



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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號: 838)

The background features a large, abstract graphic design consisting of multiple concentric, overlapping circles and lines in shades of yellow, orange, and blue. The design is centered and occupies a significant portion of the page. The circles have a textured, metallic appearance, with some showing a gear-like pattern in the center.

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GROUP PROFILE

EVA Precision Industrial Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (together the “Group”) are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components and automated assembly services with high quality standard and dimensional accuracy. The Group started its business as a mould producer in 1993, and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005. At present, the Group operates twelve production bases in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Sichuan, Wuhan and Weihai), Vietnam (Haiphong) and Mexico (San Luis Potosi).

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

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

At present, the Group’s two main revenue streams are, namely, the office automation “OA” equipment business and the automotive component business. Currently, the Group operates six production bases in Shenzhen, Suzhou, Weihai and Vietnam for the OA equipment sector, and its six other production bases in Shenzhen, Zhongshan, Chongqing, Sichuan, Wuhan and Mexico are serving the automotive component sector.

CORPORATE MILESTONE

Year	Event
1993	The Group started its business through the establishment of EVA Limited, a subsidiary of the Group, in Hong Kong. The Group established its first production base in Shenzhen, the PRC in the same year. The Group started its business as a metal stamping mould manufacturer and its business was later extended to the manufacture of metal stamping components.
2000	Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group, was awarded with the ISO9001 certification in respect of quality management system by the BSI Group.
2002	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as one of the “300 Enterprises with Highest Growth Potential in Shenzhen” (深圳市300家最具成長性企業) and “Shenzhen Top 10 Industry Practitioner” (深圳行業10強企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).</p> <p>The first factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park with a construction area of approximately 21,000 square metres was completed. The Group’s production lines were moved to EVA Shenzhen (Shiyan) Electronic Industrial Park in the same year.</p>
2003	<p>The second factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park with a construction area of approximately 19,000 square metres was completed.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with ISO14001 certification in respect of environmental management system by the BSI Group. It was also accredited as:</p> <ul style="list-style-type: none"> – “Hi-Tech Enterprise in Shenzhen” (深圳市高新技術企業) by Shenzhen Science and Technology Bureau (深圳市科學技術局); – “Reliable and Credible Enterprise” (守合同重信用企業) by Shenzhen Municipal Administration for Industry and Commerce (深圳市工商行政管理局); and – “Quality Assurance Honourable Enterprise in the PRC (Brand)” (中國質量承諾誠信經營企業(品牌)) by Quality Assurance Centre for China’s Light Industry Products (中國中輕產品質量保障中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).
2004	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the “2003 Excellent Supplier” (二零零三年度優秀供應商) award by Toshiba and “Certificate of Green Activity” by Canon. EVA Limited was granted with “Very Valuable Vendor (Improvement) Award” (VVV獎 – 進步獎) by Canon.</p> <p>The Group expanded into plastic mould and component manufacturing business through the establishment of EVA Plastic Mould Products (HK) Limited in Hong Kong and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. in Shenzhen. The first production line of the Group’s plastic production line was established and located in the second factory building of EVA Shenzhen (Shiyan) Electronic Industrial Park for trial production.</p>



CORPORATE MILESTONE

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

CORPORATE MILESTONE

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



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Year	Event
2007 <i>(Cont'd)</i>	<p>EVA Precision Industrial Holdings Limited received “Corporate Citizen – Responsibility for Society” (企業公民 – 責任獻社會) award from China Social Welfare Association – China Committee of Corporate Citizenship (中國社會工作協會企業公民委員會).</p> <p>EVA Precision Industrial Holdings Limited received “Best Under a Billion” award from Forbes (Asia) magazine.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as “Shenzhen Most Influential Enterprise” (深圳最具影響力企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).</p> <p>EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO14001 integrated certification from the BSI Group.</p>
2008	<p>EVA (Guangming) Precision Manufacturing Industrial Park which is located at Guangming New District, Shenzhen commenced commercial operations in the fourth quarter of 2008.</p> <p>EVA Precision Industrial Holdings Limited was accredited as one of the “Top 50 Listed Companies with Highest Investment Value in Guangdong Province” (廣東最具投資價值上市公司50強) and “Top 100 Manufacturing Enterprises in Guangdong Province” (廣東省製造企業100強) by Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會).</p> <p>EVA Precision Industrial (Suzhou) Limited was accredited as an “Outstanding and Advanced Enterprise” (先進單位) by Suzhou Mould Industry Association (蘇州市模具行業協會).</p> <p>EVA Precision Industrial Holdings Limited and EVA Limited received the certificates of honour for donation from Shenzhen Machinery Association (深圳市機械行業協會) and The Hong Kong Mould and Die Technology Association (香港模具科技協會) respectively for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake.</p> <p>Mr. Zhang Hwo Jie, Chairman of the Group, was granted with the “Young Industrialist Award of Hongkong” by the Federation of Hong Kong Industries.</p>

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Year	Event
2009	<p>EVA Plastic Mould Products (HK) Limited and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received “2008 Golden Quality Award” (二零零八年度品質金獎) from Konica Minolta.</p> <p>EVA Limited received “2008 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零零八年度E (環境) Q (品質) C (成本) D (納期) 顯著貢獻獎) from Canon.</p> <p>EVA Precision Industrial Holdings Limited received “Distinguished Supplier Award” (傑出供應商獎) from General Electric.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with “The First Supplier QCC Forum – Second and Third Class Awards” (第一回供應商QCC發表會二等獎及三等獎) respectively by Kyocera.</p> <p>EVA Precision Industrial Holdings Limited was also granted with:</p> <ul style="list-style-type: none"> – “Outstanding Enterprise in China Machinery Industry” (中國機械工業優秀企業) award and “Most Influential Brand Name in China Machinery Industry” (中國機械工業最具影響力的品牌) award by China Machinery Industry Federation (中國機械工業聯合會); – “Employee Care Award” (關愛員工獎) by Golden Bee CSR China Honour Roll (金蜜蜂企業社會責任中國榜); – “Great Love in Guangming” (大愛光明) award by the Charity Committee of Shenzhen Guangming New District; – “Hong Kong Outstanding Enterprises” (香港傑出企業) award by Hong Kong Economic Digest (香港經濟一週); and – “Chairman Enterprise” (會長企業) accreditation by Shenzhen Machinery Association (深圳市機械行業協會). <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as a “National High and New Technology Enterprise” (國家級高新技術企業).</p> <p>EVA Precision Industrial (Suzhou) Limited was accredited as a “Star Overseas Chinese Enterprise in Jiangsu Province” (江蘇省明星僑資企業) by the Overseas Chinese Office of the People’s Government of Jiangsu Province (江蘇省人民政府僑務辦公室).</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as a “National Excellent Taxpaying and Turnover Performance Enterprise with Foreign Investment” (全國外商投資雙優企業) by China Association of Enterprises with Foreign Investment (中國外商投資企業協會) and Shenzhen Association of Enterprises with Foreign Investment (深圳外商投資企業協會).</p>



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Year	Event
2010	<p>The construction of the Group's industrial park in Zhongshan was completed by the end of 2010 and commenced production.</p> <p>EVA Limited received "2009 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award" (二零零九年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) from Canon.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - "2009 Shenzhen Top 100 Enterprise" (二零零九年度深圳百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報); - "Outstanding Culture Building Organisation in Shenzhen" (深圳企業文化建設優秀單位) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Media Group (深圳廣播電影電視集團); - "Charity Enterprise Award" (慈善企業獎) from the People's Government of Baoan District, Shenzhen (深圳市寶安區人民政府); - Banner of honour for student sponsorship (助學錦旗) from the School of Mechanical and Electrical Engineering, Shenzhen Polytechnic (深圳職業技術學院機電工程學院); - Certificates of honour for donation from the management committee of Shiyan Town, Baoan District, Shenzhen (寶安區石岩街道辦事處) and The Hong Kong Mould and Die Technology Association (香港模具科技協會) for its donations and efforts dedicated to the recovery work of the Qinghai Yushu Earthquake and the Gansu Zhouqu Landslides; and - "Vice Chairman Enterprise" (副會長企業) accreditation from Shenzhen General Chamber of Commerce (深圳市商業聯合會). <p>Shenzhen EVA Mould Manufacturing Limited was recognised as a qualified supplier (合格供應商) and was granted with "Special Contribution Award" (特殊貢獻獎) by Midea (美的).</p> <p>EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "2009 Quality Improvement Award" (二零零九年度品質改善獎) from Konica Minolta</p>

CORPORATE MILESTONE

Year	Event
2010 <i>(Cont'd)</i>	<p>EVA Precision Industrial Holdings Limited received “Product Assembly Service Certification” (成品組裝資格認證) from Kyocera.</p> <p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received “Environmental Collaboration Program Certificate” (環保系統證書) from Konica Minolta.</p> <p>Shenzhen EVA Mould Manufacturing Limited received “Precision Moulds First Class Award” (精模獎 – 一等獎) from China Die and Mould Industry Association (中國模具工業協會).</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. received certificate of honour for donation (捐贈榮譽證書) from Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳青少年發展基金會).</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as “Shenzhen Municipal Research and Development Centre” (深圳市市級研究開發中心) by Shenzhen Science, Technology, Industry, Trade and Information Committee (深圳市科技工貿和信息化委員會), Shenzhen Municipal Development and Reform Commission (深圳市發展改革委員會), Finance Commission of Shenzhen Municipality (深圳市財政委員會), National Tax Bureau of Shenzhen (深圳市國家稅務局) and Local Tax Bureau of Shenzhen (深圳市地方稅務局).</p> <p>Shenzhen EVA Mould Manufacturing Limited was awarded with ISO/TS16949 certification in respect of the production of automobile parts by the BSI Group.</p>
2011	<p>EVA Precision Industrial Holdings Limited acquired Chongqing Digit Auto Body Ltd. (重慶數碼模車身模具有限公司) in mid 2011 as part of its strategic plan to expand into the huge automobile sector.</p> <p>As a wholly-owned subsidiary of the Group, Digit Stamping Technology (Wuhan) Limited (數碼模沖壓技術(武漢)有限公司) was established in September 2011, targeting at serving international and domestic automobile brand names located in Wuhan and its adjacent cities.</p> <p>The construction of the fourth factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park was completed.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> – “2010 Golden Quality Award” (二零一零年度品質金獎) from Konica Minolta; – “Premiere Partner (2011)” (卓越合作夥伴(二零一一年)) award from Fuji Xerox;



CORPORATE MILESTONE

Year	Event
2011 (Cont'd)	<ul style="list-style-type: none"> <li data-bbox="339 448 1402 547">– “Qualification Certificate in Factory Monitoring Standard for the Management of Special Chemical Substances” (特定化學物質管理工場監察基準合格證) from Brother; <li data-bbox="339 590 1402 655">– “2009/2010 Pearl River Delta Environmental Award” (二零零九年/二零一零年珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank; <li data-bbox="339 698 1402 763">– OHSAS18001 certificate in occupational health and safety management system from the BSI Group; and <li data-bbox="339 806 1402 978">– “2011/2012 Reputable Enterprise in Guangdong Province” (二零一一年/二零一二年廣東省著名企業) award from China Quality Brand Evaluation Centre (中國質量品牌測評中心), the Guangdong Branch of the Society of Social Investigation of China (中國社會調查所廣東分所) and CSA Credit Appraisal Centre (中品評 (北京) 品牌管理顧問中心). <p data-bbox="339 1021 1402 1259">EVA Precision Industrial Holdings Limited entered into joint development programs and became the education, research and production practice bases of Huazhong University of Science and Technology (華中科技大學), Shenzhen Polytechnic (深圳職業技術學院) and Henan University of Technology (河南工業大學). It was also recognised as one of the “100 Model Enterprises in Baoan District for Vocational Training” (寶安區百家企業培訓示範基地) by Shenzhen Baoan District Vocational Abilities Development Bureau (深圳市寶安區職業能力開發局).</p> <p data-bbox="339 1302 1402 1431">Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited received contribution awards for “P-DOAZ (Part-Defect on Arrival Zero)” activities (零部件零缺陷活動) from Konica Minolta.</p> <p data-bbox="339 1474 1402 1625">Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with “The Third Supplier QCC Forum – First Class Award” (第三屆供應商QCC發表會一等獎) by Kyocera. It was also accredited as “Charity Enterprise” (愛心企業) by Shenzhen Machinery Association (深圳市機械行業協會) and Shenzhen Youth Development Foundation (深圳市青少年發展基金會).</p> <p data-bbox="339 1668 1402 1862">Chongqing Digit Auto Body Ltd. received “China Businessmen Contribution Award” (華商貢獻獎) from The United Front Bureau of Chongqing Municipal Committee of the Communist Party of China (中共重慶市委統戰部), Chongqing Municipal Commission of Economy and Information (重慶市經濟和信息化委員會) and Chongqing Daily (重慶日報報業集團). It was also accredited as “Executive Council Member Enterprise” (常務理事單位) by Chongqing Metal Forming Industry Association (重慶鑄造行業協會).</p> <p data-bbox="339 1905 1402 2013">Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited were recognised as “National High and New Technology Enterprises” (國家級高新技術企業).</p>

CORPORATE MILESTONE

Year	Event
2012	<p>The construction of EVA Shenzhen (Tianliao) Smart Device Industrial Park commenced operations.</p> <p>EVA Precision Industrial (Suzhou) Limited received “2011 Special Contribution Award” (二零一一年度特別貢獻獎) from Canon. It was also granted with “2010-2011 Taxpaying Credibility – Grade A” (二零一零至二零一一年度A級納稅信用等級) certificate by National Tax Bureau of Suzhou (蘇州市國家稅務局) and Local Tax Bureau of Suzhou (蘇州地方稅務局).</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> – “Premiere Partner (2012)” (卓越合作夥伴(二零一二年)) award from Fuji Xerox; – “AAA Credit Rating Enterprise in China” (中國AAA級信用企業) accreditation from China Cooperative Trade Enterprises Association (中國合作貿易企業協會), China Enterprise Reform and Development Society (中國企業改革與發展研究會) and China Enterprise Credit Evaluation Centre (中國企業信用評價中心); – “2011 Model Enterprise of Trustworthiness in Guangdong Province” (二零一一年廣東省誠信示範企業) accreditation from Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); – “2012/2013 Reputable Enterprise in Guangdong Province” (二零一二年/二零一三年廣東省著名企業) accreditation from China Quality Brand Evaluation Centre (中國質量品牌測評中心), China Quality Brand Investigation and Evaluation Committee (中國質量品牌調查測評組委會) and China Quality Brand Promotion Committee (中國質量品牌推進聯合會); – “Outstanding Enterprise in China” (中國傑出企業) accreditation from China Economic Trading Promotion Agency (中國經濟貿易促進會); – “2011 Charity Enterprise” (二零一一年愛心企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會); – “2012 Shenzhen Top 100 Enterprise” (二零一二年度深圳百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報); and – “2012 Manufacturing Excellence Achievement Award” (卓越製造業成就大獎) from Hong Kong Federation of Innovative Technologies and Manufacturing Industries (香港創新科技及製造業聯合總會).

CORPORATE MILESTONE

Year	Event
2012 (Cont'd)	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised as Hong Kong – Guangdong Cleaner Production Partner (Manufacturing) (粵港清潔生產夥伴(製造業)) by the Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會) and the Environmental Bureau of the Government of the Hong Kong Special Administrative Region (香港特別行政區政府環境局).</p> <p>Shenzhen EVA Mould Manufacturing Limited and Chongqing Digit Auto Body Ltd. were recognised as “National High and New Technology Enterprises” (國家級高新技術企業).</p>
2013	<p>The Group’s management headquarter moved to the fourth factory building in EVA Shenzhen (Shiyan) Electronic Industrial Park.</p> <p>EVA Precision Industrial Holdings Limited received “Premiere Partner (2013)” (卓越合作夥伴(二零一三年)) award from Fuji Xerox. It was re-elected as the “Chairman Enterprise” (會長企業) by Shenzhen Machinery Association (深圳市機械行業協會).</p> <p>EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received “2012 Golden Quality Award” (二零一二年度品質金獎) from Konica Minolta.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. received:</p> <ul style="list-style-type: none"> – “2012 Second Half Best Quality” (二零一二年度下半期最佳品質) award from Toshiba; – “Guangdong Famous Trademark Certificate” (廣東省著名商標證書) from Guangdong Provincial Administration for Industry and Commerce (廣東省工商行政管理局); – “2013 Shenzhen Top 100 Quality Enterprise” (二零一三年度深圳市質量百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Association for Quality (深圳市質量協會), Shenzhen Performance Excellence Management Foundation (深圳市卓越績效管理促進會), Shenzhen Press Group (深圳報業集團), Shenzhen Media Group (深圳廣播電影電視集團) and “Times Entrepreneur” magazine (「時代商家」雜誌社); and – “New Quality Benchmark in Baoan” (寶安品牌新標杆) award from the People’s Government of Baoan District, Shenzhen (深圳市寶安區人民政府).

CORPORATE MILESTONE

Year	Event
2013 <i>(Cont'd)</i>	<p>EVA Precision Industrial (Suzhou) Limited was granted with:</p> <ul style="list-style-type: none"> - “2012 Special Contribution Award” (二零一二年度特別貢獻獎) by Canon; - “Standard Implementation Certificate of Enterprise Credit Management in Jiangsu” (江蘇省企業信用管理貫標證書) by the Leadership Office of Jiangsu Social Credit System Construction Committee (江蘇省社會信用體系建設領導小組辦公室); - “High and New Technology Product Recognition Certificate” (高新技術產品認定證書) by Jiangsu Department of Science and Technology (江蘇省科學技術廳); - “Enterprise Technology Centre” (企業技術中心) accreditation by the People’s Government of Suzhou (蘇州市人民政府), Suzhou Economic and Information Technology Commission (蘇州市經濟和資訊化委員會), Suzhou Science and Technology Bureau (蘇州市科學技術局) and Suzhou Municipal Development and Reform Commission (蘇州市發展和改革委員會); and - “Work Safety Standardisation” (安全生產標準化) certificate by State Administration of Work Safety (國家安全生產監督管理總局). <p>Chongqing Digit Auto Body Ltd. was recognised as a “2012 Excellent Supplier” (二零一二年度優秀供應商) by Dongfeng (東風). It was also granted with “Mould Supplier Certification” (模具供應商認可證書) by FAW-Volkswagen (一汽大眾).</p> <p>Digit Stamping Technology (Wuhan) Limited was accredited as “2012 Excellent Enterprise of Wuhan Industrial Investment” (二零一二年度武漢市工業投資優秀企業) and “2012 Advanced Organisation with Major Project Development” (二零一二年度重大項目建設先進單位) by the People’s Government of Wuhan (武漢市人民政府).</p>



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Year	Event
2013 (Cont'd)	<p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received:</p> <ul style="list-style-type: none">– “The Fifth Supplier QCC Forum – First Class Award” (第五屆供應商QCC成果發表會一等獎) and “2012 Best Partner Vendor” (二零一二年最佳採購夥伴) award from Kyocera;– “2013 Guangdong Top 500 Manufacturing Enterprise” (二零一三年度廣東省製造業企業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會) and The Institute of Enterprise Research, Guangdong Academy of Social Sciences (廣東省社會科學院企業研究所);– “2013 Excellent Enterprise in Guangdong Manufacturing Industry” (二零一三年度廣東省製造業優秀企業) accreditation from Guangdong Manufacturers Association (廣東省製造業協會); and– “Enterprise Technology Centre” (企業技術中心) accreditation from Shenzhen Baoan Economic Promotion Bureau (深圳市寶安區經濟促進局). <p>EVA Precision Industrial (Zhongshan) Limited received:</p> <ul style="list-style-type: none">– “2012 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零一二年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) from Canon; and– “Work Safety Standardisation” (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).

CORPORATE MILESTONE

Year	Event
2014	<p>Digit Wuhan Automobile Industrial Park commenced commercial production. The Group also completed the construction of phase 2 of Digit Chongqing Automobile Industrial Park, which was purposely built for expanding the production capacity for automobile components.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - “Premiere Partner (2014)” (卓越合作夥伴(二零一四年)) award from Fuji Xerox; - “Best Ongoing Management Award” (最佳持續管理獎) from the BSI Group; and - “2012/2013 Pan Pearl River Delta Environmental Award” (二零一二年/二零一三年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank. <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. received “The Sixth Supplier QCC Forum – First Class Award” (第六回供應商QCC發表會一等獎) from Kyocera.</p> <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. were granted with “2013 Excellent Supplier” (二零一三年度優秀供應商) award by Konica Minolta. Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. also received “2014 Best Quality Award” (二零一四年度最佳質量獎) from DFCL Jingmi Technology Co., Ltd. (東方亮彩精密技術有限公司).</p> <p>EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> - “2013 Excellent Supplier Award” (二零一三年度優秀供應商獎) and “The Twelfth Unit Improvement Contest” (第十二屆組裝技能改善競賽) champion award from Canon; - “Enterprise Technology Centre” (企業技術中心) accreditation from the People’s Government of Jiangsu Province (江蘇省人民政府), Jiangsu Economic and Information Technology Commission (江蘇省經濟和資訊化委員會), Jiangsu Development and Reform Commission (江蘇省發展和改革委員會), Jiangsu Department of Science and Technology (江蘇省科學技術廳), Department of Finance of Jiangsu Province (江蘇省財政廳), National Tax Bureau of Jiangsu (江蘇省國家稅務局), Local Tax Bureau of Jiangsu (江蘇省地方稅務局) and Nanjing Customs (南京海關); and - “Jiangsu Precision Parts and Moulds Design and Manufacturing Engineering Research Centre” (精密零部件模具設計製造工程技術研究中心) accreditation from Jiangsu Department of Science and Technology (江蘇省科技廳).

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Year	Event
2014 (Cont'd)	<p>Digit Stamping Technology (Wuhan) Limited received:</p> <ul style="list-style-type: none"> - "2013 Excellent Corporate Partner" (二零一三年度優秀協作單位) award from Dongfeng (東風); and - "Outstanding and Advanced Enterprise" (先進單位) accreditation from Wuhan Production Safety Commission (武漢市安全生產委員會). <p>Chongqing Digit Auto Body Ltd. received:</p> <ul style="list-style-type: none"> - "Enterprise Technology Centre" (企業技術中心) accreditation from the People's Government of Chongqing (重慶市人民政府), Chongqing Economic and Information Technology Commission (重慶市經濟和資訊化委員會), Chongqing Finance Bureau (重慶市財政局), Chongqing Customs (重慶海關), National Tax Bureau of Chongqing (重慶市國家稅務局) and Local Tax Bureau of Chongqing (重慶市地方稅務局); and - "Work Safety Standardisation" (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).
2015	<p>The Group started to construct EVA Vietnam (Haiphong) Electronic Industrial Park, signifying its first step to expand outside China.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - "Premiere Partner (2015 – for 5 consecutive years)" (卓越合作夥伴(二零一五年 – 五年連續受賞)) award from Fuji Xerox; - "2013/2014 Pan Pearl River Delta Environmental Award" (二零一三年/二零一四年泛珠三角環保大獎) from the Federation of Hong Kong Industries and Hang Seng Bank; - "Gratitude Certificate" (感謝信) from Shenzhen Aerospace Dongfanghong HIT Satellite Ltd. (深圳航天東方紅海特衛星有限公司) for the quality of the Group's products used in satellites; and - "2015 Shenzhen Top 100 Enterprise" (二零一五年度深圳百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報).

CORPORATE MILESTONE

Year	Event
2015 <i>(Cont'd)</i>	<p>EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> - “2014 Excellent Supplier Award” (二零一四年度優秀供應商獎) from Canon; - “2014 Excellent Supplier” (二零一四年度優秀供應商) award from Konica Minolta; and - “2014 Outstanding and Advanced Technology Enterprise in Suzhou National New and Hi-Tech Industrial Development Zone” (二零一四年度蘇州高新區科技工作先進單位) accreditation from the Working Commission of the Communist Party of China in Suzhou National New and Hi-Tech Industrial Development Zone (中共蘇州國家高新技術產業開發區工作委員會) and the Management Committee of Suzhou National New and Hi-Tech Industrial Development Zone (蘇州國家高新技術產業開發區管理委員會). <p>Digit Stamping Technology (Wuhan) Limited received:</p> <ul style="list-style-type: none"> - “2014 Excellent Supplier” (二零一四年度優秀供應商) award from Dongfeng (東風); - “Vice Chairman Enterprise” (副會長單位) accreditation from Hubei Die & Mould Industry Association (湖北省模具工業協會); and - “Work Safety Standardisation” (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局). <p>Yihe Precision Hardware (Shenzhen) Co., Ltd. and Okuno Precision Metal Co., Limited received “2014 Golden Quality Award” (二零一四年度品質金獎) from Konica Minolta.</p>



CORPORATE MILESTONE

Year	Event
2015 (Cont'd)	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. also received:</p> <ul style="list-style-type: none"> - “The Thirteenth Improvement Forum – Excellent Supplier Presentation Award” (第十三屆改善發表大會 – 供應商優秀發表獎) from Fuji Xerox; and - “2015 QCC Performance Competition – Excellent Performance Award” (二零一五年QCC成果選拔賽優秀成果獎) from Shenzhen Association for Quality (深圳市質量協會), Shenzhen Federation of Trade Unions (深圳市總工會), the Shenzhen Committee of the Communist Youth League of China (中國共產主義青年團深圳市委員會), Shenzhen Women’s Association (深圳市婦女聯合會) and Shenzhen Association for Science and Technology (深圳市科學技術協會). <p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was granted with “The Seventh Supplier QCC Forum – Third Class Award” (第七回供應商QCC成果發表會三等獎) by Kyocera.</p> <p>EVA Precision Industrial (Zhongshan) Limited was recognised as a “National High and New Technology Enterprise” (國家級高新技術企業). It was also granted with “2014 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零一四年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) by Canon.</p>
2016	<p>The construction of phase one of EVA Vietnam (Haiphong) Electronic Industrial Park was completed.</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - “Premiere Partner (2016 – for 6 consecutive years)” (卓越合作夥伴(二零一六年 – 六年連續受賞)) award from Fuji Xerox; - “2016 First Half – Best Supplier” (二零一六年上期最佳供應商) award from Toshiba; - “2015 Excellent Supplier” (二零一五年度優秀供應商) award from Epson; - “2015 Corporate Environmental Leadership Award” (二零一五年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; - “2016 Shenzhen Top 100 Enterprise” (二零一六年度深圳百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economic Daily (深圳商報);

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Year	Event
<p>2016 (Cont'd)</p>	<ul style="list-style-type: none"> <li data-bbox="376 444 1430 556">– “2016 Best Employer in Guangdong Province” (二零一六年度廣東省最佳僱主) award from Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); and <li data-bbox="376 599 1430 711">– “2016 Guangdong Machinery and Mould Industry Innovative Achievement – First Class Award” (二零一六年廣東機械模具產業創新成果一等獎) from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會). <p data-bbox="376 754 1430 825">Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as “Guangdong Famous Trademark” (廣東省著名商標) again. It also received:</p> <ul style="list-style-type: none"> <li data-bbox="376 868 1430 980">– “30 years of Precision Manufacturing in Shenzhen Machinery Industry – Signature Product Award” (深圳機械三十年精密製造 – 標桿產品獎) from Shenzhen Machinery Association (深圳市機械行業協會); <li data-bbox="376 1024 1430 1136">– “2015 Compliance of Operational Standards Improvement Activities – Excellent Improvement Award” (二零一五年度作業標準遵守度改善活動 – 優秀改善獎) from Konica Minolta; and <li data-bbox="376 1179 1430 1291">– Certificate of donation (捐贈證書) from Shenzhen Youth Development Foundation (深圳市青少年發展基金會) for its donations to “1 to 1 Educational Sponsorship Activities” (一對一助學活動). <p data-bbox="376 1334 1430 1446">Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received “Work Safety Standardisation” (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局).</p> <p data-bbox="376 1489 983 1522">EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> <li data-bbox="376 1565 1430 1677">– “2015 Excellent Supplier Award” (二零一五年度優秀供應商獎) and “The Seventeenth Comprehensive Assembly Capabilities Invitation Tournament – First Class Award” (第十七屆綜合組裝能力邀請賽一等獎) from Canon; and <li data-bbox="376 1720 1310 1752">– “2015 Golden Quality Award” (二零一五年度品質金獎) from Samsung.

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Year	Event
2016 (Cont'd)	<p>EVA Precision Industrial (Zhongshan) Limited received:</p> <ul style="list-style-type: none"> - “2015 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零一五年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) from Canon; and - “2015 A Class Supplier” (二零一五年度A級供應商) award from Brother. <p>Digit Stamping Technology (Wuhan) Limited was recognised as a “National High and New Technology Enterprise” (國家級高新技術企業). It also received:</p> <ul style="list-style-type: none"> - “2015 Excellent Supplier” (二零一五年度優秀供應商) award from Dongfeng (東風); and - “2015 Creative Enterprise” (二零一五年度創新企業) accreditation from the Caidian District Committee of the Communist Party of China (中共蔡甸區委) and the People’s Government of Caidian District (蔡甸區人民政府). <p>Chongqing Digit Auto Body Ltd. received:</p> <ul style="list-style-type: none"> - “Vice Chairman Enterprise” (副會長單位) accreditation from Chongqing Die & Mould Industry Association (重慶市模具工業協會); and - “Top Ten High and New Technology Enterprise” (十佳高新技術企業) accreditation from the People’s Government of Dadukou District, Chongqing (重慶市大渡口區人民政府).
2017	<p>Under the invitation of Hewlett-Packard, the Group started to construct EVA Weihai (Double Islands Bay) Electronic Industrial Park in Weihai, Shandong Province, China. The Group also commenced the construction of Digit Mexico (SLP) Automobile Industrial Park in San Luis Potosí, Mexico with a view to serving existing and new customers there.</p> <p>With a view to better serving Hewlett-Packard in Weihai, the Group acquired Intops (Weihai) Electronics Co., Ltd., a component manufacturer, to accelerate the Group’s development in Weihai.</p>

CORPORATE MILESTONE

Year	Event
2017 <i>(Cont'd)</i>	<p>EVA Precision Industrial Holdings Limited was re-elected as the “Executive Chairman Enterprise” (執行會長企業) by Shenzhen Machinery Association (深圳市機械行業協會). It also received:</p> <ul style="list-style-type: none"> – “Premiere Partner (2017 – for 7 consecutive years)” (卓越合作夥伴(二零一七年 – 七年連續受賞)) award from Fuji Xerox; – “2017 First Half Best Delivery” (二零一七年上半年最佳納期) award from Toshiba; – “2017 Shenzhen Top 100 Enterprise” (二零一七年度深圳百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Economy Daily (深圳商報); – “2017 Top 500 Enterprise in Guangdong Manufacturing Industry” (二零一七年年廣東省製造業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會), Guangdong Industry Development Research Institute (廣東省產業發展研究院) and Guangdong Academy of Social Sciences Enterprise Competitiveness Research Centre (廣東省社會科學院企業競爭力研究中心); – “Hidden Champion Enterprise Award” (隱形冠軍企業獎) from Shenzhen Association for Quality (深圳市質量協會); – “2016 Corporate Environmental Leadership Award” (二零一六年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; – “Baoan Charity Donation Enterprise Award” (寶安區慈善捐贈企業獎) from the Organising Committee for Shenzhen Baoan Charity Award (深圳市寶安區慈善獎組委會); and – “Certificate of Enterprise Credit Grade – AAA Grade” (企業信用等級證書 – AAA級) from “China Die & Mould Industry Association” (中國模具工業協會) and “Beijing Yi Xin Jian Xin International Credit Management Co., Ltd.” (北京益信建信國際信用管理有限公司).



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Year	Event
2017 (Cont'd)	<p>Yihe Precision Hardware (Shenzhen) Co., Ltd. received:</p> <ul style="list-style-type: none"> – “Guangdong High Quality Machinery and Mould Enterprise (2017-2020)” (廣東優質機械模具企業(二零一七年至二零二零年)) accreditation from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會); – “2016 Guangdong Province Enterprise of Observing Contract and Valuing Credit” (二零一六年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局); – “Work Safety Standardisation” (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局); and – “Municipal Postdoctoral Innovative Practice Base” (市級博士後創新實踐基地) accreditation from Human Resources and Society Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局). <p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received:</p> <ul style="list-style-type: none"> – “The Ninth Supplier QCC Forum – First Class Award and Outstanding Award” (第九屆供應商QCC成果發表會一等獎及優秀獎) from Kyocera; – “Best Cooperative Supplier” (最佳配合供應商) award from Beijing Founder Easiprint Co., Ltd. (北京方正印捷數碼技術有限公司); and – “2017 Top 100 Innovative Enterprise in Baoan” (2017年寶安區創新百強企業) accreditation from Shenzhen Baoan Science and Technology Innovation Bureau (深圳市寶安區科技創新局). <p>Shenzhen EVA Mould Manufacturing Limited received:</p> <ul style="list-style-type: none"> – “Supplier Partnership Award” (合作夥伴獎) from Faurecia;

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Year	Event
2017 <i>(Cont'd)</i>	<ul style="list-style-type: none"> <li data-bbox="379 448 1433 707">– Championship award in “2016 the First Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Mould Category)” (二零一六年首屆長安杯中國(東莞長安)模具作品與製造技能大賽作品賽(五金類模具組)), which was jointly organised by the People’s Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mold Product Quality Supervision & Inspection Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); <li data-bbox="379 756 1433 821">– “Work Safety Standardisation” (安全生產標準化) certificate from State Administration of Work Safety (國家安全生產監督管理總局); <li data-bbox="379 871 1433 978">– “Honorary Credential for Excellent Performance in Guangdong Machinery and Mould Industry” (廣東機械模具產業優秀成果榮譽證書) from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會); <li data-bbox="379 1028 1433 1172">– “Charity Enterprise for Supporting the Employment of People with Disabilities” (助殘就業愛心企業) accreditation from the United Front and Social Construction Bureau of Shenzhen Guangming New District (深圳市光明新區統戰和社會建設局); and <li data-bbox="379 1222 1433 1366">– “2017 Pilot Organisation for Excellent Performance Pilot Project of Guangming New District” (二零一七年度光明新區卓越績效試點工程試點組織) accreditation from the Committee for High Quality Community of Shenzhen Guangming New District (深圳市光明新區質量強區辦). <p data-bbox="379 1416 983 1438">EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> <li data-bbox="379 1487 1433 1552">– “Gratitude Certificate – External Component Procurement Activities” (感謝狀 – 社外組件調達活動) from Konica Minolta; <li data-bbox="379 1601 1433 1666">– “2016 Shanghai Ricoh Sourcing Quality Assurance – Overall Excellence Award” (二零一六年度上海理光源流保證綜合優秀獎) from Ricoh; <li data-bbox="379 1716 1433 1780">– “Strategic Partner” (戰略合作夥伴) award from Supvan Information Technology Co., Ltd. (碩方信息技術有限公司); and <li data-bbox="379 1830 1433 1895">– “Fundamental Skills Invitation Tournament – First Class Award” (基礎技能邀請賽一等獎) from Canon.

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Year	Event
2017 (Cont'd)	<p>EVA Precision Industrial (Zhongshan) Limited received:</p> <ul style="list-style-type: none"> - “2016 E (Environment) Q (Quality) C (Cost) D (Delivery) Remarkable Contribution Award” (二零一六年度E(環境)Q(品質)C(成本)D(納期)顯著貢獻獎) from Canon; and - “Excellent Supplier Award of Year 2017” (二零一七年度優秀供應商獎) from Faurecia. <p>Digit Stamping Technology (Wuhan) Limited received:</p> <ul style="list-style-type: none"> - “2016 Excellent Supplier” (二零一六年度優秀供應商) award from Dongfeng (東風); - “2016 Creative Enterprise” (二零一六年度創新企業) accreditation from the Caidian District Committee of the Communist Party of China (中共蔡甸區委) and the People’s Government of Caidian District (蔡甸區人民政府); - “Excellent Organisation Award” (優秀組織獎) in “2016 the First Changan Cup China (Dongguan Changan) Mould Product and Technology Contest” (二零一六年首屆長安杯中國(東莞長安)模具作品與製造技能大賽), which was jointly organised by the People’s Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mold Product Quality Supervision & Inspection Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); - “2016 Forerunning Enterprise for Science and Technology Innovation in Wuhan” (二零一六年度武漢科技創新企業領跑者) accreditation from Wuhan Science and Technology Bureau (武漢市科學技術局), Wuhan Association for Science and Technology (武漢市科學技術協會), Wuhan Enterprise Confederation (武漢企業聯合會) and Wuhan Enterprise Directors Association (武漢企業家協會); - “2016 Grade A Trustworthy and Law-abiding Enterprise for Labour Protection” (二零一六年度勞動保障守法誠信A級企業) accreditation from the Human Resources and Social Security Bureau of Wuhan Caidian District (武漢市蔡甸區人力資源和社會保障局); and - “Workers’ Pioneer” (工人先鋒號) accreditation from All Wuhan Federation of Trade Unions (武漢市總工會).

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Year	Event
2018	<p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - “Premiere Partner (2018 – for 8 consecutive years)” (卓越合作夥伴(二零一八年 – 八年連續受賞)) award, “2018 Procurement Premiere Partner – Bronze Award” (採購卓越夥伴 – 銅獎) and “Outstanding Collaborative Supplier” (優秀協力供應商) award from Fuji Xerox; - “Supplier of the Year 2017 – Bronze Award” (二零一七年度供應商 – 銅獎) from Chamberlain; - “2017 Corporate Environmental Leadership Award” (二零一七年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited; - “2017 Advanced Executive Committee Member” (二零一七年度先進執委委員) accreditation from Shenzhen Guangming Community of Industry and Commerce (深圳市光明新區工商業聯合會); - “2017 Outstanding Contribution Award for Shenzhen Quality Project” (二零一七年度深圳質量事業突出貢獻獎) from Shenzhen Association for Quality (深圳市質量協會); - “2018 Top 500 Enterprise in Guangdong Manufacturing Industry” (二零一八年廣東省製造業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會), Guangdong Industry Development Research Institute (廣東省產業發展研究院) and Guangdong Academy of Social Sciences Enterprise Competitiveness Research Centre (廣東省社會科學院企業競爭力研究中心); and - “The First Shenzhen Top 100 Brand Enterprise” (首屆深圳品牌百強企業) accreditation from Shenzhen Quality City Promotion Association (深圳市質量強市促進會). <p>Shenzhen EVA Precision Technology Group Limited (formerly known as Yihe Precision Hardware (Shenzhen) Co., Ltd.) received:</p> <ul style="list-style-type: none"> - “2017 Quality Acclamation” (二零一七年度品質表彰) award from Konica Minolta; - “The Third Shenzhen Industry Award – Nomination Award” (第三屆深圳工業大獎 – 提名獎) from the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報);

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Year	Event
2018 (Cont'd)	<ul style="list-style-type: none"> <li data-bbox="339 448 1402 590">– “2018 Award Winning Entity for Excellent Performance Management Standard Implementation Project of Baoan District” (寶安區二零一八年度卓越績效管理標準實施項目獲獎單位) accreditation from the People’s Government of Baoan District, Shenzhen (深圳市寶安區人民政府); and <li data-bbox="339 642 1402 821">– “2018 Guangdong Machinery and Mould Industry Innovative Achievement – Third Class Award” (二零一八年廣東機械模具產業創新成果三等獎) from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會). <p data-bbox="339 873 1402 1095">Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Shenzhen EVA Mould Manufacturing Limited received “2017 Guangdong Province Enterprise of Observing Contract and Valuing Credit” (二零一七年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局). Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. also received “2017 Second Half Best Partner” (二零一七年下半年最佳夥伴) award from Toshiba.</p> <p data-bbox="339 1146 1402 1170">Shenzhen EVA Mould Manufacturing Limited received:</p> <ul style="list-style-type: none"> <li data-bbox="339 1222 1402 1323">– the fifteen “Shenzhen Top Brand” (第十五屆「深圳知名品牌」) accreditation from Shenzhen Top Brand Appraisal Committee (深圳知名品牌評價委員會) for the brand name “EVA”; <li data-bbox="339 1375 1402 1634">– the second runner up award in “the Second Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Plastic Category)” (第二屆長安杯中國(東莞長安)模具作品與製造技能大賽 – 作品賽(塑膠組)), which was jointly organised by the People’s Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mold Product Quality Supervision & Inspection Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); and <li data-bbox="339 1685 1402 1869">– “Guangdong High Quality Machinery and Mould Enterprise (2018-2021)” (廣東優質機械模具企業(二零一八年至二零二一年)) accreditation from Guangdong Machinery & Mold Technology Association (廣東省機械模具科技促進協會) and the Appraisal Committee for Evaluation Activities in Guangdong Machinery and Mould Industry (廣東機械模具產業評選活動評審委員會).

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Year	Event
2018 <i>(Cont'd)</i>	<p>EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> - the “2017 Craftsmanship Award” (二零一七年度匠心獎) from Segway-Ninebot (九號機器人); and - “2018-2019 Procurement Partner” (二零一八年至二零一九年度採購夥伴) award from Canon. <p>Chongqing Digit Auto Body Ltd. and EVA Precision Industrial (Zhongshan) Limited were jointly granted with the “Certificate of Participation” (參與證書) from Brose for their outstanding participation in Brose Supplier Day 2018 which was held in Mexico. Chongqing Digit Auto Body Ltd. also received:</p> <ul style="list-style-type: none"> - “2017 Quality Improvement Award” (二零一七年度品質改善進步獎) from Chengdu Tianxing Yamada Auto Parts Co., Ltd. (成都天興山田車用部品有限公司); - the excellent award in “the Second Changan Cup China (Dongguan Changan) Mould Product and Technology Contest – Product Competition (Metal Category)” (第二屆長安杯中國(東莞長安)模具作品與製造技能大賽 – 作品賽 (五金組)), which was jointly organised by the People’s Government of Dongguan Changan Town (東莞市長安鎮人民政府), Guangdong National Mold Product Quality Supervision & Inspection Centre (廣東國家模具產品質量監督檢測中心) and Guangdong Die & Mould Industry Association (廣東省模具工業協會); and - “Municipal Postdoctoral Science and Research Workstation of Chongqing” (重慶市博士後科研工作站) accreditation from Chongqing Municipal Human Resources and Social Security Bureau (重慶人力資源和社會保障局). <p>Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Zhongshan) Limited received “Excellent Supplier Award of Year 2018” (二零一八年度優秀供應商獎) award from Faurecia. EVA Precision Industrial (Zhongshan) Limited also received “2017 Quality VVV Award (Quality Very Valuable Vendor) – Special Improvement Award” (二零一七年度品質VVV賞(品質最有價值供應商) – 特別改善賞) from Canon.</p> <p>Digit Stamping Technology (Wuhan) Limited received “2018 Top 100 Enterprise in Hubei Manufacturing Industry” (二零一八湖北製造業企業100強) accreditation from Hubei Enterprise Confederation (湖北省企業聯合會) and Hubei Enterprise Directors Association (湖北省企業家協會).</p>



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Year	Event
2019	<p>The construction of Digit Mexico (SLP) Automobile Industrial Park was completed.</p> <p>EVA Precision Industrial Holdings Limited received “Certificate of Enterprise Credit Grade – AAA Grade” (企業信用等級證書 – AAA級) from China Die & Mould Industry Association (中國模具工業協會) again. It also received:</p> <ul style="list-style-type: none"> – “Premiere Partner (2019 – for 9 consecutive years)” (卓越合作夥伴(二零一九年—九年連續受賞)) award from Fuji Xerox; – “Outstanding Operation Award (Management and System)” (卓越營運獎(管理及系統)) from Hong Kong Mould & Die Council and the Federation of Hong Kong Industries; – “2018 Best Cooperation Award” (二零一八年度最佳合作獎) from MITAC; – “2019 Guangdong Top 500 Enterprise” (二零一九年廣東企業500強), “2019 Guangdong Top 100 Private Enterprise” (二零一九年廣東民營企業100強), “2019 Guangdong Top 100 Manufacturing Enterprise” (二零一九年廣東製造業100強) and “2019 Guangdong Top 100 Innovative Enterprise” (二零一九年廣東創新企業100強) accreditations from Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); – “2019 Shenzhen Top 500 Enterprise” (二零一九年深圳500強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會); and – “2019 Shenzhen Top 100 Quality Enterprise” (二零一九年度深圳質量百強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Association for Quality (深圳市質量協會), Shenzhen Performance Excellence Management Foundation (深圳市卓越績效管理促進會), Shenzhen Quality City Promotion Association (深圳市質量強市促進會), Shenzhen Press Group (深圳報業集團), Shenzhen Media Group (深圳廣播電影電視集團) and “Times Entrepreneur” magazine (「時代商家」雜誌社). <p>In addition, EVA Precision Industrial Holdings Limited and Shenzhen EVA Precision Technology Group Limited jointly received “2018 Corporate Environmental Leadership Award” (二零一八年度企業環保領先大獎) from the Federation of Hong Kong Industries and Bank of China (Hong Kong) Limited. Shenzhen EVA Precision Technology Group Limited also received:</p>

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Year	Event
<p>2019 (Cont'd)</p>	<ul style="list-style-type: none"> <li data-bbox="376 444 1430 551">– “The First Top 100 Charity Enterprise in Baoan District” (第一屆寶安區慈善百強企業) accreditation from the Civil Affairs Bureau of Shenzhen Baoan District (深圳市寶安區民政局); and <li data-bbox="376 599 1430 745">– “2019 Shenzhen Private Leading Core Enterprise” (二零一九年度深圳市民營領軍骨幹企業) from Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Press Group (深圳報業集團) and Shenzhen Media Group (深圳廣播電影電視集團). <p data-bbox="376 793 1430 864">Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. received “2018 Second Half Best Quality” (二零一八年下期最佳品質) award from Toshiba.</p> <p data-bbox="376 911 1430 1095">Shenzhen EVA Mould Manufacturing Limited received “2018 Shenzhen Small and Medium Enterprises Best Employer Award” (二零一八年度深圳市中小企業最佳僱主獎) from Shenzhen Small and Medium Enterprises Service Bureau (深圳市中小企業服務署), Shenzhen SEmall (深圳市中小企業公共服務平台) and Shenzhen Small and Medium Sized Enterprises Service Union (深圳市中小企業公共服務聯盟).</p> <p data-bbox="376 1142 1430 1364">Zhongshan Digit Automotive Technology Limited (formerly known as EVA Precision Industrial (Zhongshan) Limited) received “2018 Quality VVV Award (Quality Very Valuable Vendor) – Best Excellence Award” (二零一八年度品質VVV賞(品質最有價值供應商) – 最優秀賞) from Canon. It also received “Chairman Enterprise” (會長單位) accreditation from Zhongshan Auto Parts & Accessories Manufacturers Industrial Association (中山市汽車零部件及配件製造行業協會).</p> <p data-bbox="376 1412 1430 1519">EVA Precision Industrial (Suzhou) Limited received the “Twenty-fourth Comprehensive Assembly Capabilities Invitation Tournament – First Class Award” (第二十四屆綜合組裝能力邀請賽一等獎) from Canon.</p> <p data-bbox="376 1567 1430 1638">Chongqing Digit Auto Body Ltd. was re-elected as “Vice Chairman Enterprise” (副會長單位) by Chongqing Die & Mould Industry Association (重慶市模具工業協會).</p> <p data-bbox="376 1685 1430 1757">EVA Hai Phong Precision Industrial Co., Ltd. received “Cooperated Supplier Award” (合作供應商獎) from Kyocera.</p>



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Year	Event
2020	<p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - “Premiere Partner (2020 – for 10 consecutive years)” (卓越合作夥伴(二零二零年 – 十年連續受賞)) award from Fujifilm Business Innovation (formerly known as Fuji Xerox); - “Certificate of Enterprise Credit Grade – AAA Grade” (企業信用等級證書 – AAA級) from China Die & Mould Industry Association (中國模具工業協會); - “2020 Guangdong Top 500 Manufacturing Enterprise” (二零二零年度廣東省製造業企業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會); - “2020 Shenzhen Industry Leader Top 100 Enterprise” (二零二零年度深圳市行業領袖百強企業) accreditation from Shenzhen Industry Leader Corporate Development Promotion Association (深圳市行業領袖企業發展促進會); and - “2020 Shenzhen Top 500 Enterprise” (二零二零年深圳500強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會). <p>EVA Precision Industrial (Suzhou) Limited received:</p> <ul style="list-style-type: none"> - “2019 Best Supplier” (二零一九年度最佳供應商) award and “2019 Joint Innovation Award” (二零一九年度聯合創新獎) from Segway-Ninebot (九號機器人); and - “2020 Excellent Quality Supplier” (二零二零年度品質優秀供應商) accreditation from Fujifilm Imaging System (Suzhou) Co., Ltd. – Medical Services Department (蘇州富士膠片映像機器有限公司 醫療事業部). <p>Intops (Weihai) Electronics Co., Ltd. was accredited as “2019 Top 50 Taxpaying Enterprise in the District” (二零一九年度全區納稅50強) by the Working Commission of the Weihai Committee of the Communist Party of China in Torch High Technology Industrial Development Zone (中共威海市委火炬高技術產業開發區工作委員會) and the Management Committee of Weihai Torch High Technology Industrial Development Zone (威海火炬高技術產業開發區管理委員會).</p>

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Year	Event
<p>2020 <i>(Cont'd)</i></p>	<p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Shenzhen EVA Mould Manufacturing Limited received “2019 Guangdong Province Enterprise of Observing Contract and Valuing Credit” (二零一九年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局).</p> <p>Shenzhen EVA Precision Technology Group Limited (formerly known as Yihe Precision Hardware (Shenzhen) Co., Ltd.) received:</p> <ul style="list-style-type: none"> – “Encouragement Award of Quality by Baoan District Mayor, Shenzhen” (深圳市寶安區區長質量獎鼓勵獎) from the People’s Government of Baoan District, Shenzhen (深圳市寶安區人民政府); and – “Quality Control Group Activities Skills Competition Silver Award and Excellence Award” (質量管理小組活動技能競賽銀獎及優秀獎) from Shenzhen Association for Quality (深圳市質量協會). <p>EVA Hai Phong Precision Industrial Co., Ltd. received “Excellent Results in Labour Role Model Competition and Union Formation” (參加勞動模範比賽及建立工會的卓越成績) accreditation from Hai Phong Economic Zone Trade Union (海防經濟區工會).</p> <p>Shenzhen EVA Smart Device Limited received “2020 Best Quality Award” (二零二零年度最佳品質獎) from MiTAC.</p> <p>Chongqing Digit Auto Body Ltd. received:</p> <ul style="list-style-type: none"> – “China Key Core Mould Supply Enterprise” (中國重點骨幹模具企業) accreditation from “China Die & Mould Industry Association” (中國模具工業協會); – “Excellent Enterprise” (優秀企業) and “District Mayor Nomination Award of Quality” (區長質量獎提名獎) accreditation from the People’s Government of Dadukou District, Chongqing (重慶市大渡口區人民政府); and – “Best Commissioning Assurance Award” (最佳交付保證獎) accreditation from Chongqing Yongchuan Great Wall Motors Automotive Components Ltd. (重慶市永川區長城汽車零部件有限公司).



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Year	Event
2021	<p>Shenzhen EVA Mould Manufacturing Limited received:</p> <ul style="list-style-type: none"> - The eighteenth “Shenzhen Top Brand” (第十八屆「深圳知名品牌」) accreditation from Shenzhen Top Brand Appraisal Committee (深圳知名品牌評價委員會) for the brand name “EVA” <p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Shenzhen EVA Mould Manufacturing Limited, Shenzhen Huaxian Intelligent Manufacturing Technology Co., Ltd. (formerly known as Shenzhen EVA Smart Device Limited) and Shenzhen Digit Automotive Technology Limited received “2021 Guangdong Province Enterprise of Observing Contract and Valuing Credit” (二零二一年度廣東省守合同重信用企業) accreditation from the Market Supervision Administration of Shenzhen Municipality (深圳市市場監督管理局).</p> <p>EVA Precision Industrial Holdings Limited received:</p> <ul style="list-style-type: none"> - “Premiere Partner (2021 – for 11 consecutive years)” (卓越合作夥伴 (二零二一年—十一年連續受賞)) award from Fujifilm Business Innovation (formerly known as Fuji Xerox); - “2021 Guangdong Top 500 Manufacturing Enterprise” (二零二一年度廣東省製造業企業500強) accreditation from Guangdong Manufacturers Association (廣東省製造業協會); - “2021 Guangdong Top 500 Enterprise” (二零二一年廣東企業500強) accreditation from Guangdong Provincial Enterprises Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會); - “2021 Shenzhen Top 500 Enterprise” (二零二一年深圳500強企業) accreditation from Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會). <p>Chongqing Digit Auto Body Ltd. received:</p> <ul style="list-style-type: none"> - “2021 Most Potential Supplier” (二零二一年度最具潛力供應商) accreditation from Great Wall Motor Company Limited Chongqing Branch (長城汽車股份有限公司重慶分公司); - “Quality Improvement Appreciation Award” (品質改善感謝獎) accreditation from Chengdu Tianxing Yamada Auto Parts Co., Ltd. (成都天興山田車用部品有限公司); and - “Best Commissioning Assurance Award” (最佳交付保證獎) accreditation from Chongqing Yongchuan Great Wall Motors Automotive Components Ltd. (重慶市永川區長城汽車零部件有限公司).

CORPORATE MILESTONE

Year	Event
2021 <i>(Cont'd)</i>	<p>Digit Stamping Technology (Wuhan) Limited was recognised as a qualified supplier (合格供應商) by Honda Engineering China Co.,Ltd. (本田生產技術(中國)有限公司) and was recognised as an excellent supplier (優秀供應商) by Topre Xiangyang Automobile Parts Co., Ltd. (東普雷(襄陽)汽車部件有限公司).</p> <p>Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. was enlisted as a specialised, refined, differentiated and innovated small and medium enterprise in Guangdong Province for 2021 (二零二一年度廣東省專精特新中小企業) by Industrial and Information Hall of Guangdong Province (廣東省工業和信息化廳).</p> <p>Shenzhen EVA Precision Technology Group Limited (formerly known as Yihe Precision Hardware (Shenzhen) Co., Ltd.) was accredited as “2021 Intellectual Property Demonstration Enterprise in Guangdong Province” (二零二一年度廣東省知識產權示範企業) by the GuangDong Intellectual Property Protection Association (廣東知識產權保護協會).</p> <p>Chongqing Digit Auto Body Ltd. was enlisted as a specialised, refined, differentiated and innovated small and medium enterprise in Chongqing City for 2021 (二零二一年度重慶市專精特新中小企業) by Economic and Information Commission of Chongqing City (重慶市經濟和信息化委員會).</p> <p>Intops (Weihai) Electronics Co., Ltd. was accredited as “2020 Top 50 Taxpaying Enterprise in the District” (二零二零年度全區納稅50強) by the Management Committee of Weihai Torch High Technology Industrial Development Zone (威海火炬高技術產業開發區管理委員會).</p> <p>EVA Precision Industrial (Weihai) Limited was accredited as “2020 Opening-up High Technology Enterprise” (二零二零年度對外開放工作先進企業) by the Management Committee of Weihai Torch High Technology Industrial Development Zone (威海火炬高技術產業開發區管理委員會).</p> <p>Zhongshan Digit Automotive Technology Limited (formerly known as EVA Precision Industrial (Zhongshan) Limited) received “2020 Third Party Supplier Award” (二零二零年度協力供應商獎) and “2021 Third Party Supplier Award” (二零二一年度協力供應商獎) from Yachiyo Zhongshan Manufacturing Co., Ltd. (八千代工業(中山)有限公司). It also received “2021 Third Party Supplier Award” (二零二一年度協力供應商獎) from Aisin Foshan Body Parts Co., Ltd. (愛信(佛山)車身零部件有限公司).</p> <p>Shenzhen Huaxian Intelligent Manufacturing Technology Co., Ltd. (formerly known as Shenzhen EVA Smart Device Limited) received “2021 Best Supplier Award” (二零二一年度最佳供應商獎) from MiTAC.</p>

FINANCIAL HIGHLIGHTS

		2021	2020	2019	2018	2017
OPERATING RESULTS						
Turnover	HK\$'000	5,108,777	4,008,459	3,747,055	3,666,657	3,157,089
Earnings before interest and taxation (EBIT) (Note 1)	HK\$'000	194,601	34,655	120,042	143,794	187,723
Earnings before interest, taxation, depreciation and amortisation (EBITDA) (Note 1)	HK\$'000	470,660	269,818	344,712	373,388	423,926
Profit/(loss) attributable to equity holders of the Company	HK\$'000	155,190	(15,371)	51,781	82,663	133,699
FINANCIAL POSITION						
Cash generated from operations	HK\$'000	290,087	517,147	456,028	283,381	350,006
Net current assets	HK\$'000	415,727	496,608	681,767	521,143	649,858
Shareholders' equity	HK\$'000	2,788,441	2,609,692	2,595,249	2,588,503	2,672,310
PER SHARE DATA						
Earnings per share – Basic (Note 2)	HK cents	9.0	(0.9)	3.0	4.8	7.4
– Diluted (Note 3)	HK cents	9.0	(0.9)	3.0	4.5	7.1
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	9.2	6.7	9.2	10.2	13.4

FINANCIAL HIGHLIGHTS

		2021	2020	2019	2018	2017
Net profit/(loss) margin	(%)	3.0	(0.4)	1.4	2.3	4.2
Return/(loss) on shareholders' equity	(%)	5.6	(0.6)	2.0	3.2	5.0
Net debt-to-equity ratio (Note 4)	(%)	17.5	15.0	22.0	23.6	4.8

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

Note 2: Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 1,806,683,000 shares, 1,738,936,000 shares, 1,725,549,000 shares, 1,716,591,000 shares and 1,727,866,000 shares in issue during the years ended 31 December 2017, 2018, 2019, 2020 and 2021 respectively.

Note 3: Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 1,886,251,000 shares, 1,825,953,000 shares, 1,726,696,000 shares, 1,716,591,000 shares and 1,728,330,000 shares for the years ended 31 December 2017, 2018, 2019, 2020 and 2021 respectively adjusted to assume conversion of all dilutive potential shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual quoted share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

Note 4: Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK\$97,272,000 as at 31 December 2021 (as at 31 December 2020: HK\$69,713,000). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present to you the annual report of EVA Precision Industrial Holdings Limited (the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2021.

OVERVIEW

The global market has been hit hard by the COVID-19 pandemic in the past two years. During the year ended 31 December 2021, the pandemic lingered on, with the Delta and Omicron variants raging around the world in the second half of the year. Nevertheless, the rollout of vaccination programmes in various countries has contributed to pandemic control. The mainland China was among the first countries to bring the pandemic under control, and this, coupled with the gradual resumption of global economic activity, has driven growth in the Group's orders and reduced production delays.



Zhang Hwo Jie
Chairman



Digit (Chengyu) Automotive
Industrial Park

During the year, revenue from the office automation (“OA”) equipment business increased significantly, while that of the automotive components business also recorded impressive growth, boosting the Group’s overall turnover by 27.4% to HK\$5,108,777,000 (2020: HK\$4,008,459,000). During the year, transportation restrictions and container shortages seriously affected the industry’s supply chains, resulting in persistently high material and transportation costs. To alleviate the tight supply, the Group made use of its strong supply chain capabilities to resolve the raw materials and components shortage issue, including diversifying the sourcing portfolio from non-designated suppliers, seeking other suppliers that were less affected by transportation restrictions both domestically and abroad, and re-arranging production schedules with customers through effective communication. These efforts enabled the Group to secure a sufficient supply of raw materials for its operations during the year. With the pandemic brought under control, the utilisation rates of the Group’s domestic and overseas production facilities increased, in turn contributing to an improved gross profit margin, up 1.4 percentage points year-on-year to 19.8%. Driven by the above-mentioned factors, the Group’s business turned around in 2021, with profit attributable to shareholders amounting to HK\$155,190,000 (2020: loss attributable to shareholders of HK\$15,371,000) and basic earnings per share of HK\$ 9.0 cents.



CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Office Automation Equipment

During the year, the Group dedicated additional efforts in the development of its OA equipment business, and has been focusing on the expansion of the Design and Electronic Manufacturing Service (“DEMS”) operation to enhance business diversification. The segment’s turnover increased by 21% year-on-year to HK\$3,743,273,000 (2020: HK\$3,094,123,000). Turnover from the Shenzhen operation increased by approximately 24%, 18% of which came from the revenue generated from the acquisition of Futaba Metal Products (Shenzhen) Co., Ltd. (“Futaba Metal”) in April 2021, and the remaining approximately 6% growth were from existing businesses, including the growth in assembly services of approximately 5%. In April 2021, a wholly owned subsidiary of the Group entered into an equity transfer agreement with Futaba Industrial Co., Ltd. to acquire the entire equity interest in Futaba Metal for a cash consideration of approximately HK\$58,157,000. Futaba Metal was then renamed Shenzhen EVA Technology Intelligent Manufacturing Co., Ltd. (深圳市億和科技智造有限公司) (“EVA Intelligent Manufacturing”) in June 2021 and EVA Intelligent Manufacturing is principally engaged in the manufacture and sale of OA equipment. During the year, the Group began to gradually integrate EVA Intelligent Manufacturing’s businesses, with the objective of integrating the resources of EVA Intelligent Manufacturing and merging its production capacity with that of the Group’s existing production facilities in 2022. This will help improve the Group’s overall operational efficiency and better realise the synergies generated from the acquisition.

During the year, we saw no signs of improvement in the business in Suzhou, primarily due to the decline in orders from several OA equipment customers as a result of order transfer to Southeast Asia. Relevant turnover decreased by approximately 15%. Even so, the Group is cautiously optimistic about the business prospect in Suzhou in the long term and will continue to flexibly formulate appropriate market strategies in response to market changes and business performance.

Shenzhen EVA Technology Intelligent Manufacturing Co., Ltd.



CHAIRMAN'S STATEMENT

During the year, the turnover of the Group's business in Weihai increased by approximately 63%. This was mainly because, under the DEMS model, the Group's first series of printer products, including single-use printers and multi-function printers, jointly designed and developed with our customer commenced mass production in May 2021, resulting in sales growth of around 30% during the year. The product was also awarded "Pick of the Year 2022", which was a global award by Buyers Laboratory Inc (BLI) in the US in January this year, demonstrating international recognition of the product series' reliability, printing quality and efficiency and overall printing cost analysis. We believe that the proliferating DEMS business will win more new customers and orders for the Group in the future. Currently, the DEMS business accounts for around 20% of the overall production capacity of the Weihai Industrial Park. During the year, the team continued to provide end-to-end services to customers of the DEMS business and more new products are expected to begin mass production in the coming year. With the impressive growth achieved by Weihai plant's quality DEMS products, the Group is committed to expanding also the domestic market and developing the information technology application innovation ("ITAI") industry on top of existing markets, customers including Great Wall Electronics and Lenovo. The ITAI market in the mainland China is huge, with the Chinese government proposing in 2019 to speed up development of the ITAI industry, followed by a range of favourable policies, immense opportunities have been brought to market. Bloomberg also estimates the market size of the relevant industries to reach US\$125 billion by 2025. Being a market leader in providing fundamental hardware, plus the Group's top-notch technology and DEMS product advantage, we have already secured customers such as Great Wall Electronics to co-develop and introduce more relevant products to the market. It is believed that such development will help increase the Group's market share in the mainland China substantially.

The Group's Vietnam industrial park commenced operation in 2017. As the team has been very dedicated in business development over the years, Vietnam industrial park is gradually starting to bear fruit. However, the epidemic in Vietnam remained volatile in 2021 causing business activities to decline. Although the Group's industrial park is located in Haiphong, which was relatively less impacted by the epidemic, the supply chains in other provinces across the country were disrupted, leading to unavoidable production schedule delays. Despite this, the Group's Vietnam industrial park still managed to deliver a robust turnover growth of around 46% in 2021, mainly attributable to the significant increase in orders from two key customers, Fujifilm and Kyocera. At the same time, the Group continued to transfer the production of certain products from China to Vietnam, contributing further to its business growth. During the year, the outbreak in regions across Vietnam forced factories to shut down and local governments continued to tighten social distancing measures. As such, the Vietnam operation was affected to various extents during the year. However, as key customers relocated their production bases to Vietnam, the utilisation rate of the production facilities increased significantly. Currently, the Group has already received large amounts of orders on hand in Vietnam. It is believed that these orders on hand will crystallise into sales and realise profits in one to two years' time. In addition, given the low-cost operating environment, the Group is confident about Vietnam's performance in the coming year.



CHAIRMAN'S STATEMENT



EVA Weihai (Double Islands Bay) Electronic Industrial Park

The OA equipment segment reported profit amounting to HK\$138,926,000 (2020: HK\$89,370,000) for the year. The growth was primarily attributable to a surge in segment turnover following economic recovery and the Group's strong business momentum mentioned above. In addition, the utilisation rates of the Group's production facilities returning to normal also drove the segment's profit margin to approximately 3.7% (2020: 2.9%). However, the macroeconomic environment and the pandemic have hindered the performance of the Group's OA equipment segment to a certain degree. Although most of the Group's OA equipment customers recorded an increase in revenue during the year, some of these customers have not resumed their orders to their usual level. Over the years, OA equipment has gradually evolved into an ecosystem of "automated office", instead of just a printing or photocopying machine in the past. The pandemic has accelerated the speed of such evolution as remote working has been promoted by numerous businesses. We thus believe the market still possesses immense potential.

Automotive Components

During the year, the Group continued to record strong growth in the automotive components segment, primarily due to the strengthening of strategic partnerships with a number of existing customers through optimising strategic deployment, resources integration, increased investment in innovation as well as technology enhancement. Also driven by the strong business momentum in the North American market since the beginning of 2021 and the robust consumption sentiment in China, the segment's turnover increased by 49% year-on-year to HK\$1,365,504,000 (2020: HK\$914,336,000).

CHAIRMAN'S STATEMENT

The Group's automotive components business mainly focuses on the development and mass production of moulds and products for various components, including automobile seats, automotive body structures and chassis. For the purpose of technological research and development ("R&D"), the Group has established the "Automotive Components Technology Research Institute" during the year, housing the "Automobile Seat Framework R&D Centre" and the "Automotive Body Structure and Chassis Development Centre". These centres mainly focus on the technological R&D of related metal components of automotive seats, bodies and chassis, the development of new energy vehicle ("NEV") related business and the upgrade of mould, stamping, welding and related automated production technologies. During the year, the Group also started to integrate its resources, such as the integration of the mould engineering department of the Chongqing industrial park into the mould engineering department of the Wuhan industrial park. Through this integration, the Group can not only centralise its advantageous resources and better serve the domestic mould production market, but also reduce costs, maximise production capacity and enhance production efficiency.

The Group's industrial park in Shenzhen has always concentrated on the production and export of automobile seat moulds to markets in Europe and the US. Also serving as the headquarters and the R&D centre for the development of the automobile seat components business, the industrial park in Shenzhen plays an important role in carrying out technological research. As the first phase of the Group's industrial park in Mexico commenced operation in 2020 amid the outbreak of the pandemic, its operation was not as smooth as expected, so the Shenzhen site shifted its focus from direct export to the US and European markets to mass production of moulds for the Mexico site. Several US and European automobile suppliers and automakers (such as Faurecia, Adient, Brose and Tesla) placed their orders directly with the Shenzhen site, enabling the Shenzhen business to realise record-high turnover in 2020. However, since phase one of the industrial park in Mexico has largely resumed normal operations since 2021, the European and US automobile suppliers and automakers transferred their orders to our Mexico site and therefore the relevant sales were recognised in Mexico. As such, turnover from the Shenzhen business decreased by approximately 29%. While supporting the development of the industrial park in Mexico, the industrial park in Shenzhen has also started to expand its business to the domestic and Japanese markets.

In Zhongshan, the Group recorded an increase in turnover of approximately 29% as a result of the Group's strategic move to step up technological R&D and broaden its business scope with certain key customers including automobile suppliers in Europe and Japan such as Brose, Aisin and Yachiyo, thus resulting in satisfactory sales growth. During the year, the Group also started to establish strategic partnerships with domestic automobile suppliers, which contributed to the increase in turnover in Zhongshan. In addition, the industrial park in Zhongshan has made progress in the R&D of NEV battery. We commenced negotiations with a Japanese electrical control supplier, which is expected to generate growth for the NEV business in Zhongshan.



CHAIRMAN'S STATEMENT

In Chongqing, the Group continued to work more closely with Great Wall Motors, SAIC-GM-Wuling and Changan, and received the "2021 Most Potential Supplier" award from Great Wall Motors during the year, further demonstrating customers' trust in the core technologies of the Chongqing site. The welding site in Yongchuan, Chongqing, commencing production in 2021, is well aligned with the development of Great Wall Motors, and boosted the turnover in Chongqing during the year. Driven by the strong sales to two major customers, Great Wall Motors and SAIC-GM-Wuling, especially the sales of certain new models from Great Wall Motors in 2021, the Group recorded impressive growth in turnover of approximately 48% for the Chongqing operation. The Group's new Sichuan site was also recently established in order to better serve its customers in Chongqing.



Digit Chongqing Automotive Industrial Park

CHAIRMAN'S STATEMENT

In 2020, the Group's Wuhan business experienced significant decline as a result of the COVID-19 outbreak. However, while the industrial park in Wuhan has been going through R&D and production preparation for a large number of new projects during the year, the relevant turnover rebounded by approximately 17%. The increase was primarily attributable to the steady growth in orders from certain new and existing customers. In fact, in order to minimise the impact of the pandemic, the Group made several strategic changes to its customer portfolio in Wuhan during the year, including withdrawing from some unprofitable projects and introducing new customers. At the same time, the Group continued to strengthen its relationships with various automakers such as Great Wall Motors. We have set up a new welding site in Jingmen, Hubei Province in 2021 and secured a number of new projects and orders with Great Wall Motors. The Group has also achieved breakthroughs in market expansion during the year and its Wuhan operation has received a huge number of orders, including new projects from certain NEV manufacturers like Lucid Motors, an NEV manufacturer in the US. Some of the NEV related component orders, such as components for battery cover, commenced delivery at the end of 2021. Based on the forecasted life cycle of customer orders, the Group expects these orders to turn into sales in five to seven years from 2022 and to bring significant contribution to the Group between 2022 and 2025.

Production department in Wuhan Industrial Park



The Group considers its production base in Mexico an important bridge to customers in the US and European markets. Not only does it complement customers' local production projects, but, as previously mentioned, it can also bring in a large number of mould development orders for the Group's production base in China through internal deployment. Such orders can consequently improve the utilisation rate of the Group's production facilities in China. With its strategic layout and competitive advantages, the Group continued to win the trust of its customers and was able to strengthen its strategic partnerships in Mexico. Among the automobile supplier customers, the sales of Faurecia and Adient increased by more than two to three folds year-on-year, leading to an increase in turnover of approximately 250% in Mexico. In addition, after obtaining Tier 1 supplier status from Tesla last year, the Group began to receive orders from Tesla directly since July 2021, and has thus started to record sales directly from Tesla during the year, on top of those through other Tier 1 suppliers. Thus, as a result of a surge in orders, the utilisation rate of the production facilities in phase one of the industrial



CHAIRMAN'S STATEMENT

park in Mexico increased significantly. Meanwhile, the investment in phases one and two of the Mexico industrial park is almost complete, and the Group has also started to prepare for the construction of and the investment in equipment for phase three of the industrial park in view of the faster-than-expected development in Mexico.



Digit Mexico (SLP) Automotive Industrial Park

With the generally optimistic outlook for the automotive components industry and a slight easing of container supply issue in the second half of the year, coupled with a significant resumption of consumption activities in China, the Group's automotive components segment recorded satisfactory profit of approximately HK\$126,844,000 during the year (2020: HK\$29,805,000). The growth was also attributable to the Group's own competitive advantages, stable partnerships with customers and the rebound in global consumer sentiment, which also led to an increase in the utilisation rate of production facilities, resulting in an improvement in segment profit margin to 9.3% (2020: 3.3%).

OUTLOOK

Today, the COVID-19 pandemic is still impacting business activities worldwide, with the Delta and Omicron variants continuing their impacts in 2022 and spreading in countries across the globe. The recent conflict between Russia and Ukraine also poses threats to the global economy, as well as the financial and commodities markets, and may intensify global inflationary pressures, exacerbate the supply chain disruption and the chip shortage issue, in turn affecting the development of technology companies as well as the automobile industry. To tackle these challenges, the Group will remain cautious and conscientious when making operating, investment and financing decisions. We will also flexibly adapt to geopolitical changes and continue to implement more stringent cost control measures and ensure effective management of our resources.

In addition, the Group will continue to make use of its strong supply chain capabilities and focus on selecting projects with higher returns by realigning its production and market strategies with market changes. In terms of investment, since 2020, the Group has prioritised mitigating the impacts of the pandemic and has adopted a prudent approach to capital expansion. It will consider comprehensive factors when making investment decisions and invest primarily in projects that are related to the Group's principal businesses, unless they are projects with high growth potential and low risk. As for financing, the Group has adopted a prudent treasury policy and maintained a healthy balance sheet. As at 31 December 2021, the Group's net debt-to-equity ratio was 17.5% (31 December 2020: 15.0%). Looking ahead, as the Group decelerates its capital expansion, it will aim to reduce its borrowing level, thereby lowering finance costs. The Group will also closely monitor the interest rate trend and make reference to interest rate forecasts to make necessary adjustments to treasury decisions.

Although the global economic outlook is uncertain, it is generally expected that the Chinese economy and the automobile industry will maintain stable growth and development. Recently, the State Council pointed out at the Two Sessions that China's economy resumed growth in the past year with the country's GDP reaching RMB114 trillion, an increase of 8.1%, and this year's target growth rate being 5.5%. The International Monetary Fund also expects China's GDP to grow at a rate of 4.8% this year. Thus it is expected that the consumption power of the Chinese citizens will rise continuously.

At the same time, with the society's focus on energy savings, reduced emissions and low-carbon footprints, NEVs are set to become a key business growth driver for the automotive components sector and demand is also expected to increase in the near term. The China Automobile Association predicts that total vehicle sales in 2022 will climb by 5% to 27,500,000 units, while total new energy vehicle sales will rise by 47% to 5,000,000 units, presenting enormous room for growth for the industry.

Although the pandemic has not yet subsided and uncertainties remain in the global economy and business environment, the Group will continue to uphold its core values, enhance its competitive advantages in the OA equipment and automotive components sectors and adhere to its philosophy of continuous technological improvement so as to strengthen its market leadership, achieve business growth and maximise returns to shareholders.



CHAIRMAN'S STATEMENT

DIVIDEND

The Board recommends the payment of a final dividend of HK1.5 cent per ordinary share, totaling approximately HK\$26,237,000, for the year ended 31 December 2021 which is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on 18 May 2022. Together with the interim dividend of HK\$20,735,000 paid on 24 September 2021 in respect of the six months ended 30 June 2021, the interim and final dividends for the year ended 31 December 2021 will be approximately HK\$46,972,000, which is in line with the Group's normal target payout ratio of about 30% of the net profit.

APPRECIATION

On behalf of the Board, I take this opportunity to express my sincere gratitude and appreciation to all management and staff members for their dedication and hard work throughout the year. I would like to thank our shareholders, bankers and business associates for their continuous support and confidence in the Group. Finally, I wish you all good health and safety.

Zhang Hwo Jie

Chairman

Hong Kong, 30 March 2022

EVA Vietnam (Haiphong) Electronic Industrial Park



FINANCIAL REVIEW

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

	2021 HK\$'000		2020 HK\$'000	
By business segment				
Turnover				
<i>Office automation equipment division</i>				
Design and fabrication of moulds	256,198	5.0%	279,287	7.0%
Manufacturing of components	3,437,507	67.3%	2,782,474	69.4%
Others (Note 1)	49,567	1.0%	32,362	0.8%
	3,743,273	73.3%	3,094,123	77.2%
<i>Automotive component division</i>				
Design and fabrication of moulds	180,494	3.5%	231,558	5.8%
Manufacturing of components	1,101,574	21.6%	637,566	15.9%
Others (Note 1)	83,437	1.6%	45,212	1.1%
	1,365,504	26.7%	914,336	22.8%
Total	5,108,777		4,008,459	
Segment results				
Office automation equipment division	138,926		89,370	
Automotive component division	126,844		29,805	
Operating profit	265,770		119,175	
Unallocated expenses	(71,169)		(84,520)	
Finance income	12,665		11,196	
Finance costs	(27,510)		(42,929)	
Share of profit/(loss) of associates	358		(16,076)	
Income tax expense	(24,924)		(2,217)	
Profit/(loss) attributable to equity holders of the Company	155,190		(15,371)	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the year, the Group's turnover increased by 27.4% to HK\$5,108,777,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the year, as well as the direct contribution of revenue arisen from the acquisition of Futaba Metal as mentioned above.

Gross profit

During the year, gross profit margin slightly increased to 19.8% (2020: 18.4%), which was mainly driven by the increase in orders as mentioned above and fewer production delays as a result of the resumption of economic activities, thus achieving a better utilisation of the Group's production facilities.



FINANCIAL REVIEW

Segment results

For the year ended 31 December 2021, as a result of a surge in turnover as well as improved gross profit margin as mentioned above, the operating profit margin of the Group's office automation equipment division and automotive component division went up to 3.7% and 9.3% respectively (2020: operating margin 2.9% and 3.3% respectively). Hence, the operating profits amounted to HK\$138,926,000 and HK\$126,844,000 respectively (2020: operating profits HK\$89,370,000 and HK\$29,805,000 respectively).

Unallocated expenses

For the year ended 31 December 2021, unallocated expenses mainly represent corporate expenses of HK\$41,849,000 (2020: HK\$50,720,000), share-based payment expenses of HK\$4,970,000 (2020: nil) and impairment losses on financial assets amounting to HK\$24,350,000 (2020: HK\$33,800,000).

Finance income and costs

Most of the Group's bank deposits are held with banks in the PRC. For the year ended 31 December 2021, the Group's finance income increased, primarily due to the increased interest rates from bank deposits held with banks in the PRC during the year.

Almost all of the Group's bank borrowings are denominated in HKD and were obtained from banks in Hong Kong. The Group's finance costs decreased, mainly attributable to declining interest rates in Hong Kong as compared to 2020.

Share of profit/(loss) of associates

Share of profit/(loss) of associates represents the Group's share of 40% of the profit/(loss) of the micro lending business through equity pick-up.

Income tax expense

Income tax expense for the year ended 31 December 2021 mainly represents current income tax charge amounting to HK\$34,118,000 netted off by (i) over-provision in prior years amounting to HK\$11,079,000 and (ii) deferred income tax charge of HK\$1,885,000.

Profit/(loss) attributable to equity holders of the Company

For the year ended 31 December 2021, the profit attributable to equity holders of the Company was HK\$155,190,000 (2020: loss of HK\$15,371,000), which was primarily caused by the increase in operating profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2021, the Group's net cash generated from operating activities decreased to HK\$259,284,000 (2020: HK\$453,089,000), which was primarily due to increase in working capital requirements such as inventories and trade receivables to cope with the increase

FINANCIAL REVIEW

in turnover. During the year, the Group's capital expenditure increased to HK\$376,255,000 as the construction on the phase two industrial park in Mexico was completed during the year and certain maintenance and renovation work on the existing production facilities continued in 2021. The increase was netted off by the decrease in the Group's short-term bank deposits amounting to HK\$33,336,000. Therefore, the Group recorded net cash used in investing activities amounting to HK\$337,246,000 (2020: HK\$54,341,000). The Group had a net increase in bank borrowings of HK\$5,689,000 and lease payments totaling HK\$34,063,000 during the year. After proceeds from issuance of shares upon exercise of share options amounting to HK\$30,676,000 and payment of dividend of HK\$20,735,000, the Group recorded net cash used in financing activities of HK\$18,433,000 during the year (2020: HK\$83,842,000).

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 31 December 2021 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), almost all of the Group's borrowings as at 31 December 2021 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

Key financial performance indicators

	31 December 2021	31 December 2020
Inventory turnover days (<i>Note 1 and 5</i>)	61	61
Debtors' turnover days (<i>Note 2 and 5</i>)	99	94
Creditors' turnover days (<i>Note 3 and 5</i>)	122	130
Cash conversion cycle (<i>Note 4 and 5</i>)	38	25
Current ratio (<i>Note 6 and 8</i>)	1.13	1.18
Net debt-to-equity ratio (<i>Note 7 and 8</i>)	17.5%	15.0%
Net profit/(loss) margin (<i>Note 9 and 11</i>)	3.0%	(0.4%)
Return/(loss) on shareholders' equity (<i>Note 10 and 11</i>)	5.6%	(0.6%)

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.



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2. Calculation of debtors' turnover days is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the year.
3. Calculation of creditors' turnover days is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the year.
4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.
5. These ratios have a significant impact on the ability of the Group to generate cash flows from its operations. Therefore, they are selected as key financial performance indicators.
6. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.
7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK\$97,272,000 as at 31 December 2021 (as at 31 December 2020: HK\$69,713,000). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.
8. These ratios reflect the Group's financial stability and its ability to pay its debts as they fall due. Therefore, they are selected as key financial performance indicators.
9. Net profit/(loss) margin is based on profit/(loss) attributable to equity holders of the Company divided by turnover.
10. Return/(loss) on shareholders' equity is based on profit/(loss) attributable to equity holders of the Company divided by shareholders' equity.
11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators.

Inventory turnover days

The Group's inventory turnover days for the year ended 31 December 2021 was 61 days, which was comparable to that for 2020.

Debtors' and creditors' turnover days

During the year, the Group's sales increased significantly with its growth spurt peaked at December 2021. As a result, trade receivables as at 31 December 2021 increased as a higher portion of sales in 2021 occurred in the last quarter, resulting in an increase in debtors' turnover days for the year to 99 days. Creditors' turnover days for the year decreased to 122 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the year.

Cash conversion cycle

The increase in cash conversion cycle in 2021 was mainly caused by the increase in debtor's turnover days and the decrease in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

The Group's current ratio decreased to 1.13 as at 31 December 2021, mainly because (i) certain new long-term loan facilities with the repayment on demand clause were drawn before year end; and (ii) short-term bank loans increased during the year. The Group's net debt-to-equity ratio as at 31 December 2021 increased as a result of increase in bank borrowings and decrease in cash and bank balances.

Net profit margin and return on shareholders' equity

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

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2021, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	18.3%	3.1%
US dollars	55.2%	58.6%
Renminbi	25.6%	38.2%
Other currencies	0.9%	0.1%

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 73.5% of the Group's sales and 61.7% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.



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

HUMAN RESOURCES

During the year, the total number of the Group's employees decreased from 10,769 employees as at 31 December 2020 to 9,289 employees as at 31 December 2021. This was primarily because of certain layoffs in the existing factories as a result of the Group's efforts to revamp its operational strategies and the Group's more stringent cost control measures, in view of the growing uncertainty facing the industries.

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

As at 31 December 2021, the average length of services of the Group's employees below and above manager grade was 3.7 years and 9.5 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK\$48,992,000 for securing lease liabilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This environmental, social and governance (“ESG”) report provides an annual update describing the overall ESG performance and initiatives of the Group’s businesses, including the head office and factories in China, for the year ended 31 December 2021. Information and data of the previous year are provided for reference. This report has been prepared in accordance with the “mandatory disclosure requirements” and adhere to the “comply or explain” provisions outlined in the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)(the “Listing Rules”).

REPORT PRINCIPLES AND BOARD STATEMENTS

The Group is committed to the long-term sustainability of its business, as well as providing support to environmental protection and the communities in which it operates. Quality products and services are delivered to customers, and our business is managed prudently under sound decision-making processes. Dialogue is maintained with stakeholders such as shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group seeks to balance the views and interests of these stakeholders through constructive conversation with a view to setting the course for long-term prosperity. Materiality was assessed based on the results of stakeholder engagement and relevant material topics were reviewed and confirmed by senior management to ensure its significance.

The Board is responsible for identifying, evaluating and mitigating the ESG related risks of the Group to enhance its sustainability in order to maximise returns for our shareholders while ensuring socially and environmentally responsible business operations. It is also responsible for ensuring that relevant risk management and internal control systems are in place and operate effectively. The Group’s management also reports to the Board on the effectiveness of these systems as well as the setting and monitoring the relevant ESG related goals and targets on a regular basis to raise awareness and drive improvement. The management committee ensures that the Group’s practices are in compliance with all applicable laws and regulations.

The Group ensures proper presentation of quality information with accuracy, balance, clarity, comparability, reliability, and timeliness. We present quantitative data with calculation methods and relevant terms the Company defined. The data is calculated using consistent methodologies to allow effective year-over-year comparison.

REPORT BOUNDARIES

This report covers the Company’s sustainability strategies and the ESG performance during the period from 1 January 2021 to 31 December 2021 (the “Reporting Period” or “the Year”). The ESG information in this report covers two offices and twelve production bases in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Sichuan, Wuhan and Weihai), Vietnam (Haiphong) and Mexico (San Luis Potosí). In 2021, we continue to include the productions bases that actively contribute to the Group.



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MATERIALITY ASSESSMENT

To identify the ESG issues relevant to the Group, we engaged our management and staff to review our operations and obtain feedbacks from various stakeholders including shareholders, customers, employees, suppliers, creditors, regulators and the general public. Subsequently, the identified ESG issues have been assessed by considering their importance to our stakeholders as well as the Group.

The ESG issues considered to be material are listed below:

ESG aspects as set forth in ESG Reporting Guide Material ESG issues for the Group

A. Environmental

A1	Emissions	Emission and waste management
A2	Use of resources	Use of electricity, water and packaging materials
A3	The environment and natural resources	Measures to minimise the impact on the environment and natural resources
A4	Climate change	Climate risk and opportunity

B. Social

B1	Employment	Working conditions and employee care
B2	Health and safety	Health and safety workplace
B3	Development and training	Staff development and training
B4	Labour standards	Anti-child and forced labour
B5	Supply chain management	Supply chain management
B6	Product responsibility	Quality assurance and product responsibility
B7	Anti-corruption	Anti-corruption measures
B8	Community investment	Community services and care

QUALITY OF WORKPLACE

Employees are our most precious asset. As of 31 December 2021, the Group had 9,289 employees. As the Group expands, loyal and industrious employees are presented with many opportunities for career advancement. The Group adopts non-discriminatory employment practices and provides a safe and healthy workplace.

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Working conditions

The Group seeks to attract and retain talented company through providing a work environment that promotes values such as fair play, respect and integrity. Compensation packages are competitive, and the promotion and rewards for employees are based on merits and the contributions that they can bring to the Group. Share options are offered to provide outstanding employees with opportunities to obtain an equity interest in the Company, thus fostering a sense of belonging and linking their interests with the interests of the Group. We believe this incentivises higher quality of work ethic and performance.



The Group encourages employees to take part in work-life balance activities and community services, including among others, various sports and cultural events, community volunteering services and events that support charitable organisations. For example, we organise yearly Chinese New Year galas where we invite our employees to perform on stage so as to demonstrate their artistic talents and morale. During the COVID-19 pandemic in 2021, we continued to pursue a supportive, collaborative and efficient working environment. Flexible working arrangements were introduced to office staff in order to maintain daily operations of the Group. The Chinese local governments have encouraged people to stay in cities and not to travel for family reunions and sightseeing during the Lunar New Year holiday in order to prevent COVID-19 from spreading. The Group has followed the local governments' preventive measures and offered special bonus to employees who stayed in the industrial parks to complete various training activities during the Lunar New Year holiday so that relevant actions, such as quarantine arrangement for them and their close contacts, could be taken immediately to stop the spread in the industrial parks. In addition, the 2021 annual performance accreditation and 2022 new year gala were also suspended in early 2022 to minimise the risk of the spread of COVID-19. Rapid test kits were also distributed in the working area for our employees to check regularly if they are infectious.

Other internal activities organised by the Group for employees in 2021 consisted of interest classes, sports days and book clubs. During the Year, we also organised several carnivals to reward employees' contributions and effort.



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Externally, we dispatched teams to participate in a number of sports and artistic performance competitions organised by the local governments and other non-governmental organisations. In 2021, we continued to participate in several social contests such as hiking competition and basketball matches. During the Year, our group volunteer teams have also been helping the community in various ways, such as sending volunteers to encourage and assist workers in the community to get vaccination.



3rd basketball match in Wuhan Industrial Park



2021 hiking competition in Shenzhen Industrial Park in Shiyan

Health and safety

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

We adopt international best practices in occupational health and safety, and follow the ISO45001:2018 requirements in respect of the occupational health and safety management system. Since the OHSAS18001 standard is replacing over a three-year transition period from 2018 to 2021, the Group currently has upgraded to ISO45001 standard in 2020. Our subsidiaries in China also comply with "Work Safety Standardisation" in China, a standard established by State Administration of Work Safety. In addition, various activities and training courses were organised in respect of occupational health and safety, such as production safety information seminar, safety coaching programme and fire drills. The design, operations and maintenance of our industrial parks also comply with the relevant government regulations in respect of occupational safety and fire prevention.



ISO45001 certification

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Development and training

We value the career development of our employees by offering them various extensive trainings. For new employees, orientations and a full set of comprehensive and structured programmes are organised to help them understand and familiarise with our industry. In addition, ongoing training programmes are offered to existing employees from front line staff up to top management (including executive directors) for the purpose of refreshing and developing their knowledge and skills. Education sponsorship is also available to employees in the form of job-related courses offered by external institutions.

Aside from offering training programmes on job-specific skills, the Group believes that an in-depth understanding of market conditions, industry trends and economic outlook is critical to our managerial employees for their decision-making process in daily work. Therefore, we once again convened the “Business Objectives Conference” and “New Year Discussion Forum” in January 2021. Throughout these events, colleagues from middle management or above were asked to participate and share their views on the industry and the economy to widen our vision and unify our business direction through knowledge sharing. In addition, we organised annual performance accreditation, being one of our traditional events, to recognise outstanding employees, so as to encourage high performance and to improve employee retention.



QCC improvement and results review conference

During the Year, internal training offered to the employees included the training courses relating to SAP enterprise resource planning, management skills for front line supervisors, environmental laws and work safety. We also offered training courses on manufacturing technologies and processes of moulds and products conducted by experienced engineers to non-technical employees such as finance department staff so that they could be equipped with up-to-date knowledge about the Group’s core technologies and businesses. During the Year, we organised numerous online forums and seminars in which senior management members from different departments shared their experience and insights with colleagues about various topics such as time management, management skills, product technologies and risk management. During the Year, we also organised numerous outward-bound training activities with the view that challenging outdoor expeditions foster personal growth, social skills and team spirit among our employees.



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Training offered by the Group to senior management members (including executive directors) during the Year consisted of interactive training courses, technology forums and strategy exploration workshops, in which the Group's management members with different job responsibilities gathered and shared experiences to facilitate cross-functional exchanges within

the management team. In 2021, our Group had joined the China International Advanced Manufacturing Technology Show and World Advanced Manufacturing Conference ("AMTech&AMC") to showcase the EVA brand as a solution provider. The Group also complied with the requirements under provision A.6.5 of the Corporate Governance Code and rule 3.29 of the Listing Rules in respect of professional development and training of the directors and the company secretary.



Labour standards

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

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

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

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Employee benefits and welfare

An employee handbook was formally published as one of the human resources' initiatives, which stipulates policies and procedures relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, as well as diversity, anti-discrimination, welfare and other benefits. The Group also implemented human resources management systems to streamline processes for payroll and performance, attendance and leave as well as staff promotions. For enhancement purposes, all initiatives are reviewed annually against market conditions and business strategy.

A majority of the Group's remuneration packages are above average compared to industry peers. The Group's payroll and performance management system, remuneration policy, and bonus system are in place to align staff salaries with their work experience, qualifications, individual performance and market conditions. Bonus evaluation for employees are based on their self-performance assessment, the operating performance of their respective business units, and the Group's overall operating results.

Employee care

Back in 2008, the Group established an employee caring fund. Since its inception, the fund has been helping employees in need or their families suffering from financial or physical distress such as terminal diseases and accidents, through cash and in-kind donations, as well as other helpful actions. In 2021, the Group's employee caring fund continued to offer assistance to employees in need.

During the Year, we also organised fund-raising activities within the Group to raise donations for the employees in need, so that these employees would not only receive financial assistance, but also sense the care and support from their fellow colleagues. In summer 2021, we arranged playgroups in our industrial

parks to bring parents and children together for learning, socialisation and playing during summer holiday. We also arranged various celebration activities during traditional festivals such as International Women's Day, Dragon Boat Festival and Mid-Autumn Festival, and arranged group birthday parties for the employees in 2021, to give to our employees a more friendly and lively working environment.



A playgroup organised at Zhongshan industrial park



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The Group emphasises team spirit as one of its company cultures. Employees are encouraged to work as a team to maximise their work efficiency by sharing their knowledge, skills and experience with one another. Hence, the Group holds team building events every year. In 2021, multiple sports events, including hiking, basketball and soccer matches as well as the “Corporate Sports Day”, were organised to unite head office staff and factory workers. These events promote mutual trust and relationships among colleagues.

ENVIRONMENTAL MANAGEMENT

The Group is a pioneer in environmental management. The Group is committed to minimising the impact of business activities on the environment, and to supporting environmental protection programmes. Several initiatives designed to conserve resources were introduced to promote employee awareness of the need to efficiently utilise resources.

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



Corporate sports day



Celebrating International Women's Day

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The following environmental data are prepared in accordance with Appendix 27 to the Listing Rules:

Environmental KPIs	Unit	2021	2020
Total Greenhouse gas emission	Tonne (CO ₂)	191,126	167,382
Scope 1 – Direct emissions and removals	Tonne (CO ₂)	106,084	91,363
Scope 2 – Energy indirect emissions	Tonne (CO ₂)	85,042	76,018
Total Greenhouse gas emission			
By revenue	Tonne (CO ₂)/Revenue (in HK\$ million)	37	42
Total hazardous waste produced	Tonne	83	69
Total non-hazardous waste produced	Tonne	3,388	2,676
Total energy consumption	kWh	107,224,187	96,269,109
Total energy consumption			
By revenue	kWh/Revenue (in HK\$ million)	20,988	24,016
Total indirect energy consumption	kWh	107,224,187	96,269,109
Purchased electricity	kWh	107,224,187	96,269,109
Total indirect energy consumption			
By revenue	kWh/Revenue (in HK\$ million)	20,988	24,016
Water consumption	m ³	638,457	617,734
Water consumption intensity	m ³ /Revenue (in HK\$ million)	125	154
Packing material	Tonne	6,986	6,525
Packing material intensity	Tonne/Revenue (in HK\$ million)	1	2

Emission and waste management

With the aim of minimising greenhouse gas (GHG) emissions, all of our key production equipment are powered using electricity instead of diesel. GHGs is mainly generated from transportation activities and certain ancillary equipment that is powered by fossil energy. We target to use cleaner energy for our production. As one of our emission reduction initiatives, we have a policy of gradually phasing out the ancillary equipment, and upon replacement, purchasing new equipment powered by electricity or natural gas whenever possible. With a view to reducing the frequency of product transportation, relevant employees are required to plan product delivery logistics in a more efficient manner and, when necessary and appropriate, temporary warehouses are rented in the proximity of our customers. In addition, the Group targets to minimise electricity consumption. A number of energy-efficient measures have been implemented at the Group's production sites and offices. These include, for example,



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replacing with high-efficiency equipment and cooling system, optimising the production processes, using more energy-efficient LED lighting, setting air-conditioning temperature at 26 degrees Celsius or above in our offices, and putting up signage at common areas and staff workstations to remind staff about energy saving. Energy saving in the production sites and offices has also been one of the key discussion items on the Group's senior management's meeting agenda.

During the Year, the Group generated non-hazardous wastes such as metals, degradable plastics, paper pallets, wooden boxes and pallets and other non-chemical wastes from production. The Group aims to operate our industrial parks with maximum resources efficiency by minimising the materials used throughout the manufacturing process and increasing the recycling rate and use of reusable materials. We keep track on the materials that we use, aiming to reduce unnecessary waste of materials. Moulds, which are manufactured by us for subsequently producing components, are carefully designed with the aim of minimising material wastage in the component production process. Throughout our production, we have also developed and installed devices to further reduce the consumption of excessive parts and materials. In order to increase our recycling rate and maximise our resource efficiency, we have set up recycling centres in all of our industrial parks, where recyclable materials, including cardboard and metals, are collected, compacted and subsequently recycled at material recovery centres. We also work closely with our suppliers by returning recyclable materials to suppliers for reuse. As a result, we create a closed-loop recycling system by increasing the use of recycled materials for the purpose of reducing waste.

During the Year, the Group generated hazardous wastes such as waste electrical and electronic items, waste chemicals, waste oils and cutting fluids. To meet our stakeholders' expectations and our environmental goals, it is critical to ensure that we have a high degree of safety in treating our hazardous wastes, as well as comply with relevant laws and regulations. We strive to achieve our goals by employing best practices, which include:

- Providing clear work instructions and protection gear for employees at all times;
- Ensuring employees have completed the hazardous waste and chemical management trainings before getting on board;
- Storing hazardous wastes in special containers that are acid resistant and solvent resistant;
- Delivering hazardous wastes in separate vehicles;

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- Storing hazardous wastes in storage units that are specially constructed to prevent exposure, spillage, fire and explosion at isolated areas within the site;
- Categorising and storing hazardous wastes in corresponding sections within the storage units; and
- Ensuring that hazardous wastes are disposed of and handled by government-authorized hazardous waste disposal companies.

With the goal of minimising the use of materials that generate hazardous wastes, we maintain close dialogue with customers and suppliers to regularly explore the possibility of using alternative materials in the manufacturing process. Procurement of materials that generate hazardous wastes are closely monitored and approved by higher level of management to prevent unnecessary purchases.

Responding to Climate Change

In respect of climate change, we have policies and guidelines in place to facilitate new measures for being more climate resilient. We aim to increase new energy vehicles to be in line with government policy initiatives in China. We also consider the potential adverse impacts of climate change on the plants during the planning and design phase, including incorporating climate-resilient design and development plans in response to increasingly frequent extreme weather conditions to mitigate potential damage to our industrial parks.

As a result of climate change, extreme weather conditions, such as typhoons, seasonal storms and heavy rains, are likely to become more frequent in the future. To manage and mitigate climate risks resulting from extreme weather conditions and protect the Group against possible financial loss, the Group has formulated business continuity plans to deal with extreme weather, which aims to reduce disruption and loss due to suspension of operation. The Group regularly reviews the impact of climate change on its operation and will formulate measures in response to different risks to achieve sustainable development.

The Board will continue to monitor all relevant risks and opportunities and update its strategy in response to climate change.



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Use of resources

Since electricity is the major energy source in our manufacturing process, energy efficiency is one of the most important selection criteria in the procurement of production equipment. Further, each of our industrial parks has its own resource conservation team which consists of relevant staff such as production floor managers and equipment technicians. The resources conservation teams conduct regular patrols throughout our manufacturing and dormitories areas to identify any cases of energy waste. All demerit points recorded by the resource conservation teams are reported to the appropriate level of management which are taken into account in the responsible employees' monthly performance appraisal. The responsible employees are also required to prepare and carry out corrective action plans for improvement.

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

Clean water is a valuable resource, which the Group is committed to conserving. The Group had not encountered any issues in sourcing water that is fit for purpose. We only use water supplied from municipal sources and do not have any on-site wells or boreholes. To minimise water pollution, the Group continuously reinforces wastewater treatment by strictly following ISO14001 requirements and conducting measurements of required items in order to meet these standards. In addition, the Group targets to reduce water consumption. We have been conducting various water saving campaigns at dormitories and manufacturing areas to increase the awareness of conserving water resources among our employees.

We target to reduce the use of packaging materials. We have increased our internal reuse rate by eliminating the use of disposable cardboard boxes and disposable dividers, replacing them with durable plastic ones. Additionally, we also reuse plastic bags and cardboard dividers that are collected at our recycling centres as internal packaging materials.

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Results of emission, waste, energy, water and packaging material efficiency initiatives

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



ISO14001 certification

Further, as a result of these environment management measures, overall KPIs in terms of emission intensity, waste, energy and water had decreased during 2021. For example, total indirect energy consumption by revenue had dropped from 24,016 kWh per HK\$1 million of revenue in 2020 to 20,988 kWh per HK\$1 million of revenue in 2021. This exemplifies our efforts in conserving the environment and developing our business in a sustainable manner. The Group will continue to monitor and strive to improve this ratio.

OPERATING PRACTICES

Supply chain management

The Group has the greatest respect for the laws and regulations that govern the way we go about our business. We always adhere to international best practices and conduct fair and unbiased tender processes when dealing with suppliers. The Group has also started to identify environmental and social risks along the supply chain.

We adhere to the principle of transparency and implement the values of honesty, integrity and fairness in our supply chain management. Our procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate management level. When selecting suppliers, except quality of services and products, the Group also takes into account several factors such as the supplier's integrity, social responsibility and emission and pollution level. The Group expects all suppliers to observe the same environmental, social, health

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and safety and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to consider every aspect of such policies when assessing suppliers, while tendering procedures are carefully and thoroughly communicated to vendors. Starting from 2020, the Group has introduced several new considerations in the new supplier selection and existing supplier retention process. These new considerations are used to evaluate and rank suppliers based on particular benchmarks. An annual background check is performed by the procurement teams to assess if a potential supplier has any of the abovesaid issues. For instance, suppliers with a track record of producing significant pollution or hazardous waste, dispute with its stakeholders or are at risk of corruption will be given in a lower ranking during the annual review process.

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

Product responsibility

The Group highly emphasises customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. We require our people to comply with applicable governmental and regulatory laws, rules, codes and regulations. To ensure product quality and safety, the Group sets up internal committees which meet regularly and include representatives from various business units and customers. Policies about product quality, safety and compliance with laws and regulations are posted on the Group’s intranet and are clearly communicated to our employees. In addition, the Group runs training sessions for relevant staff members, third-party suppliers and business partners in respect of product responsibilities. Orientation training is conducted for new employees, while refreshment refresher training is provided for all employees on a regular basis.



ISO9001 certification

In light of growing concern in data privacy and cybersecurity, and an increasing level of digitalisation of communication, the Group has established several policies relating to data protection and cybersecurity which set out rules and guidelines to protect the Group’s business secrets and customer data in accordance with local laws and legislations. Our data privacy policies are communicated to all employees through a variety of channels including distributing memos, staff meetings and training to maintain high awareness of data privacy and protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Accolades from customers

The Group adopts international best practices in the area of product quality management, and has been accredited with ISO9001 certification by the BSI Group since 2000. As at the date of this report, the Group was compliant with the latest version of the ISO9001 standards (i.e. the 2015 version). Various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the Year, the Group continued to implement “Quality Control Circles” activities which require the participation of all employees from front line staff to senior management. These activities encourage staff to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from the government and many reputable customers for the quality and reliability of our products and services over the years, such as Fujifilm and MITAC. In 2021, the Group is honoured to be awarded the “Premiere Partner” for the 11th times by Fujifilm Business Innovation.

Anti-corruption

We strictly comply with applicable laws and regulations for anti-corruption and embrace the value of integrity, being proactive, cooperation and creativity. To promote the idea of integrity, we have developed various systems and measures to detect and deter corruption, bribery or any other fraudulent activities. High-risk business and management units are subject to internal audit regularly to assess the effectiveness of the internal control system and raise red flags as soon as possible to ensure the Group complies with ethical standards which we strive to uphold. In 2021, our internal audit department has found 7 cases of violations of the Group’s rules and policies. From these cases, 3 employees were dismissed, 5 employees were warned and 1 employee was handed to the police.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption training

To ensure that all employees comply with the requirement and ethics relating to the Group's anti-corruption policy, the Group's legal department would arrange compulsory training for all levels of employees. Employees with high-risk positions, such as procurement, sales and finance, would receive training to gain better understanding of national laws and group policies and practical ways to reduce bribery and corruption risks. All of our employees would receive anti-corruption training.

Fraud detection and corruption prevention

When suspected fraudulent activities are discovered or when a report of suspected fraudulent activities is received, the internal audit department would handle the investigation independently. After an investigation has been completed, the employee found and proven to have committed serious fraud would be subject to immediate dismissal. At the same time, the department in question must, with the assistance of the risk management and internal control department, take corrective actions in response to the business risk or loophole identified during the investigation. In addition, the internal audit department would carry out internal audit semi-annually covering all the subsidiaries on a rotational basis. Anti-corruption and fraud detection are the main focus of the audit.

Whistle-blowing policy

We have published an Anti-fraud and Whistleblowing Policy (the "Whistleblowing Policy"), which clearly conveys the message of zero tolerance in relation to fraudulent activity to all employees, suppliers and business partners, who are encouraged to report their genuine concern about any existing or potentially fraudulent activities and non-compliance. The Whistleblowing Policy expressly outlines multiple whistleblowing channels, how the Group should deal with such concern and the whistle-blower protection system, so that employees, suppliers and business partners can report their concern without fear of reprisal or potential retaliation.

Anti-corruption memo is published internally every year especially before the Chinese New year to remind the staff not to receive any gifts from suppliers or business partners. Designated hotlines and emails are available on the Group's website at www.eva-group.com, as well as posted in offices and plants in all industrial parks including those in China, Vietnam and Mexico.

COMMUNITY INVOLVEMENT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Containing the spread of the coronavirus

Since the COVID-19 outbreak in early 2020, governments from all around the world have dedicated significant resources to combat the virus. The Group was pleased to have officials from the People's Government of Baoan District, Shenzhen visit the Group's headquarter to inspect the Group's approach and management on COVID-19 and the resumption of production in early 2020. Local governments in China had introduced various measures and offered support to enterprises and citizens. For example, "10 measures to support enterprises" were carried out by the People's Government of Baoan District, Shenzhen to support enterprises to resume operations and production. The Baoan District Government provided subsidies on borrowing costs which effectively lowered the cost of financing to local enterprises. The Baoan District Government also provided subsidies on direct labour costs to encourage enterprises to invest in human capital. Thanks to the continuous measures and support from the local governments in China, the COVID-19 outbreak had not stopped the Group from moving forward as an innovative technology enterprise.

The Group is committed to the health and safety of all our employees and business partners and to maintaining a high level of hygiene in the community. The Group adopted and supported all protective measures laid out by the relevant government departments. Following governmental instructions, we resumed operation and production by phase. The Group also implemented a wide range of protective measures, including the supply of protective face masks to employees, testing their body temperature before work and thorough sterilisation of production lines, to contain the spread of the virus.

In face of the challenges brought by the pandemic, the Group believes that it is critical for the entire community to unite and work diligently together to overcome these challenges. Accordingly, the Group made various cash and other in-kind donations to support the community to mitigate the impact of COVID-19, which included financial donations and donating protective face masks and other hygiene items to the government and charitable organisations.

Community investment

During the Year, donations of approximately RMB101,000 were made to charitable organisations in Hong Kong and China, covering community projects across our focus areas of community, education, youth and the elderly.

The Group believes that education is the foundation for social improvement and has therefore been contributing substantial resources to education. Back in 2008 we donated for the construction of Chong Shi EVA Primary School in Zhangjiajie, Hunan Province, China, which has been providing learning opportunities for many underprivileged children since then.



Donation to Weihai Hengshan experimental school



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other charitable donations made in 2021 included donations to Weihai Hengshan Experimental School, Shenzhen Machinery Association and the Red Cross Society of Zhongshan, China.

Serving the community

In addition to participating in community services, the Group also encourages other fellow enterprises to contribute to the community through its influence in the industry. As the Executive Chairman Enterprise of Shenzhen Machinery Association (a 5A social organisation accredited by the Ministry of Civil Affairs of China), the Group initiated the “1 to



Blood donation

1” educational sponsorship platform in the organisation, which is an industry wide charity project to provide support for underprivileged students in China. In 2021, a total of 38 enterprises (including the Group) made donations through this platform and the total donations raised was RMB376,500.

In 2021, the Group also organised blood donation events at our industrial park in Shenzhen. Thanks to the keen participation by our employees, the events were held successfully.

REGULATORY COMPLIANCE

As a socially and environmentally responsible business, the Group recognizes the importance of regulatory compliance and has established preventive and monitoring measures to ensure compliance with relevant laws and regulations. The Group continuously stays abreast of latest regulatory developments and will provide relevant trainings for relevant personnel. The Group did not observe any forms of non-compliance with laws and regulations within the Reporting Period that may have caused a potential impact on the Group’s operating areas, such as environmental protection and conservation, employment, labour practices, operational and organisational activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL PERFORMANCE DATA TABLE

The following social data are prepared in accordance with Appendix 27 to the Listing Rules:

	<u>Unit</u>	<u>FY2021</u>
<i>Employee Profile</i>		
Total workforce	No. of people	9,289
<i>Total workforce by employment type</i>		
Full-time	No. of people	7,334
Part-time	No. of people	1,905
Contractual	No. of people	50
<i>Total workforce by gender</i>		
Male	No. of people	4,625
Female	No. of people	2,709
<i>Total workforce by rank</i>		
General staff	No. of people	7,142
Middle management	No. of people	146
Senior management	No. of people	46
<i>Total workforce by age group</i>		
30 or below	No. of people	2,249
31-50	No. of people	4,910
Over 50	No. of people	175
<i>Employee Turnover</i>		
Employee turnover rate	%	4%
<i>Employee turnover rate by gender</i>		
Male	%	5%
Female	%	4%
<i>Full-time employee's turnover rate by age group</i>		
30 or below	%	6%
31-50	%	4%
Over 50	%	2%

Our employees are mainly located in Mainland China, Hong Kong, Vietnam and Mexico.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Performance	Unit	2019	2020	2021
Occupational Health and Safety Work-related fatalities	No. of people	0	0	1

	Unit	FY2021
No. of paid leave days due to work injuries	No. of days	872

Social Performance	Unit	FY2021
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Development and Training

Total workforce trained	No. of people	5,635
<i>Employees trained by employee category</i>		
General staff	No. of people	5,551
Middle management	No. of people	67
Senior management	No. of people	17
<i>Average training hours per employees by employee category</i>		
General staff	Hours/employees	39.49
Middle management	Hours/employees	3.78
Senior management	Hours/employees	7.53

Supply Chain Management

<i>Number of suppliers by geographic location</i>		
Mainland China	No. of suppliers	2,613
Vietnam	No. of suppliers	161
Mexico	No. of suppliers	85
Other regions	No. of suppliers	46

Product Responsibility

Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0.0061%
Number of products and service related complaints received	No. of complaints	66

Community investment

<i>Amount of money donated</i>		
Education	RMB	60,000
Health	RMB	16,536
Other contribution	RMB	24,440

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The directors and senior management members who held office during the year ended 31 December 2021 and up to the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie, aged 59, is the Chairman of the Group. He is the chairman of the nomination committee, and a member of the remuneration committee of the Company. He is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's overall strategic planning and marketing development. Prior to the establishment of the Group, Mr. Zhang had worked for a PRC joint venture company engaging in civil engineering projects. He started his first business in 1983 by acting as a contractor for civil engineering projects of the local government. In 1993, Mr. Zhang established EVA Limited and thereafter Mr. Zhang acquired extensive experience in customer relationship development and corporate management. He has more than 25 years of experience in marketing, strategic planning and corporate management in manufacturing industry. Mr. Zhang was granted with the "Young Industrialist Award of Hongkong" by the Federation of Hong Kong Industries in 2008, and was bestowed as a honorary fellow by The Professional Validation Council of Hong Kong Industries in 2014. He is the president honoris causa of Hong Kong Young Industrialists Council, the honorary chairman of The Hong Kong Metals Manufacturers Association and the honorary president of Hong Kong Mould and Product Technology Association. Mr. Zhang is one of the co-founders of the Group in 1993, and is also a director of Prosper Empire Limited, which was interested in 38.41% of the issued share capital of the Company as at 31 December 2021. Mr. Zhang also serves as the independent non-executive director of Sinomax Group Limited since 4 March 2014. He is a brother of Mr. Zhang Jian Hua and Mr. Zhang Yaohua, who are both the executive directors of the Company. Mr. Zhang was appointed as a director on 27 July 2004.

Mr. ZHANG Jian Hua (Former name: Wong Yat, Michael), aged 47, is the Vice Chairman of the Group, and is also a director of certain subsidiaries of the Group. He is responsible for the Group's organisational structure, production facilities management and business risk monitoring. Mr. Zhang previously worked for the tax bureau in Shenzhen, where he accumulated extensive experience in tax regulations and communications with government departments in China. He also possesses substantial experience in organisational planning, production facilities management and business risk monitoring in the industry of precision mould and component manufacturing. Mr. Zhang is one of the co-founders of the Group in 1993. He is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Yaohua, who are both the executive directors of the Company. Mr. Zhang was appointed as a director on 14 September 2005.



DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. ZHANG Yaohua, aged 49, is the Chief Executive Officer of the Group, and is also a director of certain subsidiaries of the Group. Mr. Zhang is responsible for the Group's operation and management. He was one of the co-founders of the Group in 1993, and has more than 25 years of operational management experience in the industry of precision mould and component manufacturing. He is a member of the Hong Kong and Macau Committee of the 7th Shenzhen Committee of the Chinese People's Political Consultative Conference (深圳市第七屆政協港澳委員). Mr. Zhang is also the vice chairman of the 8th executive committee of Shenzhen Federation of Industry & Commerce (深圳市工商業聯合會) and the executive president of Shenzhen Machinery Association (深圳市機械行業協會). Mr. Zhang was accredited as one of the outstanding people in machinery industry (深圳機械行業傑出人物) by Shenzhen Machinery Association (深圳市機械行業協會) in 2004, a "Creative and Outstanding Person of China Enterprises" (中國企業創新優秀人物) by Chinese Association of Market Development (中國市場學會) and China Enterprise News Society (中國企業報社) in 2006, an "Outstanding Entrepreneur in China Machinery Industry" (中國機械工業優秀企業家) by China Machinery Industry Federation (中國機械工業聯合會) in 2009 and a "Remarkable Person of Commerce in Shenzhen" (深商風雲人物) by Shenzhen General Chamber of Commerce (深圳市商業聯合會) and Shenzhen Economic Daily (深圳商報) in 2010. He was also accredited as one of the "Ten New Figures in Guangdong's Business Community" (廣東商界十大新銳人物) by Guangdong General Chamber of Commerce (廣東省商業聯合會) in 2015 and received "30 years in Shenzhen Machinery Industry – Outstanding Contribution Award" (深圳機械三十年 – 卓越貢獻獎) from Shenzhen Machinery Association (深圳市機械行業協會) in 2016. Further, Mr. Zhang was accredited as one of the "Top 100 Business Leaders in Shenzhen" (深圳百名行業領軍人物) by Shenzhen Social Organisation Federation (深圳市社會組織總會), Shenzhen Enterprise Confederation (深圳市企業聯合會), Shenzhen Entrepreneur Association (深圳市企業家協會), Shenzhen Press Group (深圳報業集團), Shenzhen Media Group (深圳廣播電影電視集團) and "Times Entrepreneur" magazine (「時代商家」雜誌社) in 2017, and was granted with "Shenzhen Industry Award – the Industrialist Award" (深圳工業大獎 – 工業家獎) by the Federation of Shenzhen Industries (深圳工業總會) and Shenzhen Economic Daily (深圳商報) in 2018. Mr. Zhang is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua, who are both the executive directors of the Company. Mr. Zhang is also a director of Prosper Empire Limited, which was interested in 38.41% of the issued share capital of the Company as at 31 December 2021. Mr. Zhang was appointed as a director on 11 January 2005.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Hiu Lo, aged 60, is an independent non-executive director of the Company. He is also the chairman of the remuneration committee of the Company and a member of the audit committee and nomination committee of the Company. Mr. Lam has over 30 years of experience in sales and marketing in China. Over the years, he has successfully built up a strong business and personal network in China. Mr. Lam is currently an executive director of Planetree International Development Limited (formerly known as Yugang International Limited), a public company listed on The Stock Exchange of Hong Kong Limited. He was appointed as a director on 11 January 2013.

Dr. CHAI Ngai Chiu Sunny, aged 55, is an independent non-executive director of the Company. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Dr. Chai has over 30 years of experience in the field of manufacturing. Dr. Chai is currently the group managing director of Fook Tin Group Holdings Limited which is specialised in research and development, manufacturing, marketing and distribution of quality electronic, healthcare and medical devices. Dr. Chai assumed the position of the chairman of Hong Kong Science and Technology Parks Corporation since 2018. He is also the chairman of the Federation of Hong Kong Industries from 2021. Dr. Chai graduated with a Bachelor of Science Degree in Business from Rochester Institute of Technology (USA) in 1988 and completed an Executive MBA program (EMBA) at the Chinese University of Hong Kong in 2007. In 2010, he was awarded the Doctor of Engineering (EngD) from the City University of Hong Kong. He was conferred a University Fellowship by the Hong Kong Polytechnic University in 2018. In 2004, he received the Young Industrialist Award of Hong Kong. He was awarded the Bronze Bauhinia Star (BBS) in 2018 by the Chief Executive of Hong Kong for his outstanding contribution to the promotion of innovation and technology development in Hong Kong. He was appointed as a Justice of Peace in 2021. He was appointed as a director on 15 June 2020.



DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. LING Kit Sum (Alias: Ling Imma Kit Sum), aged 67, is an independent non-executive director of the Company. She is also the chairman of the audit committee of the Company. Ms. Ling has over 30 years of experience in the field of auditing and accounting. She was an assurance partner of PricewaterhouseCoopers before she retired from the partnership in June 2013. Ms. Ling serves as a member of the Appeal Board Panel (Town Planning) and Hospital Governing Committee of Hospital Authority. She is a council member and the treasurer of The Education University of Hong Kong. Ms. Ling is also a council member of The Hong Kong Federation of Youth Groups and an executive committee member of the Hong Kong Youth Hostels Association. She previously served as a board member of the Estate Agents Authority (2015-2021) and the Employees Compensation Assistance Fund Board (2006-2012). She was an independent non-executive director of Digital Hollywood Interactive Limited (2017-2021). Digital Hollywood Interactive Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Ms. Ling is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Chartered Professional Accountants, Canada, and the Chartered Institute of Management Accountants. She is an accredited general mediator. Ms. Ling is also an independent non-executive director of Arta TechFin Corporation Limited, Wise Ally International Holdings Limited and Raymond Industrial Limited, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Ms. Ling was appointed as a director on 1 July 2020.

SENIOR MANAGEMENT

Ms. LEE Hiu Laam Joyce, aged 34, is the chief financial officer of the Group and the company secretary of the Company. Ms. Lee is responsible for the accounting, taxation and financial affairs of the Group. Ms. Lee has over 8 years of experience in accounting, auditing and financial management. Prior to joining the Company, she was the financial controller of a fintech company specializing in digital wallet and e-payments, and before that the head of the corporate finance team of a multinational garment manufacturer and retailer headquartered in Hong Kong, and a manager in PricewaterhouseCoopers. Ms. Lee is a member of the Hong Kong Institute of Certified Public Accountants. She holds a bachelor's degree in Business Administration (Marketing and Management) from the Chinese University of Hong Kong. Ms. Lee was appointed as the company secretary on 1 January 2021.

CORPORATE GOVERNANCE REPORT

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

THE BOARD OF DIRECTORS

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

- formulating long-term strategy;
- approving public announcements including the interim and annual financial statements;
- setting dividend policy;
- approving major acquisitions, divestments and capital expenditure;
- overseeing the Group’s management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis, and reviewing the effectiveness of the Group’s risk management and internal control systems which cover all material controls, including financial, operational and compliance controls;
- handling and dissemination of inside information;
- approving appointments to the Board and the company secretary; and
- approving material borrowings and treasury policy.



CORPORATE GOVERNANCE REPORT

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

COMPOSITION OF THE BOARD

During the year, the Board had the following directors:

Executive directors

Mr. Zhang Hwo Jie (*Chairman*)

Mr. Zhang Jian Hua (*Vice Chairman*)

Mr. Zhang Yaohua (*Chief Executive Officer*)

Independent non-executive directors

Mr. Lam Hiu Lo

Dr. Chai Ngai Chiu Sunny

Ms. Ling Kit Sum

The biographical details of the directors are set out on page 73 to page 76 under the section headed “Directors and Senior Management Profile” of the annual report.

Relationship between the Board members

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

Independent non-executive directors

The Group has a balanced board composition to ensure strong independence exists across the Board and currently more than one-third of the Board members comprise independent non-executive directors. The independent non-executive directors are persons of high caliber, with extensive experience in the field of accounting, financial management, sales and marketing, manufacturing and innovation technology. With their specific expertise in various sectors, they bring independent and objective views to the Board, give constructive advices and scrutinize the performance of the Company. The composition of the Board also complies with the requirement under rule 3.10(2) of the Listing Rules in respect of appropriate professional qualifications, or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

Each of the independent non-executive directors has provided to the Group a written annual confirmation that each of them and their immediate family members are independent from the Group as required under rule 3.13 of the Listing Rules. As such, the Group considers all of the independent non-executives directors to be independent. Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years and is also subject to retirement by rotation at the annual general meetings of the Company. These contracts are terminable by the Company within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

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

Directors' responsibilities for the financial statements

The directors acknowledged their responsibilities for the preparation of financial statements of the Group to ensure that these financial statements give a true and fair view of the state of affairs of the Group, its results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2021, the Board had selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements in accordance with relevant accounting standards and regulations and on a going concern basis. The directors are also responsible for ensuring that proper accounting records of the Group which disclose the Group's financial position are kept at all times and taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in the preparation of the financial statements. The Board has also reviewed and discussed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls for the year ended 31 December 2021.

CORPORATE GOVERNANCE REPORT

Board and general meetings

During the year ended 31 December 2021, the Company held 6 full Board meetings and one general meeting.

Directors	Number of attendance	
	Board meeting	General meeting
Executive directors		
Mr. Zhang Hwo Jie	6/6	1/1
Mr. Zhang Jian Hua	6/6	1/1
Mr. Zhang Yaohua	6/6	1/1
Independent non-executive directors		
Mr. Lam Hiu Lo	6/6	1/1
Dr. Chai Ngai Chiu Sunny	5/6	1/1
Ms. Ling Kit Sum	6/6	1/1

The executive directors of the Company were unable to return to Hong Kong to attend the Company's annual general meeting held on 18 May 2021 in person due to COVID-19 related travel restrictions and quarantine requirements. They had, however, joined the meeting by video conference. Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny were also unable to attend the meeting in person and had also joined the meeting by video conference.

The Chairman of the Board and the chairmen of audit, remuneration and nomination committees of the Company had attended the annual general meeting in 2021 to gain and develop a balanced understanding of the views of the shareholders in accordance with E.1.2 of the CG Code. In addition, a Board meeting was held in November 2021 pursuant to A.2.7 of the CG Code between the Chairman and the independent non-executive directors without the other directors present. The Chairman and all the independent non-executive directors had attended that meeting. Since the attendance of the other directors was not required for that meeting, Mr. Zhang Jian Hua and Mr. Zhang Yaohua had not attended that meeting.

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

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

CORPORATE GOVERNANCE REPORT

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

Directors' Continuing Professional Development Programme

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

The individual training record of each director during the year ended 31 December 2021 is set out below:

Directors	Type of continuous professional development programmes (Note)
Executive directors	
Mr. Zhang Hwo Jie	(A) and (B)
Mr. Zhang Jian Hua	(A) and (B)
Mr. Zhang Yaohua	(A) and (B)
Independent non-executive directors	
Mr. Lam Hiu Lo	(A) and (B)
Dr. Chai Ngai Chiu Sunny	(A) and (B)
Ms. Ling Kit Sum	(A) and (B)

Note:

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



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

The audit committee comprises the three independent non-executive directors, namely Ms. Ling Kit Sum, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny, with Ms. Ling Kit Sum as the chairman. During the year ended 31 December 2021, the audit committee held 2 meetings and had attended to the following matters:

- discuss with external auditor with respect to the accounting principles and practices adopted by the Group, and compliance with the Listing Rules and other financial reporting requirements; and
- discuss the risk management, internal control and financial reporting matters relating to the annual financial statements for the year ended 31 December 2020 and the interim financial statements for the six months ended 30 June 2021 before recommending the financial statements to the Board for approval.

The external auditor of the Group also attended the meetings. Individual attendance of each audit committee member at the meetings is as follows:

Name of audit committee member	Attendance
Ms. Ling Kit Sum	2/2
Mr. Lam Hiu Lo	2/2
Dr. Chai Ngai Chiu Sunny	1/2

The audit committee had reviewed the accounting principles and practices adopted by the Group and discussed the risk management, internal control, corporate governance and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2021. The audit committee considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and their training programmes and budget. The audit committee also reviewed the training and continuous development of the directors and senior management.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has set up a nomination committee on 31 January 2012. The nomination committee is principally responsible for the selection and assessment of candidates for appointment as directors, and determining the policy for nomination of directors. Selected employees for senior management and board positions will also be considered provided that they demonstrate the suitability as a candidate. In considering the nomination of new directors, the factors listed below would be used as reference by the nomination committee in assessing the suitability of a proposed candidate:

- (i) Reputation for integrity and professional ethics;
- (ii) Accomplishment and experience in his/her field of industry. Priority will be given to candidates with high level of experience in the Group's core markets;
- (iii) Commitment in respect of available time and relevant interest; and
- (iv) Board diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

The nomination committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny. Mr. Zhang Hwo Jie is the chairman of the nomination committee. During the year ended 31 December 2021, the nomination committee held 2 meetings. Individual attendance of each nomination committee member at the meetings is as follows:

Name of nomination committee member	Attendance
Mr. Zhang Hwo Jie	2/2
Mr. Lam Hiu Lo	2/2
Dr. Chai Ngai Chiu Sunny	1/2

The nomination committee had reviewed the structure, size and composition of the Board and assessed the independency of the independent non-executive directors during the year ended 31 December 2021. The nomination committee had also considered the number and nature of offices in other public companies and organisations held by the directors and evaluated the performance and contribution of the directors including the sufficiency of their time and attention given to the Company's affairs.



CORPORATE GOVERNANCE REPORT

PROCEDURES FOR THE NOMINATION OF A DIRECTOR

- (i) The company secretary shall call a meeting of the nomination committee, and invite nominations of candidates from Board members for consideration by the nomination committee prior to its meeting;
- (ii) For filling a casual vacancy, the nomination committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the nomination committee shall make nominations to the Board for its consideration and recommendation;
- (iii) Any director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be subject to re-election by shareholders;
- (iv) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information of the proposed candidates, as required pursuant to the applicable laws, rules and regulations, will be included in the circular to shareholders;
- (v) A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the company secretary;
- (vi) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting; and
- (vii) The Company's shareholders have the right to propose a person for election as a director at a general meeting without the recommendation by the Board and the nomination committee. The procedures for shareholders to propose a person for election as a director are available on the Company's website at www.eva-group.com or www.irasia.com/listco/hk/evaholdings.

BOARD DIVERSITY POLICY

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

CORPORATE GOVERNANCE REPORT

Summary

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

Measurable Objectives

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

During the year ended 31 December 2021, the nomination committee had reviewed the board diversity policy of the Company, and the composition and diversity of the Board. Since the Board is composed of members coming from diverse backgrounds including manufacturing, sales and marketing, property development and professional accountants and they are also diverse in age, gender and knowledge, the nomination committee considered the Board to possess a diversity of perspectives which is up to the standard of the Listing Rules and is appropriate to the Group's requirements.

The Board currently consists of one female member and five male members. The Board recognises the benefits of achieving an appropriate balance of gender diversity at the Board level by making reference to stakeholders' expectation and international and local recommended best practices. Going forward, the Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic and cultural backgrounds, and reflecting the Group's strategy.



CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

The remuneration committee comprises the Chairman, Mr. Zhang Hwo Jie and two independent non-executive directors, namely Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny. Mr. Lam Hiu Lo is the chairman of the remuneration committee. During the year ended 31 December 2021, the remuneration committee held 2 meetings. Individual attendance of each remuneration committee member at the meetings is as follows:

Name of remuneration committee member	Attendance
Mr. Lam Hiu Lo	2/2
Mr. Zhang Hwo Jie	2/2
Dr. Chai Ngai Chiu Sunny	1/2

The remuneration committee reviewed and discussed the policy and structure for directors' and senior management remuneration by reference to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The remuneration committee also considered the terms of appointment and remuneration proposal of individual directors upon renewal of directors' service contracts. Details of the remuneration to directors and senior management for the year ended 31 December 2021 are set out in Note 36 and Note 26 to the consolidated financial statements.

The Company has adopted a share option scheme (the "Share Option Scheme") which became effective on 21 May 2015, the date on which it was approved by the shareholders at the annual general meeting of the Company that was held on the same day.

CORPORATE GOVERNANCE REPORT

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

PERFORMANCE OF CORPORATE GOVERNANCE DUTIES

The audit committee is also responsible for the corporate governance duties and determining the policy for the corporate governance of the Group. Therefore, the Group has not established another board committee for the performance of corporate governance duties at present. The audit committee had reviewed the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements including the compliance with the CG Code during the year ended 31 December 2021. The audit committee also reviewed the training and continuous development of directors and senior management.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for overseeing the Group's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. Reviews on the effectiveness of the Group's risk management and internal control systems are conducted at least annually, which cover the changes in the nature and extent of significant risks, the quality of management's ongoing monitoring of risks and internal control systems, the frequency of communication of monitoring results, significant control weaknesses and the Group's processes for financial reporting and compliance with the Listing Rules. These reviews also cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The Board had discussed with the external auditor and reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2021, and considered them effective and adequate.



CORPORATE GOVERNANCE REPORT

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK\$4,175,000. The audit fee was approved by the audit committee. The statement made by the external auditor in respect of their reporting responsibilities is set out on page 113 to page 118 of the annual report.

During the year ended 31 December 2021, the total remuneration for permissible non-audit services provided by the external auditor (including any entity under common control, ownership or management with the external auditor) amounted to HK\$262,000. The non-audit services comprised tax compliance and consulting services of approximately HK\$62,000 and advisory service on environmental, social and governance report of approximately HK\$200,000. The audit committee had been briefed in respect of the non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of external auditor. The re-appointment of PricewaterhouseCoopers as the auditor of the Company has been recommended by the audit committee and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

COMPANY SECRETARY

The company secretary is Ms. Lee Hiu Laam. The Board had reviewed the training and continuous professional development of the company secretary during the year ended 31 December 2021 and considered that the requirements under rule 3.29 of the Listing Rules in respect of the professional training of the company secretary were complied.

DIVIDEND POLICY

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

CORPORATE GOVERNANCE REPORT

The Board recommends the payment of a final dividend of HK 1.5 cent per ordinary share, totaling approximately HK\$26,237,000, for the year ended 31 December 2021 which is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on 18 May 2022. Together with the interim dividend of HK\$20,735,000 paid on 24 September 2021 in respect of the six months ended 30 June 2021, the interim and final dividends for the year ended 31 December 2021 will be approximately HK\$46,972,000, which is in line with the Group's normal target payout ratio of about 30% of the net profit.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene and put forward proposals at shareholders' meetings

Any one or more shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionist(s)") shall at all times have the right, by written requisition ("Requisition") to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Requisition; and such meeting shall be held within two months after the deposit of the Requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company. The Requisition shall be lodged at the principal place of business of the Company in Hong Kong at Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong or at Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Any business proposed to be put forward at such meeting shall be specified in the Requisition.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the company secretary at Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Kowloon, Hong Kong. Such concerns and enquiries will then be directed to the Board by the company secretary.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's memorandum and articles of association during the year ended 31 December 2021.



CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors have complied with the required standards set out in the Model Code during the year ended 31 December 2021 and up to the date of this report.

COMPLIANCE WITH THE CG CODE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 30 March 2022

REPORT OF THE DIRECTORS

The directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

The Group's two main revenue streams are the office automation equipment business and the automotive component business.

At present, the Group operates twelve production bases in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Sichuan, Wuhan and Weihai), Vietnam (Haiphong) and Mexico (San Luis Potosí).

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2021 is set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2021 attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	3.9%
Five largest suppliers combined	16.5%

The Group's length of relationship with its five largest suppliers ranged from 4 years to more than 10 years. The Group's length of relationship with its remaining suppliers ranged from 1 year to more than 10 years.

Sales

The largest customer	31.2%
Five largest customers combined	61.0%

The Group's length of relationship with its five largest customers ranged from 4 years to more than 10 years. The Group's length of relationship with its remaining customers ranged from 1 year to more than 10 years.

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



REPORT OF THE DIRECTORS

BUSINESS REVIEW

A review of the Group's business for the year ended 31 December 2021 is set out in the sections headed "Chairman's Statement" on page 36 to page 46, "Environmental, Social and Governance Report" on page 53 to page 72 and "Financial Review" on page 47 to page 52 of this report.

For the year ended 31 December 2021, sales to the five largest customers represented 61.0% of the Group's total turnover. Accordingly, any change in these customers' businesses and financial conditions is likely to have an impact on the financial performance of the Group. To manage this risk, the Group performs credit evaluation of its customers to ensure that sales are made only to entities with viable businesses and sound financial background. Credit periods granted to the customers are closely monitored and approved by the appropriate level of management. At the same time, the Group identifies and develops new customers with high potentials in an effort to widen the customer base and reduce the reliance on existing key customers.

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

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 121 to page 122.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1.5 cent per ordinary share, totaling approximately HK\$26,237,000 for the year ended 31 December 2021. Subject to the approval of the directors' recommendation by the shareholders at the forthcoming annual general meeting to be held on 18 May 2022, the final dividend will be paid in cash on 9 June 2022. Including the interim dividend of HK\$20,735,000 for the six months ended 30 June 2021 paid on 24 September 2021, the total dividends declared for the year ended 31 December 2021 will be approximately HK\$46,972,000.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Details of the Group's key relationships with employees, customers and suppliers are set out in the section headed "Environmental, Social and Governance Report" on page 53 to 72.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on page 53 to 72.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2021, as far as the Company is aware, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year ended 31 December 2021 are set out in Note 6 to the consolidated financial statements.

BORROWINGS AND INTEREST

Details of borrowings are set out in Note 7 and Note 20 to the consolidated financial statements. Interest and other borrowing costs are set out in Note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital during the year ended 31 December 2021 are set out in Note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to the shareholders of the Company amounted to HK\$1,134,129,000. Details of the movements in the reserves of the Company are set out in Note 35 to the consolidated financial statements. Pursuant to the Companies Law (Revised) of the Cayman Islands and the Company's articles of association, in addition to the retained earnings of the Company, the funds in the share premium account and the capital redemption reserve of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

DONATIONS

The donations made by the Group during the year ended 31 December 2021 amounted to HK\$121,000.



REPORT OF THE DIRECTORS

PENSION SCHEMES

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

FIVE YEARS FINANCIAL SUMMARY

A five years financial summary of the Group is set out on page 222.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2021.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors during the year ended 31 December 2021 and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie (*Chairman*)

Mr. Zhang Jian Hua (*Vice Chairman*)

Mr. Zhang Yaohua (*Chief Executive Officer*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hiu Lo

Dr. Chai Ngai Chiu, Sunny

Ms. Ling Kit Sum

Pursuant to the Company's articles of association, Mr. Zhang Hwo Jie and Dr. Chai Ngai Chiu Sunny will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. During the year ended 31 December 2021 and up to the date of this report, no director has resigned or refused re-election.

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

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY

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

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2021 and up to the date of this report, none of the directors of the Company is considered to have direct or indirect interest in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

EQUITY-LINKED AGREEMENTS

The Company has a share option scheme, the details of which are set out in the section headed "Share Options" in the Report of the Directors. Save as the aforesaid, no equity-linked agreement was entered into or existed during the year ended 31 December 2021 and up to the date of this report.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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

- (i) a term loan facility up to HK\$200,000,000 with a repayment term of five years from the date of first drawdown (the outstanding loan balance was HK\$25,714,000 as at 31 December 2021);



REPORT OF THE DIRECTORS

- (ii) another term loan facility up to HK\$200,000,000 with a repayment term of four years from the date of first drawdown (the outstanding loan balance was HK\$160,040,000 as at 31 December 2021); and
- (iii) a revolving loan for an amount up to HK\$40,000,000 (there was no outstanding balance as at 31 December 2021).

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

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

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

- (i) a term loan facility up to HK\$300,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK\$165,000,000 as at 31 December 2021);
- (ii) another term loan facility up to HK\$300,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK\$240,000,000 as at 31 December 2021);
- (iii) another term loan facility up to HK\$150,000,000 for a term of two and a half years from the date of drawdown of the loan (the outstanding loan balance was HK\$125,000,000 as at 31 December 2021);
- (iv) revolving loan of HK\$150,000,000 (the outstanding loan balance was HK\$130,000,000 as at 31 December 2021); and
- (v) a new term loan facility up to HK\$100,000,000 for a term of thirty months from the date of drawdown of the loan (the loan was not available for drawdown as at 31 December 2021).

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

A subsidiary of the Company is a party to loan agreements with MUFG Bank, Ltd. in respect of the following banking facilities (“MUFG Facilities Agreements”):

- (i) a term loan facility up to HK\$125,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK\$7,813,000 as at 31 December 2021); and
- (ii) another term loan facility up to HK\$200,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK\$125,000,000 as at 31 December 2021).

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

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

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

- (i) a term loan facility for an amount up to HK\$150,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK\$10,000,000 as at 31 December 2021);
- (ii) revolving loan of HK\$175,000,000 (the outstanding loan balance was HK\$145,000,000 as at 31 December 2021); and
- (iii) combined trade facilities of HK\$25,000,000 (there was no outstanding balance as at 31 December 2021).

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



REPORT OF THE DIRECTORS

- (i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and
- (ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

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

- (i) a short-term advance facility on a revolving basis of up to US\$7,000,000, or an equivalent amount in other currencies (the outstanding loan balance was HK\$50,000,000 as at 31 December 2021); and
- (ii) a new term loan facility up to HK\$150,000,000 for a term of thirty-six months from the first drawdown date (the loan was not available for drawdown as at 31 December 2021).

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

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

A subsidiary of the Company had also entered into a banking facility agreement with Chong Hong Bank Limited in respect of the following banking facilities (“Chong Hing Facility Agreement”):

- (i) a term loan facility up to HK\$150,000,000 with a repayment period of three years after drawdown (the outstanding loan balance was HK\$100,000,000 as at 31 December 2021); and
- (ii) revolving loan facility of HK\$50,000,000 (there was no outstanding balance as at 31 December 2021).

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

- (i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall at any time maintain not less than 35% of the issued share capital of the Company; and
- (ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

REPORT OF THE DIRECTORS

Further, a subsidiary of the Company had entered into a banking facility agreement with China Construction Bank Corporation Limited, Hong Kong Branch in respect of a revolving loan facility of HK\$200,000,000 (“CCB Facility Agreement”), and the outstanding loan balance was HK\$100,000,000 as at 31 December 2021.

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

- (i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively maintain holding of not less than 35% of the legal and beneficial interest in the issued share capital of the Company; and
- (ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall remain as the largest shareholder with controlling power in the Company.

A subsidiary of the Company is also a party to a banking facility agreement with Bank of Communications Co., Ltd. Hong Kong Branch in respect of the following banking facilities (“BOCOM Facility Agreement”):

- (i) a term loan facility of HK\$200,000,000 which is repayable by instalments within 3 years from the first utilisation date (the outstanding loan balance was HK\$160,000,000 as at 31 December 2021); and
- (ii) a revolving loan facility of HK\$100,000,000 (there was no outstanding balance as at 31 December 2021).

Under the BOCOM Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) beneficially own in aggregate (directly or indirectly) at least 35% of the issued share capital of the Company, and (ii) have the single largest shareholding interest in the Company.

Further, a subsidiary of the Company had entered into a banking facility agreement with The Bank of East Asia, Limited in respect of a term loan facility (“BEA Facility Agreement”) of HK\$200,000,000 with a repayment period of 3 years after drawdown (the outstanding loan balance was HK\$195,000,000 as at 31 December 2021).

Under the BEA Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) maintain not less than 35% of the issued share capital of the Company, and (ii) Mr. Zhang Hwo Jie shall remain as the Chairman of the board of directors of the Company.



REPORT OF THE DIRECTORS

A subsidiary of the Company had also entered into a banking facility agreement with China Minsheng Banking Corp., Ltd. Hong Kong Branch, in respect of the following banking facilities (“CMBC Facility Agreement”):

- (i) a term loan facility of HK\$150,000,000 which is repayable by instalments with the final repayment date falling 36 months from the date of the CMBC Facility Agreement (the loan was not available for drawdown as at 31 December 2021); and
- (ii) a revolving loan facility of HK\$100,000,000 (the loan was not available for drawdown as at 31 December 2021).

Under the CMBC Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) collectively and beneficially own not less than 35% of the issued share capital of the Company, (ii) remain as the largest shareholder in the Company and (iii) Mr. Zhang Hwo Jie shall remain as the Chairman of the board of directors and an executive director of the Company.

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

SHARE OPTIONS

(a) The Share Option Scheme

The Company has a share option scheme which became effective on 21 May 2015 (the “Share Option Scheme”), the date on which it was approved by the shareholders at the annual general meeting of the Company that was held on the same day.

The following is a summary of the Share Option Scheme:

1. *Purpose of the Share Option Scheme:*

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

REPORT OF THE DIRECTORS

2. *Participants of the Share Option Scheme:*

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

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

Pursuant to the terms of the Share Option Scheme, the maximum number of shares in respect of which options may be granted thereunder must not exceed 186,405,180 shares ("Scheme Mandate Limit"), representing 10% of the Company's issued share capital as at the date of approval of the Share Option Scheme, unless the Company obtains a fresh approval from its shareholders. At the annual general meeting of the Company held on 21 May 2018 ("2018 AGM"), the Scheme Mandate Limit was refreshed with the shareholders' approval whereby the directors were authorised to grant options to subscribe for up to 172,901,180 shares, representing 10% of the Company's issued share capital as at the date of the 2018 AGM. Subsequently, 69,200,000 options to subscribe for 69,200,000 shares were granted by the directors. Accordingly, options to subscribe for 103,701,180 shares (representing 5.93% of the issued share capital as at the date of this report) are presently available for issue under the Scheme Mandate Limit refreshed as aforesaid.



REPORT OF THE DIRECTORS

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

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

9. The remaining life of the Share Option Scheme:

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

Movement in the share options under the Share Option Scheme during the year ended 31 December 2021 is as follows:

	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2021 and the date of this report	Share price immediately before offer date	Exercise price	Exercisable period	Weighted average closing price before exercise of options
						HK\$	HK\$		HK\$
Executive directors									
Mr. Zhang Hwo Jie									
- Granted on 8 July 2016	18,000,000	-	-	(18,000,000)	-	0.64	0.692	2 January 2018 to 7 July 2021	
- Granted on 3 November 2017	17,000,000	-	-	-	17,000,000	1.08	1.10	2 January 2020 to 4 November 2024	
- Granted on 3 November 2021	-	1,700,000	-	-	1,700,000	1.88	1.80	2 May 2023 to 4 November 2027	
Mr. Zhang Jian Hua									
- Granted on 8 July 2016	18,000,000	-	-	(18,000,000)	-	0.64	0.692	2 January 2018 to 7 July 2021	
- Granted on 3 November 2017	17,000,000	-	(17,000,000)	-	-	1.08	1.10	2 January 2020 to 4 November 2024	1.40
- Granted on 3 November 2021	-	1,700,000	-	-	1,700,000	1.88	1.80	2 May 2023 to 4 November 2027	
Mr. Zhang Yaohua									
- Granted on 8 July 2016	18,000,000	-	-	(18,000,000)	-	0.64	0.692	2 January 2018 to 7 July 2021	
- Granted on 3 November 2017	17,000,000	-	-	-	17,000,000	1.08	1.10	2 January 2020 to 4 November 2024	
- Granted on 3 November 2021	-	1,700,000	-	-	1,700,000	1.88	1.80	2 May 2023 to 4 November 2027	

REPORT OF THE DIRECTORS

	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2021 and the date of this report	Share price immediately before offer date	Exercise price	Exercisable period	Weighted average closing price before exercise of options
						HK\$	HK\$		HK\$
Independent non-executive directors									
Mr. Choy Tak Ho (Note 1)									
- Granted on 8 July 2016	400,000	-	(400,000)	-	-	0.64	0.692	2 January 2018 to 7 July 2021	1.00
- Granted on 3 November 2017	400,000	-	(400,000)	-	-	1.08	1.10	2 January 2020 to 4 November 2024	1.87
Mr. Leung Tai Chiu (Note 2)									
- Granted on 8 July 2016	400,000	-	(400,000)	-	-	0.64	0.692	2 January 2018 to 7 July 2021	0.87
- Granted on 3 November 2017	400,000	-	(400,000)	-	-	1.08	1.10	2 January 2020 to 4 November 2024	2.03
Mr. Lam Hiu Lo									
- Granted on 8 July 2016	400,000	-	-	(400,000)	-	0.64	0.692	2 January 2018 to 7 July 2021	
- Granted on 3 November 2017	400,000	-	(400,000)	-	-	1.08	1.10	2 January 2020 to 4 November 2024	2.30
- Granted on 3 November 2021	-	400,000	-	-	400,000	1.88	1.80	2 May 2023 to 4 November 2027	
Dr. Chai Ngai Chiu Sunny									
- Granted on 3 November 2021	-	400,000	-	-	400,000	1.88	1.80	2 May 2023 to 4 November 2027	
Ms. Ling Kit Sum									
- Granted on 3 November 2021	-	400,000	-	-	400,000	1.88	1.80	2 May 2023 to 4 November 2027	

REPORT OF THE DIRECTORS

	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 December 2021 and the date of this report	Share price immediately before offer date	Exercise price	Exercisable period	Weighted average closing price before exercise of options
						HK\$	HK\$		HK\$
Employees of the Group									
Mr. Zhang Hanming (Note 3)									
- Granted on 3 November 2017	600,000	-	(600,000)	-	-	1.08	1.10	2 January 2020 to 4 November 2024	2.16
- Granted on 3 November 2021	-	400,000	-	-	400,000	1.88	1.80	2 May 2023 to 4 November 2027	
Ms. Zhang Quian Yi (Note 4)									
- Granted on 3 November 2017	600,000	-	-	-	600,000	1.08	1.10	2 January 2020 to 4 November 2024	
- Granted on 3 November 2021	-	400,000	-	-	400,000	1.88	1.80	2 May 2023 to 4 November 2027	
Ms. Zhang Yan Yi (Note 4)									
- Granted on 3 November 2021	-	400,000	-	-	400,000	1.88	1.80	2 May 2023 to 4 November 2027	
Others									
- Granted on 8 July 2016	11,850,000	-	(11,738,000)	(112,000)	-	0.64	0.692	2 January 2018 to 7 July 2021	0.94
- Granted on 3 November 2017	16,900,000	-	(1,200,000)	-	15,700,000	1.08	1.10	2 January 2020 to 4 November 2024	1.88
- Granted on 3 November 2021	-	50,000,000	-	-	50,000,000	1.88	1.8	2 May 2023 to 4 November 2024	
- Granted on 3 November 2021	-	11,700,000	-	-	11,700,000	1.88	1.8	2 May 2023 to 4 November 2027	
	<u>137,350,000</u>	<u>69,200,000</u>	<u>(32,538,000)</u>	<u>(54,512,000)</u>	<u>119,500,000</u>				



REPORT OF THE DIRECTORS

Notes:

1. Mr. Choy Tak Ho did not offer himself for re-election upon retirement by rotation at the Company's annual general meeting held on 15 June 2020 and ceased to be an independent non-executive director of the Company on 15 June 2020.

The 400,000 options and 400,000 options granted to Mr. Choy Tak Ho on 8 July 2016 and 3 November 2017 respectively should have lapsed on 15 December 2020, being six month after his retirement. In appreciation of the efforts and valuable contributions of Mr. Choy Tak Ho as an independent non-executive director since the listing of the Group in 2005, the board of directors of the Company had on 6 May 2020 exercised its discretion under the Share Option Scheme to decide that such options should not lapse and Mr. Choy Tak Ho be allowed to exercise such options during their relevant exercisable periods. Such decision had also been approved by the remuneration committee of the Company, with Mr. Choy Tak Ho abstained from voting at the committee's meeting.

2. Mr. Leung Tai Chiu resigned as an independent non-executive director of the Company on 1 July 2020.

The 400,000 options and 400,000 options granted to Mr. Leung Tai Chiu on 8 July 2016 and 3 November 2017 respectively should have lapsed upon his resignation on 1 July 2020. In appreciation of the efforts and valuable contributions of Mr. Leung Tai Chiu as an independent non-executive director since 2006, the board of directors of the Company had on 15 June 2020 exercised its discretion under the Share Option Scheme to decide that such options should not lapse and Mr. Leung Tai Chiu be allowed to exercise such options during their relevant exercisable periods. Such decision had also been approved by the remuneration committee of the Company.

3. Mr. Zhang Hanming is the father of the three executive directors, hence an associate (as defined in the Listing Rules) of them. Mr. Zhang Hanming previously worked in the Chinese government for many years before his retirement, and is now a consultant of the Group in the areas of government regulations and communication.
4. Ms. Zhang Quian Yi and Ms. Zhang Yan Yi are the daughters of the Chairman of the Group, hence each an associate (as defined in the Listing Rules) of him. Ms. Zhang Quian Yi is responsible for the business development of the Group and Ms. Zhang Yan Yi is a production management assistant.

REPORT OF THE DIRECTORS

(b) Valuation

The fair value of the 54,512,000 options granted on 8 July 2016 which were lapsed during the year ended 31 December 2021 was HK\$8,322,000. The fair values of the 12,538,000 options and 20,000,000 options granted on 8 July 2016 and 3 November 2017 which were exercised during the year ended 31 December 2021 were HK\$1,914,000 and HK\$7,566,000 respectively. The fair value of the 50,300,000 options and 69,200,000 options granted on 3 November 2017 and 3 November 2021 were HK\$19,028,000 and HK\$46,701,000 as at 31 December 2021 respectively.

These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	<u>Vesting period</u>	<u>Exercise price</u>	<u>Expected volatility</u>	<u>Expected life</u>	<u>Risk-free rate</u>	<u>Dividend paid-out rate</u>
		HK\$				
Granted on 8 July 2016	8 July 2016 to 2 January 2018	0.692	45.98%	3.24 years	0.52%	2.33%
Granted on 3 November 2017	3 November 2017 to 2 January 2020	1.10	46.52%	4.59 years	1.42%	1.89%
Granted on 3 November 2021	3 November 2021 to 2 May 2023	1.80	67.24%	2.25 years	0.40%	1.35%
Granted on 3 November 2021	3 November 2021 to 2 May 2023	1.80	56.78%	3.75 years	1.00%	1.35%

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

REPORT OF THE DIRECTORS

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

As at 31 December 2021, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in the shares of the Company

<u>Name of director</u>	<u>Corporate interests</u>	<u>Personal interests</u>	<u>Interest of spouse</u>	<u>Personal interests in underlying shares held under equity derivatives</u>	<u>Total interests</u>	<u>Approximate percentage of interest in the Company as at 31 December 2021</u>
				(Note 1)		
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	28,152,000	–	18,700,000	718,602,000	41.08%
Mr. Zhang Jian Hua	–	664,000	–	1,700,000	2,364,000	0.14%
Mr. Zhang Yaohua	671,750,000 (Note 2)	37,164,000	156,000	18,700,000	727,770,000	41.61%
Mr. Lam Hiu Lo	–	–	–	400,000	400,000	0.02%
Dr. Chai Ngai Chiu Sunny	–	–	–	400,000	400,000	0.02%
Ms. Ling Kit Sum	–	–	–	400,000	400,000	0.02%

Notes:

- These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Options" above.
- Mr. Zhang Hwo Jie and Mr. Zhang Yaohua held 52.93% and 47.07% of the entire issued capital of Prosper Empire Limited respectively, and Prosper Empire Limited was interested in 38.41% of the entire issued capital of the Company as at 31 December 2021. Under the SFO, Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are both deemed to be interested in the shares held by Prosper Empire Limited.

REPORT OF THE DIRECTORS

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

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 31 December 2021
Mr. Zhang Hwo Jie	Personal interests	52.93%
Mr. Zhang Yaohua	Personal interests	47.07%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	671,750,000	–	671,750,000	38.41%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	699,902,000	18,700,000	718,602,000	41.09%
Ms. Jiang Lu	Beneficial owner	156,000	–	156,000	0.01%
	Interest of spouse (Note 2)	708,914,000	18,700,000	727,614,000	41.60%

Notes:

- Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 52.93% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 671,750,000 shares of the Company held by Prosper Empire Limited.
- Under the SFO, Ms. Jiang Lu is deemed to be interested in the shares held by Mr. Zhang Yaohua, who is interested in 47.07% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Jiang Lu included the 671,750,000 shares of the Company held by Prosper Empire Limited.



REPORT OF THE DIRECTORS

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2021 and up to the date of this report.

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.

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 Wednesday, 18 May 2022, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares 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 branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 May 2022.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on Thursday, 9 June 2022 to shareholders whose names appear on the register of members on Thursday, 26 May 2022. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no share transfer will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch 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, 23 May 2022.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 77 to page 90.

REPORT OF THE DIRECTORS

CHANGE OF DIRECTORS' INFORMATION

During the year ended 31 December 2021 and up to the date of this report, there were changes in the directors' information as follows:

1. Mr. Zhang Yaohua, the Chief Executive Officer of the Group, was appointed as a member of the Hong Kong and Macau Committee of the 7th Shenzhen Committee of the Chinese People's Political Consultative Conference (深圳市第七屆政協港澳委員) on 25 April 2021. He ceased as the deputy supervisor of the Committee for Economic Affairs of the 6th Shenzhen Committee of the Chinese People's Political Consultative Conference (深圳市第六屆政協經濟委員會) on 13 May 2021 and the vice president of Federation of Shenzhen Commerce (深圳市深商總會) and Shenzhen General Chamber of Commerce (深圳市商業聯合會) on 1 September 2021.
2. Dr. Chai Ngai Chiu Sunny, an independent non-executive director of the Company, was appointed as the chairman of the Federation of Hong Kong Industries on 27 July 2021. He was appointed as a Justice of Peace on 1 July 2021.
3. Ms. Ling Kit Sum, an independent non-executive director of the Company, was appointed as an independent non-executive director of Arta TechFin Corporation Limited on 29 October 2021, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process, risk management, internal control system and corporate governance matters of the Group. The audit committee comprises the three independent non-executive directors, namely, Ms. Ling Kit Sum, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny, with Ms. Ling Kit Sum as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control, corporate governance and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2021.



REPORT OF THE DIRECTORS

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 2021 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 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, 30 March 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EVA Precision Industrial Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 119 to 221, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is summarised as follows:

- Provision for obsolete or slow moving inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for obsolete or slow moving inventories</p> <p>Refer to note 4 “Critical accounting estimates and judgements” and note 12 “Inventories” to the consolidated financial statements.</p> <p>At 31 December 2021, the Group held inventories of HK\$688,478,000, which is net of provision for obsolete or slow moving inventories of HK\$43,169,000. Inventories are stated at the lower of cost and net realisable value in the consolidated financial statements.</p>	<p>We understood, evaluated and validated the controls over management’s estimation of provision for obsolete or slow moving inventories, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors associated.</p> <p>We tested, on a sample basis, the accuracy of inventory aging of individual inventory item by checking the inventory records with the underlying documents.</p> <p>We reviewed the historical inventory usage experience and subsequent inventory utilisation on a sample basis. We performed recalculation of the inventory provision using the ageing profile of the inventory and the provision percentages determined by the management.</p>

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for obsolete or slow moving inventories (Continued)</p> <p>Management assessed the provision at each period end for obsolete or slow moving inventories based on consideration of potential obsolescence of raw materials and work in progress, and the estimated selling price less cost to sell of its finished goods. The identification of inventory obsolescence and determination of estimated selling price less cost to sell require the use of significant judgements by considering various factors, including their nature, aging, latest selling price, and expectation of future sales orders. The estimates are also subject to uncertainty of market trends, customer demands and technology development.</p> <p>We focused on this area due to the significance of the balance, significant management estimates and judgements involved in determining the provision for obsolete or slow moving inventories.</p>	<p>We discussed with management about the latest sales pattern for both price and quantity for potential orders, and other factors, including the product change and the market trend. We tested the net realisable value of selected inventory items on a sample basis, by comparing the carrying amount of the inventory items against their latest selling price subsequent or closest to year end.</p> <p>Based on the above, we considered that management's estimation and judgement applied in respect of the provision for obsolete or slow moving inventories were supportable by the available evidence.</p>



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Albert K. W. Lee.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,417,647	2,280,762
Right-of-use assets	7	384,467	372,968
Investment property under development	8	–	–
Intangible assets	9	7,639	7,695
Investments in associates	11	34,633	32,990
Prepayments, deposits and other receivables	14	48,529	42,152
Financial assets at fair value through other comprehensive income	15	32,328	87,110
Deferred income tax assets	21	6,675	7,296
		2,931,918	2,830,973
Current assets			
Inventories	12	688,478	541,385
Trade receivables	13	1,381,951	1,028,051
Prepayments, deposits and other receivables	14	150,365	168,472
Restricted bank deposits	16	102,742	93,574
Short-term bank deposits	16	–	33,336
Cash and cash equivalents	16	1,318,182	1,405,694
		3,641,718	3,270,512
LIABILITIES			
Current liabilities			
Trade payables	17	1,372,815	1,158,890
Contract liabilities	18	67,778	81,502
Accruals and other payables	19	283,712	227,584
Bank borrowings	20	1,447,550	1,276,548
Lease liabilities	7	30,949	18,333
Current income tax liabilities		23,187	11,047
		3,225,991	2,773,904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
Net current assets		415,727	496,608
Total assets less current liabilities		3,347,645	3,327,581
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	460,000	625,313
Lease liabilities	7	78,297	72,933
Deferred income tax liabilities	21	20,907	19,643
		559,204	717,889
Net assets		2,788,441	2,609,692
EQUITY			
Capital and reserves			
Share capital	22	174,912	171,658
Reserves	23	2,613,529	2,438,034
Total equity		2,788,441	2,609,692

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

The consolidated financial statements on pages 119 to 221 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf.

Zhang Hwo Jie
Chairman

Zhang Jian Hua
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	5,108,777	4,008,459
Cost of sales	25	(4,096,058)	(3,270,159)
Gross profit		1,012,719	738,300
Other income	24	31,759	38,033
Other losses – net	24	(4,904)	(7,697)
Selling and marketing costs	25	(314,933)	(237,464)
General and administrative expenses	25	(505,690)	(462,717)
Net impairment losses on financial assets	14	(24,350)	(33,800)
Operating profit		194,601	34,655
Finance income	27	12,665	11,196
Finance costs	27	(27,510)	(42,929)
Share of profit/(loss) of associates	11	358	(16,076)
Profit/(loss) before income tax		180,114	(13,154)
Income tax expense	28	(24,924)	(2,217)
Profit/(loss) for the year		155,190	(15,371)
Other comprehensive income/(loss) for the year, net of tax			
Item that may be reclassified to profit or loss			
– Currency translation differences		38,924	71,354
Item that will not be reclassified to profit or loss			
– Revaluation (losses)/gains on financial assets at fair value through other comprehensive income		(30,276)	8,808
Total comprehensive income for the year		163,838	64,791

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
Profit/(loss) for the year attributable to equity holders of the Company		<u>155,190</u>	<u>(15,371)</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>163,838</u>	<u>64,791</u>
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic	29	<u>9.0</u>	<u>(0.9)</u>
– diluted	29	<u>9.0</u>	<u>(0.9)</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Attributable to equity holders of the Company		
		Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000
Balance at 1 January 2021		171,658	2,438,034	2,609,692
Comprehensive income				
Profit for the year		-	155,190	155,190
Other comprehensive income				
Revaluation losses on financial assets at fair value through other comprehensive income		-	(30,276)	(30,276)
Currency translation differences		-	38,924	38,924
Total comprehensive income for the year		-	163,838	163,838
Transactions with owners				
Proceeds from share issuance of shares upon exercise of employees share options		3,254	27,422	30,676
Employee share option scheme:				
Value of employee services	23	-	4,970	4,970
Dividends paid		-	(20,735)	(20,735)
		3,254	11,657	14,911
Balance at 31 December 2021		174,912	2,613,529	2,788,441

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Attributable to equity holders of the Company		Total
		Share capital HK\$'000	Reserves HK\$'000	
Balance at 1 January 2020		<u>171,713</u>	<u>2,423,536</u>	<u>2,595,249</u>
Comprehensive loss				
Loss for the year		–	(15,371)	(15,371)
Other comprehensive income				
Revaluation gains on financial assets at fair value through other comprehensive income		–	8,808	8,808
Currency translation differences		–	71,354	71,354
Total comprehensive income for the year		<u>–</u>	<u>64,791</u>	<u>64,791</u>
Transactions with owners				
Repurchase of shares	23	(55)	(262)	(317)
Employee share option scheme:				
Value of employee services	23	–	67	67
Dividends paid		–	(50,098)	(50,098)
		<u>(55)</u>	<u>(50,293)</u>	<u>(50,348)</u>
Balance at 31 December 2020		<u>171,658</u>	<u>2,438,034</u>	<u>2,609,692</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Cash generated from operations	31	290,087	517,147
Interest received		12,665	11,196
Interest paid		(33,183)	(52,652)
Income tax paid		(10,285)	(22,602)
		<hr/>	<hr/>
Net cash generated from operating activities		259,284	453,089
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities			
Purchases of property, plant and equipment		(368,467)	(204,353)
Prepayments for property, plant and equipment		(7,788)	(38,603)
Addition of investment property under development		–	(7,067)
Proceeds from sale of property, plant and equipment	31	5,046	9,162
Purchase of intangible assets		–	(639)
Proceeds from disposal of a financial asset at fair value through other comprehensive income		13,682	1,472
Dividend income from a financial asset at fair value through other comprehensive income		304	1,121
Dividend income from an associate		–	8,956
Acquisition of a subsidiary, net of cash acquired	33	(4,191)	–
Increase in restricted bank deposits		(9,168)	(9,114)
Decrease in short-term bank deposits		33,336	184,724
		<hr/>	<hr/>
Net cash used in investing activities		(337,246)	(54,341)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from financing activities			
Proceeds from borrowings	31	548,042	1,220,941
Repayments of borrowings	31	(542,353)	(1,231,897)
Repayments of principal element of lease payments	31	(28,939)	(18,286)
Repayments of interest element of lease payments	31	(5,124)	(4,185)
Proceeds from issuance of shares upon exercise of share options	22	30,676	–
Repurchase of shares	22	–	(317)
Dividends paid	23	(20,735)	(50,098)
Net cash used in financing activities		(18,433)	(83,842)
Net (decrease)/increase in cash and cash equivalents		(96,395)	314,906
Cash and cash equivalents at beginning of the year		1,405,694	1,070,738
Exchange gain on cash and cash equivalents		8,883	20,050
Cash and cash equivalents at end of the year	16	1,318,182	1,405,694

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in 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 are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Company Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) which are carried at fair values.

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

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

2.1 Basis of preparation (Continued)

(a) *Relevant amendments to existing standards and conceptual framework adopted by the Group*

The following amended standards and conceptual framework are mandatory for the first time for the financial year beginning 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

The adoption of these amended standards and conceptual framework did not result in any substantial change to the Group's accounting policies. The amended standards and conceptual framework listed above had no material impact on the consolidated financial statements.

The Group has not applied any amended standards or conceptual framework that is not yet effective for the current accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation (Continued)

(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 2021 and have not been early adopted*

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 (Amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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

2.2 Principles of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2021.

(a) *Subsidiaries*

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

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

(b) *Associates*

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

(c) *Equity method*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Principles of consolidation and equity accounting (Continued)

(c) *Equity method* (Continued)

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'Share of profit/ (losses) of associates' in the statement of comprehensive income.

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

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

2.3 Changes in ownership interests

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

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

2.4 Business combination

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

Acquisition-related costs are expensed as incurred.

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

2.5 Separate financial statements

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

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

2.6 Segment reporting

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

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

2.7 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other losses – net'.

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

(c) *Group companies*

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

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

2.7 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.8 Property, plant and equipment

Land and buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land is stated at historical cost.

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

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

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

2.8 Property, plant and equipment (Continued)

Construction-in-progress, representing buildings, plant and machinery on which construction work has not been completed and machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on sales are determined by comparing proceeds with carrying amounts and recognised within 'Other losses – net' in the consolidated statement of comprehensive income.

2.9 Leases as lessee

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired the rights to use certain land in Mainland China. The premiums paid for leasehold land and land use rights are treated as prepayments for operating leases, recorded as leasehold land and land use rights, and are amortised over the lease/land use right periods using the straight-line method. From 1 January 2019, these are grouped as part of right-of-use assets.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

2.9 Leases as lessee (Continued)

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

2.9 Leases as lessee (Continued)

If a readily observable amortising loan rate is available to the Group (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Variable lease payments based on an index or rate are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

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

2.10 Investment property under development

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

2.11 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

2.11 Intangible assets (Continued)

(b) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation is calculated using the straight-line method to allocate the cost of source codes over their estimated useful lives of five years.

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

2.12 Impairment of investments in subsidiaries and non-financial assets

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

2.13 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

(b) *Recognition and derecognition*

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

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

2.13 Financial assets (Continued)

(c) *Measurement*

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

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

(i) *Equity instruments*

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

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

(d) *Impairment*

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

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

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

2.14 Offsetting financial instruments

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

2.15 Inventories

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

2.16 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 180 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b)(ii) for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

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

2.18 Share capital

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

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

2.19 Trade payables, accruals and other payables

These amounts represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.20 Borrowings

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

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

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

2.20 Borrowings (Continued)

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

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

2.21 Borrowing costs

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

2.22 Current and deferred income tax

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

(a) *Current income tax*

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

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

2.22 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

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

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

Outside basis differences

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

(c) *Offsetting*

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

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

2.23 Employee benefits

(a) *Employee leave entitlements*

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

(b) *Pension obligations*

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

(c) *Profit-sharing and bonus plans*

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

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

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

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

2.24 Share-based payments

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

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

2.25 Provisions

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

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

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

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

2.26 Revenue recognition

(a) *Sales of goods*

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

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

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

2.27 Earnings/losses per share

(a) *Basic earnings/losses per share*

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

(b) *Diluted earnings/losses per share*

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

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

2.28 Dividend distribution

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

2.29 Government grants

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

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

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

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.30 Interest income

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

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

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

2.31 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) *Market risk*

(i) **Foreign exchange risk**

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

The following table details the sensitivity of the Group's post-tax profit/loss to a strengthening/weakening of the major currencies to which its net assets are exposed. The percentage movement applied to the currency is based on the average movements in the previous year. The analysis has been performed based on the movement occurring at the start of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	2021 HK\$'000
Chinese Renminbi 3.4% appreciation against Hong Kong dollars	19,083
Japanese Yen 9.9% depreciation against Hong Kong dollars	(216)
Euro 7.0% appreciation against Hong Kong dollars	2,429
US dollars 0.6% appreciation against Hong Kong dollars	3,071
Increase in post-tax profit	24,367
	2020 HK\$'000
Chinese Renminbi 6.2% appreciation against Hong Kong dollars	40,517
Japanese Yen 4.8% appreciation against Hong Kong dollars	336
Euro 1.1% appreciation against Hong Kong dollars	417
US dollars 0.5% depreciation against Hong Kong dollars	(1,960)
Decrease in post-tax loss	39,310

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

Details of the Group's bank deposits, bank borrowings and lease liabilities have been disclosed in Notes 16, 20 and 7 to the consolidated financial statements.

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

At 31 December 2021, a 100 basis points (i.e. 1%) fall/rise in market interest rates for all currencies in which the Group had net borrowings, after offsetting bank deposits, would increase/decrease post-tax profit (2020: decrease/increase post-tax loss) by approximately HK\$7,719,000 (2020: HK\$5,177,000), mainly as a result of lower/higher interest expense on floating rate borrowings.

(b) Credit risk

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

As at 31 December 2020 and 2021, all the bank balances are deposited in major reputable financial institutions, and in the opinion of management, without significant credit risk. Management does not expect any losses from non-performance by these banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

	2021	2020
	HK\$'000	HK\$'000
Deposits and other receivables	76,455	117,783
Trade receivables	1,381,951	1,028,051
Restricted bank deposits	102,742	93,574
Short-term bank deposits	–	33,336
Cash and cash equivalents	1,318,182	1,405,694

The majority of the Group's trade receivables is aged within the granted credit period. Refer to Note 13 for disclosure of concentrations of credit risk of trade receivables.

Credit quality of deposits and other receivables has been assessed by reference to historical information about the counterparty default rates.

(i) Impairment of financial assets

The Group has trade receivables and deposit and other receivables that are subject to the expected credit loss model. While restricted bank deposits, short-term bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables

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

The expected loss rates are based on the repayment profiles of trade receivables over a period of 12 months before the statement of financial position date and the corresponding historical credit losses experienced within this period and available forward-looking information.

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined based on past due date as follows for trade receivables:

	As at 31 December 2021 Current	As at 31 December 2020 Current
Gross carrying amount	1,383,139	1,029,239
Loss allowance	(1,188)	(1,188)
Lifetime expected loss rate	0.09%	0.12%

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 180 days past due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Bank borrowings with repayable on demand clause are grouped within balances due within 12 months on the assumption that the bank will exercise its discretion to request for immediate repayment. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
As at 31 December 2021					
Bank borrowings	1,447,550	375,000	85,000	-	1,907,550
Lease liabilities	30,949	25,838	17,416	35,043	109,246
Interest payables	24,952	11,551	7,755	4,436	48,694
Trade payables	1,372,815	-	-	-	1,372,815
Other payables	148,471	-	-	-	148,471
	<u>3,024,737</u>	<u>412,389</u>	<u>110,171</u>	<u>39,479</u>	<u>3,586,776</u>
As at 31 December 2020					
Bank borrowings	1,276,548	312,813	312,500	-	1,901,861
Lease liabilities	18,333	14,559	18,446	39,928	91,266
Interest payables	21,880	13,208	10,605	6,095	51,788
Trade payables	1,158,890	-	-	-	1,158,890
Other payables	98,844	-	-	-	98,844
	<u>2,574,495</u>	<u>340,580</u>	<u>341,551</u>	<u>46,023</u>	<u>3,302,649</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

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

The capital structure of the Group consists of net debt, which includes the bank borrowings and lease liabilities, net of cash and cash equivalents and short-term bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

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

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

The gearing ratios were as follows:

	2021	2020
	HK\$'000	HK\$'000
Bank borrowings (Note 20)	1,907,550	1,901,861
Lease liabilities (Note 7)	109,246	91,266
Less: Short-term bank deposits (Note 16)	-	(33,336)
Less: Cash and cash equivalents (Note 16)	(1,318,182)	(1,405,694)
Total net debt	698,614	554,097
Total equity	2,788,441	2,609,692
Gearing ratio	25.1%	21.2%

The net debt to equity ratio increased from 21.2% to 25.1% resulted primary from slower settlement of trade receivables and higher level of inventory kept.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

The different methods of valuation have been defined as follows:

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

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

Specific valuation techniques used to value financial instruments include:

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

The fair value of the unlisted equity securities is determined based on recent arm's length transactions or valuation by an external valuer using income approach, asset-based approach or market approach and the key underlying assumptions used included revenue growth rate, profit margin, price-to-book multiple, adjusted net asset value, and marketability discount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

	Level 3	
	2021	2020
	HK\$'000	HK\$'000
Financial assets at FVOCI – unlisted equity securities	32,328	87,110

There were no transfers between levels during the year.

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 2021.

	2021	2020
	HK\$'000	HK\$'000
As at 1 January	87,110	81,247
Disposal	(24,506)	(2,945)
Revaluation gains transferred to other comprehensive income	(30,276)	8,808
As at 31 December	32,328	87,110

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful lives of property, plant and equipment and intangible assets

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

(b) Impairment of long-lived assets

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of trade and other receivables

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

(d) Income taxes

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

(e) Net realisable value of inventories

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

(f) Fair value of financial assets at FVOCI

The fair value of financial assets at FVOCI that is not traded in an active market is determined by using valuation techniques including income approach, asset-based approach or market approach. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2021	2020
	HK\$'000	HK\$'000
Sales of moulds and components	4,975,773	3,930,885
Others (Note)	133,004	77,574
	<u>5,108,777</u>	<u>4,008,459</u>

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

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

(b) Segment information

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

The Group is organised into two main business segments, namely (i) Office automation equipment and (ii) Automotive components. Also, investments in associates and financial assets at FVOCI are reported as un-allocated assets as at 31 December 2021 in information provided to the chief operating decision-maker as they are not directly related to the segment performance.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

	2021			2020		
	Office automation equipment HK\$'000	Automotive components HK\$'000	Total HK\$'000	Office automation equipment HK\$'000	Automotive components HK\$'000	Total HK\$'000
Revenue	<u>3,743,273</u>	<u>1,365,504</u>	<u>5,108,777</u>	3,094,123	914,336	4,008,459
Segment results	<u>138,926</u>	<u>126,844</u>	<u>265,770</u>	89,370	29,805	119,175
Unallocated expenses			(71,169)			(84,520)
Finance income			12,665			11,196
Finance costs			(27,510)			(42,929)
Share of profit/(loss) of associates			<u>358</u>			<u>(16,076)</u>
Profit/(loss) before income tax			180,114			(13,154)
Income tax expense			<u>(24,924)</u>			<u>(2,217)</u>
Profit/(loss) for the year			<u>155,190</u>			<u>(15,371)</u>
Depreciation	<u>143,178</u>	<u>131,021</u>	<u>274,199</u>	119,001	114,694	233,695
Amortisation	<u>1,502</u>	<u>-</u>	<u>1,502</u>	1,468	-	1,468

For the years ended 31 December 2020 and 2021, unallocated expenses represent corporate expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets, liabilities and capital expenditure are as follows:

	2021				2020			
	Office	Automotive	Un-allocated	Total	Office	Automotive	Un-allocated	Total
	automation	components			automation	components		
	equipment	components	equipment	components				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets	<u>3,454,922</u>	<u>3,018,296</u>	<u>100,418</u>	<u>6,573,636</u>	<u>3,466,698</u>	<u>2,459,253</u>	<u>175,534</u>	<u>6,101,485</u>
Liabilities	<u>1,093,149</u>	<u>736,946</u>	<u>1,955,100</u>	<u>3,785,195</u>	<u>1,061,991</u>	<u>493,684</u>	<u>1,936,118</u>	<u>3,491,793</u>
Capital expenditure	<u>168,513</u>	<u>233,093</u>	<u>-</u>	<u>401,606</u>	<u>116,078</u>	<u>107,288</u>	<u>-</u>	<u>223,366</u>

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, restricted bank deposits, short-term bank deposits and certain prepayments, deposits and other receivables, and cash and cash equivalents.

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

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

	As at 31 December			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets/liabilities	6,473,218	1,830,095	5,925,951	1,555,675
Unallocated:				
Investments in associates	34,633	–	32,990	–
Financial assets at FVOCI	32,328	–	87,110	–
Cash and cash equivalents	7,714	–	5,843	–
Deferred income tax assets	6,675	–	7,296	–
Prepayments, deposits and other receivables	19,068	–	42,295	–
Current income tax liabilities	–	23,187	–	11,047
Deferred income tax liabilities	–	20,907	–	19,643
Bank borrowings	–	1,907,550	–	1,901,861
Accruals and other payables	–	3,456	–	3,567
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>6,573,636</u>	<u>3,785,195</u>	<u>6,101,485</u>	<u>3,491,793</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

An analysis of the Group's two major customers (2020: two major customers), each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2021	2020
	HK\$'000	HK\$'000
Customer A	1,593,335	1,009,742
Customer B	617,033	510,012

Revenue from external customers, based on the destination of the shipment, and assets by geographical region are as follows:

	2021				2020			
	The People's Republic of China ("PRC") HK\$'000	Vietnam HK\$'000	Mexico HK\$'000	Total HK\$'000	The People's Republic of China ("PRC") HK\$'000	Vietnam HK\$'000	Mexico HK\$'000	Total HK\$'000
Revenue	<u>4,332,448</u>	<u>459,920</u>	<u>316,409</u>	<u>5,108,777</u>	<u>3,602,186</u>	<u>315,935</u>	<u>90,338</u>	<u>4,008,459</u>
Assets by geographical region								
Total non-current assets	<u>2,304,504</u>	<u>246,066</u>	<u>381,348</u>	<u>2,931,918</u>	<u>2,295,957</u>	<u>254,092</u>	<u>280,924</u>	<u>2,830,973</u>
Total assets	<u>5,490,863</u>	<u>466,108</u>	<u>616,665</u>	<u>6,573,636</u>	<u>5,312,863</u>	<u>413,486</u>	<u>375,136</u>	<u>6,101,485</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Year ended 31 December 2021							
Opening net book amount	26,342	861,458	802,424	131,834	10,964	447,740	2,280,762
Exchange differences	155	6,959	9,097	1,230	41	8,093	25,575
Acquisition of a subsidiary (Note 33)	-	-	22,047	5,185	-	-	27,232
Additions	-	232	30,497	5,435	138	297,475	333,777
Transfers	-	52,790	94,729	25,574	2,149	(175,242)	-
Disposals	-	-	(4,424)	(856)	(39)	(3,555)	(8,874)
Depreciation	-	(57,396)	(152,993)	(27,657)	(2,779)	-	(240,825)
Closing net book amount	<u>26,497</u>	<u>864,043</u>	<u>801,377</u>	<u>140,745</u>	<u>10,474</u>	<u>574,511</u>	<u>2,417,647</u>
As at 31 December 2021							
Cost	26,497	1,349,385	2,072,518	625,587	42,677	574,511	4,691,175
Accumulated depreciation	-	(485,342)	(1,271,141)	(484,842)	(32,203)	-	(2,273,528)
Net book amount	<u>26,497</u>	<u>864,043</u>	<u>801,377</u>	<u>140,745</u>	<u>10,474</u>	<u>574,511</u>	<u>2,417,647</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction- in-progress HK\$'000	Total HK\$'000
Year ended 31 December							
2020							
Opening net book amount	26,670	840,013	796,049	121,196	12,018	286,372	2,082,318
Exchange differences	(328)	11,056	18,115	1,214	23	1,556	31,636
Additions	-	45	15,055	18,788	674	181,098	215,660
Transfers	-	65,260	108,674	15,922	1,023	(15,207)	175,672
Disposals	-	(1,702)	(4,882)	(1,154)	(146)	(6,079)	(13,963)
Depreciation	-	(53,214)	(130,587)	(24,132)	(2,628)	-	(210,561)
Closing net book amount	<u>26,342</u>	<u>861,458</u>	<u>802,424</u>	<u>131,834</u>	<u>10,964</u>	<u>447,740</u>	<u>2,280,762</u>
As at 31 December 2020							
Cost	26,342	1,287,042	1,941,899	532,773	40,655	447,740	4,276,451
Accumulated depreciation	-	(425,584)	(1,139,475)	(400,939)	(29,691)	-	(1,995,689)
Net book amount	<u>26,342</u>	<u>861,458</u>	<u>802,424</u>	<u>131,834</u>	<u>10,964</u>	<u>447,740</u>	<u>2,280,762</u>

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

	2021 HK\$'000	2020 HK\$'000
Cost of sales	175,774	146,060
Selling and marketing costs	4,015	2,187
General and administrative expenses	61,036	62,314
	<u>240,825</u>	<u>210,561</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2021	2020
	HK\$'000	HK\$'000
Buildings in Hong Kong, located on land with lease of between 10 and 50 years	10	190
Buildings in Mainland China and Vietnam, located on land with land use rights of between 10 and 50 years	766,010	759,149
Building in Mexico, located on freehold land	98,023	102,119
	864,043	861,458

Analysis of construction-in-progress is as follows:

	2021	2020
	HK\$'000	HK\$'000
Construction costs of buildings	375,779	342,407
Cost of machinery	198,732	105,333
	574,511	447,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balances recognised in the consolidated statement of financial position

Right-of-use assets

	Leasehold land and land use rights	Land under finance lease	Plant and machinery under finance lease	Factory and office premises	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2021					
Opening net book amount	245,203	5,937	55,090	66,738	372,968
Acquisition of a subsidiary (Note 33)	–	–	417	38,734	39,151
Depreciation	(6,354)	(263)	(6,249)	(20,508)	(33,374)
Exchange differences	2,822	–	11	2,889	5,722
Closing net book amount	<u>241,671</u>	<u>5,674</u>	<u>49,269</u>	<u>87,853</u>	<u>384,467</u>
As at 31 December 2021					
Cost	297,917	9,613	93,091	131,424	532,045
Accumulated depreciation	<u>(56,246)</u>	<u>(3,939)</u>	<u>(43,822)</u>	<u>(43,571)</u>	<u>(147,578)</u>
Net book amount	<u>241,671</u>	<u>5,674</u>	<u>49,269</u>	<u>87,853</u>	<u>384,467</u>
Year ended 31 December 2020					
Opening net book amount	230,685	6,199	62,154	72,416	371,454
Depreciation	(5,900)	(262)	(7,064)	(9,908)	(23,134)
Exchange differences	5,571	–	–	4,230	9,801
Transfer	14,847	–	–	–	14,847
Closing net book amount	<u>245,203</u>	<u>5,937</u>	<u>55,090</u>	<u>66,738</u>	<u>372,968</u>
As at 31 December 2020					
Cost	294,630	9,613	92,653	87,723	484,619
Accumulated depreciation	<u>(49,427)</u>	<u>(3,676)</u>	<u>(37,563)</u>	<u>(20,985)</u>	<u>(111,651)</u>
Net book amount	<u>245,203</u>	<u>5,937</u>	<u>55,090</u>	<u>66,738</u>	<u>372,968</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Balances recognised in the consolidated statement of financial position

(Continued)

Lease liabilities

	2021	2020
	HK\$'000	HK\$'000
Current portion	30,949	18,333
Non-current portion	78,297	72,933
	109,246	91,266
Lease liabilities – Plant and machinery	11,974	21,553
Lease liabilities – Factory and office premises	97,272	69,713
	109,246	91,266

(b) Amounts recognised in the consolidated statement of comprehensive income

	2021	2020
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets	33,374	23,134
Unwinding of interests on lease liabilities	5,124	4,185
Operating lease rental for short-term and low value leases	721	868

The total cash outflow of leases for the year ended 31 December 2021 was approximately HK\$34,784,000 (2020: HK\$23,339,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Amounts recognised in the consolidated statement of comprehensive income (Continued)

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

	2021	2020
	HK\$'000	HK\$'000
Cost of sales	6,249	7,064
General and administrative expenses	27,125	16,070
	33,374	23,134

(c) The Group's leasing activities

The Group leases various buildings, plant and machineries. Rental contracts are typically made for fixed periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but certain lease liabilities are effectively secured as the right to the leased assets revert to the lessors in the event of default. As at 31 December 2021, the net book amount of the leased assets was approximately HK\$48,992,000 (31 December 2020: HK\$55,090,000).

8 INVESTMENT PROPERTY UNDER DEVELOPMENT

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

	2021	2020
	HK\$'000	HK\$'000
Investment property under development	—	—

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 INVESTMENT PROPERTY UNDER DEVELOPMENT (CONTINUED)

Movements are:

	2021	2020
	HK\$'000	HK\$'000
Opening net book amount	-	176,521
Additions	-	7,067
Changes in fair value	-	(4,489)
Exchange differences	-	11,420
Transfer	-	(190,519)
	<hr/>	<hr/>
Closing net book amount	-	-

Investment property under development was transferred to property, plant and equipment (HK\$175,672,000) and right-of-use assets (HK\$14,847,000) on 31 December 2020 as the Group has changed the use of the property and commenced developing the property with a view to owner-occupation. Upon the transfer, valuation of the Group's investment property under development was performed by an independent firm of professional valuer (深圳天大聯合資產評估房地產估價有限公司) to determine the fair value of the investment property as at 31 December 2020.

The valuation was determined by using the depreciated replacement cost approach for the investment property under development as at 31 December 2020, in which the land portion was valued using direct comparison method and the benchmark land price method. Replacement cost of the property is estimated and sales price of comparable land portion in close proximity are adjusted for differences in key attributes such as size.

The key unobservable inputs used in the valuation of the investment property under development as at 31 December 2020 are adopted unit rate of land of HK215/square metre ("sqm") and adopted replacement cost new of HK\$2,029/sqm for the properties. The higher the adopted unit rate of land and adopted replacement cost new for the properties, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS

	Goodwill HK\$'000	Software HK\$'000	Total HK\$'000
Year ended 31 December 2021			
Opening net book amount	2,510	5,185	7,695
Acquisition of a subsidiary (Note 33)	–	1,446	1,446
Amortisation	–	(1,502)	(1,502)
Closing net book amount	<u>2,510</u>	<u>5,129</u>	<u>7,639</u>
At 31 December 2021			
Cost	2,510	8,959	11,469
Accumulated amortisation	–	(3,830)	(3,830)
Net book amount	<u>2,510</u>	<u>5,129</u>	<u>7,639</u>
Year ended 31 December 2020			
Opening net book amount	2,510	6,014	8,524
Addition	–	639	639
Amortisation	–	(1,468)	(1,468)
Closing net book amount	<u>2,510</u>	<u>5,185</u>	<u>7,695</u>
At 31 December 2020			
Cost	2,510	7,513	10,023
Accumulated amortisation	–	(2,328)	(2,328)
Net book amount	<u>2,510</u>	<u>5,185</u>	<u>7,695</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2021, amortisation expense of HK\$1,502,000 (2020: HK\$1,468,000) has been charged to 'general and administrative expenses' in the consolidated profit or loss.

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

	2021	2020
	HK\$'000	HK\$'000
Corporate	2,510	2,510
At 31 December	2,510	2,510

Management performed a goodwill impairment assessment and determined no impairment charge was necessary against goodwill at 31 December 2021 (2020: Nil).

10 SUBSIDIARIES

The following is a list of the principal subsidiaries held directly or indirectly by the Company at 31 December 2021:

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
EVA Group Limited	Hong Kong, limited liability company	HK\$15,000	–	100%	Investment holding
Digit Automotive Limited	Hong Kong, limited liability company	HK\$1	–	100%	Investment holding
EVA Metal Mould Products Limited	British Virgin Islands, limited liability company	US\$1.12	100%	–	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Eva Precision Industrial (Eastern China) Limited (億和精密工業(華東)有 限公司)	British Virgin Islands, limited liability company	US\$1	100%	–	Investment holding
EVA Limited	Hong Kong, limited liability company	HK\$200,000,000	–	100%	Trading of moulds and components
EVA Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK\$280,000	–	100%	Trading of moulds and components
Okutatu (Macao Commercial Offshore) Limited	Macao, limited liability company	MOP500,000	–	100%	Trading of moulds and components
Shenzhen EVA Precision Technology Group Limited* (深圳市億和精密科技集團 有限公司)	Mainland China, limited liability company	HK\$221,880,000	–	100%	Manufacturing of moulds and components
Yihe Plastic and Electronic Products (Shenzhen) Co., Limited* (億和塑膠電子製 品(深圳)有限公司)	Mainland China, limited liability company	HK\$195,000,000	–	100%	Manufacturing of moulds and components
EVA Precision Industrial (Suzhou) Limited* (億和精密工業(蘇州)有 限公司)	Mainland China, limited liability company	US\$69,000,000	–	100%	Manufacturing of moulds and components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Zhongshan Digit Automotive Technology Limited* (中山數碼模汽車技術有 限公司) (formerly known as 億和精 密工業(中山)有限公司)	Mainland China, limited liability company	HK\$220,000,000	–	100%	Manufacturing of moulds and components
Shenzhen EVA Mould Manufacturing Limited* (深圳億和模具製造有限 公司)	Mainland China, limited liability company	HK\$340,000,000	–	100%	Manufacturing of moulds
Digit Stamping Technology (Wuhan) Limited* (數碼模沖壓技術(武漢)有 限公司)	Mainland China, limited liability company	RMB431,995,188	–	100%	Manufacturing of moulds and components
Chongqing Digit Auto Body Ltd.* (重慶數碼模車身模具有 限公司)	Mainland China, limited liability company	RMB380,000,000	–	100%	Manufacturing of moulds
EVA Hai Phong Precision Industrial Co., Ltd.	Vietnam, limited liability company	US\$40,000,000	–	100%	Manufacturing of moulds and components
Digit Automotive de Mexico S.A. de C.V.	Mexico, limited liability company	MXN19,000	–	100%	Manufacturing of moulds and components
EVA Precision Industrial (Weihai) Limited* (億和精密工業(威海)有 限公司)	Mainland China, limited liability company	US\$120,000,000	–	100%	Manufacturing of moulds and components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Sichuan Junyuan Investment Management Limited* (四川駿源投資管理有限 公司)	Mainland China, limited liability company	RMB130,000,000	–	100%	Property development
Yixinhe Investment (Suzhou) Limited* (億新和投資(蘇州)有限 公司)	Mainland China, limited liability company	US\$30,000,000	–	100%	Investment holding
Shenzhen Ewisdom Investment Holdings Limited (formerly known as Shenzhen Yizhi Investment Holding Limited)* (深圳億 智投資控股有限公司)	Mainland China, limited liability company	RMB18,000,000	–	100%	Investment holding
Intops (Weihai) Electronics Co., Limited* (因塔思(威海)電子有限 公司)	Mainland China, limited liability company	RMB28,975,346	–	100%	Manufacturing of moulds and components
Shenzhen Huaxian Intelligent Technology Co., Ltd (formerly known as Shenzhen EVA Smart Device Limited)* (深圳華先 智造科技有限公司)	Mainland China, limited liability company	RMB10,000,000	–	100%	Manufacturing of moulds and components

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment, operations and type of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Shenzhen Digit Automotive Technology Limited* (深圳數碼模汽車技術有 限公司)	Mainland China, limited liability company	RMB816,162,259	–	100%	Manufacturing of moulds and components
Shenzhen EVA Technology Intelligent Manufacturing Co., Ltd.* (深圳市億和科技 智造有限公司)	Mainland China, limited liability company	RMB134,269,421	–	100%	Manufacturing of moulds and components
Sichuan Digit Automotive Technology Limited* (四川數碼模汽車技術有 限公司)	Mainland China, limited liability company	RMB10,000,000	–	100%	Manufacturing of moulds and components

* Registered as wholly foreign owned enterprises under PRC law

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN ASSOCIATES

	2021	2020
	HK\$'000	HK\$'000
As at 1 January	32,990	55,165
Exchange differences	1,285	2,857
Share of profit/(losses)	358	(16,076)
Dividend received	–	(8,956)
As at 31 December	34,633	32,990

Details of the associates:

Name	Place of establishment, operations and kind of legal entity	Percentage of equity interest attributable to the Group		Principal activities	Measurement method
		2021	2020		
Shenzhen Jinggong Microcredit Limited (深圳市精工小額貸款有限公司)	Mainland China, limited liability company	40%	40%	Microcredit business	Equity
Shenzhen L&L Auto-tech Co., Ltd. (深圳興和瑜創新科技有限公司)	Mainland China, limited liability company	48%	48%	Design and manufacturing of reduction drive	Equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

Summarised statement of financial position

	Microcredit	
	2021	2020
	HK\$'000	HK\$'000
ASSETS		
Non-current assets	2,061	1,351
Current assets	84,889	91,556
LIABILITIES		
Current liabilities	368	10,431
Net current assets	84,521	81,125
Net assets	86,582	82,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised statement of comprehensive income

	Microcredit	
	2021	2020
	HK\$'000	HK\$'000
Reconciliation of carrying amounts:		
Net assets as at 1 January	82,476	137,913
Profit/(loss) for the year	894	(40,191)
Dividend paid	–	(22,390)
Other comprehensive gain	3,212	7,144
Net assets as at 31 December	86,582	82,476
Interest in an associate (40%)	34,633	32,990
Revenue	9,188	17,496
Profit/(loss) before income tax	2,266	(38,614)
Income tax expense	(1,372)	(1,577)
Total comprehensive income/(loss) for the year	894	(40,191)
Share of profit/(loss) of an associate (40%)	358	(16,076)
Aggregate information of another associate		
	2021	2020
	HK\$'000	HK\$'000
Loss and comprehensive loss for the year	–	–

Shenzhen L&L Auto-tech Co., Ltd., the another associate, the Group has not recognised loss amounting to HK\$826,000 for the year ended 31 December 2021 (31 December 2020: HK\$266,000). This associate was at net liability position as at both 31 December 2021 and 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVENTORIES

	2021	2020
	HK\$'000	HK\$'000
Raw materials	248,660	179,007
Work-in-progress	212,259	212,427
Finished goods	270,728	196,306
	731,647	587,740
Less: Provision for inventory obsolescence	(43,169)	(46,355)
Inventories – net	688,478	541,385

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$3,001,398,000 (2020: HK\$2,323,065,000).

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

	2021	2020
	HK\$'000	HK\$'000
At 1 January	46,355	37,036
(Reversal of)/provision for inventory obsolescence	(3,186)	9,319
At 31 December	43,169	46,355

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE RECEIVABLES

	2021	2020
	HK\$'000	HK\$'000
Trade receivables	1,383,139	1,029,239
Less: Loss allowance	(1,188)	(1,188)
Trade receivables – net	<u>1,381,951</u>	<u>1,028,051</u>

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

	2021	2020
	HK\$'000	HK\$'000
0 to 90 days	1,232,628	886,400
91 to 180 days	150,511	142,839
Less: Loss allowance	(1,188)	(1,188)
Trade receivables – net	<u>1,381,951</u>	<u>1,028,051</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TRADE RECEIVABLES (CONTINUED)

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 44.8% (2020: 28.9%) and 12.4% (2020: 10.2%), respectively, of the trade receivables balance as at 31 December 2021. 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 2021, no trade receivables (2020: Nil) were past due.

Trade receivables are denominated in the following currencies:

	2021	2020
	HK\$'000	HK\$'000
HK\$	118,176	82,678
US\$	638,622	465,778
RMB	609,665	454,839
Others	16,676	25,944
	<u>1,383,139</u>	<u>1,029,239</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	HK\$'000	HK\$'000
Non-current:		
Deposits for purchases of property, plant and equipment	46,391	38,603
Consideration receivable from disposal of a financial asset at FVOCI (Note)	–	1,473
Others	2,138	2,076
	48,529	42,152
Current:		
Consideration receivables from disposal of financial assets at FVOCI (Note)	12,341	–
Consideration receivables from disposal of a subsidiary (Note)	3,544	3,544
Prepayments for purchases of raw materials	68,493	47,727
Value-added tax recoverable	40,206	76,058
Prepayment of utilities expenses	424	778
Receivables from employees and staff advances (Note)	6,302	6,561
Deposits placed with customs in Mainland China	1,209	607
Deposits placed for bill receivables in Mainland China	5,237	–
Receivables from the former subsidiaries (Note)	56,046	54,870
Receivables from an associate (Note)	6,715	6,517
Others	7,998	5,610
	208,515	202,272
Loss allowance	(58,150)	(33,800)
	150,365	168,472

Note: Consideration receivables from disposal of a subsidiary, receivables from employees and staff advances, receivables from the former subsidiaries, consideration receivables from disposal of financial assets at FVOCI and receivables from an associate are unsecured, non-interest bearing, and denominated in RMB. Except for consideration receivables from disposal of financial assets at FVOCI which is repayable by June 2022, the other amounts are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Movements of loss allowance are as follows:

	2021	2020
	HK\$'000	HK\$'000
As at 1 January	33,800	–
Net impairment losses on financial assets	24,350	33,800
As at 31 December	58,150	33,800

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2021	2020
	HK\$'000	HK\$'000
Unlisted: Equity securities – Mainland China, at fair value	32,328	87,110

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

The financial assets at FVOCI are denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movements of the financial assets at FVOCI are as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	87,110	81,247
Disposal (Note)	(24,506)	(2,945)
Revaluation (losses)/gains transferred to other comprehensive income	(30,276)	8,808
As at 31 December	<u>32,328</u>	<u>87,110</u>

Note: On disposal of the equity instrument, any related balance within 'Financial assets at FVOCI reserve' is reclassified to 'Retained earnings'.

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

	2021 HK\$'000	2020 HK\$'000
Restricted bank deposits	102,742	93,574
Short-term bank deposits	-	33,336
Cash and cash equivalents	1,318,182	1,405,694
	<u>1,420,924</u>	<u>1,532,604</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 RESTRICTED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2021, the effective interest rate and respective average maturity days of the restricted bank deposits, short-term bank deposits and cash and cash equivalents were as follows:

	2021		2020	
	Effective interest rate (per annum)	Average maturity (days)	Effective interest rate (per annum)	Average maturity (days)
Restricted bank deposits	0.5%	180	1.6%	180
Short-term bank deposits	–	–	1.4%	364
Cash and cash equivalents	0.1%	7	0.1%	7

Restricted bank deposits, short-term bank deposits and cash and cash equivalents were denominated in the following currencies:

	2021 HK\$'000	2020 HK\$'000
HK\$	160,863	312,092
RMB	842,528	827,876
US\$	384,284	369,529
Japanese yen	2,189	6,974
Euro	27,746	14,461
Vietnamese dong	2,140	624
Mexican peso	927	748
Others	247	300
	1,420,924	1,532,604

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	1,269,900	715,685
91 to 180 days	102,915	443,205
	<u>1,372,815</u>	<u>1,158,890</u>

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

	2021 HK\$'000	2020 HK\$'000
HK\$	20,186	25,655
RMB	871,901	800,521
US\$	463,965	329,835
Others	16,763	2,879
	<u>1,372,815</u>	<u>1,158,890</u>

18 CONTRACT LIABILITIES

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

	2021 HK\$'000	2020 HK\$'000
Receipt in advance from customers	<u>67,778</u>	<u>81,502</u>

Contract liabilities for receipt in advance have decreased by HK\$13,725,000 (2020: increased by HK\$22,218,000) due to less (2020: due to more) prepayments from customers.

