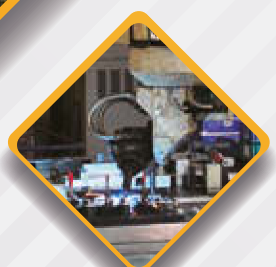
EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(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)

2018 年報
Annual Report

EVA Vietnam (Haiphong) Electronic Industrial Park



CONTENTS

GROUP PROFILE

EVA Precision Industrial Holdings Limited (the "Company") was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components and automated assembly services with high quality standard and dimensional accuracy. The Group started its business as a mould producer in 1993, and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005. At present, the Group operates ten industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Weihai) and Vietnam (Haiphong). The Group is also in the process of building up new production facilities in Weihai to expand its business there. Further, the construction of another new industrial park located at San Luis Potosí, Mexico is nearly complete and is scheduled for production soon.

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

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

At present, a majority of the Group's revenue is generated from serving the office automation ("OA") equipment industry. Whilst the OA equipment industry is expected to continue providing substantial growth momentum to the Group, the Group is also making conscious effort for developing into new markets, with particular attention given to the huge automobile, high technology and consumer electronics sectors. To this end, the Group's industrial parks in 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., a subsidiary of the Group, was awarded with the ISO9001 certification in respect of quality management system by the BSI Group.
2002	Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as one of the "300 Enterprises with Highest Growth Potential in Shenzhen" (深圳市300家最具成長性企業) and "Shenzhen Top 10 Industry Practitioner" (深圳行業10強企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). The first factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park with a construction area of approximately 21,000 sq.m. was completed. The Group's production lines were moved to EVA Shenzhen (Shiyan) Electronic Industrial Park in the same year.
2003	The second factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park with a construction area of approximately 19,000 sq.m. was completed. Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with ISO14001 certification in respect of environmental management system by the BSI Group. It was also accredited as: – "Hi-Tech Enterprise in Shenzhen" (深圳市高新技術企業) by Shenzhen Science and Technology Bureau (深圳市科學技術局); – "Reliable and Credible Enterprise" (守合同重信用企業) by Shenzhen Municipal Administration for Industry and Commerce (深圳市工商行政管理局); and – "Quality Assurance Honourable Enterprise in the PRC (Brand)" (中國質量承諾誠信經營企業(品牌)) by Quality Assurance Centre for China's Light Industry Products (中國中輕產品質量保障中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).
2004	Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the "2003 Excellent Supplier" (二零零三年度優秀供應商) award by Toshiba and "Certificate of Green Activity" by Canon. EVA Limited was granted with "Very Valuable Vendor (Improvement) Award" (VVV獎 – 進步獎) by Canon. The Group expanded into plastic mould and component manufacturing business through the establishment of EVA Plastic Mould Products (HK) Limited in Hong Kong and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. in Shenzhen. The first production line of the Group's plastic production line was established and located in the second factory building of EVA Shenzhen (Shiyan) Electronic Industrial Park for trial production.

CORPORATE MILESTONE

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

CORPORATE MILESTONE

Year	Event
2006 *(Cont'd)*	EVA Precision Industrial Holdings Limited was accredited as "Enterprise with Highest Growth Potential in China" (中國最具成長性企業) by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會), "Most Creative Enterprise in China" (中國最具創新力企業) by Chinese Association of Market Development (中國市場學會) and China Enterprises News Society (中國企業報社) and "2006 Shenzhen Top 100 Enterprise" (二零零六年度深圳百強企業) by Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報). EVA Precision Industrial Holdings Limited was admitted to the "Database of Outstanding Enterprises in China" (中國優秀企業數據庫) by Chinese Enterprise Confederation (中國企業聯合會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO9001 integrated certification from the BSI Group. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was awarded with ISO/TS16949 certification in respect of the production of automobile parts by the BSI Group.
2007	EVA Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "Encouragement Award"(鼓勵獎), "2006 Supplier Special Improvement Award" (二零零六年供應商特別改善獎) and "Environment Friendly Corporate Certificate" (環保企業證書) from Fuji Xerox. EVA Limited received "2007 Second Round Southern China Quality Very Valuable Vendor Award" (VVV獎 – 二零零七年第二回華南地區品質準優秀獎) from Canon. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "P-DOAZ (Part-Defect on Arrival Zero) Award" (零部件零缺陷獎) and "Environmental Collaboration Program Certificate"(環保系統証書) from Konica Minolta. EVA Precision Industrial Holdings Limited was accredited as "2007 China's Manufacturing Top 500" (二零零七年中國製造500強) by World Company Compete Skill Laboratory (世界企業競爭力實驗室), China Industrial and Economic Academy (中國工業經濟研究院) and World Production Review China's Editorial Office (全球製造評論中文版編輯部).

CORPORATE MILESTONE

Year	Event
2007 *(Cont'd)*	EVA Precision Industrial Holdings Limited received "Corporate Citizen – Responsibility for Society" (企業公民 – 責任獻社會) award from China Social Welfare Association – China Committee of Corporate Citizenship (中國社會工作協會企業公民委員會). EVA Precision Industrial Holdings Limited received "Best Under a Billion" award from Forbes (Asia) magazine. Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Most Influential Enterprise" (深圳最具影響力企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO14001 integrated certification from the BSI Group.
2008	EVA (Guangming) Precision Manufacturing Industrial Park which is located at Guangming New District, Shenzhen commenced commercial operations in the fourth quarter of 2008. EVA Precision Industrial Holdings Limited was accredited as one of the "Top 50 Listed Companies with Highest Investment Value in Guangdong Province" (廣東最具投資價值上市公司50強) and "Top 100 Manufacturing Enterprises in Guangdong Province" (廣東省製造企業100強) by Guangdong Provincial 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 Hongkong" by the Federation of Hong Kong Industries.

CORPORATE MILESTONE

Year	Event
2009	EVA Plastic Mould Products (HK) Limited and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received "2008 Golden Quality Award" (二零零八年度品質金獎) from Konica Minolta. EVA Limited received "2008 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零八年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon. EVA Precision Industrial Holdings Limited received "Distinguished Supplier Award" (傑出供應商獎) from General Electric. Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with "The First Supplier QCC Forum – Second and Third Class Awards" (第一回供應商QCC發表會二等獎及三等獎) respectively by Kyocera. EVA Precision Industrial Holdings Limited was also granted with: – "Outstanding Enterprise in China Machinery Industry" (中國機械工業優秀企業) award and "Most Influential Brand Name in China Machinery Industry" (中國機械工業最具影響力的品牌) award by China Machinery Industry Federation (中國機械工業聯合會); – "Employee Care Award" (關愛員工獎) by Golden Bee CSR China Honour Roll (金蜜蜂企業社會責任中國榜); – "Great Love in Guangming" (大愛光明) award by the charity committee of Shenzhen Guangming New District; – "Hong Kong Outstanding Enterprises" (香港傑出企業) award by Hong Kong Economic Digest (香港經濟一週); and – "Chairman Enterprise" (會長企業) accreditation by Shenzhen Machinery Association (深圳市機械行業協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). EVA Precision Industrial (Suzhou) Limited was accredited as a "Star Overseas Chinese Enterprise in Jiangsu Province" (江蘇省明星僑資企業) by the Overseas Chinese Office of the People's Government of Jiangsu Province (江蘇省人民政府僑務辦公室). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as a "National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment" (全國外商投資雙優企業) by China Association of Enterprises with Foreign Investment (中國外商投資企業協會) and Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會).

CORPORATE MILESTONE

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

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

CORPORATE MILESTONE

Year	Event
2011 *(Cont'd)*	EVA Precision Industrial Holdings Limited received: – "2010 Golden Quality Award" (二零一零年度品質金獎) from Konica Minolta; – "Premiere Partner (2011)" (卓越合作夥伴(二零一一年)) award from Fuji Xerox; – "Qualification Certificate in Factory Monitoring Standard for the Management of Special Chemical Substances" (特定化學物質管理工場監察基準合格證) from Brother; – "2009/2010 Pearl River Delta Environmental Award" (二零零九年／二零一零年珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank; – OHSAS18001 certificate in occupational health and safety management system from the BSI Group; and – "2011/2012 Reputable Enterprise in Guangdong Province" (二零一一年／二零一二年廣東省著名企業) award from China Quality Brand Evaluation Centre (中國質量品牌測評中心), the Guangdong Branch of the Society of Social Investigation of China (中國社會調查所廣東分所) and CSA Credit Appraisal Centre (中品評 (北京) 品牌管理顧問中心). EVA Precision Industrial Holdings Limited entered into joint development programs and became the education, research and production practice bases of Huazhong University of Science and Technology (華中科技大學), Shenzhen Polytechnic (深圳職業技術學院) and Henan University of Technology (河南工業大學). It was also recognised as one of the "100 Model Enterprises in Baoan District for Vocational Training" (寶安區百家企業培訓示範基地) by Shenzhen Baoan District Vocational Abilities Development Bureau (深圳市寶安區職業能力開發局). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited received contribution awards for "P-DOAZ (Part-Defect on Arrival Zero)" activities (零部件零缺陷活動) from Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with "The Third Supplier QCC Forum – First Class Award" (第三屆供應商QCC發表會一等獎) by Kyocera. It was also accredited as "Charity Enterprise" (愛心企業) by Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳市青少年發展基金會). Chongqing Digit Auto Body Ltd. received "China Businessmen Contribution Award" (華商貢獻獎) from The United Front Bureau of Chongqing Municipal Committee of the Communist Party of China (中共重慶市委統戰部), Chongqing Municipal Commission of Economy and Information (重慶市經濟和信息化委員會) and Chongqing Daily (重慶日報報業集團). It was also accredited as "Executive Council Member Enterprise" (常務理事單位) by Chongqing Metal Forming Industry Association (重慶鑄造行業協會). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited were recognised as "National High and New Technology Enterprises" (國家級高新技術企業).

CORPORATE MILESTONE

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

Year	Event
2013 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited was granted with: – "2012 Special Contribution Award" (二零一二年度特別貢獻獎) by Canon; – "Standard Implementation Certificate of Enterprise Credit Management in Jiangsu" (江蘇省企業信用管理貫標證書) by the Leadership Office of Jiangsu Social Credit System Construction Committee (江蘇省社會信用體系建設領導小組辦公室); – "High and New Technology Product Recognition Certificate" (高新技術產品認定證書) by Jiangsu Department of Science and Technology (江蘇省科學技術廳); – "Enterprise Technology Centre" (企業技術中心) accreditation by the People's Government of Suzhou (蘇州市人民政府), Suzhou Economic and Information Technology Commission (蘇州市經濟和資訊化委員會), Suzhou Science and Technology Bureau (蘇州市科學技術局) and Suzhou Municipal Development and Reform Commission (蘇州市發展和改革委員會); and – "Work Safety Standardisation" (安全生產標準化) certificate by State Administration of Work Safety (國家安全生產監督管理總局). Chongqing Digit Auto Body Ltd. was recognised as a "2012 Excellent Supplier" (二零一二年度優秀供應商) by Dongfeng (東風). It was also granted with "Mould Supplier Certification" (模具供應商認可證書) by FAW-Volkswagen (一汽大眾). Digit Stamping Technology (Wuhan) Limited was accredited as "2012 Excellent Enterprise of Wuhan Industrial Investment" (二零一二年度武漢市工業投資優秀企業) and "2012 Advanced Organisation with Major Project Development" (二零一二年度重大項目建設先進單位) by the People's Government of Wuhan (武漢市人民政府).

CORPORATE MILESTONE

Year	Event
2013 *(Cont'd)*	Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received: – "The Fifth Supplier QCC Forum – First Class Award" (第五屆供應商QCC成果發表會一等獎) and "2012 Best Partner Vendor" (二零一二年最佳採購夥伴) award from Kyocera; – "2013 Guangdong Top 500 Manufacturing Enterprise" (二零一三年度廣東省製造業企業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會) and The Institute of Enterprise Research, Guangdong Academy of Social Sciences (廣東省社會科學院企業研究所); – "2013 Excellent Enterprise in Guangdong Manufacturing Industry" (二零一三年度廣東省製造業優秀企業) accreditation from Guangdong Manufacturers Association (廣東省製造業協會); and – "Enterprise Technology Centre" (企業技術中心) accreditation from Shenzhen Baoan Economic Promotion Bureau (深圳市寶安區經濟促進局). EVA Precision Industrial (Zhongshan) Limited received: – "2012 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零一二年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) from Canon; and – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).

Year	Event
2014	Digit Wuhan Automobile Industrial Park commenced commercial production. The Group also completed the construction of phase 2 of Digit Chongqing Automobile Industrial Park, which was purposely built for expanding the production capacity for automobile components. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2014)" (卓越合作夥伴(二零一四年)) award from Fuji Xerox; – "Best Ongoing Management Award" (最佳持續管理獎) from the BSI Group; and – "2012/2013 Pan Pearl River Delta Environmental Award" (二零一二年／二零一三年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "The Sixth Supplier QCC Forum – First Class Award" (第六回供應商QCC發表會一等獎) from Kyocera. Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. were granted with "2013 Excellent Supplier" (二零一三年度優秀供應商) award by Konica Minolta. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. also received "2014 Best Quality Award" (二零一四年度最佳質量獎) from DFLC Jingmi Technology Co., Ltd. (東方亮彩精密技術有限公司). EVA Precision Industrial (Suzhou) Limited received: – "2013 Excellent Supplier Award" (二零一三年度優秀供應商獎) and "The Twelfth Unit Improvement Contest" (第十二屆組裝技能改善競賽) champion award from Canon; – "Enterprise Technology Centre" (企業技術中心) accreditation from the People's Government of Jiangsu Province (江蘇省人民政府), Jiangsu Economic and Information Technology Commission (江蘇省經濟和資訊化委員會), Jiangsu Development and Reform Commission (江蘇省發展和改革委員會), Jiangsu Department of Science and Technology (江蘇省科學技術廳), Department of Finance of Jiangsu Province (江蘇省財政廳), National Tax Bureau of Jiangsu (江蘇省國家稅務局), Local Tax Bureau of Jiangsu (江蘇省地方稅務局) and Nanjing Customs (南京海關); and – "Jiangsu Precision Parts and Moulds Design and Manufacturing Engineering Research Centre"(精密零部件模具設計製造工程技術研究中心) accreditation from Jiangsu Department of Science and Technology (江蘇省科技廳).

CORPORATE MILESTONE

Year	Event
2014 *(Cont'd)*	Digit Stamping Technology (Wuhan) Limited received: – "2013 Excellent Corporate Partner" (二零一三年度優秀協作單位) award from Dongfeng (東風); and – "Outstanding and Advanced Enterprise" (先進單位) accreditation from Wuhan Production Safety Commission (武漢市安全生產委員會). Chongqing Digit Auto Body Ltd. received: – "Enterprise Technology Centre" (企業技術中心) accreditation from the People's Government of Chongqing (重慶市人民政府), Chongqing Economic and Information Technology Commission (重慶市經濟和資訊化委員會), Chongqing Finance Bureau (重慶市財政局), Chongqing Customs (重慶海關), National Tax Bureau of Chongqing (重慶市國家税務局) 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 EVA Vietnam (Haiphong) Electronic Industrial Park, signifying its first step to expand outside China. EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2015 – for 5 consecutive years)" (卓越合作夥伴(二零一五年 – 五年連續受賞)) award from Fuji Xerox; – "2013/2014 Pan Pearl River Delta Environmental Award" (二零一三年／二零一四年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank; – "Gratitude Certificate" (感謝信) from Shenzhen Aerospace Dongfanghong Development Ltd. (深圳航天東方紅海特衛星有限公司) for the quality of the Group's products used in satellites; and – "2015 Shenzhen Top 100 Enterprise" (二零一五年度深圳百强企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報).

Year	Event
2015 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited received: – "2014 Excellent Supplier Award" (二零一四年度優秀供應商獎) from Canon; – "2014 Excellent Supplier" (二零一四年度優秀供應商) award from Konica Minolta; and – "2014 Outstanding and Advanced Technology Enterprise in Suzhou National New and Hi-Tech Industrial Development Zone" (二零一四年度蘇州高新區科技工作先進單位) accreditation from the Working Commission of the Communist Party of China in Suzhou National New and Hi-Tech Industrial Development Zone (中共蘇州國家高新技術產業開發區工作委員會) and the Management Committee of Suzhou National New and Hi-Tech Industrial Development Zone (蘇州國家高新技術產業開發區管理委員會). Digit Stamping Technology (Wuhan) Limited received: – "2014 Excellent Supplier" (二零一四年度優秀供應商) award from Dongfeng (東風); – "Vice Chairman Enterprise" (副會長單位) accreditation from Hubei Die & Mould Industry Association (湖北省模具工業協會); and – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局). Yihe Precision Hardware (Shenzhen) Co., Ltd. and Okuno Precision Metal Co., Limited received "2014 Golden Quality Award" (二零一四年度品質金獎) from Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. also received: – "The Thirteenth Improvement Forum – Excellent Supplier Presentation Award" (第十三屆改善發表大會 – 供應商優秀發表獎) from Fuji Xerox; and – "2015 QCC Performance Competition – Excellent Performance Award" (二零一五年QCC成果選拔賽優秀成果獎) from Shenzhen Association for Quality (深圳市質量協會), Shenzhen Federation of Trade Unions (深圳市總工會), the Shenzhen Committee of the Communist Youth League of China (中國共產主義青年團深圳市委員會), Shenzhen Women's Association (深圳市婦女聯合會) and Shenzhen Association for Science and Technology (深圳市科學技術協會). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with "The Seventh Supplier QCC Forum – Third Class Award" (第七回供應商QCC成果發表會三等獎) by Kyocera. EVA Precision Industrial (Zhongshan) Limited was recognised as a "National High and New Technology Enterprise" (國家級高新技術企業). It was also granted with "2014 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零一四年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) by Canon.

CORPORATE MILESTONE

Year	Event
2016	The construction of phase one of EVA Vietnam (Haiphong) Electronic Industrial Park 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 & Mold Technology Association (廣東省機械模具科技促進協會). Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Guangdong Famous Trademark" (廣東省著名商標) again. It also received: – "30 years of Precision Manufacturing in Shenzhen Machinery Industry – Signature Product Award" (深圳機械三十年精密製造 – 標桿產品獎) from Shenzhen Machinery Association (深圳市機械行業協會); – "2015 Compliance of Operational Standards Improvement Activities – Excellent Improvement Award" (二零一五年度作業標準遵守度改善活動 – 優秀改善獎) from Konica Minolta; and – Certificate of donation (捐贈證書) from Shenzhen Youth Development Foundation (深圳市青少年發展基金會) for its donations to "1 to 1 Educational Sponsorship Activities" (一對一助學活動).

