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

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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL RESULTS

For the reasons explained below under "Review of Unaudited Results", the auditing process for the final results of EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 has not been completed. The Board of Directors of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*4*	**3,747,055**	3,666,657
Cost of sales	*5*	**(2,982,064)**	(2,877,691)
Gross profit		**764,991**	788,966
Other income		**48,056**	28,857
Other losses – net		**(14,619)**	(183)
Selling and marketing costs	*5*	**(215,596)**	(213,800)
General and administrative expenses	*5*	**(462,790)**	(460,046)
Operating profit		**120,042**	143,794
Finance income	*6*	**15,031**	15,707
Finance costs	*6*	**(55,389)**	(55,587)
Share of losses of associates		**(2,082)**	(404)
Profit before income tax		**77,602**	103,510
Income tax expense	*7*	**(25,821)**	(20,847)

	Note	**2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Audited)
Profit for the year		**51,781**	82,663
Other comprehensive income/(loss) for the year, net of tax			
Items that may be reclassified to profit or loss			
– Currency translation differences		**(25,308)**	(58,832)
Items that will not be reclassified to profit or loss			
– Revaluation gains/(losses) on financial assets at fair value through other comprehensive income ("FVOCI")		**9,568**	(7,814)
Total comprehensive income for the year		**36,041**	16,017
Profit for the year attributable to equity holders of the Company		**51,781**	82,663
Total comprehensive income for the year attributable to equity holders of the Company		**36,041**	16,017
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**3.0**	4.8
– diluted	*8*	**3.0**	4.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,082,318**	2,017,140
Right-of-use assets		**371,454**	–
Investment property under development		**176,521**	156,003
Leasehold land and land use rights		**–**	238,778
Intangible assets		**8,524**	2,510
Investments in associates		**55,165**	63,043
Prepayments, deposits and other receivables		**44,831**	104,498
Financial assets at fair value through other comprehensive income		**92,690**	105,851
		2,831,503	2,687,823
Current assets			
Inventories		**607,705**	445,241
Trade receivables	*10*	**914,511**	989,599
Prepayments, deposits and other receivables		**232,562**	248,506
Restricted bank deposits		**84,460**	51,563
Short-term bank deposits		**218,060**	174,169
Cash and cash equivalents		**1,070,738**	1,111,046
		3,128,036	3,020,124
LIABILITIES			
Current liabilities			
Trade payables	*11*	**977,855**	838,136
Contract liabilities		**59,284**	68,493
Accruals and other payables		**253,970**	230,448
Bank borrowings		**1,125,744**	1,348,580
Lease liabilities		**18,223**	–
Finance lease liabilities		**–**	2,482
Current income tax liabilities		**11,193**	10,842
		2,446,269	2,498,981
Net current assets		**681,767**	521,143

	Note	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Total assets less current liabilities		**3,513,270**	3,208,966
LIABILITIES			
Non-current liabilities			
Bank borrowings		**787,073**	597,253
Lease liabilities		**86,919**	–
Deferred taxation		**32,586**	23,210
		906,578	620,463
Net assets		**2,606,692**	2,588,503
EQUITY			
Capital and reserves			
Share capital		**171,713**	172,944
Reserves		**2,434,979**	2,415,559
Total equity		**2,606,692**	2,588,503

Note:

1. BASIS OF PRESENTATION

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

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

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

The unaudited consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited 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.

2. ACCOUNTING POLICIES

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

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

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

The Group changed its accounting policies following the adoption of HKFRS 16 which are disclosed in note 2.1. The adoption of other new and amended standards and interpretation did not have any material impact in the current period or any prior periods.

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

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

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

2.1 Changes in accounting policies

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

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

(a) Adjustments recognised on the adoption of HKFRS 16

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

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

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

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

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

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

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

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

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

(i) Impact on segment disclosures and earnings per share

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

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

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

(ii) Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- reliance on previous assessments on whether leases are onerous;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

(b) The Group's leasing activities and how these are accounted for

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

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- amounts expected to be payable by the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

3. SEGMENT INFORMATION

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

The Group is organised into two main business segments:

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

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

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

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

The segment results and other segment items are as follows:

	2019				2018			
	Metal stamping	**Plastic injection**	**Microcredit**	**Total**	Metal stamping	Plastic injection	Microcredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)	(Audited)
Total gross segment revenue	**2,188,915**	**2,201,080**	**–**	**4,389,995**	2,243,914	2,058,765	–	4,302,679
Inter-segment revenue	**(353,196)**	**(289,744)**	**–**	**(642,940)**	(373,046)	(262,976)	–	(636,022)
Revenue	**1,835,719**	**1,911,336**	**–**	**3,747,055**	1,870,868	1,795,789	–	3,666,657
Segment results	**49,733**	**73,977**	**(1,530)**	**122,180**	73,144	75,764	867	149,775
Unallocated expenses				**(4,220)**				(6,385)
Finance income				**15,031**				15,707
Finance costs				**(55,389)**				(55,587)
Profit before income tax				**77,602**				103,510
Income tax expense				**(25,821)**				(20,847)
Profit for the year				**51,781**				82,663
Share of (losses)/profits of associates	**(552)**	**–**	**(1,530)**	**(2,082)**	(1,271)	–	867	(404)
Depreciation	**165,071**	**58,718**	**–**	**223,789**	157,139	66,500	–	223,639
Amortisation	**881**	**–**	**–**	**881**	5,027	928	–	5,955

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

The segment assets and liabilities are as follows:

	2019					2018				
	Metal stamping	**Plastic injection**	**Microcredit**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Assets	**4,034,753**	**1,847,997**	**55,165**	**21,624**	**5,959,539**	4,349,705	1,291,384	49,400	17,458	5,707,947
Liabilities	**949,182**	**443,060**	**-**	**1,960,605**	**3,352,847**	613,267	523,721	–	1,982,456	3,119,444
Capital expenditure	**293,590**	**106,108**	**-**	**-**	**399,698**	464,225	123,440	–	–	587,665

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

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

Capital expenditure comprises additions to property, plant and equipment, investment property under development, right-of-use assets (2018: leasehold land and land use rights) and intangible assets.

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

	2019				2018			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	**3,447,130**	**279,313**	**20,612**	**3,747,055**	3,474,296	192,361	–	3,666,657
Non-current assets by geographical region								
Total segment non-current assets	**2,324,783**	**255,315**	**251,405**	**2,831,503**	2,295,019	247,718	145,086	2,687,823
Total segment assets	**5,269,997**	**403,646**	**285,896**	**5,959,539**	5,069,204	419,045	219,698	5,707,947

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

	As at 31 December			
	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Segment assets/liabilities	**5,937,915**	**1,392,242**	5,690,489	1,136,988
Unallocated:				
Cash and cash equivalents	**19,280**	**–**	15,029	–
Other receivables	**2,344**	**–**	2,429	–
Current income tax liabilities	**–**	**11,193**	–	10,842
Deferred taxation	**–**	**32,586**	–	23,210
Bank borrowings	**–**	**1,912,817**	–	1,945,833
Accruals and other payables	**–**	**4,009**	–	2,571
Total	**5,959,539**	**3,352,847**	5,707,947	3,119,444

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

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

4. REVENUE

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

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

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

5. OPERATING PROFIT

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

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

6. FINANCE INCOME/COSTS

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

7. INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2018: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% (2018: 25%) on the assessable income of each of the group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2018 and 2019.

Under the Corporate Income Tax Law of Mainland China, dividend distributions out of profit of foreign invested enterprises earned after January 2008 are subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for subsidiaries of Hong Kong incorporated holding companies. Deferred tax charge of HK$10,000,000 is recognised for the withholding tax related to the unremitted retained earnings of a subsidiary for the year ended 31 December 2019 (2018: Nil).

(c) Other income taxes

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

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

The subsidiary established and operating in Vietnam is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group does not have any taxable profit for the year ended 31 December 2019 (2018: Nil).

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

8. EARNINGS PER SHARE

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

Basic

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

Diluted

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

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

9. DIVIDENDS

	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Interim dividend paid of HK 0.65 cent (2018: HK0.85 cent) per share	**11,230**	14,678
Declared special dividend of HK2.67 cent (2018: Nil) per share	**45,833**	–
Proposed final dividend of HK0.25 cent (2018: HK0.63 cent) per share	**4,291**	10,885
	61,354	25,563

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

10. TRADE RECEIVABLES

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

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

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

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 30.1% (2018: 30.2%) and 10.8% (2018: 9.7%), respectively, of the trade receivables balance as at 31 December 2019. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As at 31 December 2019, no trade receivables (2018: Nil) were past due.

Trade receivables are denominated in the following currencies:

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

11. TRADE PAYABLES

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

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

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

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

12. SUBSEQUENT EVENT

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events and Development

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

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

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

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

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

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

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

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

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

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

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

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

During the year, the Group continued to devote substantial efforts on maintaining a healthy balance sheet. As at 31 December 2019, the Group's net debt-to-equity ratio decreased slightly to 21.9% (2018: 23.6%), despite the capital expenditure used for the construction of the new Weihai industrial park during the year. This was primarily because the Group was able to generate substantial cash flows through its business activities. Going forward, we will remain committed to conservative financial management policies and take efforts to streamline our working capital requirements with a view to improving the net debt-to-equity ratio and reducing the finance costs.