For the year ended 31 December 2021, HK\$81,502,000 (2020: HK\$59,284,000) of revenue recognised was included in the contract liability balance at the beginning of the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 ACCRUALS AND OTHER PAYABLES

	2021	2020
	HK\$'000	HK\$'000
Payable for purchase of property, plant and equipment	45,487	37,598
Accrued utilities expenses	4,120	3,792
Accrued wages, salaries and welfare	124,806	119,345
Accrued operating expenses	6,315	5,603
Purchase consideration balance payable for the acquisition of subsidiaries	40,096	27,298
Other payables	62,888	33,948
	283,712	227,584

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

	2021	2020
	HK\$'000	HK\$'000
HK\$	1,613	16,676
RMB	134,436	57,063
Others	12,422	25,105
	148,471	98,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 BANK BORROWINGS

	2021	2020
	HK\$'000	HK\$'000
Current:		
Short-term bank loans (including those repayable on demand)	593,983	395,941
Portion of long-term loans from banks due for repayment within one year	853,567	880,607
	1,447,550	1,276,548
Non-current:		
Portion of long-term loans from banks due for repayment after one year	460,000	625,313
Total bank borrowings	1,907,550	1,901,861

All bank borrowings are interest-bearing and carried at amortised cost.

All bank borrowings bore floating interest rates and the carrying amounts of bank borrowings approximate their fair values.

The Group's bank borrowings are repayable as follows:

	2021	2020
	HK\$'000	HK\$'000
Within 1 year or on demand	1,447,550	1,276,548
Between 1 and 2 years	375,000	312,813
Between 2 and 5 years	85,000	312,500
	1,907,550	1,901,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 BANK BORROWINGS (CONTINUED)

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

	2021	2020
	HK\$'000	HK\$'000
HK\$	1,878,567	1,895,920
RMB	26,908	5,941
USD	2,075	–
	<u>1,907,550</u>	<u>1,901,861</u>

As at 31 December 2021, the effective interest rates (per annum) of the Group's bank borrowings were as follows:

	Short-term bank loans		Long-term bank loans	
	2021	2020	2021	2020
HK dollars	1.54%	1.75%	2.25%	2.35%
Renminbi	3.17%	5.22%	–	–

As at 31 December 2021, the Group has undrawn floating rate borrowing facilities of approximately HK\$519,600,000 (2020: HK\$948,200,000).

As at 31 December 2021 and 2020, no asset were pledged as collateral for the Group's bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION

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

	2021	2020
	HK\$'000	HK\$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	6,675	7,296
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	(19,900)	(19,019)
Deferred income tax liabilities to be recovered within 12 months	(1,007)	(624)
Deferred income tax liabilities, net	<u>(14,232)</u>	<u>(12,347)</u>

The gross movement of the deferred income tax liabilities, net is as follow:

	2021	2020
	HK\$'000	HK\$'000
As at 1 January	(12,347)	(32,586)
(Charged)/credited to profit or loss (Note 28)	<u>(1,885)</u>	<u>20,239</u>
As at 31 December	<u>(14,232)</u>	<u>(12,347)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION (CONTINUED)

The nature of items giving rise to the deferred income tax liabilities, without taking into consideration of the offsetting of balances within the same jurisdiction are as follows:

	Fair value gains	Withholding tax	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	(17,457)	(15,129)	(32,586)
Credited to profit or loss	<u>1,053</u>	<u>10,000</u>	<u>11,053</u>
As at 31 December 2020	(16,404)	(5,129)	(21,533)
Charged to profit or loss	<u>(2,410)</u>	<u>–</u>	<u>(2,410)</u>
As at 31 December 2021	<u>(18,814)</u>	<u>(5,129)</u>	<u>(23,943)</u>

The nature of items giving rise to the deferred income tax assets, without taking into consideration of the offsetting of balances within the same jurisdiction are as follows:

	Lease liabilities	Tax loss	Fair value loss	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2020	–	–	–	–
Credited to profit or loss	<u>–</u>	<u>8,057</u>	<u>1,129</u>	<u>9,186</u>
As at 31 December 2020	–	8,057	1,129	9,186
Credited/(charged) to profit or loss	<u>1,369</u>	<u>(788)</u>	<u>(56)</u>	<u>525</u>
As at 31 December 2021	<u>1,369</u>	<u>7,269</u>	<u>1,073</u>	<u>9,711</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION (CONTINUED)

The above deferred income tax liabilities in respect of withholding tax related to the unremitted retained earnings of certain subsidiaries. In addition, deferred income tax liabilities of HK\$77,605,000 (2020: HK\$73,028,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries as such amounts are considered likely to be reinvested permanently.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$35,027,000 (2020: HK\$28,287,000) in respect of losses amounting to HK\$191,527,000 (2020: HK\$139,005,000) that can be carried forward against future taxable income. Tax losses of HK\$1,506,000, HK\$90,278,000, HK\$62,310,000, HK\$12,550,000 and HK\$24,883,000 will expire in 2024, 2025, 2026, 2029 and 2030 respectively (2020: HK\$236,000, HK\$6,477,000, HK\$90,278,000, HK\$1,074,000, HK\$16,057,000 and HK\$24,883,000 will expire in 2023, 2024, 2025, 2027, 2028, 2029 and 2030 respectively).

22 SHARE CAPITAL

	Note	Number of ordinary shares (thousands)	Nominal value HK\$'000
Authorised:			
As at 1 January 2020, 31 December 2020 and 2021		<u>200,000,000</u>	<u>20,000,000</u>
Issued and fully paid:			
As at 1 January 2020		1,717,132	171,713
Repurchase of shares	(i)	<u>(550)</u>	<u>(55)</u>
As at 31 December 2020		1,716,582	171,658
Issuance of shares	(ii)	<u>32,538</u>	<u>3,254</u>
As at 31 December 2021		<u>1,749,120</u>	<u>174,912</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE CAPITAL (CONTINUED)

Notes:

- (i) During the year ended 31 December 2020, the Company repurchased a total of 550,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.56 to HK\$0.58 per share for a total consideration of approximately HK\$317,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 15 June 2020. The repurchased shares were cancelled before 31 December 2020. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of purchase	Number of shares of HK\$0.1 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
6 Jan 2020	200,000	0.58	0.58	116
8 Jan 2020	350,000	0.58	0.56	201
	<u>550,000</u>			<u>317</u>

- (ii) During the year ended 31 December 2021, 12,538,000 and 20,000,000 ordinary shares were issued at HK\$0.692 and HK\$1.1 per share, and net proceeds of HK\$30,676,000 were received upon the exercise of certain options under the share options scheme.

Share options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

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

	2021		2020	
	Average exercise price per share HK\$	Number of options '000	Average exercise price per share HK\$	Number of options '000
As at 1 January	0.90	133,350	0.90	137,350
Granted	1.80	69,200	–	–
Exercised	0.90	(32,538)	–	–
Lapsed	0.90	(50,512)	0.90	(4,000)
As at 31 December	0.90	119,500	0.90	133,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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

Expiry date	2021		2020	
	Exercise Price HK\$	Number of Options '000	Exercise price HK\$	Number of options '000
2 July 2021	0.692	–	0.692	65,050
4 November 2024	1.10	50,300	1.10	68,300
5 November 2024	1.80	50,000	–	–
5 November 2027	1.80	19,200	–	–
		119,500		133,350

On 3 November 2021, 69,200,000 share options were granted to the Company's directors and employees with an exercise price HK\$1.80 per share. The 50,000,000 options have vesting period of approximately 2.25 years and exercisable from 2 May 2023 to 5 November 2024. The 19,200,000 options have vesting period of approximately 3.75 years and exercisable from 2 May 2023 to 5 November 2027.

The fair values of 69,200,000 options granted on 3 November 2021, determined using the Black-Scholes Option Pricing Model, were approximately HK\$46,701,000. The significant inputs into the model were as follows:

	3 November 2021	
Number of share options	50,000,000	19,200,000
Exercise price	HK\$1.80	HK\$1.80
Expected volatility	67.24%	56.78%
Expected life	2.25 years	3.75 years
Risk-free rate	0.40%	1.00%
Dividend paid-out rate	1.35%	1.35%

The amount of share-based payment charged to the consolidated statement of comprehensive income during the year ended 31 December 2021 was HK\$4,970,000 (2020: HK\$67,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES

	Share premium	Capital reserve (i)	Statutory reserves (ii)	Capital redemption reserve (iii)	Share options reserve	Financial assets at FVOCI reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021	1,068,537	(735)	195,709	39,211	37,419	3,890	(42,284)	1,136,287	2,438,034
Profit for the year	-	-	-	-	-	-	-	155,190	155,190
Dividends paid	(20,735)	-	-	-	-	-	-	-	(20,735)
Other comprehensive income									
– Currency translation differences	-	-	-	-	-	-	38,924	-	38,924
– Revaluation losses on financial assets at FVOCI	-	-	-	-	-	(30,276)	-	-	(30,276)
Employee share option scheme:									
Value of employee services	-	-	-	-	4,970	-	-	-	4,970
Transfer to share premium upon exercise of share options	9,480	-	-	-	(9,480)	-	-	-	-
Proceeds from share issuance of shares upon exercise of employees share options	27,422	-	-	-	-	-	-	-	27,422
Transfer to statutory reserves	-	-	17,070	-	-	-	-	(17,070)	-
Transfer to retained earnings upon disposal of a financial asset at FVOCI	-	-	-	-	-	(5,394)	-	5,394	-
As at 31 December 2021	<u>1,084,704</u>	<u>(735)</u>	<u>212,779</u>	<u>39,211</u>	<u>32,909</u>	<u>(31,780)</u>	<u>(3,360)</u>	<u>1,279,801</u>	<u>2,613,529</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES (CONTINUED)

	Share premium HK\$'000	Capital reserve (i) HK\$'000	Statutory reserves (ii) HK\$'000	Capital redemption reserve (iii) HK\$'000	Share options reserve HK\$'000	Financial assets at FVOCI reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 January 2020	1,068,799	(735)	185,686	39,156	37,352	(6,470)	(113,638)	1,213,386	2,423,536
Loss for the year	-	-	-	-	-	-	-	(15,371)	(15,371)
Dividends paid	-	-	-	-	-	-	-	(50,098)	(50,098)
Other comprehensive income									
– Currency translation differences	-	-	-	-	-	-	71,354	-	71,354
– Revaluation gains on financial assets at FVOCI	-	-	-	-	-	8,808	-	-	8,808
Employee share option scheme:									
Value of employee services	-	-	-	-	67	-	-	-	67
Premium on repurchase of shares	(262)	-	-	-	-	-	-	-	(262)
Capital redemption reserve arising from repurchase of shares	-	-	-	55	-	-	-	(55)	-
Transfer to statutory reserves	-	-	10,023	-	-	-	-	(10,023)	-
Transfer to retained earnings upon disposal of a financial asset at FVOCI	-	-	-	-	-	1,552	-	(1,552)	-
As at 31 December 2020	<u>1,068,537</u>	<u>(735)</u>	<u>195,709</u>	<u>39,211</u>	<u>37,419</u>	<u>3,890</u>	<u>(42,284)</u>	<u>1,136,287</u>	<u>2,438,034</u>

23 RESERVES (CONTINUED)

Notes:

- (i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. The reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.
- (ii) In accordance with the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reaches 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval of the corresponding subsidiaries' shareholders in general meetings, the subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.
- (iii) The capital redemption reserve resulted from repurchase of the Company's own shares on The Stock Exchange of Hong Kong Limited. The repurchased shares were cancelled upon repurchase. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to capital redemption reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 OTHER INCOME AND OTHER LOSSES – NET

	2021	2020
	HK\$'000	HK\$'000
Other income		
Government grants	23,651	33,268
Storage income	8,108	4,765
	31,759	38,033
Other losses – net		
Loss on disposal of property, plant and equipment	(3,828)	(4,801)
Fair value loss on revaluation of investment property under development (Note 8)	–	(4,489)
Net exchange losses	(4,413)	(3,648)
Dividend income from a financial asset at FVOCI	304	1,121
Others	3,033	4,120
	(4,904)	(7,697)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 EXPENSES BY NATURE

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

	2021	2020
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	240,825	210,561
Depreciation of right-of-use assets	33,374	23,134
Amortisation of intangible assets	1,502	1,468
Employee benefit expenses (Note 26)	1,013,143	850,341
Auditor's remuneration		
– Audit services	4,175	4,175
– Non-audit services	262	686
Changes in inventories of finished goods and work-in-progress	(74,253)	100,968
Raw materials and consumables used	3,145,305	2,266,064
(Reversal of)/provision for inventory obsolescence	(3,186)	9,319
Write-off of irrecoverable mould development costs (Note)	–	11,431
Subcontracting expenses	30,047	71,128
Utilities expenses	68,540	45,993
Transportation expenses	63,547	47,703
Packaging expenses	126,519	111,226
Marketing expenses	8,589	6,643
Office expenses	56,583	56,639
Operating lease payments for short-term and low value leases	721	868
Others	200,988	151,993
	4,916,681	3,970,340

Note: The write-off of irrecoverable mould development costs is primarily due to the bankruptcy of the counterparty during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EMPLOYEE BENEFIT EXPENSES

	2021	2020
	HK\$'000	HK\$'000
Wages, salaries and bonus	899,492	773,910
Staff welfare	41,207	47,502
Retirement benefit – defined contribution plans (a)	67,474	28,862
Share-based payment (Note 22)	4,970	67
	1,013,143	850,341

(a) Retirement benefits – defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China, which is a defined contribution plan. The Group and its employees contribute a certain percentage of the employees' basic wages/salary as specified by the local government, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK\$1,500 per month.

During the year ended 31 December 2021, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately HK\$67,474,000 (2020: HK\$28,862,000). As at 31 December 2021, the Group was not entitled to any forfeited contributions to reduce its future contributions (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: three) directors whose emoluments are reflected in the analysis in Note 36.

The emoluments payable to the remaining two (2020: two) individuals are as follows:

	2021	2020
	HK\$'000	HK\$'000
Salaries	1,716	1,750
Discretionary bonus	66	50
Contribution to pension scheme	36	34
Share options granted	90	2
	<u>1,908</u>	<u>1,836</u>

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>2</u>	<u>2</u>

During the year, no emolument was paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 FINANCE INCOME/COSTS

	2021	2020
	HK\$'000	HK\$'000
Finance income		
Interest income on bank deposits	12,665	11,196
Finance costs		
Interest expense on:		
Bank borrowings	33,183	52,652
Lease liabilities – plant and machinery	346	805
Lease liabilities – factory and office premises	4,778	3,380
Interest capitalised	(10,797)	(13,908)
	27,510	42,929

28 INCOME TAX EXPENSE

	2021	2020
	HK\$'000	HK\$'000
Current taxation		
– Mainland China corporate income tax	34,118	31,394
Over-provision in prior years	(11,079)	(8,938)
Deferred income tax (Note 21)	1,885	(20,239)
	24,924	2,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 INCOME TAX EXPENSE (CONTINUED)

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

	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) before income tax	180,114	(13,154)
Tax calculated at domestic rates applicable to profits/ (losses) in the respective countries/places of business	28,448	(1,987)
Income not subject to tax	(9,915)	(3,186)
Expenses not deductible for tax purpose	13,913	13,281
Tax concession	(5,926)	(6,930)
Tax losses for which no deferred income tax assets were recognised (including recognition of previously unrecognised deferred income tax assets)	10,785	16,499
Utilisation of tax loss previously not recognised	(1,302)	(6,522)
Over-provision in prior years	(11,079)	(8,938)
Tax charge	24,924	2,217

The weighted average applicable tax rate for the year ended 31 December 2021 was approximately 15.8% (2020: 15.1%). The decrease is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions of tax in the current year.

28 INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2020: 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% (2020: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.
- (ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2020 and 2021. Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Weihai) Limited are newly recognised during the year ended 31 December 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 INCOME TAX EXPENSE (CONTINUED)

(c) Other income taxes

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

The Company's subsidiaries established in the British Virgin Islands are exempted from British Virgin Islands income tax.

The subsidiary established and operating in Vietnam is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group was under 50% reduction from corporate income tax in Vietnam for the year ended 31 December 2021 (2020: Exempted).

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

29 EARNINGS/(LOSS) PER SHARE

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

Basic

	<u>2021</u>	<u>2020</u>
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	<u>155,190</u>	<u>(15,371)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,727,866</u>	<u>1,716,591</u>
Basic earnings/(loss) per share (HK cents per share)	<u>9.0</u>	<u>(0.9)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 EARNINGS/(LOSS) PER SHARE (CONTINUED)

Diluted

Diluted earnings/(loss) 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.

	2021	2020
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	155,190	(15,371)
Weighted average number of ordinary shares in issue ('000)	1,727,866	1,716,591
Adjustment for share option ('000)	464	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,728,330	1,716,591
Diluted earnings/(loss) per share (HK cents per share)	9.0	(0.9)

30 DIVIDENDS

	2021	2020
	HK\$'000	HK\$'000
Interim dividend paid of HK1.2 cents (2020: Nil) per share	20,735	–
Proposed final dividend of HK1.5 cents (2020: Nil) per share	26,237	–
	46,972	–

A final dividend in respect of the year ended 31 December 2021 of HK\$1.5 cents per share, totalling of HK\$26,237,000 has been proposed for approval at the upcoming annual general meeting.

These financial statements have not reflected this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) before income tax	180,114	(13,154)
Adjustments for:		
– Depreciation of property, plant and equipment	240,825	210,561
– Depreciation of right-of-use assets	33,374	23,134
– Amortisation of intangible assets	1,502	1,468
– Loss on disposal of property, plant and equipment	3,828	4,801
– Fair value loss on revaluation of investment property under development	–	4,489
– Share of (profit)/loss of associates	(358)	16,076
– Dividend income from a financial asset at fair value through other comprehensive income	(304)	(1,121)
– Net impairment losses on financial assets	24,350	33,800
– Write-off of irrecoverable mould development costs	–	11,431
– Share-based payment	4,970	67
– Interest income	(12,665)	(11,196)
– Interest expense	27,510	42,929
Changes in working capital:		
– Inventories	(119,408)	66,320
– Trade receivables	(307,746)	(113,540)
– Prepayments, deposits and other receivables	33,962	20,341
– Trade payables	172,072	181,035
– Accruals and other payables	21,785	17,488
– Contract liabilities	(13,724)	22,218
Cash generated from operations	290,087	517,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2021	2020
	HK\$'000	HK\$'000
Net book amount	8,874	13,963
Loss on disposal of property, plant and equipment	(3,828)	(4,801)
Proceeds	5,046	9,162

Net debt reconciliation

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

	2021	2020
	HK\$'000	HK\$'000
Cash and cash equivalents	1,318,182	1,405,694
Lease liabilities – repayable within one year	(30,949)	(18,333)
Lease liabilities – repayable after one year	(78,297)	(72,933)
Bank borrowings – repayable within one year	(1,447,550)	(1,276,548)
Bank borrowings – repayable after one year	(460,000)	(625,313)
Net debt	(698,614)	(587,433)
Cash and liquid investments	1,318,182	1,405,694
Gross debt – fixed interest rates	(97,272)	(69,713)
Gross debt – variable interest rates	(1,919,524)	(1,923,414)
Net debt	(698,614)	(587,433)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Net debt reconciliation (Continued)

	Liabilities from financing activities			Total
	Cash	Lease	Bank	
	and cash equivalents	liabilities	borrowings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net debt as at 1 January 2020	1,070,738	(105,142)	(1,912,817)	(947,221)
Cash flows	314,907	18,286	10,956	344,149
Foreign exchange adjustments	20,049	(4,410)	–	15,639
Net debt as at 31 December 2020	1,405,694	(91,266)	(1,901,861)	(587,433)
Acquisition of a subsidiary (Note 33)	–	(43,764)	–	(43,764)
Cash flows	(96,395)	28,939	(5,689)	(73,145)
Foreign exchange adjustments	8,883	(3,155)	–	5,728
Net debt as at 31 December 2021	<u>1,318,182</u>	<u>(109,246)</u>	<u>(1,907,550)</u>	<u>(698,614)</u>

32 CAPITAL COMMITMENTS

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

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for		
– Construction of buildings	126,345	85,824
– Purchase of plant and machinery	23,364	70,247
– Purchase of plant and machinery	9,185	–
	<u>158,894</u>	<u>156,071</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BUSINESS COMBINATION

On 16 April 2021, the Group acquired all of the equity interest in Shenzhen EVA Technology Intelligent Manufacturing Co., Ltd (“EVA Intelligent”) with total consideration of approximately RMB48,575,000 (equivalent to approximately HK\$58,157,000).

The following table summarises the consideration paid for EVA Intelligent, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	16 April 2021 HK\$'000
Purchase consideration	
Cash	46,162
Consideration payable recorded as other payable	11,995
	58,157
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fair value	
Cash and bank balances	41,971
Trade receivables	46,154
Prepayments, deposits and other receivables	27,970
Inventories	27,685
Property, plant and equipment	27,232
Intangible assets	1,446
Right-of-use assets	39,151
Trade payables	(41,853)
Lease liabilities	(43,764)
Accruals and other payables	(67,835)
	58,157
Cash flow to acquire business, net of cash acquired	
– cash paid	46,162
– cash and bank balances acquired	(41,971)
	4,191
Cash outflow on acquisition	4,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 RELATED PARTY TRANSACTIONS

Zhang Hwo Jie and Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owned 38.41% (2020: 39.12%) of the Company's shares as at 31 December 2021.

(a) Key management compensation

	2021	2020
	HK\$'000	HK\$'000
Salaries, allowances and bonus	23,101	23,056
Share-based payment	444	50
Retirement benefits – defined contribution plans	72	74
	23,617	23,180

The following transactions were undertaken by the Group with related party. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(b) Transactions with a related party

	2021	2020
	HK\$'000	HK\$'000
Sales of goods to an associate		
Shenzhen L&L Auto-tech Co., Ltd.	102	1,714

(c) Balances with a related party

	2021	2020
	HK\$'000	HK\$'000
Receivables from an associate		
Shenzhen L&L Auto-tech Co., Ltd.	5,641	6,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	123,358	123,358
Amounts due from subsidiaries	1,447,744	1,407,107
	1,571,102	1,530,465
Current assets		
Other receivables	240	659
Cash and cash equivalents	7,714	5,572
	7,954	6,231
LIABILITIES		
Current liabilities		
Accruals and other payables	116,232	75,998
Net current liabilities	(108,278)	(69,767)
Total assets less current liabilities	1,462,824	1,460,698
Net assets	1,462,824	1,460,698
EQUITY		
Capital and reserves		
Share capital	174,912	171,658
Reserves	1,287,912	1,289,040
Total equity	1,462,824	1,460,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Reserve movement of the Company:

	Share premium HK\$'000	Contributed surplus (Note) HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2021	1,068,537	121,351	39,211	37,419	22,522	1,289,040
Loss for the year	-	-	-	-	(12,308)	(12,308)
Dividends paid	(20,735)	-	-	-	-	(20,735)
Employee share option scheme:						
Value of employee services	-	-	-	4,493	-	4,493
Transfer to share premium upon exercise of share options	9,480	-	-	(9,480)	-	-
Proceeds from share issuance of shares upon exercise of employees share options	27,422	-	-	-	-	27,422
Balance at 31 December 2021	<u>1,084,704</u>	<u>121,351</u>	<u>39,211</u>	<u>32,432</u>	<u>10,214</u>	<u>1,287,912</u>
Balance at 1 January 2020	1,068,799	121,351	39,156	37,352	81,228	1,347,886
Loss for the year	-	-	-	-	(8,553)	(8,553)
Dividends paid	-	-	-	-	(50,098)	(50,098)
Employee share option scheme:						
Value of employee services	-	-	-	67	-	67
Premium on repurchase of shares	(262)	-	-	-	-	(262)
Capital redemption reserve arising from repurchase of shares	-	-	55	-	(55)	-
Balance at 31 December 2020	<u>1,068,537</u>	<u>121,351</u>	<u>39,211</u>	<u>37,419</u>	<u>22,522</u>	<u>1,289,040</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive for the year ended 31 December 2021 is set out below:

Name	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors						
Mr. Zhang Hwo Jie	-	5,760	1,480	128	18	7,386
Mr. Zhang Jian Hua	-	5,760	1,480	128	18	7,386
Mr. Zhang Yaohua (Note i)	-	5,760	1,730	128	18	7,636
Independent non-executive directors						
Mr. Lam Hiu Lo	160	-	-	30	-	190
Dr. Chai Ngai Chiu Sunny (Note ii)	160	-	-	30	-	190
Ms. Ling Kit Sum (Note iii)	160	-	-	30	-	190
	480	17,280	4,690	474	54	22,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The remuneration of every director and the chief executive for the year ended 31 December 2020 is set out below:

Name	Fees HK\$'000	Salaries HK\$'000	Discretionary bonus HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors						
Mr. Zhang Hwo Jie	-	5,760	1,480	16	18	7,274
Mr. Zhang Jian Hua	-	5,760	1,480	16	18	7,274
Mr. Zhang Yaohua (Note i)	-	5,760	1,480	16	18	7,274
Independent non-executive directors						
Mr. Lam Hiu Lo	160	-	-	-	-	160
Dr. Chai Ngai Chiu Sunny (Note ii)	-	-	-	-	-	-
Ms. Ling Kit Sum (Note iii)	-	-	-	-	-	-
Mr. Choy Tak Ho (Note iv)	160	-	-	-	-	160
Mr. Leung Tai Chiu (Note v)	160	-	-	-	-	160
	<u>480</u>	<u>17,280</u>	<u>4,440</u>	<u>48</u>	<u>54</u>	<u>22,302</u>

Note:

- (i) Zhang Yaohua is also the Chief Executive Officer of the Group.
- (ii) Appointed on 15 June 2020
- (iii) Appointed on 1 July 2020
- (iv) Retired on 15 June 2020
- (v) Resigned on 1 July 2020

36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2020: Nil).

During the year, no emoluments, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: Nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2020: Nil).

FIVE YEARS FINANCIAL SUMMARY

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
CONSOLIDATED RESULTS					
Turnover	<u>5,108,777</u>	<u>4,008,459</u>	<u>3,747,055</u>	<u>3,666,657</u>	<u>3,157,089</u>
(Loss)/profit for the year	155,190	(15,371)	51,781	82,663	134,787
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,088)</u>
(Loss)/profit attributable to equity holders of the Company	<u>155,190</u>	<u>(15,371)</u>	<u>51,781</u>	<u>82,663</u>	<u>133,699</u>
CONSOLIDATED BALANCE SHEET					
Non-current assets	2,931,918	2,830,973	2,820,060	2,687,823	2,455,003
Current assets	3,641,718	3,270,512	3,128,036	3,020,124	3,094,788
Current liabilities	(3,255,991)	(2,773,904)	(2,446,269)	(2,498,981)	(2,444,930)
Non-current liabilities	<u>(559,204)</u>	<u>(717,889)</u>	<u>(906,578)</u>	<u>(620,463)</u>	<u>(432,551)</u>
Net assets	<u>2,788,441</u>	<u>2,609,692</u>	<u>2,595,249</u>	<u>2,588,503</u>	<u>2,672,310</u>
Share capital	174,912	171,658	171,713	172,944	179,384
Reserves	2,613,529	2,438,034	2,423,536	2,415,559	2,492,926
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total equity	<u>2,788,441</u>	<u>2,609,692</u>	<u>2,595,249</u>	<u>2,588,503</u>	<u>2,672,310</u>

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hiu Lo
Dr. Chai Ngai Chiu Sunny
Ms. Ling Kit Sum

AUDIT COMMITTEE

Ms. Ling Kit Sum (*Chairman*)
Mr. Lam Hiu Lo
Dr. Chai Ngai Chiu Sunny

NOMINATION COMMITTEE

Mr. Zhang Hwo Jie (*Chairman*)
Mr. Lam Hiu Lo
Dr. Chai Ngai Chiu Sunny

REMUNERATION COMMITTEE

Mr. Lam Hiu Lo (*Chairman*)
Mr. Zhang Hwo Jie
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COMPANY SECRETARY

Ms. Lee Hiu Laam Joyce

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Bank of China (Hong Kong) Limited
MUFG Bank, Ltd.
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
China Construction Bank Corporation Limited
Hong Kong Branch
Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of East Asia, Limited
China Minsheng Banking Corp., Ltd.
Hong Kong Branch



CORPORATE INFORMATION

LEGAL ADVISOR

MinterEllison LLP

AUDITOR

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