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 2016

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 2016 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	*4*	**3,209,290**	3,533,026
Cost of sales	*5*	**(2,461,621)**	(2,597,999)
Gross profit		**747,669**	935,027
Other income		**3,753**	10,301
Other gains/(losses) – net		**3,871**	(17,454)
Selling and marketing costs	*5*	**(167,500)**	(181,447)
General and administrative expenses	*5*	**(471,664)**	(488,644)
Operating profit		**116,129**	257,783
Finance income	*6*	**5,378**	18,478
Finance costs	*6*	**(35,919)**	(34,956)
Share of losses of associates		**(1,465)**	(1,767)
Profit before income tax		**84,123**	239,538
Income tax expense	*7*	**(22,396)**	(24,058)

	Note	**2016** **HK$'000**	2015 *HK$'000*
Profit for the year		**61,727**	215,480
Other comprehensive gain/(loss) for the year, net of tax			
Items that have been reclassified or may be reclassified subsequently to profit or loss			
– Revaluation gain/(loss) on available-for-sale financial assets		**20,189**	(2,527)
– Currency translation differences		**(54,923)**	(56,788)
– Release of available-for-sale financial asset revaluation reserve upon disposal		**(6,337)**	–
– Release of exchange reserve upon disposal of subsidiaries		**4,595**	–
Total comprehensive income for the year		**25,251**	156,165
Profit for the year attributable to:			
– Equity holders of the Company		**53,486**	205,469
– Non-controlling interests		**8,241**	10,011
		61,727	215,480
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		**10,452**	150,053
– Non-controlling interests		**14,799**	6,112
		25,251	156,165
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**2.9**	11.2
– diluted	*8*	**2.8**	11.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,692,626**	1,920,739
Leasehold land and land use rights		**171,061**	179,046
Goodwill		**5,067**	5,067
Loan and interest receivables		**–**	4,804
Investments in associates		**56,208**	12,720
Prepayments, deposits and other receivables		**128,758**	80,419
Amount due from a related company	*11*	**–**	1,587
Available-for-sale financial assets		**106,861**	56,461
		2,160,581	2,260,843
Current assets			
Inventories		**325,615**	465,854
Trade receivables	*10*	**787,367**	793,166
Loan and interest receivables		**–**	128,481
Prepayments, deposits and other receivables		**250,904**	147,824
Amount due from a related company	*11*	**1,587**	1,587
Restricted bank deposits		**60,569**	42,097
Short-term bank deposits		**123,996**	42,971
Cash and cash equivalents		**1,423,134**	1,607,660
		2,973,172	3,229,640
Asset classified as held for sale		**11,376**	–
		2,984,548	3,229,640
LIABILITIES			
Current liabilities			
Trade payables	*12*	**683,255**	602,704
Accruals and other payables		**219,100**	198,121
Bank borrowings		**1,011,083**	1,118,303
Finance lease liabilities		**12,365**	40,440
Current income tax liabilities		**6,799**	6,535
		1,932,602	1,966,103
Net current assets		**1,051,946**	1,263,537
Total assets less current liabilities		**3,212,527**	3,524,380

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

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 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 27 March 2017.

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 2016, but have not had a significant impact to the preparation of the Group's financial statements.

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

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

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

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

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:

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

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

The segment assets and liabilities are as follows:

	2016					2015				
	Metal stamping	**Plastic injection**	**Microcredit**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,543,867**	**1,538,750**	**55,587**	**6,925**	**5,145,129**	3,462,970	1,787,175	142,069	98,269	5,490,483
Liabilities	**93,349**	**796,689**	**–**	**1,637,670**	**2,527,708**	83,949	741,699	1,576	1,915,416	2,742,640
Capital expenditure	**168,666**	**9,382**	**–**	**–**	**178,048**	259,341	59,270	370	–	318,981

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

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

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

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

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

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

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

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

4 REVENUE

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

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

5 OPERATING PROFIT

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

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

6 FINANCE INCOME/COSTS

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

7 INCOME TAX EXPENSE

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

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

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

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

(a) Hong Kong profits tax

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

(b) Mainland China corporate income tax

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

(i) Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% (2015: 25%) on the assessable income of each of the group's entities, except that certain subsidiaries are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digidie Auto Body Ltd., Yihe Precision Hardware (Shenzhen) Co., Ltd., EVA Precision Industrial (Zhongshan) Limited and Yihe 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 2015 and 2016. Digidie Stamping Technology (Wuhan) Limited is recognised by the Chinese Government as a "National High and New Technology Enterprise" and is therefore subject to a preferential tax rate of 15% during the year ended 31 December 2016.