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

CORPORATE MILESTONE

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

CORPORATE MILESTONE

Year	Event
2017 *(Cont'd)*	Yihe Precision Hardware (Shenzhen) Co., Ltd. received: – "Guangdong High Quality Machinery and Mould Enterprise (2017-2020)" (廣東優質機械模具企業(二零一七年至二零二零年)) accreditation from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會); – "2016 Guangdong Province Enterprise of Observing Contract and Valuing Credit" (二零一六年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局); – "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局); and – "Municipal Postdoctoral Innovative Practice Base" (市級博士後創新實踐基地) accreditation from Human Resources and Society Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received: – "The Ninth Supplier QCC Forum – First Class Award and Outstanding Award" (第九屆供應商QCC成果發表會一等獎及優秀獎) from Kyocera; – "Best Cooperative Supplier" (最佳配合供應商) award from Beijing Founder Easiprint Co., Ltd. (北京方正印捷數碼技術有限公司); and – "2017 Top 100 Innovative Enterprise in Baoan" (2017年寶安區創新百强企業) accreditation from "Shenzhen Baoan Science and Technology Innovation Bureau" (深圳市寶安區科技創新局). Shenzhen EVA Mould Manufacturing Limited received: – "Supplier Partnership Award" (合作夥伴獎) from Faurecia;

CORPORATE MILESTONE

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

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

CORPORATE MILESTONE

Year	Event
2018	EVA Precision Industrial Holdings Limited received: – "Premiere Partner (2018 – for 8 consecutive years)" (卓越合作夥伴(二零一八年 – 八年連續受賞)) award, "2018 Procurement Premiere Partner – Bronze Award" (採購卓越夥伴 – 銅獎) and "Outstanding Collaborative Supplier" (優秀協力供應商) award from Fuji Xerox; – "Supplier of the Year 2017 – Bronze Award" (二零一七年度供應商 – 銅獎) from Chamberlain; – "2017 Corporate Environmental Leadership Award" (二零一七年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; – "2017 Advanced Executive Committee Member" (二零一七年度先進執委委員) accreditation from Shenzhen Guangming Community of Industry and Commerce (深圳市光明新區工商業聯合會); – "2017 Outstanding Contribution Award for Shenzhen Quality Project" (二零一七年度深圳質量事業突出貢獻獎) from Shenzhen Association for Quality (深圳市質量協會); – "2018 Top 500 Enterprise in Guangdong Manufacturing Industry" (二零一八年廣東省製造業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會), Guangdong Industry Development Research Institute (廣東省產業發展研究院) and Guangdong Academy of Social Sciences Enterprise Competitiveness Research Centre (廣東省社會科學院企業競爭力研究中心); and – "The First Shenzhen Top 100 Brand Enterprise" (首屆深圳品牌百强企業) accreditation from Shenzhen Quality City Promotion Association (深圳市品質強市促進會). Shenzhen EVA Precision Technology Group Limited (formerly known as Yihe Precision Hardware (Shenzhen) Co., Ltd.) received: – "2017 Quality Acclamation" (二零一七年度品質表彰) award from Konica Minolta; – "The Third Shenzhen Industry Award – Nomination Award" (第三屆深圳工業大獎 – 提名獎) from the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報);

Year	Event
2018 *(Cont'd)*	– "2018 Award Winning Entity for Excellent Performance Management Standard Implementation Project of Baoan District" (寶安區二零一八年度卓越績效管理標準實施項目獲獎單位) accreditation from the People's Government of Baoan District, Shenzhen (深圳市寶安區人民政府); and – "2018 Guangdong Machinery and Mould Industry Innovative Achievement – Third Class Award" (二零一八年廣東機械模具產業創新成果三等獎) from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Shenzhen EVA Mould Manufacturing Limited received "2017 Guangdong Province Enterprise of Observing Contract and Valuing Credit" (二零一七年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. also received "2017 Second Half Best Partner" (二零一七年下期最佳夥伴) award from Toshiba. Shenzhen EVA Mould Manufacturing Limited received: – the fifteen "Shenzhen Top Brand" (第十五屆「深圳知名品牌」) accreditation from Shenzhen Top Brand Appraisal Committee (深圳知名品牌評價委員會) for the brand name "EVA"; – the second runner up award in "the Second Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Plastic Category)" (第二屆長安杯中國(東莞長安)模具作品與製造技能大賽 – 作品賽(塑膠組)), which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mold Product Quality Supervision & Inspection Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); and – "Guangdong High Quality Machinery and Mould Enterprise (2018-2021)" (廣東優質機械模具企業(二零一八年至二零二一年)) accreditation from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會).

CORPORATE MILESTONE

Year	Event
2018 *(Cont'd)*	EVA Precision Industrial (Suzhou) Limited received: – the "2017 Craftsmanship Award" (二零一七年度匠心獎) from Segway-Ninebot (賽格威 – 納恩博); and – "2018-2019 Procurement Partner" (二零一八年至二零一九年度採購夥伴) award from Canon. Chongqing Digit Auto Body Ltd. and EVA Precision Industrial (Zhongshan) Limited were jointly granted with the "Certificate of Participation" (參與證書) from Brose for their outstanding participation in Brose Supplier Day 2018 which was held in Mexico. Chongqing Digit Auto Body Ltd. also received: – "2017 Quality Improvement Award" (二零一七年度品質改善進步獎) from Chengdu Tianxing Yamada Auto Parts Co., Ltd. (成都天興山田車用部品有限公司); – the excellent award in "the Second Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Category)" (第二屆長安杯中國(東莞長安)模具作品與製造技能大賽 – 作品賽 (五金組)), which was jointly organised by the People's Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mold Product Quality Supervision & Inspection Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); and – "Municipal Postdoctoral Science and Research Workstation of Chongqing" (重慶市博士後科研工作站) accreditation from Chongqing Municipal Human Resources and Social Security Bureau (重慶人力資源和社會保障局). Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Zhongshan) Limited received "Excellent Supplier Award of Year 2018" (二零一八年度優秀供應商獎) award from Faurecia. EVA Precision Industrial (Zhongshan) Limited also received "2017 Quality VVV Award (Quality Very Valuable Vendor) – Special Improvement Award" (二零一七年度品質VVV賞(品質最有價值供應商) – 特別改善賞) from Canon. Digit Stamping Technology (Wuhan) Limited received "2018 Top 100 Enterprise in Hubei Manufacturing Industry" (二零一八湖北製造業企業100強) accreditation from Hubei Enterprise Confederation (湖北省企業聯合會) and Hubei Enterprise Directors Association (湖北省企業家協會).
2019	Shenzhen EVA Mould Manufacturing Limited received "2018 Shenzhen Small and Medium Enterprises Best Employer Award" (二零一八年度深圳市中小企業最佳僱主獎) from Shenzhen Small and Medium Enterprises Service Bureau (深圳市中小企業服務署), Shenzhen SMEmall (深圳市中小企業公共服務平台) and Shenzhen Small and Medium Sized Enterprises Service Union (深圳市中小企業公共服務聯盟). EVA Precision Industrial (Zhongshan) Limited received "2018 Quality VVV Award (Quality Very Valuable Vendor) – Best Excellence Award" (二零一八年度品質VVV賞(品質最有價值供應商) – 最優秀賞) from Canon. EVA Hai Phong Precision Industrial Co., Ltd. received "Cooperated Supplier Award" (合作供應商獎) from Kyocera.

FINANCIAL HIGHLIGHTS

		2018	2017	2016	2015	2014
OPERATING RESULTS						
Turnover	HK$'000	**3,666,657**	3,157,089	3,209,290	3,533,026	3,454,977
Earnings before interest and taxation (EBIT) (Note 1)	HK$'000	**143,794**	187,723	116,129	257,783	344,477
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (Note 1)	HK$'000	**373,388**	423,926	354,996	507,816	577,595
Profit attributable to equity holders of the Company	HK$'000	**82,663**	133,699	53,486	205,469	277,125
FINANCIAL POSITION						
Cash generated from operations	HK$'000	**283,381**	350,006	605,029	352,508	401,910
Net current assets	HK$'000	**521,143**	649,858	1,051,946	1,263,537	810,140
Shareholders' equity	HK$'000	**2,588,503**	2,672,310	2,585,938	2,618,456	2,335,155
PER SHARE DATA						
Earnings per share						
– Basic (Note 2)	HK cents	**4.8**	7.4	2.9	11.2	16.5
– Diluted (Note 3)	HK cents	**4.5**	7.1	2.8	11.2	15.7
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**10.2**	13.4	11.1	14.4	16.7
Net profit margin	(%)	**2.3**	4.2	1.7	5.8	8.0
Return on shareholders' equity	(%)	**3.2**	5.0	2.1	7.8	11.9
Net debt-to-equity ratio (Note 4)	(%)	**23.6**	4.8	Net cash	8.5	14.0

FINANCIAL HIGHLIGHTS

Note 1: Earnings before interest and taxation and earnings before interest, taxation, depreciation and amortisation are calculated before taking into account share of profits or losses of associates.

Note 2: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 1,680,330,000 shares, 1,830,457,000 shares, 1,827,830,000 shares, 1,806,683,000 shares and 1,738,936,000 shares in issue during the years ended 31 December 2014, 2015, 2016, 2017 and 2018 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 1,769,979,000 shares, 1,839,134,000 shares, 1,892,646,000 shares, 1,886,251,000 shares and 1,825,953,000 shares for the years ended 31 December 2014, 2015, 2016, 2017 and 2018 respectively adjusted to assume conversion of all dilutive potential shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual quoted share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

HEAD OFFICE

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

REGISTERED OFFICE

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

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

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

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
China Construction Bank Corporation, Hong Kong Branch

Mainland China

Industrial and Commercial Bank of China

LEGAL ADVISOR

MinterEllison LLP

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

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

CHAIRMAN'S STATEMENT

Digit Mexico (SLP) Automobile Industrial Park

On behalf of the board of directors (the "Board"), I am pleased to present to you the annual report of EVA Precision Industrial Holdings Limited (the "Company" and together with its subsidiaries collectively referred to as the "Group") for the year ended 31 December 2018.

BUSINESS REVIEW

Starting from the second quarter of 2018, the trade and tariff disputes between the United States and China have drawn the attention from people around the world. Business confidence was weakened, and companies have become more cautious in making investments. However, our turnover growth during the year remained unaffected. In the office automation ("OA") equipment sector, the Group's industrial parks in China sell moulds and components to the customers' assembly plants in China. The final products assembled by the customers are either sold in China or exported to other countries, which may include the United States. However, as all of the Group's customers in the OA equipment sectors are multi-national companies which possesses assembly plants around the world, they can replace their export from China to the United States with export to other countries, and use the assembly plants in other countries for export to the United States, leaving the total production volume in China substantially unchanged. The Group also made a right decision a few years ago to expand into China's automobile sector, a huge market which primarily sells domestically. In addition, overseas expansion

is in process. At present, the Group's industrial park in Vietnam has already commenced operations, and another new industrial park in Mexico will also commence operations soon. Accordingly, despite a lackluster external environment brought by the United States-China trade dispute, the Group's turnover in 2018 continued to record a growth.

During the year, the Group's turnover increased by 16.1% to HK$3,666,657,000, which was primarily attributable to the revenue contribution from the Group's new businesses in Weihai which started operations in 2018, and the increasing orders from new and existing customers in the other regions of China and Vietnam. However, there was a rise in the yearly average exchange rate of Renminbi in 2018 which was driven by the sharp appreciation of Renminbi exchange rate in the first half of the year. This led to an increase in the Group's yearly operating expenses in 2018 as a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Further, the Group new businesses in Weihai and Mexico incurred initial costs of HK$22,930,000 during the year. The Group also obtained new bank borrowings in 2018 for the purpose of financing capital expenditure, which led to an increase in finance costs for the year to HK$55,587,000 (2017: HK$32,282,000). As a result, the Group's net profit for the year ended 31 December 2018 decreased by 38.2% to HK$82,663,000.

CHAIRMAN'S STATEMENT

BUSINESS DEVELOPMENT

Despite a temporary reduction in profit in 2018, we see enormous business opportunities ahead. At present, the Group's OA equipment customers, which are primarily multi-national companies from Japan, operate their own assembly plants. At the end of 2018, the Group was informed by its major OA equipment customers that they have long-term plans to gradually scale down their own production lines with a view to focusing more resources on product design and market development. As the first step of such long-term plans, these customers will select supplier with proven track record and concentrate more of their purchases on the selected supplier. The customers will also get the selected supplier highly involved in their product design processes with a view to nurturing a supplier which can take up more of their internal production in the long-term. To capture this new business opportunity, the Group has already set up a new product development team. Team members include product design experts from Japan, and they will work closely with the customers' product design departments in Japan. Additional team members will be added when business volume increases in the future. Given this new business direction of the customers, the Group expects to see voluminous new orders from the OA equipment sector in the years ahead.

During the year, the Group was in the process of building up a new industrial park in Weihai, China. The new Weihai industrial park was built at the invitation of Hewlett-Packard, as they have informed the Group that their production volume in Weihai will increase significantly in the future. The new Weihai industrial park has a land area of 349,000 square metres. Phase one of the new Weihai industrial park has a planned floor area of 79,000 square metres, and is scheduled for production by end of 2019. At the same time, since the production demand from Hewlett-Packard in Weihai was imminent, the Group acquired a component manufacturer named Intops (Weihai) Electronics Co., Ltd. ("Intops") in December 2017 to accelerate our development in Weihai. The Group has also rented a temporary factory in Weihai to serve Hewlett-Packard before the new self-constructed Weihai industrial park is completed. Upon completion, we are confident that the new Weihai industrial park can deliver robust sales performance, as Hewlett-Packard is one of the largest companies in the OA equipment sector and has voluminous purchasing demand. Apart from Hewlett-Packard, the Weihai industrial park also has adequate land area to add new capacity for other OA equipment customers should the orders from them increase significantly in the future.

Outside China, the Group continued to scale up the production of its industrial park located at Haiphong, Vietnam in 2018 as demand was growing rapidly. To cope with the fast-increasing orders, the Group has started the construction of phase two of the Vietnam industrial park since 2017. The new phase two of the Vietnam industrial park with a floor area of 46,000 square metres is now substantially completed, and is scheduled for production in the second quarter of 2019. Thereafter, the Vietnam industrial park will have adequate capacity to cope with the increasing demand from its existing customers, which primarily consist of OA equipment companies, and to develop new customers in other high growth sectors such as the high-end consumer electronics sector in Vietnam.

In 2018, the Group was also building up a new automobile industrial park in San Luis Potosí, Mexico. The new Mexico industrial park was built at the invitation of one of the Group's existing automobile customers in China, which is a multi-national corporation engaging in the production of automobile seats, interiors and exhaust systems, for the purpose of serving their existing plants in Mexico. The new Mexico industrial park has a land area of 83,000 square metres, and its development is divided into phases. The construction of phase one which has a floor area of 17,000 square metres is now near completion, and is also scheduled for production in the second quarter of 2019. At present, San Luis Potosí is one of the major automobile production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler, Brose and Faurecia, have production plants either locally or in the adjacent states. Therefore, apart from the orders from the said existing customer, an enormous demand exists for the Group's automobile products and the Group see robust growth potentials for the new Mexico industrial park.

We also saw significant development of the Group's automobile business in China. During the year, the Group continued to devote substantial resources to broaden its automobile customer base in China, and particular attention was given to developing more in-depth relationships with internationally renowned tier-one suppliers in the automobile industry. These tier-one suppliers are leaders in their respective product fields, and their products are sold to different automakers. Therefore, they have a huge and stable production demand which is less affected by the sales performance of a single car model. At present, numerous reputable tier-one customers such as Faurecia, Brose, Yamada, Webasto and F-tech have already become our customers, and positive feedback and increasing sales orders have been received from them. At the same time, businesses with automakers were not ignored, and the Group continued to strengthen the business relationships with reputable automakers in China such as Dongfeng, Changan Suzuki and SAIC-GM-Wuling in 2018. As a result of the Group's various efforts, revenue from automobile business in China continued to record a growth during the year. Going forward, the Group targets at adding more reputable tier-one suppliers and automakers into its automobile customer base.

In recent years, the Chinese government has taken conscious efforts to transform China from a low-cost processing centre into a high-end manufacturing hub focusing on creativity, product quality and efficiency. As a result, a lot of local high technology companies emerged in China in recent years, which created many new opportunities for the Group in the market of high technology products. With a view to benefiting from the swift development in the technology sector, the Group had made an investment of approximately HK$14,693,000 into a start-up company engaging in clean water technology during the year. We are also confident that the Group is well-positioned to receive new manufacturing orders from the burgeoning technology sector in China, as the Group is reputed for outstanding quality and engineering expertise which are essential for producing high technology products.

CHAIRMAN'S STATEMENT

The Group is committed to delivering excellent manufacturing services. During the year, the Group continued to receive accolades for outstanding quality and services from numerous renowned brand names such as Fuji Xerox, Konica Minolta, Canon, Toshiba and Faurecia, thereby providing us with the valuable credentials to source other high value orders both in China and overseas. The Group is also committed to creating shareholders' value. Therefore, the Group repurchased its own 68,842,000 shares from the market in 2018 and early 2019 with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company. The Group has also adhered to a stable dividend policy since its IPO in 2005, and will continue to distribute 30% of its profit as dividends to shareholders for the year ended 31 December 2018.

PROSPECTS

Looking ahead, it is likely that the international political and economic environment will continue to be volatile. However, the market never lacks opportunities, and we are always well-prepared for them. In the OA equipment sector, we expect to see an accelerating trend of production outsourcing from major customers, and their purchases will become increasingly concentrated on major suppliers like the Group. At the same time, our customer base in the automobile sector has become more solid, and therefore we expect to see increasing orders from automobile customers in both Chinese and overseas markets. To capture these business opportunities, the Group has been building up new production facilities in Vietnam, Mexico and Weihai since 2017, and they are scheduled to successively commence production throughout 2019. The enlarged production capacity enables the Group to deal with the burgeoning orders from the OA equipment and automobile customers, and also to explore further into the fast-growing high technology market. Therefore, we are optimistic about the Group's prospect, and profitability is also likely to rebound later as an increasing turnover will bring about economies of scale to improve the returns of both new and existing industrial parks of the Group.

CHAIRMAN'S STATEMENT

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 2019

EVA Suzhou Electronic Industrial Park

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRINCIPLES

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

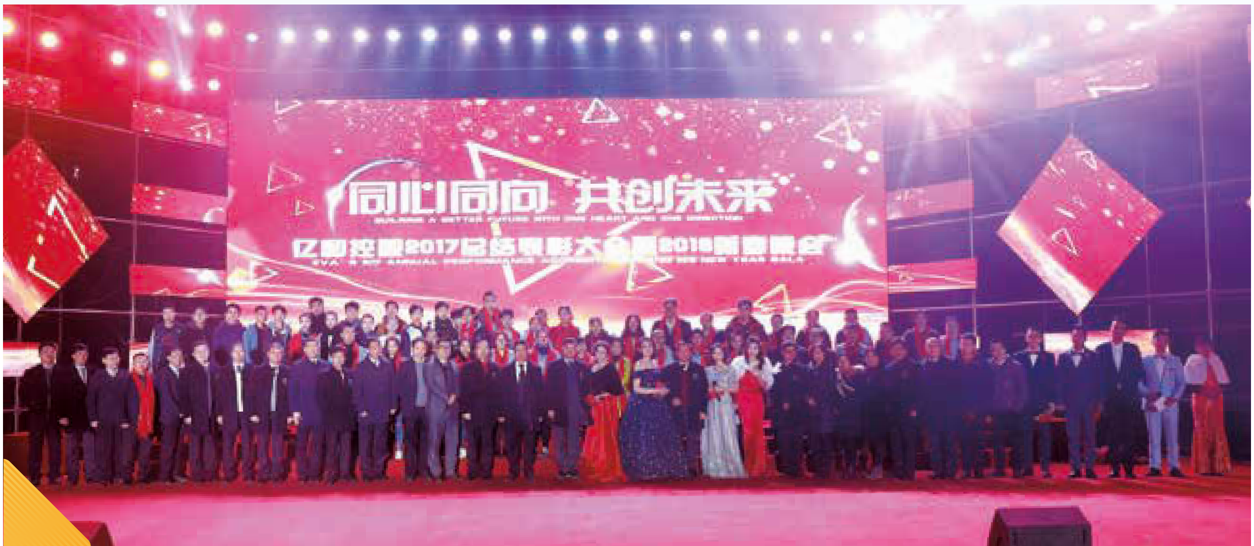
The environmental, social and governance information in this report covers the Company and its subsidiaries.

QUALITY OF WORKPLACE

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

Working conditions

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



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

The Group encourages employees to take part in work-life balance activities and community services. These include various sport and cultural events, community volunteering and supporting charitable organisations. For example, as our yearly regular events, we organise and invite our employees to perform on stage in the new year galas at around Chinese New Year every year with a view to providing a platform for our employees to showcase their artistic talents and morale, and the year 2018 was no exception. To revel in the World Cup frenzy in 2018, the Group organised a "Mini World Cup" for our employees from June 2018 to July 2018 which was a 4-a-side soccer tournament between different subsidiary companies of the Group in Shenzhen. A basketball competition and another five-a-side soccer tournament were also held in 2018 for the Group's employees in Southern China. For those employees who enjoy more tranquil activities, we also organised other relevant activities for them which included recruiting our employees as the editorial team for our corporate periodicals named "Pursuit of Dreams", and organising spring festival couplets competitions at around Chinese New Year every year. Other internal activities organised by the Group for employees in 2018 included numerous employee outings, dancing classes, fun races, Mid-Autumn lantern riddle contest and afternoon fun games. During the year, we also organised a friendly soccer match between our Chinese and Vietnamese colleagues with a view to facilitating cross cultural exchanges between our Chinese and Vietnamese colleagues. In addition, we invited the Hubei Provincial Federation of Literary and Art Circles to deliver artistic performance for our employees at Wuhan industrial park.

We organised a "Mini World Cup" corporate soccer competition for our employees in 2018 to revel in the World Cup frenzy

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

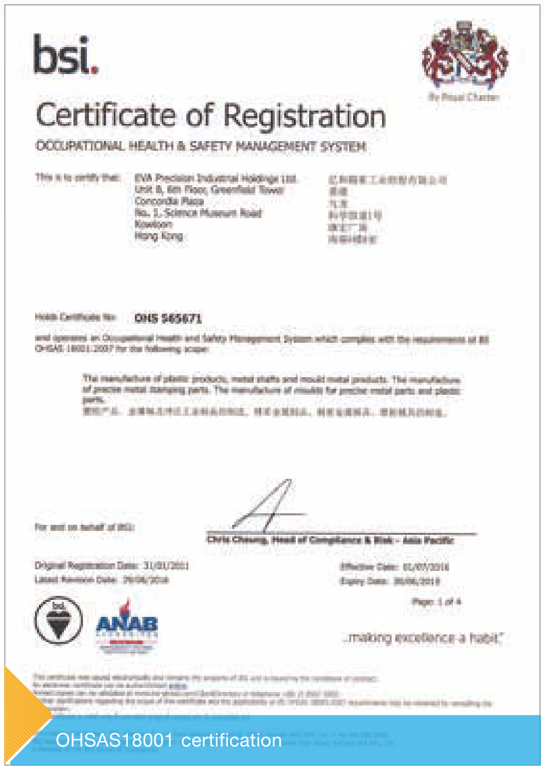
Externally, we dispatched teams to participate in various sport and artistic performance competitions organised by the governments and other organisations. During the year, we dispatched our corporate soccer team to participate in the soccer tournament of the 5th Sport Game of Baoan District, Shenzhen, and won the championship. We also jointly organised a friendly soccer match with our customer, F-tech Zhongshan Inc., in June 2018.

As at 31 December 2018, the Group had 8,635 employees. Employment expenses during the year ended 31 December 2018, including directors' and chief executive's emoluments, amounted to approximately HK$854,727,000.

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. We have been certified as OHSAS18001 compliant by the BSI Group since 2011. As the OHSAS18001 standard is in the process of being replaced by ISO45001 standard over a three-year migration period from 2018 to 2021, the Group currently has a plan to upgrade to ISO45001 standard within the prescribed migration period. Our subsidiaries in China also comply with "Work Safety Standardisation" in China, a standard established by State Administration of Work Safety. In addition, various activities and training courses were organised in respect of occupational health and safety, such as briefing seminars, first-aid courses and fire drills. The design, operations and maintenance of our industrial parks also comply with the relevant government regulations in respect of occupational safety and fire prevention.


bsi.

Certificate of Registration

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM

Holds Certificate No: OHS 565671

Chris Cheung, Head of Compliance & Risk - Asia Pacific

...making excellence a habit.™

OHSAS18001 certification

Development and training

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

Apart from offering training programmes about job-related skills, the Group believe that an in-depth understanding about the condition and development trend of our industry and the economy as a whole is also very important for our employees to make sound decisions in business. Therefore, we once again convened the "Business Objectives Conference" in February 2018. During the conference, colleagues from middle management or above were asked to participate and share their views about the industry and the economy with a view to widening our vision and unifying our business directions through sharing. In addition, as one of our traditional events, we organised our 2017 annual performance accreditation in February 2018 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT


Business Objectives Conference

Our employee training courses are not confined to the classrooms. In 2018, we organised numerous outward bound training activities for our employees with a view to fostering the personal growth, social skills and team spirit of our employees by using challenging expeditions in the outdoors. During the year, we also offered language course to our employees to improve their business communication skills, and invited scholar in Shenzhen to deliver a talk about personal qualities and etiquette.

Training offered by the Group to senior management members (including executive directors) during the year included an interactive training course about the development trend of automobile industry which was held in Chongqing, China in May 2018. We also organised an experience sharing seminar in November 2018 in which the Group's management members with different job responsibilities met together and shared experiences with a view to facilitating cross-functional exchanges within the management team. The Group also complied with the requirements under provision A.6.5 of the Corporate Governance Code and Rule 3.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in respect of professional development and training of the directors and the company secretary.

Labour standards

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

We are committed to providing a work environment free from any form of discrimination on the basis of ethnicity, gender, religion, age, disability or sexual orientation. We provide equal opportunities for all personnel in respect of hiring, pay rates, training and development, promotion and other terms of employment. Our efforts


2018 Shenzhen Small and Medium Enterprises Best Employer Award

and commitment in this area are well recognised by the society. Therefore, the Group received the "2018 Shenzhen Small and Medium Enterprises Best Employer Award" from Shenzhen Small and Medium Enterprises Service Bureau, Shenzhen SMEmall and Shenzhen Small and Medium Sized Enterprises Service Union in early 2019.

At the Board level, the Group sees diversity as an essential element in supporting the attainment of the Board's strategic objectives and sustainable development. Accordingly, the Group has a policy concerning the diversity of Board members which targets at achieving a balance of skills, experience and diversity of perspectives which is appropriate to the requirements of the Group's business. The board diversity policy is available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

Employee care

Back in 2008, the Group established the employee caring fund. Since its inception, the employee caring fund has been helping the employees in need or their families who suffered from hardships such as terminal diseases and accidents through cash and in-kind donations, as well as other helpful actions. In 2018, the Group's employee caring fund continued to offer assistances to the employees in need. During the year, we organised group birthday parties for our employees on a regular basis, so that these employees could share the joy and happiness with their fellow colleagues. We also organised various celebration activities on important festivals such as the international women's day, the Dragon Boat Festival and the Mid-Autumn Festival in 2018, with a view to delivering warmth and kindness to our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL MANAGEMENT

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

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

Emission and waste management

During the year ended 31 December 2018, the Group's greenhouse gas (CO_2) emission was approximately 83,460 tonnes, or approximately 22.76 tonnes per HK$1 million of output. With the target of minimising greenhouse gas (CO_2) emission, all of our key production equipment are driven by electricity instead of being fueled by diesel. Greenhouse gas (CO_2) is mainly generated from transportation activities and certain ancillary equipment. As one of our emission reduction initiatives, we have a policy of gradually phasing out those ancillary equipment fueled by fossil energy and, upon replacement, purchasing new equipment driven by electricity or natural gas whenever possible. With a view to reducing the frequency of product transportation, relevant employees are required to plan the product delivery logistics in a more efficient manner and, if necessary, temporary warehouses are rented in the proximity of our customers.

During the year ended 31 December 2018, the Group generated non-hazardous wastes such as metals, degradable plastics, wooden boxes and other non-chemical wastes of approximately 2,180 tonnes, or approximately 0.59 tonne per HK$1 million of output. The Group aims to operate our industrial parks with maximum resources efficiency by minimising the materials used throughout the manufacturing processes and increasing the recycling rate and the use of reusable materials. We keep track on the materials that we use, aiming to reduce unnecessary waste of materials. Moulds, which are manufactured by ourselves for subsequently producing components, are carefully designed with a target of minimising material wastage in the component production processes. Throughout our production, we have also developed and installed devices to further reduce the consumption of excessive parts and materials. In order to increase our recycling rate and maximise our resources efficiency, we have set up recycling centres at all industrial parks, where staff collect and compact recyclable materials, including cardboard and metals. Recyclable materials are recycled at material recovery centres. We also work closely with our suppliers by returning recyclable materials to suppliers for reuse. As a result, we could create a close-loop recycling system by increasing the use of recycled materials for the purpose of reducing wastes.

During the year ended 31 December 2018, the Group generated hazardous wastes such as waste electrical and electronic items and waste chemicals of approximately 79 tonnes, or approximately 0.02 tonne per HK$1 million of output. To meet our stakeholders' expectations and our environmental goals, it is critical to ensure that we have the high degree of safety in treating our hazardous waste, as well as comply with relevant laws and regulations. We strive to achieve our goals by the best practices, which include:

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of resources

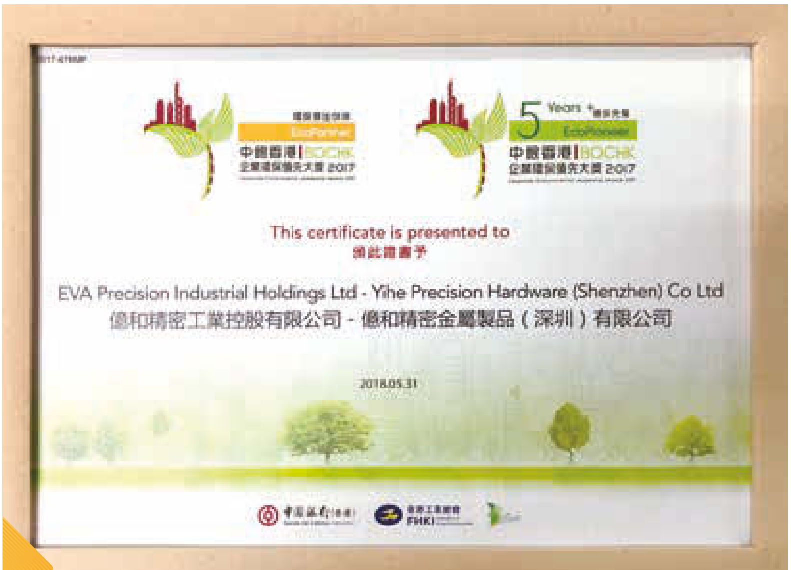
The Group consumed approximately 62.8 million kwh, or approximately 17,122.3 kwh per HK$1 million of output, of electricity during the year ended 31 December 2018. Since electricity is the major energy source in our manufacturing processes, energy use efficiency is one of the most important selection criteria in the procurement of production equipment. Further, each of our industrial parks has its own resources conservation team which consists of relevant staff such as production floor managers and equipment technicians. The resources conservation teams conduct regular patrols throughout our manufacturing and dormitories areas to identify any cases of energy waste. All demerit points recorded by the resources conservation 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.

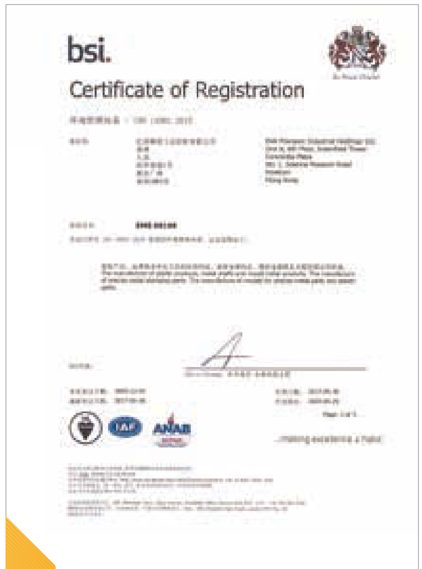
The Group consumed approximately 6.1 million tonnes, or approximately 1,664.36 tonnes per HK$1 million of output, of water during the year ended 31 December 2018. Clean water is a valuable resource, which the Group is committed to conserving. The Group had not encountered any issue in sourcing water 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 2018, the Group used packaging materials of approximately 8,595 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.

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



Corporate Environmental Leadership Award



ISO14001 certification

As a result of our emission, waste, energy use and water efficiency management measures, our greenhouse gas (CO_2) emission, waste (both hazardous and non-hazardous) generation, electricity and water consumption per output were maintained at low level during the year ended 31 December 2018. Since 2003, we have been accredited with ISO14001 environmental management system certificate by the BSI Group. The ISO14001 standards are regularly upgraded, and therefore require the participating companies to continually improve their environmental performance. The implementation of our emission, waste, energy use and water efficiency management and their results enabled us to comply with latest 14001 standards (i.e. the 2015 version), and therefore the Group was ISO14001:2015 compliant as at the date of this report.

Further, as a result of these environment management measures, the Group was once again granted with the "Corporate Environmental Leadership Award" under the "One Enterprise-One Year-One Environmental Project Programme" jointly organised by the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited in 2018. This exemplifies our efforts in conserving the environment and developing our business in a sustainable manner.

OPERATING PRACTICES

Supply chain management

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

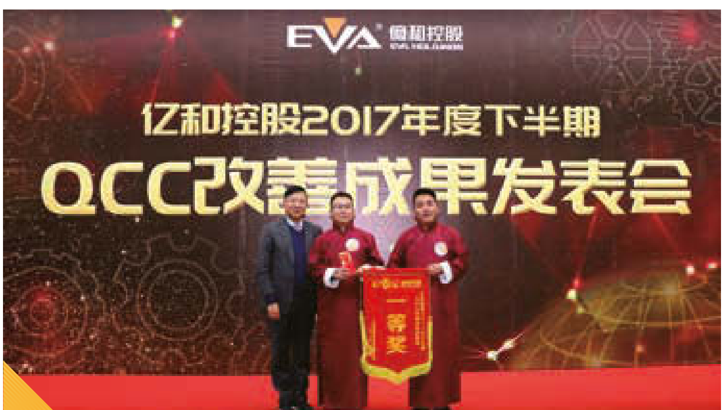
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

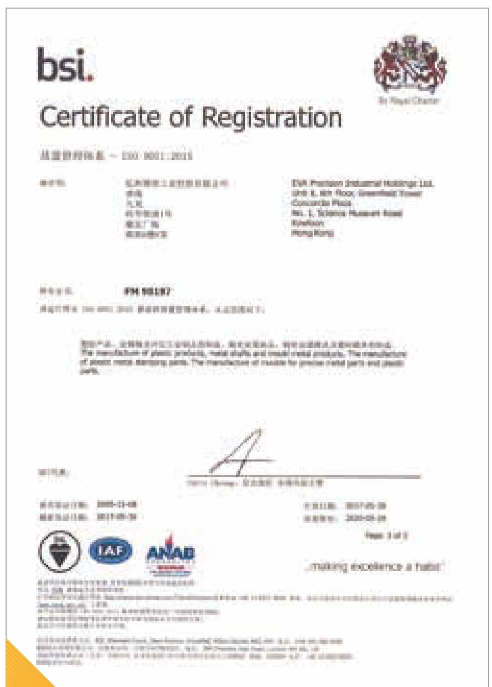
To ensure transparency in our tendering procedures, the Group operates the online "EVA Procurement System". Suppliers are required to submit their tenders through this online system so that the details of tenders are known by the entire procurement team, instead of just a single employee. The Group has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

Product responsibility

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. We require our people to comply with applicable governmental and regulatory laws, rules, codes and regulations. To ensure product quality and safety, the Group sets up internal committees which meet regularly and include representatives from various business units and the customers. Policies about product quality and safety and compliance with laws and regulations are posted on the Group's intranet and are clearly communicated to our



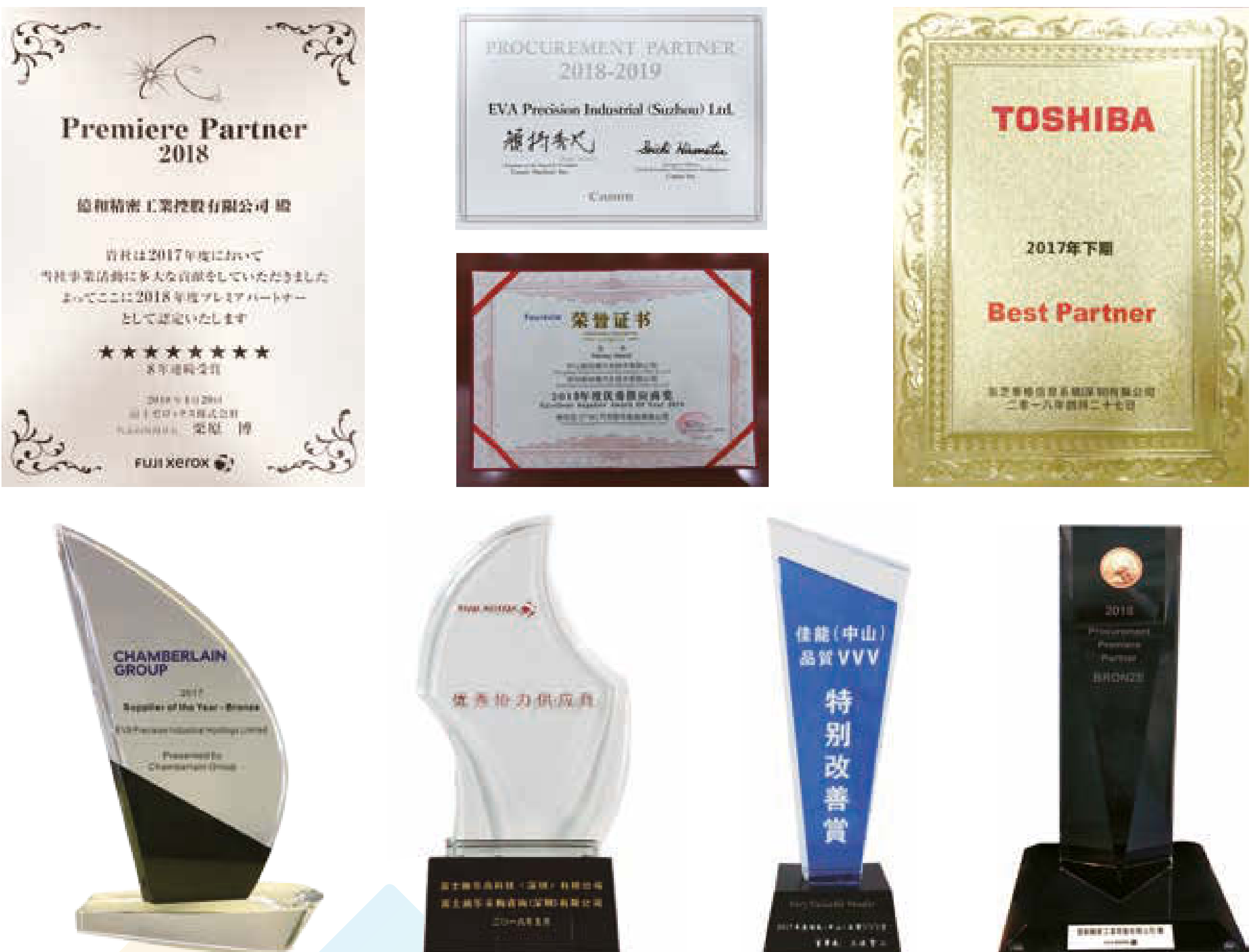
2017 second half "Quality Control Circles" activity held in early 2018



ISO9001 certification

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. As at the date of this report, the Group was compliant with the latest version of the ISO9001 standards (i.e. the 2015 version). Various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the year, the Group continued to implement "Quality Control Circles" activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years, such as Fuji Xerox, Konica Minolta, Canon, Toshiba and Faurecia.



Accolades from customers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

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

COMMUNITY INVOLVEMENT

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

Community investment

During the year ended 31 December 2018, a donation of approximately HK$638,000 was made to charitable organisations in Hong Kong and China, covering community projects across our focus areas of community, education, youth and the elderly.

The Group believes that education is the foundation for social improvement and therefore has been contributing substantial resources to education. Back in 2008, we donated for the construction of Chong Shi EVA Primary School in Zhangjiajie, Hunan Province, China, and this school has been providing learning opportunities for many underprivileged children since then. During the year, we continued to support education in the community, and donated soccer training clothes to Tangtou School, which is located in Baoan District, Shenzhen. In 2018, we also sponsored the charity golf tournament and banquet organised by Shenzhen Machinery Association to raise fund for the dormitory construction of a primary school in the rural area of Guangdong Province, China. In Hong Kong, we sponsored the "2018 Upward Mobility Scholarship" under the Commission on Poverty of the Government of the Hong Kong Special Administrative Region, and donated to the "2018 Outstanding Industrial Attachment Scholarships" of the Vocational Training Council.

To support the protection of the famous mangrove swamp in Shenzhen, the Group donated to Shenzhen Mangrove Wetlands Conservation Foundation in 2018. During the year, we also made donations to Shenzhen Charity Federation, and donated to the Red Cross Society of China, Zhongshan Branch to support the "2018 Zhongshan Ten Thousand People's Charity Walkathon".

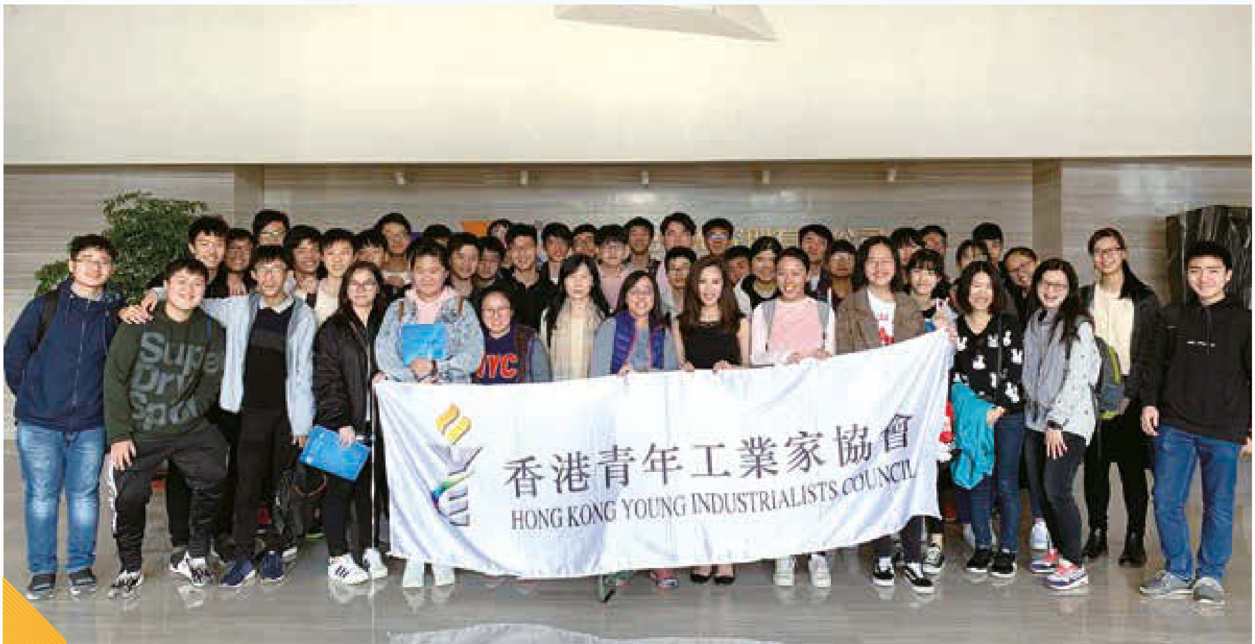
We initiated the "1 to 1" educational sponsorship platform through Shenzhen Machinery Association to encourage other fellow enterprises to provide support for underprivileged students in China

Serving the community

Apart from participating in community services on its own, the Group also encourages other fellow enterprises to contribute to the community through its influence in the industry. As the Chairman Enterprise of Shenzhen Machinery Association (a 5A social organisation accredited by the Ministry of Civil Affairs of China), the Group initiated the "1 to 1" educational sponsorship platform in the organisation, which is an industry wide charity project to provide support for underprivileged students in China. In 2018, a total of 40 enterprises (including the Group) made donations through this platform and the total donations raised was RMB417,000.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



We joined with Hong Kong Young Industrialists Council to organise a factory tour to our Shenzhen (Shiyan) industrial park for the students and teaching staff of HKTA Tang Hin Memorial Secondary School

beyond their school curriculum. We once again supported the "Suzhou Internship Programme" jointly organised by Vocational Training Council and Hong Kong Young Industrialists Council, and offered the Hong Kong students with internship opportunities in our Suzhou industrial park in 2018.

During the year, we organised our employees to participate in various volunteering activities in China, including tree plantation, city cleaning, visiting elderly home and low income families. In January 2019, we joined with Hong Kong Young Industrialists Council to organise a factory tour to our Shenzhen (Shiyan) industrial park for the students and teaching staff of HKTA Tang Hin Memorial Secondary School to assist the young students and their teachers to understand more about the latest industrial development and business culture in China.

MANAGEMENT DISCUSSION AND ANALYSIS

Robotic welding lines for automobiles

SIGNIFICANT EVENTS AND DEVELOPMENT

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

Mould production workshop

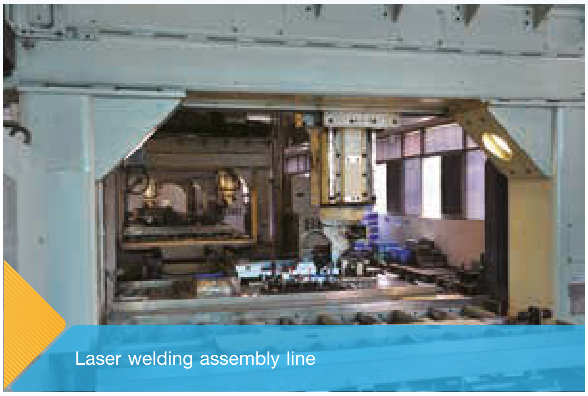
MANAGEMENT DISCUSSION AND ANALYSIS

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

In the OA equipment sector, we expect to see an accelerating trend of production outsourcing from existing customers with Japanese background. At present, although these OA equipment customers have already outsourced the production of most of the moulds and components of their products to outside suppliers, they still maintain large-scale assembly plants for final product assembly, and moulds and components are outsourced to numerous suppliers, with each of them producing only a small portion of components (and the relevant moulds) within the final products. The Group has been informed by certain major OA equipment customers that they have adopted a strategy of gradually scaling down their internal production lines with a view to focusing more on product design and market development. As the first step of this strategy, these OA equipment customers will concentrate more of their mould and component purchases from suppliers with outstanding production track record like the Group with a view to nurturing a supplier with comprehensive capabilities to take up more of


Production line for automobile moulds used for high tensile autobodies

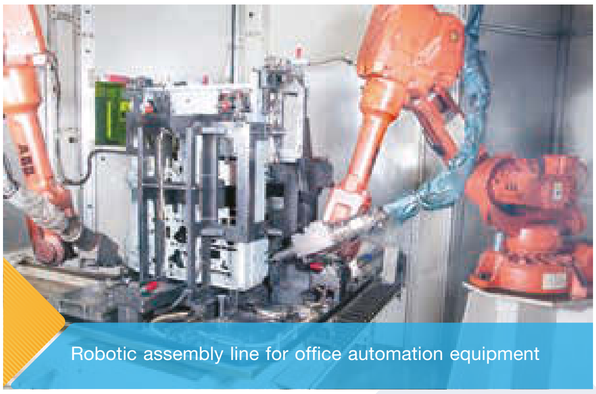
MANAGEMENT DISCUSSION AND ANALYSIS


Laser welding assembly line

their internal production in the long term. Therefore, the Group expects to see increasing orders from its existing OA equipment customers. Further, as our share of the customers' production volume increases, it will be inevitable for the Group to have a higher level of involvement in the customers' product design processes as it is necessary for the customers to obtain production feasibility advices from the Group when they design their new products. Accordingly, the Group has already set up a new product development team which includes relevant experts from Japan. This team will work closely with the customers' product design departments in Japan, and the Group has a plan to expand this team as business volume increases in the future.

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

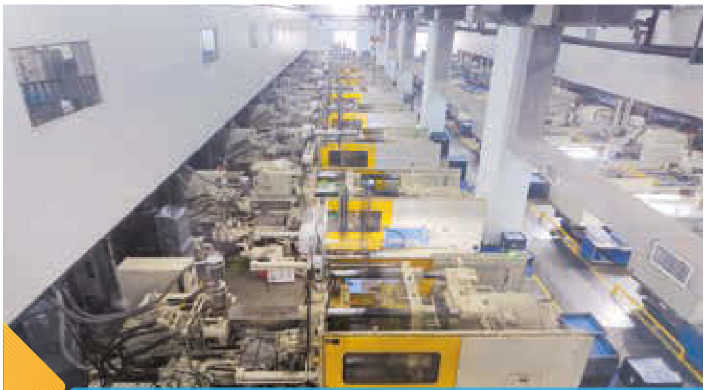
At the same time, the Group's new industrial park in Vietnam, which was constructed at the invitation of certain OA equipment customers and commenced operations in 2017, continued to scale up its production in 2018. During the year, the Vietnam industrial park experienced a robust growth in turnover, a trend which we expect to continue into 2019 and onwards. To cope with the rapidly growing sales orders, the Group has started the construction of phase two of the Vietnam industrial park since 2017. The new phase two of the Vietnam industrial park, which has a floor area of 46,000 square metres, is now substantially completed and will commence production operations in the second


Robotic assembly line for office automation equipment

MANAGEMENT DISCUSSION AND ANALYSIS

quarter of 2019. At present, the Vietnam industrial park is primarily serving OA equipment customers. However, the Vietnam industrial park can also expand into other sectors such as the high-end consumer electronics sector at a later stage, as Vietnam is also well known as one of the global manufacturing hubs for high-end consumer electronics products.

In the automobile sector, we continued to deepen our business relationships with reputable automakers in China such as Dongfeng, Changan Suzuki and SAIC-GM-Wuling during the year. The Group also made conscious efforts to add more customers into its automobile customer base, with a focus on internationally renowned tier-one suppliers in the automobile industry. These tier-one suppliers have a huge and stable production demand which is less affected by the sales performance of a single car model as their products are sold to different automakers. At present, numerous reputable tier-one suppliers such as Faurecia, Brose, Yamada, Webasto and F-tech have already become our customers. Positive feedback and increasing sale orders were received from them, which drove the growth of revenue of our automobile business line in China for the year ended 31 December 2018.


Plastic injection line

Outside China, the Group was in the process of constructing a new automobile industrial park at San Luis Potosí, Mexico in 2018. At present, the construction of the new Mexico industrial park is nearly completed and it is scheduled for production in the second quarter of 2019. The new Mexico industrial park, which has a land area of 83,000 square metres and phase one floor area of 17,000 square metres, was built at the invitation of one of the Group's existing automobile customers in China. This customer is an internationally renowned tier-one supplier of automobile seats, interiors and exhaust systems, and has production plants in San Luis Potosí and other cities of Mexico which also require the Group's services. We are optimistic about the prospect of the new Mexico industrial park because Mexico is one of the major automobile hubs in the world. A lot of reputable automakers and multinational tier-one suppliers, including BMW, Volkswagen, Audi, Fiat-Chrysler, Faurecia and Brose, have already established production plants in San Luis Potosí or its adjacent states in Mexico. Therefore, apart from the said customer, an existing and huge demand exists for the precision manufacturing services offered by the Group in Mexico.

MANAGEMENT DISCUSSION AND ANALYSIS

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

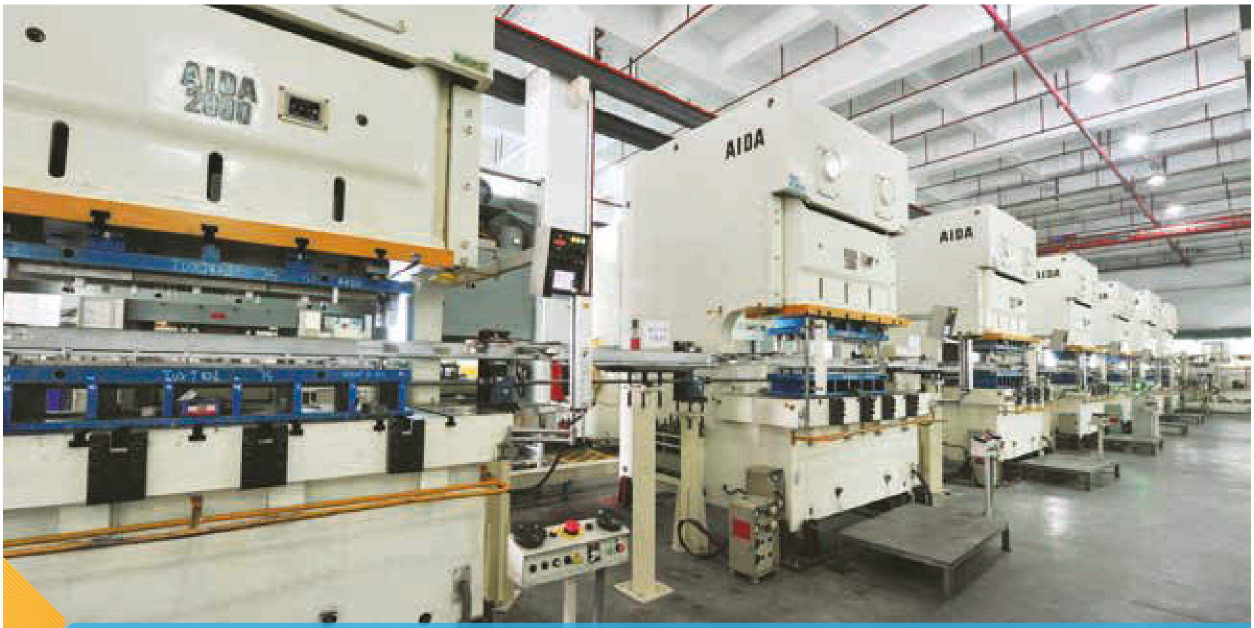
Under the Group's business model, our customers will normally require us to jointly co-develop the relevant moulds with them during their new product development stages. The completed moulds will then be consigned in the Group's industrial parks for future mass production of components and semi-finished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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, and will also implement more stringent cost control measures and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities with high potentials which can add to our existing portfolio. Investment decisions are made after comprehensive consideration of various factors such as the business viabilities and potential returns of the projects, legal and regulatory requirements and the financial capabilities of the Group. Investments are primarily made to projects which are related to the Group's principal businesses and, if such projects are not directly related to the Group's principal businesses, they should be of high growth potentials and the amount of investments will be limited. For investments required to be carried at fair values on the financial statements, they are valued by reference to recent transaction prices in arm's length transactions, net asset values or valuations determined by independent firms of professional valuers.

We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout policy at approximately 30% of net profit, and 2018 is no exception. Further, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 68,842,000 shares from the market during the year ended 31 December 2018 and in January 2019. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.



Robotic arms were installed on existing production lines to automate production

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

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

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

Digit Wuhan Automobile Industrial Park

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

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

Note 1: Others mainly represented sales of scrap materials.

Turnover

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

Gross profit

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

Segment results

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

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

Finance income and costs

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

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

Income tax expense

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

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to equity holders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 31 December 2018 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), all of the Group's borrowings as at 31 December 2018 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

	31 December 2018	31 December 2017
Inventory turnover days (Note 1 and 5)	**56**	59
Debtors' turnover days (Note 2 and 5)	**99**	99
Creditors' turnover days (Note 3 and 5)	**106**	126
Cash conversion cycle (Note 4 and 5)	**49**	32
Current ratio (Note 6 and 8)	**1.21**	1.27
Net debt-to-equity ratio (Note 7 and 8)	**23.6%**	4.8%
Net profit margin (Note 9 and 11)	**2.3%**	4.2%
Return on shareholders' equity (Note 10 and 11)	**3.2%**	5.0%

Notes:

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Inventory turnover days

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

Debtors' and creditors' turnover days

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

Cash conversion cycle

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

Current ratio and net debt-to-equity ratio

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

Net profit margin and return on shareholders' equity

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

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2018, the Group's sales and raw material purchases were denominated in the following currencies:

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

A majority of the Group's customers in both China and Vietnam are reputable international brand owners with worldwide distribution networks. At the same time, a substantial portion of the Group's suppliers in both China and Vietnam are international metal and plastic material producers designated by the Group's customers. Accordingly, approximately 69.8% of the Group's sales and 61.8% of its raw material purchases were made in Hong Kong dollars and US dollars (which are pegged) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

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

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

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

CHARGES ON THE GROUP'S ASSETS

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2018 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 56, is the Chairman of the Group. He is the chairman of the nomination committee, and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's overall strategic planning and marketing development. Prior to the establishment of the Group, Mr. Zhang had worked for a PRC joint venture company engaging in civil engineering projects. He started his first business in 1983 by acting as a contractor for civil engineering projects of the local government. In 1993, Mr. Zhang established EVA Limited and thereafter Mr. Zhang acquired extensive experience in customer relationship development and corporate management. He has more than 25 years of experience in marketing, strategic planning and corporate management in manufacturing industry. Mr. Zhang was granted with the "Young Industrialist Award of Hongkong" by the Federation of Hong Kong Industries in 2008, and was bestowed as an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2014. He is a member of the Chongqing Committee of the Chinese People's Political Consultative Conference, and is also the president honoris causa of Hong Kong Young Industrialists Council, the honorary chairman of The Hong Kong Metals Manufacturers Association and the honorary president of Hong Kong Mould and Product Technology Association. Mr. Zhang is one of the co-founders of the Group in 1993, and is also a director of Prosper Empire Limited, which was interested in 38.84% of the issued share capital of the Company as at 31 December 2018. 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 (Former name: Wong Yat, Michael), aged 44, 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, and is also a director of Prosper Empire Limited, which was interested in 38.84% of the issued share capital of the Company as at 31 December 2018. 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 46, is the Chief Executive Officer of the Group, and is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's operation and management. He was one of the co-founders of the Group in 1993, and has more than 25 years of operational management experience in the industry of precision mould and component manufacturing. He is a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference, and is also the executive president of the 8th council of Shenzhen Machinery Association (深圳市機械行業協會), the council member of Shenzhen General Chamber of Commerce (深圳市商業聯合會), the vice president of Guangdong Die & Mould Industry Association (廣東省模具工業協會), Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會). Mr. Zhang was accredited as one of the outstanding people in machinery industry (深圳機械行業傑出人物) by Shenzhen Machinery Association (深圳市機械行業協會) in 2004, a "Creative and Outstanding Person of China Enterprises" (中國企業創新優秀人物) by Chinese Association of Market Development (中國市場學會) and China Enterprise News Society (中國企業報社) in 2006, an "Outstanding Entrepreneur in China Machinery Industry" (中國機械工業優秀企業家) by China Machinery Industry Federation (中國機械工業聯合會) in 2009 and a "Remarkable Person of Commerce in Shenzhen" (深商風雲人物) by Shenzhen General Chamber of Commerce (深圳市商業聯合會) and Shenzhen Economic Daily (深圳商報) in 2010. He was also accredited as one of the "Ten New Figures in Guangdong's Business Community" (廣東商界十大新銳人物) by Guangdong General Chamber of Commerce (廣東省商業聯合會) in 2015 and received "30 years in Shenzhen Machinery Industry – Outstanding Contribution Award" (深圳機械三十年 – 卓越貢獻獎) from Shenzhen Machinery Association (深圳市機械行業協會) in 2016. Further, Mr. Zhang was accredited as one of the "Top 100 Business Leaders in Shenzhen" (深圳百名行業領軍人物) by Shenzhen Non-Governmental Organisation Federation (深圳市社會組織總會), Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Press Group (深圳報業集團), Shenzhen Media Group (深圳廣播電影電視集團) and "Times Entrepreneur" magazine (「時代商家」雜誌社) in 2017, and was granted with "Shenzhen Industry Award – the Industrialist Award" (深圳工業大獎 – 工業家獎) by the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報) in 2018. Mr. Zhang is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua, and is also a director of Prosper Empire Limited, which was interested in 38.84% of the issued share capital of the Company as at 31 December 2018. Mr. Zhang was appointed as a director on 11 January 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho, aged 90, is an independent non-executive director. He is the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Choy has over 50 years of experience in international trading business in Hong Kong. He is the president of Union International (H.K.) Co., Ltd., the founding chairman of Hong Kong Kwun Tong Industries and Commerce Association Limited and the honorary president of the Chinese Manufacturers' Association of Hong Kong. He was also a member of National Committee of the 8th and 9th Chinese People's Political Consultative Conference, the honorary director of China Overseas Friendship Association, a member of the 6th, 7th and 8th executive committee of All China Federation of Industry and Commerce, the 4th honorary president of Guangdong Chamber of Foreign Investors, the charter president of Hong Kong and Overseas Chinese Association of Commerce Ltd., the honorary permanent president of Hong Kong Commerce and Industry Associations Limited and the honorary life chairman of The Chinese General Chamber of Commerce. Mr. Choy was appointed as a director on 11 January 2005.

Mr. LEUNG Tai Chiu, aged 72, is an independent non-executive director and the chairman of the audit committee of the Company. Mr. Leung is a Fellow of the Institute of Chartered Accountants in England and Wales. He obtained his professional qualification in the United Kingdom in 1975 and has worked in the auditing profession for over 30 years, 20 years of which as a partner. Mr. Leung retired from PricewaterhouseCoopers effective from 1 May 2005. Mr. Leung is a Fellow of The Hong Kong Institute of Directors, and is also the independent non-executive director of Kingboard Holdings Limited, Kingboard Laminates Holdings Limited and G-Vision International (Holdings) Limited. He was appointed as a director on 5 June 2006.

Mr. LAM Hiu Lo, aged 57, was appointed as an independent non-executive director on 11 January 2013. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Lam has over 30 years of experience in sales and marketing in China. Over the years, he has successfully built up a strong business and personal network in China. Mr. Lam is currently an executive director of Yugang International Limited, a public company listed on The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu Francis, aged 46, is the chief financial officer of the Group and the company secretary of the Company. Mr. Wong is responsible for the accounting, taxation and financial affairs of the Group. Mr. Wong has more than 20 years of experience in the field of auditing, accounting and taxation. He is a member of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in 2004, he served as a senior manager of a major international accounting firm. Mr. Wong holds a bachelor's degree in business management from the Hong Kong University of Science and Technology and an Executive MBA degree from the Chinese University of Hong Kong. Mr. Wong was appointed as the company secretary on 31 August 2004.

CORPORATE GOVERNANCE REPORT

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

THE BOARD OF DIRECTORS

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

– formulating long-term strategy;

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

– setting dividend policy;

– approving major acquisitions, divestments and capital expenditure;

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

– handling and dissemination of inside information;

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

– approving material borrowings and treasury policy.

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 65 to page 67 under the section headed "Directors and Senior Management Profile" of the annual report.

Relationship between the Board members

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

Independent non-executive directors

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

CORPORATE GOVERNANCE REPORT

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

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

Chairman and Chief Executive Officer

To ensure 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.

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 2018, 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 2018.

Board and general meetings

During the year ended 31 December 2018, the Company held 15 full Board meetings and one general meeting.

	Number of attendance	
Directors	**Board meeting**	**General meeting**
Executive directors		
Mr. Zhang Hwo Jie	15/15	1/1
Mr. Zhang Jian Hua	15/15	1/1
Mr. Zhang Yaohua	15/15	1/1
Independent non-executive directors		
Mr. Choy Tak Ho	15/15	1/1
Mr. Leung Tai Chiu	15/15	1/1
Mr. Lam Hiu Lo	15/15	1/1

All of the directors attended the Company's annual general meeting on 21 May 2018 to gain and develop a balanced understanding of the views of the shareholders. In addition, a Board meeting between the Chairman and the independent non-executive directors without the other directors present was held in 2018 pursuant to A.2.7 of the CG Code. The Chairman and all independent non-executive directors had attended that meeting. Since the attendance of the other directors was not required for that meeting, Mr. Zhang Jian Hua and Mr. Zhang Yaohua had not attended that meeting.

CORPORATE GOVERNANCE REPORT

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

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

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

Directors' Continuing Professional Development Programme

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

The individual training record of each director during the year ended 31 December 2018 is set out below:

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

Note:

(A): attending briefing sessions and/or seminars; and (B): reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.

AUDIT COMMITTEE

The Company has set up an audit committee on 20 April 2005 for the purpose of reviewing and providing supervision on the financial reporting process, risk management and internal control systems and corporate governance matters of the Group. The audit committee is mainly responsible for making recommendations to the Board on the appointment and re-appointment of the external auditor, approving the remuneration and terms of engagement of external auditor and other matters relating to the resignation or dismissal of external auditor. The audit committee is also responsible for reviewing the interim and annual reports and financial statements of the Group and overseeing the Group's financial reporting system and corporate governance function. It also reviews the effectiveness of the Group's risk management system and internal audit function. The terms of reference of the audit committee, which are aligned with the provisions set out in the CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

CORPORATE GOVERNANCE REPORT

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 2018, the audit committee held two meetings and had attended to the following matters:

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

– discuss the risk management, internal control and financial reporting matters relating to the annual financial statements for the year ended 31 December 2017 and the interim financial statements for the six months ended 30 June 2018 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 2018. The audit committee considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The audit committee also reviewed the training and continuous development of the directors and senior management.

NOMINATION COMMITTEE

The Company has set up a nomination committee on 31 January 2012. The nomination committee is principally responsible for the selection and assessment of candidates for appointment as directors, and determining the policy for nomination of directors. In considering the nomination of new directors, the factors listed below would be used as reference by the nomination committee in assessing the suitability of a proposed candidate:

(i) Reputation for integrity and professional ethnics;

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

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

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

These factors are for reference only, and not meant to be exhaustive and decisive. In the case of the appointment of independent non-executive directors, the nomination committee will also assess the independence of the candidates and their immediate family members. The terms of reference of the nomination committee, which are aligned with the provisions set out in the CG Code, are available on the Company's websites at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

The nomination committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely, Mr. Choy Tak Ho and Mr. Lam Hiu Lo. Mr. Zhang Hwo Jie is the chairman of the nomination committee. During the year ended 31 December 2018, the nomination committee held two meetings. Individual attendance of each nomination committee member at the meetings is as follows:

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

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 2018. 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.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR THE NOMINATION OF A DIRECTOR

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

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

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

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

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

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

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

BOARD DIVERSITY POLICY

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

Summary

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

Measurable Objectives

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

During the year ended 31 December 2018, the nomination committee had reviewed the board diversity policy of the Company, and the composition and diversity of the Board. Since the Board is composed of members coming from diverse backgrounds including manufacturing, trading, property development and professional accountants and they are also diverse in age and knowledge, the nomination committee considered the Board to possess a diversity of perspectives which is up to the standard of the Listing Rules and is appropriate to the Group's requirements.

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

The remuneration committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely, Mr. Choy Tak Ho and Mr. Lam Hiu Lo. Mr. Choy Tak Ho is the chairman of the remuneration committee. During the year ended 31 December 2018, the remuneration committee held two meetings. Individual attendance of each remuneration committee member at the meetings is as follows:

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

The remuneration committee reviewed and discussed the policy and structure for directors' and senior management remuneration by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The remuneration committee also considered the terms of appointment and remuneration proposal of individual directors upon renewal of directors' service contracts. Details of the remuneration to directors and senior management for the year ended 31 December 2018 are set out in Note 35 and Note 26 to the consolidated financial statements.

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

The purposes of the 2005 Share Option Scheme and the 2015 Share Option Scheme are to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of these share option schemes include any executive, non-executive and independent non-executive directors of the Company. Further details in respect of the Group's share option schemes are set out in the sub-section headed "Share Options" under the section headed "Report of the Directors" of the annual report.

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The audit committee is also responsible for the corporate governance duties and determining the policy for the corporate governance of the Group. Therefore, the Group has not established another board committee for the performance of corporate governance duties at present. The audit committee had reviewed the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements including the compliance with the CG Code during the year ended 31 December 2018. The audit committee also reviewed the training and continuous development of directors and senior management.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Reviews on the effectiveness of the Group's risk management and internal control systems are conducted at least annually, which cover the changes in the nature and extent of significant risks, the quality of management's ongoing monitoring of risks and internal control systems, the frequency of communication of monitoring results, significant control weaknesses and the Group's processes for financial reporting and compliance with the Listing Rules. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The Board had discussed with the external auditor and reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018, and considered them effective and adequate.

CORPORATE GOVERNANCE REPORT

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$3,830,000. The audit fee was approved by the audit committee. The statement made by the external auditor in respect of their reporting responsibilities is set out on page 106 to page 114 of the annual report.

During the year ended 31 December 2018, 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$408,000. The non-audit services comprised tax compliance services of approximately HK$63,000 and non-audit review of interim consolidated financial statements of approximately HK$345,000. The audit committee had been briefed in respect of the non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of external auditor. The re-appointment of PricewaterhouseCoopers as the auditor of the Company has been recommended by the audit committee and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

COMPANY SECRETARY

The company secretary is Mr. Wong Hoi Chu Francis, who is also the chief financial officer of the Group. The Board had reviewed the training and continuous professional development of the company secretary during the year ended 31 December 2018 and considered that the requirements under Rule 3.29 of the Listing Rules in respect of the professional training of the company secretary were complied.

DIVIDEND POLICY

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

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 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors have complied with the required standards set out in the Model Code during the year ended 31 December 2018 and up to the date of this report.

CORPORATE GOVERNANCE 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 2018.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2019

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 2018.

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.

At present, the Group operates ten industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Weihai) and Vietnam (Haiphong). At the same time, the Group is in the process of building up new production facilities in Weihai to expand its business there. Further, the construction of another new industrial park located at San Luis Potosí, Mexico is nearly complete and is scheduled for production soon.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2018 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 2018 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	4.5%
Five largest suppliers combined	19.8%

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

Sales	
The largest customer	14.8%
Five largest customers combined	50.8%

Except for one of the five largest customers which had 1 year of relationship with the Group, the Group's length of relationship with its five largest customers was more than 10 years. The Group's length of relationship with its remaining customers ranged from 1 year to more than 10 years.

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

REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2018 is set out in the sections headed "Chairman's Statement" on page 30 to page 35, "Environmental, Social and Governance Report" on page 36 to page 50 and "Management Discussion and Analysis" on page 51 to page 64 of this report.

For the year ended 31 December 2018, sales to the five largest customers represented 50.8% of the Group's total turnover. Accordingly, any change in these customers' businesses and financial conditions is likely to have an impact on the financial performance of the Group. To manage this risk, the Group performs credit evaluation of its customers to ensure that sales are made only to entities with viable businesses and sound financial background. Credit periods granted to the customers are closely monitored and approved by the appropriate level of management. At the same time, the Group identifies and develops new customers with high potentials in an effort to widen the customer base and reduce the reliance on existing key customers.

Foreign currency risks arising from dealings with customers and suppliers in foreign currencies are discussed in the section headed "Foreign Currency Exposure" in the "Management Discussion and Analysis" section of this report. Other financial risks and uncertainties facing the Group are set out in Note 3 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 117 to page 118.

DIVIDEND

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

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 36 to 50.

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 36 to 50.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2018, 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 2018 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST

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

SHARE CAPITAL AND RESERVES

Details of movements in share capital and reserves during the year ended 31 December 2018 are set out in Note 22 and Note 23 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2018 amounted to HK$638,000.

PENSION SCHEMES

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

FIVE YEARS FINANCIAL SUMMARY

A five years financial summary of the Group is set out on page 226.

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 2018.

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors during the year ended 31 December 2018 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 Hwo Jie and Mr. Zhang Jian Hua will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. During the year ended 31 December 2018 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 2018 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 2018 and up to the date of this report.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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

(i) a term loan facility up to HK$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$8,333,000 as at 31 December 2018);

(ii) another term loan facility up to HK$200,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$101,000,000 as at 31 December 2018);

(iii) another term loan facility up to HK$200,000,000 with a repayment term of five years from the date of first drawdown (the outstanding loan balance was HK$200,000,000 as at 31 December 2018); and

(iv) a revolving loan for an amount up to HK$40,000,000 (the outstanding loan balance was HK$40,000,000 as at 31 December 2018).

REPORT OF THE DIRECTORS

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

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

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

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

(i) a term loan facility up to HK$250,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$84,000,000 as at 31 December 2018);

(ii) another term loan facility up to HK$200,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$175,000,000 as at 31 December 2018);

(iii) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$150,000,000 as at 31 December 2018); and

(iv) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 31 December 2018).

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

The Company and a subsidiary of the Company are parties to loan agreements with MUFG Bank, Ltd. in respect of the following banking facilities ("MUFG Facilities Agreements"):

(i) a loan facility up to HK$250,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$62,500,000 as at 31 December 2018); and

(ii) another loan facility up to HK$125,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$101,563,000 as at 31 December 2018).

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

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

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

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

(i) a term loan facility for an amount up to HK$150,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK$130,000,000 as at 31 December 2018);

(ii) revolving loan of HK$200,000,000 (the outstanding loan balance was HK$200,000,000 as at 31 December 2018); and

(iii) combined trade facilities of HK$100,000,000 (there was no outstanding balance as at 31 December 2018).

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

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

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

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

REPORT OF THE DIRECTORS

(i) short term advance facility on a revolving basis of up to US$7,000,000, or an equivalent amount in other currencies (the outstanding loan balance was HK$40,000,000 as at 31 December 2018); and

(ii) a term loan facility for an amount up to HK$100,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK$100,000,000 as at 31 December 2018).

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

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

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

A subsidiary of the Company had also entered into a banking facility agreement with Chong Hong Bank Limited in respect of a revolving loan facility of HK$120,000,000 ("Chong Hing Facility Agreement"), and the outstanding loan balance was HK$120,000,000 as at 31 December 2018.

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

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

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

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

SHARE OPTIONS

(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.

REPORT OF THE DIRECTORS

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.

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

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

The share options which were previously issued under the 2005 Share Option Scheme and remained outstanding after the 2005 Share Option Scheme had expired will continue to be valid and exercisable during their respective prescribed exercisable periods. Movement in these share options during the year ended 31 December 2018 and up to the date of this report is as follows:

	As at 1 January 2018	Exercised during the year	Lapsed during the year	As at 31 December 2018 and the date of this report	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
					HK$	HK$	HK$
Employees of the Group							
In aggregate							
– Granted on 10 December 2008	2,930,200	(2,850,000)	(80,200)	–	0.165	0.175	0.646
– Granted on 2 October 2009	200,000	–	–	200,000	0.405	0.41	–
	3,130,200	(2,850,000)	(80,200)	200,000			

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

REPORT OF THE DIRECTORS

(b) The 2015 Share Option Scheme

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

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

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

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

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

a. employees of the Group (whether full-time or part-time);
b. directors (including executive directors, non-executive directors and independent non-executive directors) of the Group;
c. substantial shareholders of each member of the Group;
d. associates of directors or substantial shareholders of the Group;
e. the trustees of any trust pre-approved by the Board and the beneficiaries (or in case of discretionary trust, the discretionary objects) of which include any of the abovementioned persons; and
f. business associates including (i) any adviser or consultant (in the areas of technical, financial or corporate management) to any member of the Group; (ii) any provider of goods and/or services to the Group; or (iii) any customer of the goods and/or services of the Group who, at the sole determination of the Board, is not a competitor of the Group and has contributed to the development and expansion of the Group and/or whose contribution to the future development and expansion of the Group is desired.

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

   Pursuant to the terms of the 2015 Share Option Scheme, the maximum number of shares in respect of which options may be granted thereunder must not exceed 186,405,180 shares ("Scheme Mandate Limit"), representing 10% of the Company's issued share capital as at the date of approval of the 2015 Share Option Scheme, unless the Company obtains a fresh approval from its shareholders. At the annual general meeting of the Company held on 21 May 2018 ("2018 AGM"), the Scheme Mandate Limit was refreshed with the shareholders' approval whereby the directors were authorised to grant options to subscribe for up to 172,901,180 shares, representing 10% of the Company's issued share capital as at the date of the 2018 AGM. Subsequent to the 2018 AGM and up to the date of this report, no option has been granted by the directors. Accordingly, options to subscribe for up to 172,901,180 shares (representing 10.01% of the issued share capital as at the date of this report) are available for issue under the Scheme Mandate Limit refreshed as aforesaid.

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

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

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

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

REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

During the year ended 31 December 2018 and up to the date of this report, there was no movement in the share options granted under the 2015 Share Option Scheme, and details of these share options as at 31 December 2018 and the date of this report are as follows:

	As at 1 January 2018, 31 December 2018 and the date of this report	Share price immediately before offer date	Exercise price
		HK$	HK$
Executive directors			
Mr. Zhang Hwo Jie			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Jian Hua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Yaohua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Independent non-executive directors			
Mr. Choy Tak Ho			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Leung Tai Chiu			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Lam Hiu Lo			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Employees of the Group			
Mr. Zhang Hanming (Note 1)			
– Granted on 3 November 2017	600,000	1.08	1.10
Ms. Zhang Shen Monica Quian Yi (Note 2)			
– Granted on 3 November 2017	600,000	1.08	1.10
Others			
– Granted on 8 July 2016	11,850,000	0.64	0.692
– Granted on 3 November 2017	16,900,000	1.08	1.10
	137,350,000		

REPORT OF THE DIRECTORS

Notes:

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

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

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

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

(c) Valuation

The fair value of the options granted on 10 December 2008 under the 2005 Share Option Scheme of 2,930,200 options which were exercised or lapsed during the year ended 31 December 2018 was HK$140,000. The fair value of the options granted on 2 October 2009 under the 2005 Share Option Scheme with outstanding balances as at 31 December 2018 of 200,000 options was HK$17,000. The fair value of the options granted on 8 July 2016 and 3 November 2017 under the 2015 Share Option Scheme with outstanding balances as at 31 December 2018 of 67,050,000 options and 70,300,000 options were HK$10,236,000 and HK$26,594,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK$				
Granted on 10 December 2008	0.175	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.41	56.65%	1 year	0.16%	3.68%
Granted on 8 July 2016	0.692	45.98%	3.24 years	0.52%	2.33%
Granted on 3 November 2017	1.10	46.52%	4.59 years	1.42%	1.89%

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

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

As at 31 December 2018, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

REPORT OF THE DIRECTORS

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 31 December 2018
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	35,000,000	722,442,000	41.77%
Mr. Zhang Jian Hua	–	664,000	–	35,000,000	35,664,000	2.06%
Mr. Zhang Yaohua	671,750,000 (Note 2)	17,664,000	156,000	35,000,000	724,570,000	41.90%
Mr. Choy Tak Ho	–	–	–	800,000	800,000	0.05%
Mr. Leung Tai Chiu	–	–	–	800,000	800,000	0.05%
Mr. Lam Hiu Lo	–	–	–	800,000	800,000	0.05%

Notes:

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

2. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua held 52.93% and 47.07% of the entire issued capital of Prosper Empire Limited respectively, and Prosper Empire Limited was interested in 38.84% of the entire issued capital of the Company as at 31 December 2018. Under the SFO, Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are both deemed to be interested in the shares held by Prosper Empire Limited.

(ii) Long position in 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 2018
Mr. Zhang Hwo Jie	Personal interests	52.93%
Mr. Zhang Yaohua	Personal interests	47.07%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, 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	38.84%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	35,000,000	722,442,000	41.77%
Ms. Jiang Lu	Interest of spouse (Note 2)	689,570,000	35,000,000	724,570,000	41.90%
Pandanus Associates Inc.	Interest of controlled corporation (Note 3(a))	117,188,000	–	117,188,000	6.78%
Pandanus Partners L.P.	Interest of controlled corporation (Note 3(b))	117,188,000	–	117,188,000	6.78%
FIL Limited	Interest of controlled corporation (Note 3(b))	117,188,000	–	117,188,000	6.78%
FIL Asia Holding Pte Limited	Interest of controlled corporation (Note 3(b))	117,188,000	–	117,188,000	6.78%
FIL Investment Management (Hong Kong) Limited	Beneficial owner (Note 3(b))	117,188,000	–	117,188,000	6.78%
HSBC Global Asset Management (Hong Kong) Limited	Investment manager	103,332,000	–	103,332,000	5.97%
Invesco Asset Management Limited	Investment manager	86,614,000	–	86,614,000	5.01%

REPORT OF THE DIRECTORS

Notes:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 52.93% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 671,750,000 shares of the Company held by Prosper Empire Limited.

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

3. (a) The corporate substantial shareholder notice filed by Pandanus Associates Inc. indicated that it was deemed to be interested in 117,188,000 shares under the SFO by virtue of its interests held through Pandanus Partners L.P., its immediate wholly-owned subsidiary.

   (b) The corporate substantial shareholder notice filed by Pandanus Partners L.P. indicated that Pandanus Partners L.P. was interested in 37.51% of the issued share capital of FIL Limited. The same notice also indicated that FIL Investment Management (Hong Kong) Limited ("FIL (Hong Kong)") was wholly-owned by FIL Asia Holding Pte Limited, which was in turn wholly-owned by FIL Limited. Accordingly, under the SFO, each of Pandanus Partners L.P., FIL Limited and FIL Asia Holding Pte Limited is deemed to be interested in the 117,188,000 shares held by FIL (Hong Kong).

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2018, the Company repurchased its 67,790,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2018 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	HK$	HK$'000
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
March 2018	4,312,000	1.20	1.18	5,155
April 2018	18,320,000	1.21	1.19	22,064
May 2018	6,200,000	1.21	1.21	7,502
July 2018	2,240,000	0.89	0.84	1,973
October 2018	180,000	0.64	0.64	115
December 2018	538,000	0.68	0.66	363
	67,790,000			81,053

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

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2019	1,052,000	0.81	0.71	808

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2018 and up to the date of this 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 Tuesday, 21 May 2019, the register of members of the Company will be closed from Thursday, 16 May 2019 to Tuesday, 21 May 2019, both days inclusive, during which period no share transfer will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 May 2019.

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 Thursday, 6 June 2019 to shareholders whose names appear on the register of members on Tuesday, 28 May 2019. To determine eligibility for the final dividend, the register of members of the Company will be closed from Monday, 27 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no share transfer will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 May 2019.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 68 to page 82.