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

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

OUTLOOK

At this point in time, the duration of the coronavirus outbreak is still unknown. We are working diligently to ensure the health and safety of our staff and business partners, and have taken various measures to minimise the impact of the coronavirus outbreak on our business. Whilst we are not yet in a position to ascertain the final impact on the economy, there is no denying that a prolonged coronavirus crisis may have a negative impact on our 2020 financial results. However, we remain confident in the longer-term outlook for the Group, as the various mid-to-long term growth factors of the Group remained unscathed despite the temporary slowdown brought by the coronavirus outbreak. After the coronavirus outbreak subsides, it is also very likely to see a sharp rebound in business as the Group's customers will have a need to make up for the delay in product supply during the period of the coronavirus outbreak. The emergency interest rate cut which was announced by the United States Federal Reserve in response to the coronavirus outbreak in March 2020 can also reduce the finance costs of the Group. Last but not the least, the Group has a strong and healthy balance sheet which enables the Group to withstand any short-term business slowdown, and also enables the Group to increase the return to shareholders through special dividend.

FINANCIAL REVIEW

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

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

Note 1: Others mainly represented sales of scrap materials.

Turnover

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

Gross profit

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

Segment results

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

Finance income and costs

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

Income tax expense

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

Profit attributable to equity holders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 31 December 2019 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), almost all of the Group's borrowings as at 31 December 2019 were denominated in Hong Kong dollars or United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

	31 December 2019	31 December 2018
Inventory turnover days *(Note 1 and 5)*	**74**	56
Debtors' turnover days *(Note 2 and 5)*	**89**	99
Creditors' turnover days *(Note 3 and 5)*	**120**	106
Cash conversion cycle *(Note 4 and 5)*	**43**	49
Current ratio *(Note 6 and 8)*	**1.28**	1.21
Net debt-to-equity ratio *(Note 7 and 8)*	**21.9%**	23.6%
Net profit margin *(Note 9 and 11)*	**1.4%**	2.3%
Return on shareholders' equity *(Note 10 and 11)*	**2.0%**	3.2%

Notes:

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

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

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

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

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

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

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

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

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

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

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

Inventory turnover days

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

Debtors' and creditors' turnover days

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

Cash conversion cycle

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

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 31 December 2019 was 1.28, which was comparable to that as at 31 December 2018. During the year, the Group continued to generate cash from business operations. Therefore, despite the Group's capital expenditure, cash and bank deposits as at 31 December 2019 increased which led to a slight improvement in the Group's net debt-to-equity ratio to 21.9% as at 31 December 2019.

Net profit margin and return on shareholders' equity

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

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2019, the Group's sales and raw material purchases were denominated in the following currencies:

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

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 71.1% of the Group's sales and 60.1% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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

HUMAN RESOURCES

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

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

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

CHARGES ON THE GROUP'S ASSETS

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

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2019, the Company repurchased its 11,972,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2019 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
January 2019	1,052,000	0.81	0.71	808
July 2019	390,000	0.68	0.66	264
August 2019	492,000	0.61	0.60	298
September 2019	4,300,000	0.69	0.64	2,868
October 2019	1,920,000	0.65	0.62	1,218
November 2019	2,140,000	0.62	0.58	1,291
December 2019	1,678,000	0.62	0.59	1,007
	11,972,000			7,754

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

Subsequent to 31 December 2019, the Company repurchased its 550,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2020 up to the date of this announcement. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 31 December 2019 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
January 2020	550,000	0.58	0.56	317

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2019 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDENDS

To celebrate the 15th anniversary of the Group's IPO on The Stock Exchange of Hong Kong Limited, the Board declared the payment of a special dividend of HK2.67 cents per ordinary share, totaling HK$45,833,000, for the year ended 31 December 2019 to eligible shareholders whose names appear on the register of members of the Company on Thursday, 16 April 2020. The special dividend will be paid in cash on Friday, 24 April 2020.

The Board further recommends the payment of a final dividend of HK0.25 cent per ordinary share, totaling HK$4,291,000, for the year ended 31 December 2019. Payment of the final dividend is subject to completion of the auditing process for the annual results and shareholders' approval at the Company's forthcoming annual general meeting. The date of annual general meeting and the payment date of the final dividend will further be announced. Including the interim dividend of HK$11,230,000 paid on 23 September 2019 in respect of the six months ended 30 June 2019 and the special dividend of HK$45,833,000 for the year ended 31 December 2019 to be paid on 24 April 2020, the total dividends for the year ended 31 December 2019 are expected to be approximately HK$61,354,000.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the special dividend, the register of members of the Company will be closed from Tuesday, 14 April 2020 to Thursday, 16 April 2020, both days inclusive, during which period no share will be registered. In order to qualify for the entitlement to the special dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 9 April 2020.

The date of annual general meeting and the payment date of the final dividend, and the related closure periods of register of members will further be announced.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2019.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process, risk management, internal control systems and corporate governance matters of the Group. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control, corporate governance and financial reporting matters with management including a review of the unaudited consolidated financial statements for the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2019 and up to the date of this announcement.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to travel restrictions and quarantine policies enforced in parts of the PRC where the Group's major subsidiaries are located to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcements as and when necessary if there are other material development in the completion of the auditing process.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 26 March 2020

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