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

(c) Other income taxes

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

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

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

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

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

Diluted

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

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

9 DIVIDENDS

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

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

10 TRADE RECEIVABLES

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

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

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

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 55.7% (2015: 47.8%) and 17.3% (2015: 13.2%), respectively, of the trade receivables balance as at 31 December 2016. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As at 31 December 2016, no trade receivables (2015: Nil) were past due.

Trade receivables are denominated in the following currencies:

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

11 AMOUNT DUE FROM A RELATED COMPANY

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

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

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

12 TRADE PAYABLES

The ageing of trade payables is as follows:

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

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

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

13 SUBSEQUENT EVENT

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events and Development

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

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

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

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

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

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

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

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

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

During the year, the total turnover of the Group decreased by 9.2% to HK$3,209,290,000, which was primarily caused by the reduction in orders from customers in the OA equipment and consumer electronics sectors as mentioned above. Gross profit margin decreased to 23.3%, which was mainly attributable to the slowdown in new product development activities of the customers which resulted in a decrease in the revenue contribution from the production of moulds (higher margin products manufactured during new product development stages) to the Group's total turnover and declining economies of scale brought by the reduction in turnover. Further, with a view to minimising Renminbi exchange rate risks, the Group converted a significant portion of its bank deposits in Renminbi into bank deposits in Hong Kong and United States dollars in the second half of 2015. Although such action safeguarded the Group from the instability caused by Renminbi exchange rate fluctuations, it led to a reduction in the Group's finance income to HK$5,378,000 (2015: HK$18,478,000) as the interest rates from bank deposits in Hong Kong and United States dollars were lower than those from bank deposits in Renminbi. The Group also incurred share option costs of HK$3,318,000 relating to the share options granted to the directors and certain employees on 8 July 2016, and non-recurrent subsidies from the Chinese government reduced to HK$746,000 (2015: HK$7,838,000). Coupled with the initial costs of HK$10,111,000 incurred by the Group's new industrial park in Vietnam, the Group's net profit decreased by 74.0% to HK$53,486,000 despite the various cost control measures implemented by the Group.

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

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, and will also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities with high potentials which can add to our existing portfolio. We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 2016 was no exception. Further, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 87,000,000 shares from the market in 2016 and early 2017. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

FINANCIAL REVIEW

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

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

Note 1: Others mainly represented sales of scrap materials.

Turnover

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

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

Gross profit

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

Segment results

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

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

Finance income and costs

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

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

Income tax expense

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

Profit attributable to equity holders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

KEY FINANCIAL PERFORMANCE INDICATORS

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

Notes –

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

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

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

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

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

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

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

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

Inventory turnover days

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

Debtors' and creditors' turnover days

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

Current ratio and net debt-to-equity ratio

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

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

Net profit margin and return on shareholders' equity

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

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2016, the Group's sales and raw material purchases were denominated in the following currencies:

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

A majority of the Group's customers in both China and Vietnam are reputable international brand owners with worldwide distribution networks. At the same time, a substantial portion of the Group's suppliers in both China and Vietnam are international metal and plastic material producers designated by the Group's customers. Accordingly, approximately 70.3% of the Group's sales and 60.4% of its raw material purchases were made in Hong Kong dollars and US dollars (which are pegged) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales denominated in Euro and British Pounds were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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

HUMAN RESOURCES

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

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2016, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK$5,832,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$178,471,000 for securing finance lease liabilities.

OUTLOOK

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

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

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the year ended 31 December 2016, the Company repurchased its 17,668,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2016 are summarised as follows:

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

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2016 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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 had confirmed their compliance with the required standards set out in the Model Code during the year ended 31 December 2016 and up to the date of this 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 2016.

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 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2016 and up to the date of this announcement.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2017

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.