AUDIT COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2018 and up to the date of this report.

AUDITOR

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

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2019

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 115 to 225, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Provision for obsolete or slow moving inventories
- Recoverability of trade receivables
- Recognition, classification and valuation of financial assets at fair value through other comprehensive income

Key Audit Matters	**How our audit addressed the Key Audit Matters**
Provision for obsolete or slow moving inventories Refer to note 4 "Critical accounting estimates and judgements" and note 11 "Inventories" to the consolidated financial statements. At 31 December 2018, the Group held inventories of HK$445,241,000 and the provision for obsolete or slow moving inventories was HK$31,550,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements.	We understood, evaluated and tested the controls by which management identified obsolescence and determined the net realisable value of inventories. We tested, on a sample basis, by comparing the estimated selling price with post year-end sales data of the selected items. We tested, on a sample basis, the inventory aging by comparing the inventory records with the underlying documents.

KEY AUDIT MATTERS (CONTINUED)

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

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Recoverability of trade receivables Refer to note 4 "Critical accounting estimates and judgements" and note 12 "Trade receivables" to the consolidated financial statements. At 31 December 2018, the Group had trade receivables amounting to HK$989,599,000, which is net of loss allowance of HK$1,188,000. Loss allowance is made for lifetime expected credit losses on trade receivables. The Group generally allows a credit period of 30 to 180 days after invoice date to its customers.	Our procedures in relation to management's assessment of the expected credit losses for trade receivables included the following: We understood, evaluated and validated the key controls over credit procedures performed by management, including the periodic review of aged receivables and the assessment of the expected credit losses for trade receivables, including the identification of trade receivables subject to collective assessment. We obtained management's assessment of the expected credit losses for trade receivables and assessed the appropriateness of management's assessment including the grouping of trade receivables by credit risk characteristics and aging profile. We tested the expected credit loss rate by checking to the customers' past repayment pattern and historical credit loss experience over the past 3 years, subsequent settlement and forward-looking information used.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Recoverability of trade receivables (Continued) Management applied judgement in assessing the expected credit losses. Expected credit losses are estimated by grouping the trade receivables based on shared credit risk characteristics and aging profile and collectively assessed for likelihood of recovery. The expected credit loss rates are determined based on past repayment history and historical credit losses experienced over the past 3 years and adjusted to reflect current and forward-looking information including macroeconomic factors affecting the ability of the customers to settle the receivables. Management also reviewed subsequent settlement status and the relevant customers' credit profile to assess loss allowance. We focused on this area due to the significance of the balance and the estimation and judgement involved in determining the expected credit losses for the trade receivables.	We tested the accuracy of the aging profile of trade receivables by checking to the underlying invoices on a sample basis. We tested, on a sample basis, the post year-end settlement of the Group's trade receivables by examining the remittance advices from the banks. We also inquired and assessed management's judgement on the recoverability of un-settled amounts, corroborating and evaluating the underlying rationale with the creditability of the customers. We circulated confirmations to confirm the balance due from customers on a sample basis. Based upon the above, we found that the estimation and judgement made by management in respect of the recoverability of trade receivables were supportable by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition, classification and valuation of financial assets at fair value through other comprehensive income ("FVOCI") Refer to note 4 "Critical accounting estimates and judgements" and note 14 "Financial assets at FVOCI" to the consolidated financial statements. The Group had various unlisted equity interests of companies in the People's Republic of China classified as financial assets at FVOCI with total fair values of HK$105,851,000 as at 31 December 2018. Management assessed the classification of the investments and determined the Group did not have control, joint control or significant influence over these equity investments based on a number of factors, including the contractual arrangements and the rights of participation in policy-making processes. Management determined the fair values based on recent arm's length transactions for the financial assets at FVOCI or by engaging an external valuer to perform valuations of certain financial assets at FVOCI as at 31 December 2018. The valuation models adopted by the external valuer are market based approach and asset-based approach and the key underlying assumptions used included multiples of price-to-book and/or price-to-earning ratios, adjusted net asset value, minority discount and the marketability discount. We focused on this area due to the magnitude of the balance and the significant judgement involved in the classification of the equity interests, and the significant estimates involved in determining the fair values of the financial assets.	We examined the legal documents relating to these investments, including shareholders' agreements and the articles of association, to determine the key terms, rights of the investors, composition of the board, governance structure, and profit sharing arrangement, and evaluated management's assessment in determining for the classification of the investments in unlisted equity interests. We assessed the competency and objectivity of the external valuer by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist to assess the appropriateness of the model applied in these valuations and to assess the reasonableness of the key assumptions and inputs used with market data and industry knowledge. We also discussed with the external valuer to understand the rationale for the models applied based on the nature of the investments and the basis of the assumptions and inputs. We also compared the fair value of certain investments to recent arm's length transactions. Based on the above procedures performed, we found the valuation models applied to be appropriate and the key assumptions and inputs to be supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,017,140**	1,742,601
Investment property under development	7	**156,003**	120,490
Leasehold land and land use rights	8	**238,778**	228,737
Goodwill	9	**2,510**	2,510
Investments in associates	10	**63,043**	65,441
Prepayments, deposits and other receivables	13	**104,498**	196,252
Available-for-sale financial assets	14	**–**	98,972
Financial assets at fair value through other comprehensive income	14	**105,851**	–
		2,687,823	2,455,003
Current assets			
Inventories	11	**445,241**	381,662
Trade receivables	12	**989,599**	854,917
Prepayments, deposits and other receivables	13	**248,506**	273,709
Restricted bank deposits	15	**51,563**	82,295
Short-term bank deposits	15	**174,169**	196,382
Cash and cash equivalents	15	**1,111,046**	1,305,823
		3,020,124	3,094,788
LIABILITIES			
Current liabilities			
Trade payables	16	**838,136**	818,753
Contract liabilities	17	**68,493**	–
Accruals and other payables	18	**230,448**	310,197
Bank borrowings	19	**1,348,580**	1,297,507
Finance lease liabilities	20	**2,482**	5,210
Current income tax liabilities		**10,842**	13,263
		2,498,981	2,444,930
Net current assets		**521,143**	649,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Total assets less current liabilities		**3,208,966**	3,104,861
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	**597,253**	406,271
Finance lease liabilities	20	**–**	2,482
Deferred taxation	21	**23,210**	23,798
		620,463	432,551
Net assets		**2,588,503**	2,672,310
EQUITY			
Capital and reserves			
Share capital	22	**172,944**	179,384
Reserves	23	**2,415,559**	2,492,926
Total equity		**2,588,503**	2,672,310

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

The financial statements on pages 115 to 225 were approved by the Board of Directors on 27 March 2019 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 2018

	Note	**2018 HK$'000**	2017 HK$'000
Revenue	5	**3,666,657**	3,157,089
Cost of sales	25	**(2,877,691)**	(2,373,987)
Gross profit		**788,966**	783,102
Other income	24	**28,857**	13,167
Other (losses)/gains – net	24	**(183)**	2,335
Selling and marketing costs	25	**(213,800)**	(166,865)
General and administrative expenses	25	**(460,046)**	(444,016)
Operating profit		**143,794**	187,723
Finance income	27	**15,707**	7,315
Finance costs	27	**(55,587)**	(32,282)
Share of (losses)/profits of associates	10b	**(404)**	5,484
Profit before income tax		**103,510**	168,240
Income tax expense	28	**(20,847)**	(33,453)
Profit for the year		**82,663**	134,787
Other comprehensive gain/(loss) for the year, net of tax			
Items that have been reclassified or may be reclassified subsequently to profit or loss			
– Revaluation gains on available-for-sale ("AFS") financial assets		**–**	10,187
– Currency translation differences		**(58,832)**	60,534
– Release of AFS financial asset reserve upon disposal		**–**	(11,990)
– Release of exchange reserve upon disposal of subsidiaries		**–**	(419)
– Release of exchange reserve upon disposal of asset held for sale		**–**	866
Item that will not be reclassified subsequently to profit or loss			
– Revaluation losses on financial assets at fair value through other comprehensive income ("FVOCI")		**(7,814)**	–
Total comprehensive income for the year		**16,017**	193,965

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Profit for the year attributable to:			
– Equity holders of the Company		**82,663**	133,699
– Non-controlling interests		**–**	1,088
		82,663	134,787
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**16,017**	192,758
– Non-controlling interests		**–**	1,207
		16,017	193,965
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	29	**4.8**	7.4
– diluted	29	**4.5**	7.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Attributable to equity holders of the Company		
		Share capital HK$'000	**Reserves HK$'000**	**Total HK$'000**
Balance at 1 January 2018		**179,384**	**2,492,926**	**2,672,310**
Comprehensive income				
Profit for the year		**–**	**82,663**	**82,663**
Other comprehensive loss				
Revaluation losses on financial assets at FVOCI		**–**	**(7,814)**	**(7,814)**
Currency translation differences		**–**	**(58,832)**	**(58,832)**
Total comprehensive income for the year		**–**	**16,017**	**16,017**
Transactions with owners				
Repurchase of shares	22	**(6,725)**	**(73,965)**	**(80,690)**
Employee share option scheme				
– value of employee services	22	**–**	**12,325**	**12,325**
Proceeds from issuance of shares upon exercise of employee share option	22	**285**	**214**	**499**
Dividends paid		**–**	**(31,958)**	**(31,958)**
		(6,440)	**(93,384)**	**(99,824)**
Balance at 31 December 2018		**172,944**	**2,415,559**	**2,588,503**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Attributable to equity holders of the Company			
	Note	Share capital HK$'000	Reserves HK$'000	Non–controlling interests HK$'000	Total HK$'000
Balance at 1 January 2017		186,138	2,399,800	31,483	2,617,421
Comprehensive income					
Profit for the year		–	133,699	1,088	134,787
Other comprehensive loss					
Revaluation gains on AFS financial assets		–	10,187		10,187
Currency translation differences		–	60,415	119	60,534
Release of AFS financial asset reserve upon disposal		–	(11,990)	–	(11,990)
Release of exchange reserve upon disposal of subsidiaries		–	(419)	–	(419)
Release of exchange reserve upon disposal of asset held for sale	23	–	866	–	866
Total comprehensive income for the year		–	192,758	1,207	193,965
Transactions with owners					
Release of non-controlling interests upon disposal of subsidiaries		–	–	(32,690)	(32,690)
Repurchase of shares	22	(9,084)	(90,156)	–	(99,240)
Employee share option scheme – value of employee services	22	–	8,833	–	8,833
Proceeds from issuance of shares upon exercise of employee share option	22	2,330	13,745	–	16,075
Dividends paid		–	(32,054)	–	(32,054)
		(6,754)	(99,632)	(32,690)	(139,076)
Balance at 31 December 2017		179,384	2,492,926	–	2,672,310

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	31	**283,381**	350,006
Interest received		**15,707**	7,315
Interest paid		**(55,587)**	(32,282)
Overseas income tax paid		**(23,892)**	(23,570)
Net cash generated from operating activities		**219,609**	301,469
Cash flows from investing activities			
Purchases of property, plant and equipment		**(287,921)**	(122,887)
Prepayments for property, plant and equipment		**(100,896)**	(213,101)
Purchases of land use rights		**(122,428)**	(401)
Addition in investment property under development		**(42,373)**	(49,989)
Investment in AFS financial assets		**–**	(2,305)
Investment in financial assets at FVOCI		**(14,693)**	–
Proceeds from disposal of asset-held-for sale		**–**	10,423
Proceeds from disposal of an AFS financial asset		**–**	23,926
Proceeds from sales of property, plant and equipment	31	**832**	5,668
Decrease/(increase) in restricted bank deposits		**30,732**	(21,726)
Decrease/(increase) in short-term bank deposits		**22,213**	(72,386)
Acquisition of subsidiaries, net of cash acquired		**–**	5,723
Sales of subsidiaries, net of cash disposed		**–**	(909)
Net cash used in investing activities		**(514,534)**	(437,964)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**1,538,000**	700,071
Repayments of borrowings		**(1,295,945)**	(568,507)
Repayments of capital element of finance lease liabilities		**(5,210)**	(13,081)
Proceeds from issuance of shares upon exercise of share options		**499**	16,075
Repurchase of shares	22	**(80,690)**	(99,240)
Dividends paid	23	**(31,958)**	(32,054)
Net cash generated from financing activities		**124,696**	3,264
Net decrease in cash and cash equivalents		**(170,229)**	(133,231)
Cash and cash equivalents at beginning of the year		**1,305,823**	1,423,134
Exchange (loss)/gain on cash and cash equivalents		**(24,548)**	15,920
Cash and cash equivalents at end of the year	15	**1,111,046**	1,305,823

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 provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy.

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation (Continued)

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

The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2018:

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

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15 which are disclosed in note 2.2. The adoption of other new and amended standards and interpretation did not have any material impact on the current period or any prior periods.

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

2.1 Basis of preparation (Continued)

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

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

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and interpretation. The directors of the Group will adopt the new standards, amendments to standards and interpretation when they become effective.

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

2.1 Basis of preparation (Continued)

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

Impact of HKFRS 16, 'Leases'

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

Impact

Management of the Group has reviewed all the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$125,265,000 (Note 32(b)). Upon adoption of HKFRS 16, operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. These lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be amortised on a straight-line basis during the lease term.

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

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

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

2.2 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on financial information

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

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

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

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

2.2 Changes in accounting policies (Continued)

(b) *HKFRS 9 Financial Instruments*

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

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

(i) Classification and measurement

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

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

2.2 Changes in accounting policies (Continued)

(b) *HKFRS 9 Financial Instruments* (Continued)

(i) Classification and measurement (Continued)

The impact of the reclassification is as follows:

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

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

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

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

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

2.2 Changes in accounting policies (Continued)

(b) *HKFRS 9 Financial Instruments* (Continued)

(ii) Impairment of financial assets

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

- Trade receivables
- Deposits and other receivables

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

Trade receivables

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

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

Other receivables

The impairment loss on other receivables was immaterial.

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

2.2 Changes in accounting policies (Continued)

(c) *HKFRS 15 Revenue from Contracts with Customers*

(i) Impact of adoption

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

The new accounting policies are set out in note 2.27. The impacts of the adoption of HKFRS 15 are as follows:

Timing difference of revenue recognition

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

Presentation of contract liabilities

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

2.3 Principles of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2018.

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

2.3 Principles of consolidation and equity accounting (Continued)

(i) *Subsidiaries*

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

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

(ii) *Associates*

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

(iii) *Equity method*

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

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

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

2.3 Principles of consolidation and equity accounting (Continued)

(iii) Equity method (Continued)

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

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

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

Gains or losses on dilution of equity interest in an associate are recognised in profit or loss.

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

2.4 Changes in ownership interests

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

2.5 Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

2.6 Separate financial statements

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

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

2.7 Segment reporting

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

2.8 Foreign currency translation

(a) Functional and presentation currency

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

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

2.8 Foreign currency translation (Continued)

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

2.8 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

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

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

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

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

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

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

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

2.9 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.

Freehold land is stated at historical cost.

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

The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in profit or loss during the financial period in which they are incurred.

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

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

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

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

2.9 Property, plant and equipment (Continued)

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)/gains – net' in the consolidated statement of comprehensive income.

2.10 Leasehold land and land use rights

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

2.11 Investment property under development

Investment property under development, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property under development is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other (losses)/gains – net.

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

2.12 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.

2.13 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)

2.14 Financial assets/liabilities

2.14.1 Classification

From 1 January 2018, the Group classifies its financial assets and liabilities in the following categories: those to be measured subsequently at FVOCI, those to be measured at amortised cost and other financial liabilities at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

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.

2.14.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

2.14 Financial assets/liabilities (Continued)

2.14.3 Measurement

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

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

(a) Equity instruments

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

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

(b) Financial liabilities

Recognitions and measurements of other financial liabilities at amortised cost are described in Notes 2.20 (Trade payables), 2.21 (Borrowings) and 2.29 (Leases).

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

2.14 Financial assets/liabilities (Continued)

2.14.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (note 2.2).

2.14.5 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- loans and receivables and

- AFS financial assets

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

2.14 Financial assets/liabilities (Continued)

2.14.5 Accounting policies applied until 31 December 2017 (Continued)

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(a) Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or AFS categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

(b) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above.

AFS financial assets were subsequently carried at fair value. For non-monetary securities classified as AFS, gains or losses arising from changes in fair value are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

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

2.14 Financial assets/liabilities (Continued)

2.14.5 *Accounting policies applied until 31 December 2017* (Continued)

(c) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognised in profit or loss.

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

2.14 Financial assets/liabilities (Continued)

2.14.5 Accounting policies applied until 31 December 2017 (Continued)

(c) **Impairment** (Continued)

Assets classified as financial assets

If there was objective evidence of impairment for AFS financial assets, 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 – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as AFS increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

2.15 Offsetting financial instruments

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

2.16 Inventories

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

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

2.17 Trade and other receivables

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

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

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

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

2.19 Share capital

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

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

2.20 Trade payables

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.

2.21 Borrowings

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

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

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

2.21 Borrowings (Continued)

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

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

2.22 Borrowing costs

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

2.23 Current and deferred income tax

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

(a) Current income tax

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

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

2.23 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)

2.24 Employee benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

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

(c) *Profit-sharing and bonus plans*

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

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

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

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

2.25 Share-based payments

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

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

2.26 Provisions

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

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

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

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

2.27 Revenue recognition and other income

(i) *Sales of goods*

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

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

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

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

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

2.28 Earnings per share

(i) *Basic earnings per share*

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

(ii) *Diluted earnings per share*

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

2.29 Leases (as lessee)

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 2.10), are charged to profit or loss on a straight-line basis over the period of the lease.

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

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

The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

2.30 Dividend distribution

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

2.31 Government grants

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

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

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

2.32 Interest income

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

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

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.

	2018 **HK$'000**
Chinese Renminbi 4.83% depreciation against Hong Kong dollars	**(14,211)**
Japanese Yen 2.5% appreciation against Hong Kong dollars	**544**
Euro 4.2% appreciation against Hong Kong dollars	**1,471**
US dollars 0.2% appreciation against Hong Kong dollars	**1,710**
Decrease in post-tax profit	**(10,486)**

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow and fair value interest rate risk

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

Details of the Group's bank deposits, bank borrowings and finance lease liabilities have been disclosed in Notes 15, 19 and 20 to the consolidated financial statements.

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

At 31 December 2018, a 100 basis points (i.e. 1%) fall/rise in market interest rates for all currencies in which the Group had net borrowings, after offsetting bank deposits, would increase/decrease post-tax profit by approximately HK$8,434,000 (2017: by HK$4,056,000), mainly as a result of lower/higher interest expense on floating rate borrowings.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, short-term bank deposits, restricted bank deposits, trade receivables, deposits and other receivables. The carrying amounts of these asset categories represent the Group's maximum exposure to credit risk in relation to financial assets. Credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

As at 31 December 2017 and 2018, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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

Additionally, the Group employs a range of policies and methods to mitigate credit risk, including taking collateral of land and buildings, property, plant and equipment, and/or inventories.

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

	2018 **HK$'000**	2017 HK$'000
Deposits and other receivables	**183,619**	233,739
Trade receivables	**989,599**	856,105
Short-term bank deposits	**174,169**	196,382
Restricted bank deposits	**51,563**	82,295
Cash and cash equivalents	**1,111,046**	1,305,823

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Impairment of financial assets

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

(ii) Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period and available forward-looking information. The historical loss rates are not adjusted as the impact of the expected credit loss is insignificant.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at 31 December 2018				
Bank borrowings	**1,348,580**	**250,180**	**347,073**	**1,945,833**
Finance lease liabilities	**2,482**	**–**	**–**	**2,482**
Interest payable	**35,560**	**19,949**	**5,904**	**61,413**
Trade payables	**838,136**	**–**	**–**	**838,136**
Other payables	**135,524**	**–**	**–**	**135,524**
	2,360,282	**270,129**	**352,977**	**2,983,388**
As at 31 December 2017				
Bank borrowings	1,297,507	274,253	132,018	1,703,778
Finance lease liabilities	5,210	2,482	–	7,692
Interest payable	15,188	4,585	548	20,321
Trade payables	818,753	–	–	818,753
Other payables	168,074	–	–	168,074
	2,304,732	281,320	132,566	2,718,618

3.2 Capital risk management

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

The capital structure of the Group consists of net debt, which includes the borrowings and finance lease liabilities as disclosed in Note 19 and Note 20, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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

In addition, consistent with others in the industry, the Group also monitors capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity.

