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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

- Growth temporarily slowed down by the Japan earthquake, but revenue continued to record an increase by 7.1% to HK$879,071,000
- Profit margin affected by an unstable supply of parts from Japan after the earthquake. Net profit was HK$104,232,000
- Basic earnings per share was HK6.0 cents
- Adhere to a dividend payout of 30% to 35% of net profit and pay interim dividend of HK1.8 cents per share
- Balance sheet at its strongest ever, with sufficient cash to accommodate additional orders on a large scale
- Completed an acquisition in July 2011, a step forward in the fast growing China domestic consumption sector
- Shenzhen (Shi Yan) production base under expansion, which is scheduled for completion by end of 2011
- Certain of the Group's major customers had already publicised their views that the worst of the Japan earthquake is now behind, and resurgent growth is likely in the aftermath

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") are pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	**HK$'000**	HK$'000
Revenue	*4*	**879,071**	820,573
Cost of goods sold		**(641,215)**	(565,031)
Gross profit		**237,856**	255,542
Other (losses)/gains		**(997)**	3,390
Selling and distribution costs		**(34,895)**	(31,917)
General and administrative expenses		**(78,678)**	(63,202)
Operating profit	*5*	**123,286**	163,813
Finance income	*6*	**1,428**	603
Finance costs	*6*	**(4,461)**	(2,573)
Profit before income tax		**120,253**	161,843
Income tax expense	*7*	**(14,498)**	(21,161)
Profit for the period		**105,755**	140,682
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**105,755**	140,682
Profit attributable to:			
– Equity holders of the Company		**104,232**	140,181
– Non-controlling interests		**1,523**	501
		105,755	140,682
Total comprehensive income attributable to:			
– Equity holders of the Company		**104,232**	140,181
– Non-controlling interests		**1,523**	501
		105,755	140,682
			Restated
Earnings per share, expressed in HK cents per share	*8*		
– basic		**HK6.0 cents**	HK 11.0 cents
– diluted		**HK6.0 cents**	HK 10.2 cents
Dividend	*9*	**31,637**	49,055

The notes are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**Unaudited 30 June 2011 HK$'000**	Audited 31 December 2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,218,725**	1,086,132
Leasehold land and land use rights		**50,245**	50,781
Prepayments, deposits and other receivables		**61,140**	54,323
Goodwill		**2,510**	–
Other assets		**1,607**	1,607
		1,334,227	1,192,843
Current assets			
Inventories		**219,401**	150,947
Trade receivables	*10*	**399,520**	325,122
Prepayments, deposits and other receivables		**50,143**	50,393
Pledged bank deposits		**–**	4,090
Cash and cash equivalents		**670,295**	501,074
		1,339,359	1,031,626
Current liabilities			
Trade payables	*11*	**280,845**	225,972
Accruals and other payables		**80,810**	93,563
Bank borrowings		**240,362**	202,062
Finance lease liabilities		**25,412**	32,684
Current income tax liabilities		**43,621**	44,537
		671,050	598,818
Net current assets		**668,309**	432,808
Total assets less current liabilities		**2,002,536**	1,625,651

	Note	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Non-current liabilities			
Bank borrowings		**29,219**	16,879
Finance lease liabilities		**2,937**	13,247
Deferred taxation		**5,129**	5,129
		37,285	35,255
Net assets		**1,965,251**	1,590,396
EQUITY			
Capital and reserves			
Share capital		**175,762**	81,629
Reserves		**1,778,636**	1,499,437
		1,954,398	1,581,066
Non-controlling interests		**10,853**	9,330
Total equity		**1,965,251**	1,590,396

The notes are an integral part of this condensed consolidated interim financial information.

Note:

1. BASIS OF PRESENTATION

The Group is principally engaged in the design and fabrication of metal stamping and plastic injection moulds and the manufacturing of metal stamping and plastic injection components and lathing components.

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 condensed consolidated interim financial statements for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue on 23 August 2011. This condensed consolidated interim financial information has not been audited.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2010, as described in the annual financial statements of the Group for that year.

Taxes on income in interim period are accrued using the tax rates that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- HKAS 34 (Amendment), "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

HK(IFRIC)-Int 14	"Prepayments of a minimum funding requirement"
HK(IFRIC)-Int 19	"Extinguishing financial liabilities with equity instruments"
HKAS 24 (Revised)	"Related party disclosures"
HKAS 32 (Amendment)	"Classification of right issue"

Third improvements to HKFRS (2010) were issued in May 2010 by Hong Kong Institute of Certified Public Accountants, except for amendment to HKAS 34 "Interim financial reporting" as disclosed in note 2(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	"Deferred tax: Recovery of underlying assets"	1 January 2012
HKAS 19 (Amendment)	"Employee benefits"	1 January 2013
HKFRS 7 (Amendment)	"Disclosures – Transfers of financial assets"	1 July 2011
HKFRS 9	"Financial instruments"	1 January 2013
HKFRS 10	"Consolidated financial statements"	1 January 2013
HKFRS 11	"Joint arrangements"	1 January 2013
HKFRS 12	"Disclosure of interests in other entities"	1 January 2013
HKFRS 13	"Fair value measurements"	1 January 2013

The directors anticipate that the adoption of the above standards, amendments and interpretations to existing standards in Note 2(c) will not result in a significant impact on the results or financial position of the Group. The Group plans to adopt these standards, amendments and interpretations to existing standards when they become effective.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as collectively the executive directors and senior management. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. They consider the business from a product perspective.

At 30 June 2011, the Group is organised into two main business segments:

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

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

The chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted earnings 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.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

The segment results and other segment items are as follows:

	Six months ended 30 June 2011			Six months ended 30 June 2010		
	Metal stamping	**Plastic Injection**	**Total**	Metal stamping	Plastic injection	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment sales	**595,602**	**312,687**	**908,289**	534,067	302,003	836,070
Inter-segment sales	**(25,693)**	**(3,525)**	**(29,218)**	(11,744)	(3,753)	(15,497)
Sales	**569,909**	**309,162**	**879,071**	522,323	298,250	820,573
Segment results	**76,444**	**47,985**	**124,429**	99,537	64,682	164,219
Unallocated expenses			**(1,143)**			(406)
Finance income			**1,428**			603
Finance costs			**(4,461)**			(2,573)
Profit before income tax			**120,253**			161,843
Income tax expense			**(14,498)**			(21,161)
Profit for the period			**105,755**			140,682
Depreciation	**33,584**	**13,297**	**46,881**	32,393	10,536	42,929
Amortisation	**453**	**83**	**536**	399	62	461

The segment assets and liabilities are as follows:

	As at 30 June 2011				As at 31 December 2010			
	Metal stamping	**Plastic injection**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**2,008,742**	**657,008**	**7,836**	**2,673,586**	1,668,749	549,053	6,667	2,224,469
Liabilities	**226,890**	**114,310**	**367,135**	**708,335**	200,595	73,459	360,019	634,073
Capital expenditure	**158,814**	**17,284**	**3,376**	**179,474**	177,661	47,100	–	224,761

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, prepayments, deposits and other receivables, other assets, inventories, trade receivables and operating cash.

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities, current income tax liabilities, deferred taxation and certain accruals and other payables related to neither segments.

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 30 June 2011 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**2,665,750**	**341,200**
Unallocated:		
Cash and cash equivalents	**4,319**	**–**
Prepayments, deposits and other receivables	**1,007**	**–**
Goodwill	**2,510**	**–**
Current income tax liabilities	**–**	**43,621**
Deferred taxation	**–**	**5,129**
Current borrowings	**–**	**240,362**
Non-current borrowings	**–**	**29,219**
Current finance lease liabilities	**–**	**25,412**
Non-current finance lease liabilities	**–**	**2,937**
Accruals and other payables	**–**	**20,455**
Total	**2,673,586**	**708,335**

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2010 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	2,217,802	274,054
Unallocated:		
Cash and cash equivalents	6,293	–
Prepayments, deposits and other receivables	374	–
Current income tax liabilities	–	44,537
Deferred taxation	–	5,129
Current borrowings	–	202,062
Non-current borrowings	–	16,879
Current finance lease liabilities	–	32,684
Non-current finance lease liabilities	–	13,247
Accruals and other payables	–	45,481
Total	2,224,469	634,073

4 REVENUE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Design and fabrication of metal stamping moulds	**61,455**	77,789
Manufacturing of metal stamping components	**439,720**	384,142
Manufacturing of lathing components	**55,986**	45,982
Design and fabrication of plastic injection moulds	**45,100**	60,888
Manufacturing of plastic injection components	**260,466**	235,151
Others[1]	**16,344**	16,621
	879,071	820,573

[1] Others mainly represent sales of scrap materials.

5 OPERATING PROFIT

Operating profit is stated after charging (crediting) the following:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Raw materials and consumables used	**449,627**	429,084
Production overhead costs (excluding labour and depreciation expenses)	**59,378**	37,775
Staff costs, including directors' emoluments and share option costs	**139,138**	100,821
Depreciation of property, plant and equipment	**46,881**	42,929
Amortisation of leasehold land and land use rights	**536**	461
Gain on disposal of property, plant and equipment	**–**	(65)
Provision for/(reversal of) inventories to net realisable value	**2,294**	(2,368)
Net exchange (gains)/losses	**(1,023)**	17

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,428**	603
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**3,918**	1,489
Bank borrowings not wholly repayable within five years	**53**	59
Finance lease liabilities	**490**	1,025
	4,461	2,573

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**5,596**	5,168
– Mainland China enterprise income tax	**8,902**	15,993
	14,498	21,161

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2011 (2010: 16.5%).

(ii) Mainland China corporate income tax

Under the new Corporate Income Tax Law of Mainland China, entities currently enjoying tax holidays will continue to enjoy them until they expire. The corporate income tax rate applicable to the subsidiaries under tax holiday and applying reduced rate will gradually increase to 25% in a 5-year period starting from 2008 to 2012.

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at rates of 22% and 25%, respectively for the six months ended 30 June 2011 (2010: 22% and 25%, respectively). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from corporate income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in corporate income tax for the next three years. The first profitable years after offsetting prior year tax losses of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited were 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2007 and June 2008, respectively, and Shenzhen EVA Mould Manufacturing Limited had taxable profits during the six months ended 30 June 2011 which its profits were offset to prior year tax losses. On 31 December 2009, Yihe Precision Hardware (Shenzhen) Co., Ltd. was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% for the six months ended 30 June 2011. On 31 December 2010, Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% for the six months ended 30 June 2011.

Under the new Corporate Income Tax Law of Mainland China, dividend distributions out of profit of foreign invested enterprises earned after January 2008 will be subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for certain jurisdictions of foreign investor with tax treaty arrangements.

8 EARNINGS PER SHARE

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2010 and 2011, the bonus issue of May 2011 is treated as if it had occurred prior to 1 January 2010, the earliest period presented, necessitating the restatement of the comparative figures.

Basic

	Six months ended 30 June 2011	(Restated) