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

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2015 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*4*	**3,533,026**	3,454,977
Cost of sales	*5*	**(2,597,999)**	(2,549,519)
Gross profit		**935,027**	905,458
Other income		**10,301**	8,349
Other losses – net		**(17,454)**	(904)
Selling and marketing costs	*5*	**(181,447)**	(163,931)
General and administrative expenses	*5*	**(488,644)**	(404,495)
Operating profit		**257,783**	344,477
Finance income	*6*	**18,478**	23,287
Finance costs	*6*	**(34,956)**	(35,538)
Share of loss of an associate		**(1,767)**	(2,911)
Profit before income tax		**239,538**	329,315
Income tax expense	*7*	**(24,058)**	(42,544)

	Note	2015 HK$'000	2014 HK$'000
Profit for the year		**215,480**	286,771
Other comprehensive loss for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Revaluation loss on available-for-sale financial assets		**(2,527)**	–
– Currency translation differences		**(56,788)**	(2,169)
Total comprehensive income for the year		**156,165**	284,602
Profit for the year attributable to:			
– Equity holders of the Company		**205,469**	277,125
– Non-controlling interests		**10,011**	9,646
		215,480	286,771
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**150,053**	276,585
– Non-controlling interests		**6,112**	8,017
		156,165	284,602
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**11.2**	16.5
– diluted	*8*	**11.2**	15.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,920,739**	1,913,652
Leasehold land and land use rights		**179,046**	163,940
Goodwill		**5,067**	2,545
Loan and interest receivables	*11*	**4,804**	–
Investment in an associate		**12,720**	14,927
Prepayments, deposits and other receivables		**80,419**	96,009
Amount due from a related company	*12*	**1,587**	3,173
Available-for-sale financial assets		**56,461**	25,197
		2,260,843	2,219,443
Current assets			
Inventories		**465,854**	425,491
Trade receivables	*10*	**793,166**	707,782
Loan and interest receivables	*11*	**128,481**	138,720
Prepayments, deposits and other receivables		**147,824**	126,139
Amount due from a related company	*12*	**1,587**	1,587
Restricted bank deposits		**42,097**	29,979
Short-term bank deposits		**42,971**	162,258
Cash and cash equivalents		**1,607,660**	989,428
		3,229,640	2,581,384
LIABILITIES			
Current liabilities			
Trade payables	*13*	**602,704**	613,051
Accruals and other payables		**198,121**	228,658
Bank borrowings		**1,118,303**	861,919
Finance lease liabilities		**40,440**	48,519
Current income tax liabilities		**6,535**	19,097
		1,966,103	1,771,244
Net current assets		**1,263,537**	810,140
Total assets less current liabilities		**3,524,380**	3,029,583

	Note	**2015**	2014
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**729,688**	546,127
Finance lease liabilities		**25,822**	51,072
Deferred taxation		**21,027**	21,518
		776,537	618,717
Net assets		**2,747,843**	2,410,866
EQUITY			
Capital and reserves			
Share capital		**187,905**	168,334
Reserves		**2,430,551**	2,166,821
Equity attributable to equity holders of the Company		**2,618,456**	2,335,155
Non-controlling interests		**129,387**	75,711
Total equity		**2,747,843**	2,410,866

Note:

1. BASIS OF PRESENTATION

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy. The Group also has a 60% owned subsidiary which engages in micro lending business in China.

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 of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention (as modified by the revaluation of "available-for-sale financial assets", which are carried at fair value). The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2016.

2. ACCOUNTING POLICIES

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

The following new and amended standards are mandatory for the first time for the financial year beginning 1 January 2015, but have not had a significant impact to the preparation of the Group's financial statements.

Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs

(b) New Hong Kong Companies Ordinance (Cap.622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) New standards and amendments to existing standards that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2015 and have not been early adopted

		Effective for annual periods beginning on or after
Annual improvements 2012 to 2014	Improvements to HKASs and HKFRSs	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019

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

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 three main business segments:

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

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

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

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

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

The segment results and other segment items are as follows:

	2015				2014			
	Metal stamping	**Plastic injection**	**Mircocredit**	**Total**	Metal stamping	Plastic injection	Mircocredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**2,007,370**	**1,803,030**	**33,225**	**3,843,625**	2,173,532	2,041,601	33,247	4,248,380
Inter-segment revenue	**(152,188)**	**(158,411)**	**–**	**(310,599)**	(421,468)	(371,935)	–	(793,403)
Revenue	**1,855,182**	**1,644,619**	**33,225**	**3,533,026**	1,752,064	1,669,666	33,247	3,454,977
Segment results	**138,194**	**128,207**	**(2,609)**	**263,792**	164,986	162,358	20,872	348,216
Unallocated expenses				**(6,009)**				(3,739)
Finance income				**18,478**				23,287
Finance costs				**(34,956)**				(35,538)
Share of loss of an associate				**(1,767)**				(2,911)
Profit before income tax				**239,538**				329,315
Income tax expense				**(24,058)**				(42,544)
Profit for the year				**215,480**				286,771
Depreciation	**174,121**	**71,014**	**767**	**245,902**	158,728	70,018	552	229,298
Amortisation	**3,886**	**245**	**–**	**4,131**	3,565	255	–	3,820

For the years ended 31 December 2014 and 2015, unallocated expenses represents corporate expenses.

The segment assets and liabilities are as follows:

	2015					2014				
	Metal stamping	**Plastic injection**	**Microcredit**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,462,970**	**1,787,175**	**142,069**	**98,269**	**5,490,483**	2,821,210	1,814,646	157,176	7,795	4,800,827
Liabilities	**83,949**	**741,699**	**1,576**	**1,915,416**	**2,742,640**	112,178	706,930	1,625	1,569,228	2,389,961
Capital expenditure	**259,341**	**59,270**	**370**	**–**	**318,981**	239,017	26,802	1,694	–	267,513

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

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

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

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

	As at 31 December			
	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Segment assets/liabilities	**5,392,214**	**827,224**	4,793,032	920,324
Unallocated:				
Cash and cash equivalents	**98,117**	**–**	3,596	–
Other receivables	**152**	**–**	4,199	–
Current income tax liabilities	**–**	**6,535**	–	19,097
Deferred taxation	**–**	**21,027**	–	21,518
Bank borrowings	**–**	**1,847,991**	–	1,408,046
Accruals and other payables	**–**	**39,863**	–	20,976
Total	**5,490,483**	**2,742,640**	4,800,827	2,389,961

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

During the year ended 31 December 2015, the aggregated revenue from the top three (2014: three) customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$1,494,682,000 (2014: HK$1,509,955,000). The revenue from the largest customer amounted to approximately HK$591,801,000 (2014: HK$576,016,000).

4. REVENUE

	2015	2014
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**347,610**	262,843
Manufacturing of metal stamping components	**1,339,799**	1,307,839
Manufacturing of lathing components	**143,604**	149,770
Design and fabrication of plastic injection moulds	**191,303**	175,358
Manufacturing of plastic injection components	**1,443,056**	1,482,001
Income from micro lending business	**33,225**	33,247
Others *(Note)*	**34,429**	43,919
	3,533,026	3,454,977

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:

	2015	2014
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– Owned assets	**217,855**	201,276
– Leased assets	**28,047**	28,022
	245,902	229,298
Amortisation of leasehold land and land use rights	**4,131**	3,820
Employment expenses	**779,388**	653,261
Auditor's remuneration		
– Audit services	**3,758**	3,697
– Non-audit services	**320**	315
Changes in inventories of finished goods and work-in-progress	**(34,323)**	(112,479)
Raw materials and consumables used	**1,713,250**	1,838,220
Provision for inventory obsolescence	**1,080**	6,678
Provision for loan and interest receivables	**18,992**	26
Research and development	**7,771**	11,173
Subcontracting expenses	**147,733**	136,697
Utilities expenses	**70,527**	68,108
Transportation expenses	**35,985**	34,585
Packaging expenses	**99,910**	91,719
Marketing expenses	**6,503**	6,224
Office expenses	**45,872**	31,973
Operating lease payments for properties	**13,104**	4,051
Others	**108,187**	110,579
	3,268,090	3,117,945

6. FINANCE INCOME/COSTS

	2015	2014
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**18,478**	23,287
Finance costs		
Interest expense on:		
Bank borrowings	**31,322**	30,446
Finance lease liabilities	**3,634**	5,092
	34,956	35,538

7. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**315**	1,275
– Mainland China corporate income tax	**28,998**	48,420
Over-provision in prior years	**(4,764)**	(6,661)
Deferred income tax	**(491)**	(490)
	24,058	42,544

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:

	2015	2014
	HK$'000	*HK$'000*
Profit before income tax	**239,538**	329,315
Tax calculated at domestic rates applicable to profits in the respective countries/places of business	**16,726**	37,576
Income not subject to tax	**(441)**	(511)
Expenses not deductible for tax purpose	**4,448**	5,466
Tax losses for which no deferred income tax asset was recognised	**8,089**	6,674
Over-provision in prior years	**(4,764)**	(6,661)
Tax charge	**24,058**	42,544

The weighted average applicable tax rate for the year ended 31 December 2015 was approximately 7.0% (2014: 11.4%). The decrease is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions.

(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 (2014: 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% (2014: 25%) on the assessable income of each of the group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digidie Auto Body Ltd., Shenzhen Yineng Network Communication Equipment Limited, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2014 and 2015.

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

(c) Overseas income taxes

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

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

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

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

	2015	2014
Profit attributable to equity holders of the Company *(HK$'000)*	**205,469**	277,125
Weighted average number of ordinary shares in issue *('000)*	**1,830,457**	1,680,330
Basic earnings per share *(HK cents per share)*	**11.2**	16.5

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.

	2015	2014
Profit attributable to equity holders of the Company *(HK$'000)*	**205,469**	277,125
Weighted average number of ordinary shares in issue *('000)*	**1,830,457**	1,680,330
Adjustment for share options *('000)*	**8,677**	89,649
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,839,134**	1,769,979
Diluted earnings per share *(HK cents per share)*	**11.2**	15.7

9. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim dividend paid of HK2 cents (2014: HK2.2 cents) per share	**37,281**	36,981
Proposed final dividend of HK1.3 cents (2014: HK2.7 cents) per share	**24,428**	47,340
	61,709	84,321

A final dividend in respect of the year ended 31 December 2015 of HK$1.3 cents per share, totaling of HK$24,428,000, has been proposed for approval at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

10. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**794,354**	708,970
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**793,166**	707,782

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

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**750,347**	607,846
91 to 180 days	**44,007**	101,124
	794,354	708,970
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**793,166**	707,782

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 47.8% (2014: 60.4%) and 13.2% (2014: 15.0%), respectively, of the trade receivables balance as at 31 December 2015. 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 2015, no trade receivables (2014: HK$15,069,000) were past due but considered not impaired. The analysis of trade receivables past due but considered not impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	–	15,069

Trade receivables are denominated in the following currencies:

	2015	2014
	HK$'000	*HK$'000*
Hong Kong dollars *("HK$")*	**217,557**	195,836
United States dollars *("US$")*	**308,604**	295,927
Chinese Renminbi *("RMB")*	**250,693**	200,224
Others	**17,500**	16,983
	794,354	708,970

11. LOAN AND INTEREST RECEIVABLES

Loans to customers relate to the Group's micro lending business and have loan periods ranging from 30 days to 36 months (2014: 2 days to 12 months).

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

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**52,255**	34,489
91 to 180 days	**25,585**	57,652
181 to 365 days	**39,993**	47,970
Over 365 days	**33,452**	–
	151,285	140,111
Less: Provision for impairment	**(18,000)**	(1,391)
Total loan and interest receivables	**133,285**	138,720
Less: Amount included in non-current assets	**(4,804)**	–
Current	**128,481**	138,720

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

There is no concentration of credit risk with respect to the loan and interest receivables as the Group has a large number of customers with no individual amount for principal of more than RMB5,000,000 (2014: RMB5,000,000).

As at 31 December 2015, no loan and interest receivables (2014: HK$5,679,000) were overdue but considered not impaired. The 2014 balance related to a few independent customers for whom there was no recent history of default. The analysis of loan and interest receivables past due but considered not impaired is as follows:

	2015	2014
	HK$'000	*HK$'000*
91 to 180 days	**–**	5,679

As at 31 December 2015, loan and interest receivables of approximately HK$11,459,000 (2014: nil) were considered impaired and had been fully provided for. The aging analysis of these receivables by due date is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**11,459**	–

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

	2015	2014
	HK$'000	*HK$'000*
As at 1 January	**1,391**	1,365
Provision for impairment	**18,992**	26
Written-off	**(2,383)**	–
As at 31 December	**18,000**	1,391

12. AMOUNT DUE FROM A RELATED COMPANY

As at 31 December 2015, amount due from a related company is unsecured, non-interest bearing, denominated in Hong Kong dollars, and repayable by two annual instalments in December 2016 and December 2017. The balance arose from the tax indemnity provided by the related company.

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

The maximum outstanding balance during the year was HK$4,760,000 (2014: HK$4,760,000).

13. TRADE PAYABLES

The ageing of trade payables is as follows:

	2015	2014
	HK$'000	*HK$'000*
0 to 90 days	**438,252**	478,857
91 to 180 days	**163,113**	134,090
181 to 365 days	**1,339**	104
	602,704	613,051

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

	2015	2014
	HK$'000	*HK$'000*
HK$	**48,704**	47,290
RMB	**331,016**	313,779
US$	**222,984**	251,982
	602,704	613,051

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

The year 2015 witnessed the beginning of our global expansion. Over the past years, we had successfully built up a proven track record for innovative production solutions and outstanding quality in China. In particular, unlike other manufacturers which are specialised in only a single type of service line, we are able to offer a unique one-stop solution covering the production of precision moulds and precision components, as well as automated product assembly such as precision laser welding. This gives us a distinctive competitive advantage in the market, as our unique one-stop solution can effectively reduce the additional logistic costs and excess production lead time arising from outsourcing the production of moulds, components and product assembly to different suppliers. Realising that the benefits of our unique one-stop solution can be replicated elsewhere in the world, certain of our major customers in the office automation ("OA") equipment market decided to elevate their partnership with us to a global level, and invited us to set up a new industrial park in Vietnam to serve their existing assembly plants there.

We commenced the construction of a new industrial park in Vietnam in 2015. The new Vietnam industrial park, which has a land area of approximately 37,000 square metres and planned floor area of approximately 12,000 square metres, will be located at Haiphong, Vietnam, and is scheduled for production in 2016. In the past, we only had production facilities in China and were therefore unable to serve the assembly plants of our OA equipment customers in Vietnam, as these customers adopts just-in-time production system which requires their suppliers to be located in their proximity. Accordingly, the establishment of the new Vietnam industrial park not only presents us with a new opportunity for global expansion, but also fortifies our leading position in the OA equipment industry by enlarging our addressable market within this industry. Upon completion, the new Vietnam industrial park will initially focus on tapping businesses from the OA equipment customers. However, it will also expand into other sectors such as the high end consumer electronic sector at a later stage, as Vietnam is also well known as one of the major manufacturing hubs for high end consumer electronic products.

At the same time, we continued to see significant progress in the other business lines of the Group. During the year, our automobile business received the "Excellent Supplier" accolade from its major customer, which is a leading automaker in China, for the third consecutive year. This not only strengthened our business partnership with them, but also provided us with a valuable credential for sourcing other new orders in the automobile industry. Further, through internal production capacity adjustment, our existing Zhongshan industrial park was merged into the Group's automobile business line, targeting at the development of new automobile customers in Guangdong Province. Together with the other two automobile industrial parks of the Group located in Wuhan and Chongqing, the reach of our precision manufacturing services covers China's major automobile production hubs in Southern, Central and Southwest China.

In recent years, Shenzhen has evolved into a high technology hub in China where many new technologies and products used in internet, communication applications and other smart devices are developed. This presents suppliers with proven track records in production innovation and technologies with lots of new business opportunities as quality and engineering expertise are also essential for these products. As an enterprise headquartered in Shenzhen, the Group entered into the high-tech smart device industry back in 2014 by serving a reputable brand owner of smartphones and tablets. Having successfully built up the reputation for outstanding quality and services in this industry, we were approached by numerous other high-tech companies for procurement during the year. Notable new customers in this area included a state-owned aerospace company producing satellites and a high profile technology company in Shenzhen producing unmanned aerial vehicles. With these new customers, our high end consumer electronic business line has not only developed a more balanced customer base, but more importantly it signifies a major step forward into the burgeoning high technology market in China. During the year, the Group also invested approximately HK$9,714,000 to acquire an equity stake in a high-tech startup company which is a brand owner of GPS smart watches for children and the elderly with a view to capitalising on the growth of this market.

