release of available-for-sale financial asset reserve	(7,964)
Net gain on disposal of the equity interest of the subsidiary	8,503
Consideration	5,801
Satisfied by:	
Cash consideration	5,801

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

	HK$'000
Carrying amount of assets and liabilities disposed of:	
Property, plant and equipment (Note 6)	138,368
Investment in an available-for-sale financial asset	25,329
Trade receivables	53,330
Prepayments, deposits and other receivables	10,839
Inventories	18,189
Cash and cash equivalents	16,560
Trade payables	(27,198)
Other payables and accruals	(130,148)
	105,269
Cash consideration received	5,801
Cash and cash equivalents disposed of	(16,560)
Net cash disposed of from disposal of a subsidiary	(10,759)

35 RELATED-PARTY TRANSACTIONS – GROUP

Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owned 36.09% (2015: 35.75%) of the Company's shares as at 31 December 2016.

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

As disclosed in the Company's Prospectus dated 29 April 2005, Prosper Empire Limited (a company owned by Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua) and Zhang Hwo Jie, Zhang Jian Hua and Zhang Yaohua, directors of the Company, agreed to indemnify the Group in connection with any taxation of the Group relating to operations before the listing date (11 May 2005) of the Company and not provided for by the respective companies in the Group.

During the year ended 31 December 2014, the Group agreed with the Hong Kong Inland Revenue Department the basis and the amount of assessment for Hong Kong profits tax for a number of past years, including those period prior to the listing. In this connection, the Group could recover HK$8,798,000 from the aforementioned tax indemnity, of which HK$7,211,000 was settled and HK$1,587,000 was to be received from Prosper Empire Limited, a related company, by December 2017.

(b) Key management compensation

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and bonus	**19,440**	25,680
Share-based payments	**2,683**	–
Retirement benefits – defined contribution plans	**75**	75
	22,198	25,755

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**123,358**	123,358
Amounts due from subsidiaries	**1,815,793**	1,809,070
	1,939,151	1,932,428
Current assets		
Other receivables	**989**	152
Cash and cash equivalents	**5,936**	98,117
	6,925	98,269
LIABILITIES		
Current liabilities		
Accruals and other payables	**29,414**	75,053
Net current (liabilities)/assets	**(22,489)**	23,216
Total assets less current liabilities	**1,916,662**	1,955,644
Non-current liabilities		
Bank borrowings	**187,500**	250,000
Net assets	**1,729,162**	1,705,644
EQUITY		
Capital and reserves		
Share capital	**186,138**	187,905
Reserves	**1,543,024**	1,517,739
Total equity	**1,729,162**	1,705,644

36 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 2016	**1,232,848**	**121,351**	**20,329**	**11,397**	**131,814**	**1,517,739**
Profit for the year	**–**	**–**	**–**	**–**	**66,488**	**66,488**
Dividends paid	**–**	**–**	**–**	**–**	**(31,380)**	**(31,380)**
Employee share option scheme – value of employee services	**–**	**–**	**–**	**3,318**	**–**	**3,318**
Premium on repurchase of shares	**(13,141)**	**–**	**–**	**–**	**–**	**(13,141)**
Capital redemption reserve arising from repurchase of shares	**–**	**–**	**1,767**	**–**	**(1,767)**	**–**
Balance at 31 December 2016	**1,219,707**	**121,351**	**22,096**	**14,715**	**165,155**	**1,543,024**
Balance at 1 January 2015	999,147	121,351	20,329	43,814	92,697	1,277,338
Profit for the year	–	–	–	–	126,724	126,724
Dividends paid	–	–	–	–	(87,607)	(87,607)
Proceeds from issuance of shares upon exercise of employee share options	77,014	–	–	–	–	77,014
Transfer to share premium upon exercise of share options	32,417	–	–	(32,417)	–	–
Proceeds from issuance of shares upon placing	128,800	–	–	–	–	128,800
Expenses for issuance of shares upon placing	(4,530)	–	–	–	–	(4,530)
Balance at 31 December 2015	1,232,848	121,351	20,329	11,397	131,814	1,517,739

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.

37 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 2016 is set out below:

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

37 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 2015 is set out below:

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors					
Mr. Zhang Hwo Jie	–	4,560	3,300	18	7,878
Mr. Zhang Jian Hua	–	4,560	3,300	18	7,878
Mr. Zhang Yaohua (i)	–	4,560	3,300	18	7,878
Independent non–executive directors					
Mr. Choy Tak Ho	160	–	–	–	160
Mr. Leung Tai Chiu	160	–	–	–	160
Mr. Lam Hiu Lo	160	–	–	3	163
	480	13,680	9,900	57	24,117

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 (2015: 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 (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: None).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: None).

38 SUBSEQUENT EVENT

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

On the same date, the Group entered into another agreement with Shenzhen KK Technology Co., Ltd. to acquire 51% equity interest in Sichuan Junyuan Investment Management Limited, a 51% owned subsidiary of Shenzhen KK Technology Co., Ltd., at a cash consideration of RMB19,686,000 (equivalent to HK$21,975,000).

At the same time, the Group entered into an agreement with an independent third party to acquire the remaining 49% of equity interest in Sichuan Junyuan Investment Management Limited with consideration of either a cash consideration of RMB19,600,000 (equivalent to HK$21,878,000) or 11,529 square meters of the properties developed by Sichuan Junyuan Investment Management Limited upon certain conditions were met as stated in the agreement.

FIVE YEARS FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONSOLIDATED RESULTS					
Turnover	**3,209,290**	3,533,026	3,454,977	2,655,715	2,367,023
Profit for the year	**61,727**	215,480	286,771	59,475	69,608
Non-controlling interests	**(8,241)**	(10,011)	(9,646)	(4,048)	1,281
Profit attributable to equity holders of the Company	**53,486**	205,469	277,125	55,427	70,889
CONSOLIDATED BALANCE SHEET					
Non-current assets	**2,160,581**	2,260,843	2,219,443	2,212,981	2,034,602
Current assets	**2,984,548**	3,229,640	2,581,384	2,135,863	1,789,133
Current liabilities	**(1,932,602)**	(1,966,103)	(1,771,244)	(1,474,868)	(1,129,675)
Non-current liabilities	**(595,106)**	(776,537)	(618,717)	(704,025)	(618,384)
Net assets	**2,617,421**	2,747,843	2,410,866	2,169,951	2,075,676
Share capital	**186,138**	187,905	168,334	167,977	167,947
Reserves	**2,399,800**	2,430,551	2,166,821	1,934,280	1,845,703
Non-controlling interests	**31,483**	129,387	75,711	67,694	62,026
Total equity	**2,617,421**	2,747,843	2,410,866	2,169,951	2,075,676

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