The gearing ratios were as follows:

	2018	2017
	HK$'000	HK$'000
Borrowings (Note 19)	**1,945,833**	1,703,778
Finance lease liabilities (Note 20)	**2,482**	7,692
Less: Cash and cash equivalents (Note 15)	**(1,111,046)**	(1,305,823)
Total net debt	**837,269**	405,647
Total equity	**2,588,503**	2,672,310
Gearing ratio	**32.3%**	15.2%

The increase in the gearing ratio during 2018 resulted primarily from the increase in new borrowings during the year outweighed the repayment on borrowings and finance lease liabilities during the year.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

The different methods of valuation have been defined as follows:

- Quoted prices (unadjusted) in active markets for similar assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

Specific valuation techniques used to value financial instruments include:

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

The fair value of the unlisted equity securities is determined based on recent arm's length transactions, net asset value or valued by an external valuer using asset based approach and the key underlying assumptions used included, adjusted net asset value, depreciated replacement cost and marketability discount.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value:

	Level 3	
	2018	2017
	HK$'000	HK$'000
AFS financial assets – unlisted equity securities	**–**	98,972
Financial assets at FVOCI – unlisted equity securities	**105,851**	–
Financial assets at FVOCI	**105,851**	98,972

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 2017 and 2018.

	2018	2017
	HK$'000	HK$'000
As at 1 January	**98,972**	106,861
Additions	**14,693**	2,305
Transfer from the disposal of the equity interest of subsidiaries	**–**	19,111
Disposal	**–**	(37,187)
Impairment loss charged to income statement (Note 25)	**–**	(2,305)
Revaluation (loss)/gain transferred to other comprehensive income	**(7,814)**	10,187
As at 31 December	**105,851**	98,972

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 and other receivables

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

(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 financial assets at FVOCI/AFS financial assets

The fair value of financial assets at FVOCI/AFS 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

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

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

Note: Others mainly represent proceeds from sales of scrap materials.

(b) Segment information

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

The Group is organised into two main business segments:

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

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

The chief operating decision-maker assesses the performance of the operating segment based on a measure of profit before interest and tax.

Information provided to the chief operating decision-maker is measured in a manner consistent with that in the consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	2018					2017				
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Un-allocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	4,349,705	1,291,384	49,400	17,458	5,707,947	4,289,925	1,178,802	61,057	20,007	5,549,791
Liabilities	613,267	523,721	-	1,982,456	3,119,444	563,792	537,073	-	1,776,616	2,877,481
Capital expenditure	464,225	123,440	-	-	587,665	339,876	111,678	-	-	451,554

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

Revenue by geographical region

	2018				2017			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,474,296**	**192,361**	**-**	**3,666,657**	3,060,049	97,040	-	3,157,089

Non-current assets by geographical region

	2018				2017			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Total segment non-current assets	**2,295,019**	**247,718**	**145,086**	**2,687,823**	2,225,683	179,775	49,545	2,455,003
Total segment assets	**5,069,204**	**419,045**	**219,698**	**5,707,947**	5,237,385	246,800	65,606	5,549,791

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

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

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

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
Year ended 31 December 2018							
Opening net book amount	–	686,697	833,805	117,771	12,727	91,601	1,742,601
Exchange differences	–	(7,625)	(11,288)	(1,064)	(6)	(5,646)	(25,629)
Additions	84,958	1,069	80,609	38,108	1,062	318,966	524,772
Transfers	–	40,005	1,906	(531)	–	(41,380)	–
Disposals	–	(111)	(516)	(338)	–	–	(965)
Depreciation	–	(43,615)	(138,754)	(38,278)	(2,992)	–	(223,639)
Closing net book amount	84,958	676,420	765,762	115,668	10,791	363,541	2,017,140
As at 31 December 2018							
Cost	84,958	1,000,616	1,786,075	507,346	36,894	363,541	3,779,430
Accumulated depreciation	–	(324,196)	(1,020,313)	(391,678)	(26,103)	–	(1,762,290)
Net book amount	84,958	676,420	765,762	115,668	10,791	363,541	2,017,140
Year ended 31 December 2017							
Opening net book amount	–	654,968	802,915	142,851	9,462	82,430	1,692,626
Acquisition of subsidiaries	–	24,622	13,824	1,795	182	–	40,423
Exchange differences	–	10,603	16,636	1,634	39	(258)	28,654
Additions	–	3,766	74,997	18,424	4,877	138,375	240,439
Transfers	–	40,015	77,766	9,168	1,704	(128,653)	–
Disposals	–	(1,787)	(1,932)	(124)	(201)	(293)	(4,337)
Disposal of subsidiaries	–	(4,955)	(16,772)	(1,475)	(430)	–	(23,632)
Depreciation	–	(40,535)	(133,629)	(54,502)	(2,906)	–	(231,572)
Closing net book amount	–	686,697	833,805	117,771	12,727	91,601	1,742,601
As at 31 December 2017							
Cost	–	969,446	1,817,613	475,822	36,066	91,601	3,390,548
Accumulated depreciation	–	(282,749)	(983,808)	(358,051)	(23,339)	–	(1,647,947)
Net book amount	–	686,697	833,805	117,771	12,727	91,601	1,742,601

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2018	2017
	HK$'000	HK$'000
Plant and machinery	**11,990**	155,539

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

	2018	2017
	HK$'000	HK$'000
Cost of sales	**150,009**	145,162
Selling and marketing costs	**1,778**	1,589
General and administrative expenses	**71,852**	84,821
	223,639	231,572

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

	2018	2017
	HK$'000	HK$'000
Land and buildings in Hong Kong, located on land with lease of between 10 and 50 years	**5,280**	5,570
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years	**671,140**	681,127
	676,420	686,697

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings with net book amount of HK$5,280,000 (2017: HK$5,570,000) were pledged as collateral for the Group's borrowings (Note 19).

Analysis of construction-in-progress is as follows:

	2018 HK$'000	2017 HK$'000
Construction costs of buildings	44,367	38,330
Cost of machinery	319,174	53,271
	363,541	91,601

7 INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	2018 HK$'000	2017 HK$'000
Investment property under development	156,003	120,490

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

7 INVESTMENT PROPERTY UNDER DEVELOPMENT (CONTINUED)

Movements are:

	2018 HK$'000	2017 HK$'000
Opening balance	**120,490**	–
Acquisition of a subsidiary	**–**	63,088
Additions	**42,373**	49,989
Changes in fair value	**143**	1,577
Exchange translation differences	**(7,003)**	5,836
	156,003	120,490

A valuation of the Group's investment property under development was performed by an independent firm of professional valuer (深圳市玄德資產評估事務所) to determine the fair value of the investment property as at 31 December 2018.

The valuation was determined by using direct comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot/square meter.

The key unobservable inputs used in the valuation of investment property under development as at 31 December 2017 and 2018 are adopted unit rate of land.

8 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2018 HK$'000	2017 HK$'000
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**238,778**	228,737

Movements are:

	2018 HK$'000	2017 HK$'000
As at 1 January	**228,737**	171,061
Exchange differences	**(4,524)**	4,692
Acquisition of a subsidiary	**–**	11,713
Additions	**20,520**	45,902
Amortisation	**(5,955)**	(4,631)
As at 31 December	**238,778**	228,737

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

	2018 HK$'000	2017 HK$'000
Representing –		
Cost	**275,569**	259,992
Accumulated amortisation	**(36,791)**	(31,255)
Net book amount	**238,778**	228,737

9 GOODWILL

	2018	2017
	HK$'000	HK$'000
As at 1 January	**2,510**	5,067
Disposal of a subsidiary	**–**	(2,557)
As at 31 December	**2,510**	2,510

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

	2018	2017
	HK$'000	HK$'000
Corporate	**2,510**	2,510
At 31 December	**2,510**	2,510

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2018 (2017: Nil).

10A SUBSIDIARIES

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2018:

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group	Principal activities
EVA Group Limited	Hong Kong, limited liability company	HK$15,000	100%	Investment holding
Digit Automotive Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding
EVA Metal Mould Products Limited	British Virgin Islands, limited liability company	US$1.12	100%	Investment holding
EVA Precision Industrial (Eastern China) Limited (億和精密工業(華東) 有限公司)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Limited	Hong Kong, limited liability company	HK$200,000,000	100%	Trading of metal moulds and components
EVA Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of plastic moulds and components
Shenzhen EVA Precision Technology Group Limited (深圳市億和精密科技集團有限公司) (a)	Mainland China, limited liability company	HK$221,880,000	100%	Manufacturing of metal moulds and components
Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. (億和塑膠電子製品(深圳)有限公司) (a)	Mainland China, limited liability company	HK$195,000,000	100%	Manufacturing of plastic moulds and components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10A SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group	Principal activities
EVA 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)	Mainland China, limited liability company	HK$120,000,000	100%	Manufacturing of metal and plastic moulds and components
Shenzhen EVA Mould Manufacturing Limited (深圳億和模具製造有限公司) (a)	Mainland China, limited liability company	HK$240,000,000	100%	Manufacturing of metal and plastic moulds
Digit Stamping Technology (Wuhan) Limited (數碼模沖壓技術(武漢)有限公司) (a)	Mainland China, limited liability company	US$26,000,000	100%	Manufacturing of metal moulds and components
Chongqing Digit Auto Body Ltd. (重慶數碼模車身模具有限公司) (a)	Mainland China, limited liability company	RMB191,250,000	100%	Manufacturing of metal moulds
EVA Hai Phong Precision Industrial Co., Ltd.	Vietnam, limited liability company	US$10,000,000	100%	Manufacturing of metal moulds and components
Digit Automotive de Mexico S.A. de C.V.	Mexico, limited liability company	MXN19,000	100%	Manufacturing of moulds and components for automobiles

10A SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group	Principal activities
EVA Precision Industrial (Weihai) Limited (b)	Mainland China, limited liability company	US$50,000,000	100%	Manufacturing of metal stamping and plastic injection moulds and components
Sichuan Junyuan Investment Management Limited (b)	Mainland China, limited liability company	RMB90,000,000	100%	Property development
Yixinhe Investment (Suzhou) Limited (a)(b)	Mainland China, limited liability company	US$30,000,000	100%	Investment holding
Shenzhen Yizhi Investment Holdings Limited	Mainland China, limited liability company	RMB10,000,000	100%	Investment holding
Intops (Weihai) Electronics Co., Ltd. (a)	Mainland China, limited liability company	RMB28,975,345.99	100%	Manufacturing of metal stamping and plastic injection moulds and components
Shenzhen EVA Smart Device Limited (b)	Mainland China, limited liability company	RMB10,000,000	100%	Manufacturing of metal stamping and plastic injection moulds and components
Shenzhen Digit Automotive Technology Limited (a)(b)	Mainland China, limited liability company	RMB65,000,000	100%	Manufacturing of moulds and components for automobiles

10A SUBSIDIARIES (CONTINUED)

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

Name	Place of establishment	Terms of business
Shenzhen EVA Precision Technology Group Limited	Shenzhen, Guangdong Province, Mainland China	20 years up to May 2021
Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd.	Shenzhen, Guangdong Province, Mainland China	20 years up to July 2024
Chongqing Digit Auto Body Ltd.	Chongqing, Sichuan Province, Mainland China	20 years up to March 2026
Digit Stamping Technology (Wuhan) Limited	Wuhan, Wubei Province, Mainland China	20 years up to August 2031
EVA Precision Industrial (Suzhou) Limited	Suzhou, Jiangsu Province, Mainland China	50 years up to August 2055
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
Yixinhe Investment (Suzhou) Limited	Suzhou, Jiangsu Province Mainland China	30 years up to November 2046
Intops (Weihai) Electronics Co., Ltd.	Weihai, Shandong Province, Mainland China	50 years up to November 2046
Shenzhen Digit Automotive Technology Limited	Shenzhen, Guangdong Province, Mainland China	50 years up to March 2068

10A SUBSIDIARIES (CONTINUED)

(b) At 31 December 2018, the Group was committed to making additional capital contributions to the following principal subsidiaries:

Name	Committed capital injection	Due date
Sichuan Junyuan Investment Management Limited	RMB130,000,000	December 2020
Yixinhe Investment (Suzhou) Limited	HK$78,572,000	November 2036
Shenzhen EVA Smart Device Limited	RMB10,000,000	September 2020
Shenzhen Digit Automotive Technology Limited	RMB25,000,000	February 2019
EVA Precision Industrial (Weihai) Limited	USD120,000,000	March 2028

10B INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
As at 1 January	**65,441**	56,208
Exchange difference	**(1,994)**	3,749
Share of (losses)/profits, net	**(404)**	5,484
As at 31 December	**63,043**	65,441

10B INVESTMENTS IN ASSOCIATES (CONTINUED)

Details of the associates as at 31 December 2018:

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%	Micro-lending	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.

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

10B INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of financial position

	Microcredit	
	2018	2017
	HK$'000	HK$'000
ASSETS		
Non-current assets	**2,151**	1,377
Current assets	**154,067**	155,080
LIABILITIES		
Current liabilities	**–**	3,814
Net current assets	**154,067**	151,266
Net assets	**154,811**	152,643

Summarised statement of comprehensive income

	Microcredit	
	2018	2017
	HK$'000	HK$'000
Reconciliation of carrying amounts:		
Net assets as at 1 January	**152,643**	138,967
Profits for the year	**2,168**	13,676
Net assets as at 31 December	**154,811**	152,643
Interest in an associate (40%)	**61,924**	61,057
Revenue	**31,488**	34,034
Profit before income tax	**2,891**	21,025
Income tax expense	**(723)**	(7,349)
Total comprehensive income for the year	**2,168**	13,676
Share of profit of associate (40%)	**867**	5,470

11 INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**101,390**	102,787
Work-in-progress	**261,339**	226,028
Finished goods	**114,062**	80,758
	476,791	409,573
Less: Provision for impairment	**(31,550)**	(27,911)
Inventories – net	**445,241**	381,662

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,826,699,000 (2017: HK$1,566,517,000).

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

	2018	2017
	HK$'000	HK$'000
At 1 January	**27,911**	23,645
Acquisition of a subsidiary	**–**	100
Disposal of a subsidiary	**–**	(4,917)
Provision for impairment (Note 25)	**3,639**	9,083
At 31 December	**31,550**	27,911

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

12 TRADE RECEIVABLES

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

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

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

The carrying amounts of trade receivables approximate their fair values.

12 TRADE RECEIVABLES (CONTINUED)

The top five customers and the largest customer accounted for 30.2% (2017: 30.3%) and 9.7% (2017: 9.5%), respectively, of the trade receivables balance as at 31 December 2018. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As at 31 December 2018, no trade receivables (2017: Nil) were past due.

Trade receivables are denominated in the following currencies:

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

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Non-current:		
Deposits for purchases of property, plant and equipment	**100,896**	192,554
Others	**3,602**	3,698
	104,498	196,252
Current:		
Consideration receivables from disposal of subsidiaries (Note)	**5,761**	12,601
Consideration receivable from disposal of AFS financial asset (Note)	**–**	26,319
Prepayments for purchases of raw materials	**56,943**	24,777
VAT recoverable	**84,187**	50,275
Prepayment of utilities expenses	**879**	1,058
Receivables from employees and staff advances (Note)	**7,121**	10,759
Deposits placed with customs in Mainland China	**3,838**	4,103
Receivables from the then subsidiaries (Note)	**79,865**	112,821
Others	**9,912**	30,996
	248,506	273,709

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

14 FINANCIAL ASSETS AT FVOCI

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

	2018 **HK$'000**	2017* HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**105,851**	98,972

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

The financial assets at FVOCI/AFS financial assets are denominated in RMB.

Movements of the financial assets at FVOCI/AFS financial assets are as follows:

	2018 **HK$'000**	2017* HK$'000
As at 1 January	**98,972**	106,861
Additions	**14,693**	2,305
Transfer from the disposal of the equity interest of subsidiaries	**–**	19,111
Disposal	**–**	(37,187)
Impairment loss charged to income statement (Note 25)	**–**	(2,305)
Revaluation (loss)/gain transferred to other comprehensive income	**(7,814)**	10,187
As at 31 December	**105,851**	98,972

* These investments were classified as AFS financial assets in 2017, the Group made an irrevocable election to present all changes in the fair value of the AFS financial asset to financial assets at FVOCI, as explained in Note 2.2.

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

	Group	
	2018	2017
	HK$'000	HK$'000
Restricted bank deposits	**51,563**	82,295
Short-term bank deposits	**174,169**	196,382
Cash and cash equivalents	**1,111,046**	1,305,823
	1,336,778	1,584,500

As at 31 December 2018, 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:

	2018		2017	
	Effective interest rate (per annum)	**Average maturity (days)**	Effective interest rate (per annum)	Average maturity (days)
Restricted bank deposits	**0.2%**	**180**	0.4%	180
Short-term bank deposits	**3.6%**	**365**	2.1%	365
Cash and cash equivalents	**0.1%**	**7**	0.3%	7

15 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:

	2018 **HK$'000**	2017 HK$'000
HK$	**205,965**	364,374
RMB	**439,112**	318,636
US$	**657,589**	826,087
Japanese yen	**21,550**	241
Euro	**8,252**	71,809
Vietnamese dong	**3,359**	691
Mexican peso	**72**	1,478
Others	**879**	1,184
	1,336,778	1,584,500

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

16 TRADE PAYABLES

The aging of trade payables is as follows:

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

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

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

17 CONTRACT LIABILITIES

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

	2018	2017
	HK$'000	HK$'000
Receipt in advance from customers	**68,493**	–

Contract liabilities for receipt in advance have increased by HK$17,798,000 was due to larger prepayments from customers.

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

18 ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Payable for purchase of property, plant and equipment	**70,658**	55,357
Deposits from customers	**–**	50,695
Accrued utilities expenses	**3,927**	3,947
Accrued wages, salaries and welfare	**87,145**	81,983
Accrued operating expenses	**3,852**	5,498
Payable for acquisition of a subsidiary	**26,221**	80,221
Other payables	**38,645**	32,496
	230,448	310,197

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

	2018 HK$'000	2017 HK$'000
HK$	**5,804**	7,257
RMB	**91,327**	145,362
Others	**38,393**	15,455
	135,524	168,074

19 BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Current:		
Short-term bank loans	**983,000**	937,617
Portion of long-term loans from banks due for repayment within one year	**365,160**	359,470
Mortgage loan, current portion	**420**	420
	1,348,580	1,297,507
Non-current:		
Portion of long-term loans from banks due for repayment after one year	**597,235**	405,833
Mortgage loan, non-current portion	**18**	438
	597,253	406,271
Total bank borrowings	**1,945,833**	1,703,778

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:

	2018 HK$'000	2017 HK$'000
Within 1 year	**1,348,580**	1,297,507
Between 1 and 2 years	**250,180**	274,253
Between 2 and 5 years	**347,073**	132,018
	1,945,833	1,703,778

19 BANK BORROWINGS (CONTINUED)

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

	2018	2017
	HK$'000	HK$'000
HK$	**1,945,833**	1,690,324
US$	**–**	13,454
	1,945,833	1,703,778

As at 31 December 2018, 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**	
	2018	2017	**2018**	2017	**2018**	2017
HK dollars	**2.6%**	1.4%	**3.14%**	2.3%	**2.4%**	2.4%
US dollars	**–**	1.8%	**–**	3.2%	**–**	–

As at 31 December 2018, the Group has undrawn floating rate borrowing facilities of approximately HK$571,519,000 (2017: HK$573,938,000).

As at 31 December 2018, land and buildings with a carrying amount of HK$5,280,000 (2017: HK$5,570,000) were pledged as collateral for the Group's borrowing.

20 FINANCE LEASE LIABILITIES

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

	2018	2017
	HK$'000	HK$'000
Within one year	**2,499**	5,321
In the second year	**–**	2,499
	2,499	7,820
Less: Future finance charges on finance leases	**(17)**	(128)
Present value of finance lease liabilities	**2,482**	7,692

The present value of finance lease liabilities is as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**2,482**	5,210
In the second year	**–**	2,482
Total finance lease liabilities	**2,482**	7,692
Less: Amount included in current liabilities	**(2,482)**	(5,210)
	–	2,482

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

As at 31 December 2018, the effective interest rate of the Group's finance lease liabilities was 4.3% (2017: 3.3%) per annum.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. As at 31 December 2018, the net book amount of the leased assets was approximately HK$11,990,000 (2017: HK$155,539,000).

21 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	2018 **HK$'000**	2017 HK$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	**22,720**	23,308
Deferred tax liability to be recovered within 12 months	**490**	490
	23,210	23,798

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 2017	15,408	5,129	20,537
Debited to profit or loss	3,261	–	3,261
As at 31 December 2017	18,669	5,129	23,798
Credited to profit or loss	(588)	–	(588)
As at 31 December 2018	18,081	5,129	23,210

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$83,505,000 (2017: HK$71,511,000) 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.

21 DEFERRED TAXATION (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$52,228,000 (2017: HK$39,888,000) in respect of losses amounting to HK$305,554,000 (2017: HK$238,878,000) that can be carried forward against future taxable income. Tax losses of HK$249,448,000(2017: HK$201,997,000) can be carried forward indefinitely. Tax losses of HK$3,517,000, HK$7,177,000, HK$16,511,000 and HK$22,827,000, HK$1,066,000 and HK$5,008,000 will expire in 2019, 2021, 2022, 2023, 2027 and 2028, respectively (2017: HK$6,032,000, HK$5,108,000, HK$7,177,000 and HK$18,564,000 will expire in 2018, 2019, 2021 and 2022, respectively).

22 SHARE CAPITAL

	Note	**Number of ordinary shares** (thousands)	**Nominal value** HK$'000
Authorised:			
As at 1 January 2017, 31 December 2017 and 2018		200,000,000	20,000,000
Issued and fully paid:			
As at 1 January 2017		1,861,384	186,138
New shares issued upon exercise of share options	(b)	23,296	2,330
Repurchase of shares	(a)	(90,836)	(9,084)
As at 31 December 2017		1,793,844	179,384
New shares issued upon exercise of share options	(b)	2,850	285
Repurchase of shares	(c)	(67,252)	(6,725)
As at 31 December 2018		1,729,442	172,944

22 SHARE CAPITAL (CONTINUED)

Notes:

(a) During the year ended 31 December 2018, the Company repurchased a total of 90,836,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.84 to HK$1.24 per share for a total consideration of approximately HK$99,240,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 19 May 2017. The repurchased shares were cancelled before 31 December 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

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

(b) During the year ended 31 December 2017, 23,296,000 ordinary shares were issued at HK$0.69 per share, and net proceeds of HK$16,075,000 were received upon the exercise of certain options under the share options scheme. During the year ended 31 December 2018, 2,850,000 ordinary shares were issued at HK$0.175 per share, and net proceeds of HK$499,000 were received upon the exercise of certain options under the share options scheme.

(c) During the year ended 31 December 2018, the Company repurchased a total of 67,252,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.64 to HK$1.25 per share for a total consideration of approximately HK$80,690,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 21 May 2018. The repurchased shares were cancelled before 31 December 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

22 SHARE CAPITAL (CONTINUED)

Month of purchase	**Number of shares of HK$0.1 each**	**Highest price per share** HK$	**Lowest price per share** HK$	**Aggregate consideration paid** HK$'000
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
March 2018	4,312,000	1.20	1.18	5,155
April 2018	18,320,000	1.21	1.19	22,064
May 2018	6,200,000	1.21	1.21	7,502
July 2018	2,240,000	0.89	0.84	1,973
October 2018	180,000	0.64	0.64	115
	67,252,000			80,690

Share options

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

22 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

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

	2018		2017	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
As at 1 January		**140,480**		105,726
Granted		**–**	1.10	70,300
Exercised	**0.175**	**(2,850)**	0.69	(23,296)
Expired	**0.175**	**(80)**	1.16	(12,250)
As at 31 December		**137,550**		140,480

22 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

	2018		2017	
Expiry date	**Exercise price HK$**	**Number of options '000**	Exercise price HK$	Number of options '000
1 October 2019	**0.41**	**200**	0.41	200
7 July 2021	**0.692**	**67,050**	0.692	67,050
19 November 2018	**0.175**	**–**	0.175	2,930
4 November 2024	**1.10**	**70,300**	1.10	70,300
		137,550		140,480

The amount charged to the consolidated statement of comprehensive income during the year ended 31 December 2018 was HK$12,325,000 (2017: HK$8,833,000).

23 RESERVES

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

23 RESERVES (CONTINUED)

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

23 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.

(iv) The Group has elected to recognise changes in fair value of certain investments in equity securities in OCI, as explained in note 2.2. These changes are accumulated within the FVOCI reserve within equity. The Group transfer amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

24 OTHER INCOME AND OTHER LOSSES – NET

	2018	2017
	HK$'000	HK$'000
Other income		
Government grants	**26,375**	10,946
Storage income	**2,482**	2,221
	28,857	13,167
Other (losses)/gains – net		
Losses on disposal of subsidiaries, net	**–**	(3,225)
Gain on bargain purchase	**–**	5,785
Losses on disposal of AFS financial assets	**–**	(1,271)
Impairment of AFS financial assets	**–**	(2,305)
(Losses)/gains on disposal of property, plant and equipment	**(133)**	1,331
Fair value gain on revaluation of investment property under development(Note 7)	**143**	1,577
Loss on disposal of asset held for sale	**–**	(1,819)
Net exchange (losses)/gains	**(541)**	1,616
Others	**348**	646
	(183)	2,335

25 EXPENSES BY NATURE

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

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

26 EMPLOYMENT EXPENSES

	2018	2017
	HK$'000	HK$'000
Wages, salaries and bonus	**698,183**	580,184
Staff welfare	**69,782**	45,228
Retirement benefit – defined contribution plans (a)	**74,437**	36,453
Share-based payment (Note 22)	**12,325**	8,833
	854,727	670,698

(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 2018, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK$74,437,000 (2017: HK$36,453,000). As at 31 December 2018, the Group was not entitled to any forfeited contributions to reduce its future contributions (2017: Nil).

26 EMPLOYMENT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: three) directors whose emoluments are reflected in the analysis in Note 35.

The emoluments payable to the remaining two (2017: two) individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries	**1,984**	1,665
Discretionary bonus	**293**	311
Contribution to pension scheme	**36**	61
Share option granted	**315**	240
	2,628	2,277

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
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 (2017: Nil).

27 FINANCE INCOME/COSTS

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

28 INCOME TAX EXPENSE

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

28 INCOME TAX EXPENSE (CONTINUED)

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

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

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

28 INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2017: 16.5%).

(b) Mainland China corporate income tax

Income tax of the subsidiaries of the Group established in Mainland China has been provided at the following tax rates:

(i) Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% (2017: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, EVA Precision Industrial (Zhongshan) Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2017 and 2018.

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

28 INCOME TAX EXPENSE (CONTINUED)

(c) Other income taxes

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

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

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

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

29 EARNINGS PER SHARE

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

Basic

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

29 EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual quoted share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

30 DIVIDENDS

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

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

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**103,510**	168,240
Adjustments for:		
– Depreciation of property, plant and equipment	**223,639**	231,572
– Amortisation of leasehold land and land use rights	**5,955**	4,631
– Loss/(gain) on sales of property, plant and equipment	**133**	(1,331)
– Loss on disposal of subsidiaries, net	**–**	3,225
– Loss on disposal of asset held for sale	**–**	1,819
– Loss on disposal of an AFS investment	**–**	1,271
– Impairment loss of AFS investments	**–**	2,305
– Gain on bargain purchase	**–**	(5,785)
– Fair value gain on revaluation of investment property under development	**(143)**	(1,577)
– Share of losses/(profits) of associates	**404**	(5,484)
– Share-based payment	**12,325**	8,833
– Interest income	**(15,707)**	(7,315)
– Interest expense	**55,587**	32,282
Changes in working capital:		
– Inventories	**(63,579)**	(67,748)
– Trade receivables	**(136,511)**	(120,107)
– Prepayments, deposits and other receivables	**91,961**	(83,579)
– Amount due from a related company	**–**	1,587
– Trade payables	**17,818**	153,045
– Accruals and other payables	**(12,011)**	34,122
Cash generated from operations	**283,381**	350,006

31 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:

	2018	2017
	HK$'000	HK$'000
Net book amount	**965**	4,337
Gain/(loss) on disposal of property, plant and equipment	**(133)**	1,331
Proceeds	**832**	5,668

Net debt reconciliation

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

Net Debt

	2018	2017
	HK$'000	HK$'000
Cash and cash equivalents	**1,111,046**	1,305,823
Finance lease liabilities – repayable within one year	**(2,482)**	(5,210)
Finance lease liabilities – repayable after one year	**–**	(2,482)
Borrowings – repayable within one year	**(1,348,580)**	(1,297,507)
Borrowings – repayable after one year	**(597,253)**	(406,271)
Net debt	**(837,269)**	(405,647)
Cash and liquid investments	**1,111,046**	1,305,823
Gross debt – fixed interest rates	**(503,000)**	(280,000)
Gross debt – variable interest rates	**(1,445,315)**	(1,431,470)
Net debt	**(837,269)**	(405,647)

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

Net debt reconciliation (Continued)

	Other Assets	Liabilities from financing activities				
	Cash and cash equivalents	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as at 1 January 2017	1,423,134	(12,365)	(8,408)	(1,011,083)	(566,161)	(174,883)
Cash flows	(133,231)	13,081	–	18,436	(150,000)	(251,714)
Foreign exchange adjustments	15,920	–	–	–	–	15,920
Other non-cash movements	–	(5,926)	5,926	(304,860)	309,890	5,030
Net debt as at 31 December 2017	**1,305,823**	**(5,210)**	**(2,482)**	**(1,297,507)**	**(406,271)**	**(405,647)**
Cash flows	**(170,229)**	**5,210**	**-**	**219,760**	**(461,815)**	**(407,074)**
Foreign exchange adjustments	**(24,548)**	**-**	**-**	**-**	**-**	**(24,548)**
Other non-cash movements	**-**	**(2,482)**	**2,482**	**(270,833)**	**270,833**	**-**
Net debt as at 31 December 2018	**1,111,046**	**(2,482)**	**-**	**(1,348,580)**	**(597,253)**	**(837,269)**

32 COMMITMENTS – GROUP

(a) Capital commitments

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

	2018 **HK$'000**	2017 HK$'000
Contracted but not provided for		
– Construction of buildings	**156,527**	66,392
– Purchase of plant and machinery	**106,940**	51,405
	263,467	117,797

(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:

	2018 **HK$'000**	2017 HK$'000
Not later than one year	**11,751**	10,591
Later than one year but not later than five years	**49,870**	45,836
Later than five years	**63,644**	76,042
	125,265	132,469

33 RELATED PARTY TRANSACTIONS – GROUP

Zhang Hwo Jie and Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owned 38.84% (2017: 37.45%) of the Company's shares as at 31 December 2018.

(a) Key management compensation

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and bonus	**24,050**	19,510
Share based payment	**9,155**	7,114
Retirement benefits – defined contribution plans	**72**	72
	33,277	26,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**123,358**	123,358
Amounts due from subsidiaries	**1,523,087**	1,649,901
	1,646,445	1,773,259
Current assets		
Other receivables	**1,496**	1,496
Cash and cash equivalents	**7,697**	13,559
	9,193	15,055
LIABILITIES		
Current liabilities		
Short term borrowings	**30,000**	30,000
Accruals and other payables	**21,196**	13,107
	51,196	43,107
Net current liabilities	**(42,003)**	(28,052)
Total assets less current liabilities	**1,604,442**	1,745,207
Non-current liabilities		
Bank borrowings	**62,500**	125,000
Net assets	**1,541,942**	1,620,207
EQUITY		
Capital and reserves		
Share capital	**172,944**	179,384
Reserves	**1,368,998**	1,440,823
Total equity	**1,541,942**	1,620,207

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Reserve movement of the Company:

	Share premium HK$'000	Contributed Surplus (Note (i)) HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2018	**1,149,201**	**121,351**	**31,180**	**17,643**	**121,448**	**1,440,823**
Profit for the year	**–**	**–**	**–**	**–**	**21,559**	**21,559**
Dividends paid	**–**	**–**	**–**	**–**	**(31,958)**	**(31,958)**
Employee share option scheme – value of employee services	**–**	**–**	**–**	**12,325**	**–**	**12,325**
Transfer to share premium upon exercise of share options	**136**	**–**	**–**	**(136)**	**–**	**–**
Proceeds from share issuance of shares upon exercise of employee share options	**214**	**–**	**–**	**–**	**–**	**214**
Transfer to retained profits upon lapse of share options granted by the Company	**–**	**–**	**–**	**(4,750)**	**4,750**	**–**
Premium on repurchase of shares	**(73,965)**	**–**	**–**	**–**	**–**	**(73,965)**
Capital redemption reserve arising from repurchase of shares	**–**	**–**	**6,725**	**–**	**(6,725)**	**–**
Balance at 31 December 2018	**1,075,586**	**121,351**	**37,905**	**25,082**	**109,074**	**1,368,998**
Balance at 1 January 2017	1,219,707	121,351	22,096	14,715	165,155	1,543,024
Loss for the year	–	–	–	–	(2,569)	(2,569)
Dividends paid	–	–	–	–	(32,054)	(32,054)
Employee share option scheme – value of employee services	–	–	–	8,833	–	8,833
Transfer to share premium upon exercise of share options	5,905	–	–	(5,905)	–	–
Proceeds from share issuance of shares upon exercise of employee share options	13,745	–	–	–	–	13,745
Premium on repurchase of shares	(90,156)	–	–	–	–	(90,156)
Capital redemption reserve arising from repurchase of shares	–	–	9,084	–	(9,084)	–
Balance at 31 December 2017	1,149,201	121,351	31,180	17,643	121,448	1,440,823

Note:

(i) The contributed surplus of the Company represents the difference between the costs of investments in subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2018 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	–	5,460	1,980	2,981	18	10,439
Mr. Zhang Jian Hua	–	5,460	1,980	2,981	18	10,439
Mr. Zhang Yaohua (i)	–	5,460	1,980	2,981	18	10,439
Independent non-executive directors						
Mr. Choy Tak Ho	160	–	–	70	–	230
Mr. Leung Tai Chiu	160	–	–	70	–	230
Mr. Lam Hiu Lo	160	–	–	70	–	230
	480	16,380	5,940	9,153	54	32,007

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

Name	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	4,560	1,380	2,319	18	8,277
Mr. Zhang Jian Hua	–	4,560	1,380	2,319	18	8,277
Mr. Zhang Yaohua (i)	–	4,560	1,380	2,319	18	8,277
Independent non-executive directors						
Mr. Choy Tak Ho	160	–	–	52	–	212
Mr. Leung Tai Chiu	160	–	–	52	–	212
Mr. Lam Hiu Lo	160	–	–	52	–	212
	480	13,680	4,140	7,113	54	25,467

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 (2017: 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 (2017: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2017: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: 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 (2017: None).

FIVE YEARS FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONSOLIDATED RESULTS					
Turnover	**3,666,657**	3,157,089	3,209,290	3,533,026	3,454,977
Profit for the year	**82,663**	134,787	61,727	215,480	286,771
Non-controlling interests	**–**	(1,088)	(8,241)	(10,011)	(9,646)
Profit attributable to equity holders of the Company	**82,663**	133,699	53,486	205,469	277,125
CONSOLIDATED BALANCE SHEET					
Non-current assets	**2,687,823**	2,455,003	2,160,581	2,260,843	2,219,443
Current assets	**3,020,124**	3,094,788	2,984,548	3,229,640	2,581,384
Current liabilities	**(2,498,981)**	(2,444,930)	(1,932,602)	(1,966,103)	(1,771,244)
Non-current liabilities	**(620,463)**	(432,551)	(595,106)	(776,537)	(618,717)
Net assets	**2,588,503**	2,672,310	2,617,421	2,747,843	2,410,866
Share capital	**172,944**	179,384	186,138	187,905	168,334
Reserves	**2,415,559**	2,492,926	2,399,800	2,430,551	2,166,821
Non-controlling interests	**–**	–	31,483	129,387	75,711
Total equity	**2,588,503**	2,672,310	2,617,421	2,747,843	2,410,866

EVA Precision Industrial Holdings Limited
億 和 精 密 工 業 控 股 有 限 公 司

Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza
No.1 Science Museum Road, Kowloon, Hong Kong
香港九龍科學館道1號康宏廣場南座6樓8室
Telephone 電話: 852-2620 6488
Facsimile 傳真: 852-2191 9978
Website 網站: www.eva-group.com

EVA Shenzhen (Shiyan) Electronic Industrial Park
No.11 Guo Tai Road, Tang Tou Community
Shi Yan Town, Bao An District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市寶安區石岩街道塘頭社區國泰路11號
億和深圳(石岩)電子產業園
Telephone 電話: 86-755 2762 9999
Facsimile 傳真: 86-755 2762 9181
Postcode 郵編: 518108

EVA Suzhou Electronic Industrial Park
No. 268 Ma Yun Road
Suzhou National New and Hi-Tech Industrial Development Zone
Jiangsu Province, the People's Republic of China
中國江蘇省蘇州市高新區馬運路268號
億和蘇州電子產業園
Telephone 電話: 86-512 8917 9999
Facsimile 傳真: 86-512 8887 1281
Postcode 郵編: 215129

EVA (Guangming) Precision Manufacturing Industrial Park
Nan Huan Road, Gong Ming Town
Guang Ming New District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明新區公明街道南環路
億和(光明)精密製造產業園
Telephone 電話: 86-755 8172 9999
Facsimile 傳真: 86-755 2906 8899
Postcode 郵編: 518106

Digit Zhongshan Automobile Industrial Park
No. 31 Torch Road
Torch Development Zone, Zhongshan
Guangdong Province, the People's Republic of China
中國廣東省中山市火炬開發區火炬路31號數碼模中山汽車產業園
Telephone 電話: 86-760 8996 9999
Facsimile 傳真: 86-760 8992 3300
Postcode 郵編: 528437

Digit Chongqing Automobile Industrial Park
No.1 Jianqiao Road
Jianqiao Industrial Zone A, Dadukou District
Chongqing, the People's Republic of China
中國重慶市大渡口區建橋工業園A區建橋大道1號數碼模重慶汽車產業園
Telephone 電話: 86-23 6155 4600
Facsimile 傳真: 86-23 6155 4617
Postcode 郵編: 400084

Digit Wuhan Automobile Industrial Park
No. 19 Changfu Industrial Park, Caidian Economic Development Zone
Wuhan, Hubei Province, the People's Republic of China
中國湖北省武漢市蔡甸經濟開發區常福工業園19號數碼模武漢汽車產業園
Telephone 電話: 86-27 8661 9999
Facsimile 傳真: 86-27 8661 9999-209
Postcode 郵編: 430120

EVA Shenzhen (Tianliao) Smart Device Industrial Park
Industrial District No. 9
Tian Liao Community, Gong Ming Administrative Centre
Guang Ming New District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明新區公明辦事處田寮社區第九工業區
億和深圳(田寮)智能終端產業園
Telephone 電話: 86-755 8172 5899
Facsimile 傳真: 86-755 8172 5699
Postcode 郵編: 518132

EVA Vietnam (Haiphong) Electronic Industrial Park
No.139 East-West Boulevard, VSIP Hai Phong Industrial Park
Lap Le Commune, Thuy Nguyen District
Hai Phong, Vietnam
越南海防市水源縣立禮社海防VSIP工業區東西大道139號
億和越南(海防)電子產業園
Telephone 電話: 84-31 8831 888
Facsimile 傳真: 84-31 8831 999
Postcode 郵編: 180000

EVA Weihai (Double Islands Bay) Electronic Industrial Park
No. 1396 He Xing Road
Weihai Torch High Technology Industrial Development Zone, Weihai
Shandong Province, the People's Republic of China
中國山東省威海市火炬高技術產業開發區和興路1396號
億和威海(雙島灣)電子產業園
Telephone 電話: 86-631 5718 099
Facsimile 傳真: 86-631 5718 066
Postcode 郵編: 264200

EVA Weihai (Intops) Electronic Industrial Park
No. 268-1 Ke Ji Road
Weihai Torch High Technology Industrial Development Zone, Weihai
Shandong Province, the People's Republic of China
中國山東省威海市火炬高技術產業開發區科技路268-1號
億和威海(因塔思)電子產業園
Postcode 郵編: 264200

Digit Mexico (SLP) Automobile Industrial Park
Avenue Munich 665-L2420, Logistik Parque Industrial
Villa de Reyes, San Luis Potosí, Mexico
墨西哥聖路易斯波托西州雷耶斯鎮Logistik工業園
慕尼黑大道665-L2420號數碼模墨西哥(SLP)汽車產業園
Postcode 郵編: 79526