During the year, the loan amount of the Group's micro lending company in Shenzhen, in which the Group has a 60% stake, remained similar as we had not made any additional investment in this business nor enlarged its scale. Having said that, we continued to devote resources for strengthening credit assessments and controls. Professional credit controllers were recruited and loans were only made to individuals or companies whose backgrounds were well known to the Group. Taking into account the slower growth of China's economy, we took cautious steps and increased the allowance for loan impairment of the micro-lending company to cover all overdue loans during the year. Although impairment allowance was fully made against these loans in the financial statements, these loans were actually secured by assets and we will undertake appropriate efforts for their recoveries. In the future, we will remain committed to a conservative loan policy and stringent credit management.

During the year, the Group embarked on an internal project to streamline its workforce with a view to coping with the rising wage level in China and improving productivity. The roles of various departments were carefully revisited, and administrative responsibilities were reassigned to optimise performance. At the same time, innovative automation solutions and new robotic equipment were brought into our production lines. Accordingly, the total headcount of the Group reduced from 9,075 employees as at 31 December 2014 to 8,804 employees as at 31 December 2015 despite an increase in turnover and the construction of a new industrial park in Vietnam.

Notwithstanding the numerous new business developments of the Group, the year 2015 was not without challenges. The devaluation of Renminbi since August 2015 had caused many companies to suffer foreign exchange revaluation loss, and the Group was no exception. This was because all of the Group's industrial parks were located in China and therefore it had substantial assets denominated in Renminbi. During the year, the Group recorded exchange losses of approximately HK$21,628,000 (2014: HK$913,000), which was primarily caused by the revaluation of assets denominated in Renminbi. This was not related to any speculative foreign exchange transaction as it is the Group's policy to strictly prohibit any speculative transaction which is irrelevant to business operations. Starting from August 2015, the Group has been actively reducing its Renminbi-denominated assets. It is worth noting that, as a result of these efforts, the Group's cash and bank deposits in Renminbi reduced significantly from approximately HK$984,759,000 (Hong Kong dollars equivalent) as at 31 July 2015 to HK$264,064,000 (Hong Kong dollars equivalent) as at 31 December 2015, thereby minimising the risks borne by the Group from Renminbi exchange rate fluctuation in the future. Going forward, any devaluation in Renminbi is likely to be beneficial to the Group as a majority of its operating costs, such as salaries and overheads, are denominated in Renminbi.

Under the Group's business model, our customers will normally require us to jointly co-develop the relevant moulds with them during their product development stages. The completed moulds will then be consigned in our production bases for future mass production of components and semi-finished products when our customers launch their new products to the market. As many customers decided to increase their procurements from us for their new products, our mould revenue for the year increased by 23.0% and reached HK$538,913,000, another historical high. However, as most of the new products of our customers were still under development and had not been launched to the market in 2015, component revenue in 2015 remained at a similar level as compared to 2014.

Total turnover of the Group for the year increased by 2.3% to HK$3,553,026,000, primarily driven by the prominent growth in the sales of moulds as mentioned above. Gross profit margin increased slightly to 26.5% due to the strong growth in the sales of moulds (which are higher margin products) that raised the percentage of mould revenue to total turnover for the year. However, we continued to experience a general increase in employment and other costs in China's manufacturing industry during the year. In addition, as China's economic growth is expected to become more moderate as compared to the past, we took a conservative step and increased the allowance for loan impairment of the Group's micro lending company by approximately HK$18,992,000 (2014: HK$26,000) to cover all overdue loans. Coupled with the exchange losses caused by the revaluation of Renminbi-denominated assets as mentioned above, the Group's net profit decreased by 25.9% to HK$205,469,000.

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edges, 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 high potential new business opportunities which can add to our existing portfolio. We have a philosophy of creating values to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2015 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

FINANCIAL REVIEW

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

	2015		2014	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**347,610**	**9.8%**	262,843	7.6%
Manufacturing of metal stamping components	**1,339,799**	**37.9%**	1,307,839	37.8%
Manufacturing of lathing components	**143,604**	**4.1%**	149,770	4.3%
Others *(Note 1)*	**24,169**	**0.7%**	31,612	0.9%
	1,855,182		1,752,064	
Plastic division				
Design and fabrication of plastic injection moulds	**191,303**	**5.4%**	175,358	5.1%
Manufacturing of plastic injection components	**1,443,056**	**40.8%**	1,482,001	42.9%
Others *(Note 1)*	**10,260**	**0.3%**	12,307	0.4%
	1,644,619		1,669,666	
Income from micro lending business	**33,225**	**1.0%**	33,247	1.0%
Total	**3,533,026**		3,454,977	
Segment results				
Metal division	**138,194**		164,986	
Plastic division	**128,207**		162,358	
Micro lending business	**(2,609)**		20,872	
Operating profit	**263,792**		348,216	
Unallocated expenses, net	**(6,009)**		(3,739)	
Finance income	**18,478**		23,287	
Finance costs	**(34,956)**		(35,538)	
Share of loss of an associate	**(1,767)**		(2,911)	
Income tax expense	**(24,058)**		(42,544)	
Non-controlling interests	**(10,011)**		(9,646)	
Profit attributable to equity holders of the Company	**205,469**		277,125	

Note 1: Others mainly represented sales of scrap materials

Turnover

Attracted by our innovative production solutions and proven engineering standards, both new and existing customers placed more orders to us in respect of their new products which were under development during the year. Since we produced moulds for our customers during their product development stages, we recorded a notable growth in the sales of moulds. However, as most of the new products of our customers were still under development and had not been launched to the market in 2015, sales of components in 2015 only remained at the same level as compared to that in 2014. Therefore, total turnover only increased slightly by 2.3% despite the strong growth in the sales of moulds.

Income from micro lending business in 2015 was approximately HK$33,225,000, which was comparable to that in 2014.

Gross profit

Despite an increase in costs, our gross profit margin improved slightly to 26.5% (2014: 26.2%), which was primarily attributable to the strong growth in the sales of moulds (which are higher margin products) that raised the percentage of mould revenue to total turnover during the year..

Segment results

The Group continued to experience a general increase in employment and other costs in China's manufacturing industry during the year. Further, the Group incurred exchange losses of approximately HK$21,628,000 (2014: HK$913,000) which was primarily caused by the revaluation of Renminbi-denominated assets as the exchange rate of Renminbi devalued during the year. Accordingly, the operating profit margin of the Group's metal and plastic divisions decreased to 7.4% and 7.8% respectively.

Taking into account the slower growth of China's economy, we increased the allowance for loan impairment of the micro lending company by approximately HK$18,992,000 to cover all overdue loans for conservative purposes during the year. Accordingly, the micro lending company recorded an operating loss in 2015.

Finance costs

The Group's finance costs in 2015 was HK$34,956,000, which was comparable to that in 2014.

Income tax expense

During the year, income tax expense amounted to HK$24,058,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the year was 10.0%, which decreased as compared to that in 2014. It was because the Group's micro lending company incurred operating loss and had no income tax expense in 2015. In the past, the micro lending company was subject to the highest income tax rate among our subsidiaries because most of the other subsidiaries were recognised by the Chinese government as "National High and New Technology Enterprises" and enjoyed preferential tax treatments. The absence of income tax expense from the Group's micro lending company diluted the effective tax rate of the Group in 2015.

Profit attributable to equity holders of the Company

During the year, profit attributable to equity holders of the Company decreased by 25.9% to HK$205,469,000, which was primarily caused by the reduction of the Group's operating profit margin as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

In 2015, the Group's net cash inflow from operating activities decreased to HK$298,567,000 (2014: HK$350,977,000) due to the decrease in profit. In 2015, the Group reduced its short-term bank deposits with maturities of more than three months by HK$119,287,000 and therefore recorded a cash inflow item from investing activities of the same amount, whereas the Group recorded an increase in short-term bank deposits of HK$111,382,000 in 2014. Such change in short-term bank deposits resulted in a decrease in the Group's net cash outflow from investing activities from HK$385,984,000 in 2014 to HK$167,716,000 in 2015. Besides, the Group received net proceeds from a share placement and the exercises of share options by employees amounting to HK$131,270,000 and HK$89,585,000 respectively, and obtained new bank borrowings in 2015. Accordingly, the Group recorded an increase in net cash inflow from financing activities from HK$72,243,000 in 2014 to HK$502,737,000 in 2015.

Bank loans as at 31 December 2015 were denominated in Hong Kong and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

	31 December 2015	31 December 2014
Inventory turnover days *(Note 1)*	**65**	61
Debtors' turnover days *(Note 2)*	**83**	75
Creditors' turnover days *(Note 3)*	**85**	88
Cash conversion cycle *(Note 4)*	**63**	48
Current ratio *(Note 5)*	**1.64**	1.46
Net debt-to-equity ratio *(Note 6)*	**8.5%**	14.0%
Net profit margin *(Note 7)*	**5.8%**	8.0%
Return on shareholders' equity *(Note 8)*	**7.8%**	11.9%

Notes:

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

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

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

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

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

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

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

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

Inventory turnover days

The Group experienced a surge in mould orders during the year. Certain of these new mould orders were due for delivery after the end of 2015, leading to an increase in moulds under production or pending inspection by customers being captured as part of the Group's inventories as at year end. Therefore, the Group's inventory turnover days for the year increased slightly as compared to that for the year ended 31 December 2014.

Debtors' and creditors' turnover days

During the year, our customers have been engaging in new product development activities and therefore our production and sales of moulds were robust. Most of the moulds ordered by the customers in the second half of 2015 were completed and sold during the last quarter of 2015. Such sales were still within normal credit periods and remained unpaid at year end. Therefore, balance of trade receivables increased which led to an increase in the Group's debtors' turnover days to 83 days for the year.

Creditors' turnover days for the year were 85 days, which were comparable to last year.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 31 December 2015 was 1.64, which improved as compared to last year. It was because the Group obtained new long-term instalment loans during the last quarter of 2015. The proceeds from these new long-term instalment loans were kept in bank accounts pending for usage as at 31 December 2015, leading to an increase in the Group's total current assets and current ratio at year end. During the year, the Group received net proceeds from a share placement and the exercises of share options by employees amounting to HK$131,270,000 and HK$89,585,000 respectively, which strengthened the equity base. Accordingly, the Group's net debt-to-equity ratio improved during the year.

Net profit margin and return on shareholders' equity

The reduction of the Group's net profit margin for the year was caused by the decrease in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" of the Management Discussion and Analysis. The reduction of the Group's return on shareholders' equity was caused by the decrease in profit attributable to equity holders of the Company, and the share placement and exercises of share options by employees which increased the shareholders' equity of the Group as mentioned above.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2015, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	26.3%	9.3%
US dollars	45.5%	59.6%
Renminbi	26.6%	31.1%
Euro	1.6%	–

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic material producers designated by the Group's customers. Accordingly, most of the Group's sales and raw material purchases are currently made in Hong Kong dollars and US dollars (which are pegged). The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales denominated in Euro were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

Although the Group's sales and raw material purchases are basically transacted in matching currencies, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. In particular, taking into account the likely devaluation trend of Renminbi, the Group had been actively reducing its net asset exposure to Renminbi since August 2015. It is worth noting that, as a result of these efforts, the Group's cash and bank deposits in Renminbi reduced significantly from approximately HK$984,759,000 (Hong Kong dollars equivalent) as at 31 July 2015 to approximately HK$264,064,000 (Hong Kong dollars equivalent) as at 31 December 2015, thereby minimising the risks borne by the Group from Renminbi exchange rate fluctuation in the future. Going forward, any devaluation in Renminbi is very likely to be beneficial to the Group as a majority of the Group's operating costs, such as salaries and overheads, are denominated in Renminbi, and management will continue to closely monitor the Group's foreign currency exposure with a view to safeguarding the Group from exchange rate risks.

HUMAN RESOURCES

Despite the increase in turnover and the construction of the new Vietnam industrial park, the total number of the Group's employees reduced from 9,075 employees as at 31 December 2014 to 8,804 employees as at 31 December 2015, which was primarily caused by production automation and management improvement measures to streamline the headcount and internal structures of the Group.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2015, 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$6,095,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$235,691,000 for securing finance lease liabilities.

OUTLOOK

At present, China's transition from an export-driven, low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency presents a lot of challenges to the manufacturers. Traditional businesses are expected to show more moderate growth, whilst operating costs such as salaries continue to increase. At the same time, consumption sentiment is also negatively affected by the lacklustre global economy. Accordingly. the year 2016 is likely to be a challenging year for the manufacturing industry.

However, despite the short-term difficulties, the Group believes that the gradual transition of China into a more balanced and sophisticated economy presents ample new opportunities. As an enterprise headquartered in Shenzhen, the Group has witnessed the emergence of Shenzhen as the high technology hub in China in recent years. This has created a strong demand for precision manufacturing services since quality and dimensional accuracy standards are also essential for high-tech products. With a proven track record for outstanding quality and innovative production solutions, the Group is poised to benefit from this new market, which is evidenced by the receipt of new orders from companies in high technology industries such as aerospace and unmanned aerial vehicles in 2015.

In recent years, engineering and production management expertise are becoming more important for suppliers in China's automobile industry, since customers' demand is rapidly shifting from low cost to higher quality vehicles as a result of improvements in living standards. The Chinese government is also encouraging brand owners in the automobile industry to enlist higher end local suppliers into their supply chains as part of its plan to gradually reduce the reliance on foreign suppliers for sophisticated moulds and components tailored for higher quality vehicles. Accordingly, as an enterprise with well-recognised engineering and production management capabilities, we see ample room for development in the automobile industry.

At the same time, the Group's leading position in the OA equipment industry is unparalleled. Major OA equipment brand owners have invited us to establish a new industrial park in Vietnam to serve their existing assembly plants there, thereby elevating our business partnership to a global level. The establishment of the new Vietnam industrial park has not only provided us with an exciting opportunity for overseas expansion, but more importantly enlarged our addressable market within the OA equipment industry since we were unable to supply to our customers' assembly plants in Vietnam in the past due to geographical distance.

We will continue to implement cost control measures and production automation with a view to streamlining our headcount and improving productivity. Last but not the least, the devaluation of Renminbi is likely to alleviate the cost pressure borne by the Group, as a majority of our operating costs such as salaries and overheads are denominated in Renminbi. Therefore, despite the challenges ahead, we are optimistic about the Group's future development.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

On 15 January 2015, the Company, Prosper Empire Limited (the "Vendor") and RHB OSK Securities Hong Kong Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent agreed to place up to an aggregate of 70,000,000 shares of the Company at a price of HK$1.94 per share (the "Placing Price") to not less than six independent professional institutional investors under a top-up placing. The Placing Price represented (i) a discount of 7.18% to the closing price of HK$2.09 per share as quoted on The Stock Exchange of Hong Kong Limited on 15 January 2015; (ii) a discount of approximately 4.90% to the average of the closing prices of approximately HK$2.04 per share as quoted on The Stock Exchange of Hong Kong Limited for the last five consecutive trading days up to and including 15 January 2015; and (iii) a discount of approximately 1.37% to the average of the closing prices of approximately HK$1.967 per share as quoted on The Stock Exchange of Hong Kong Limited for the last ten consecutive trading days up to and including 15 January 2015. The Placing Price was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent with reference to the market condition and the price performance of the shares of the Company.

On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for 70,000,000 new shares of the Company (the "Subscription Shares") at HK$1.94 per share which was equivalent to the Placing Price. The 70,000,000 Subscription Shares represented approximately 4.16% of the then existing issued share capital of the Company and approximately 3.99% of the Company's issued share capital as enlarged by the issue of the Subscription Shares. The actual number of Subscription Shares was the same as the number of shares successfully placed under the placing agreement entered into on 15 January 2015, which was 70,000,000 shares. The Subscription Shares were issued on 28 January 2015.

The directors considered that it was beneficial to the Group and the shareholders of the Company as a whole to raise capital by way of the aforesaid placing and subscription as it would broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the shares of the Company in the market. The net proceeds from the subscription of the Subscription Shares were approximately HK$131,270,000, or HK$1.88 per share, and were intended to be applied by the Company for the continuing expansion of its existing business and general working capital purposes. As at the date of this announcement, the total net proceeds had been utilised for their intended purposes.

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 2015 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

The Board recommends the payment of a final dividend of HK1.3 cents per ordinary share, totaling approximately HK$24,428,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held on 19 May 2016, the final dividend will be payable on or about 1 June 2016. Including the interim dividend of approximately HK$37,281,000 paid on 21 September 2015 in respect of the six months ended 30 June 2015, the total dividends declared for the year ended 31 December 2015 will be approximately HK$61,709,000.

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Thursday, 19 May 2016, the register of members of the Company will be closed from Tuesday, 17 May 2016 to Thursday, 19 May 2016, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 May 2016.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on or about Wednesday, 1 June 2016 to shareholders whose names appear on the register of members on Thursday, 26 May 2016. To determine eligibility for the final dividend, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Thursday, 26 May 2016, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 May 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the year ended 31 December 2015 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2015.

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 2015.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 24 March 2016

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.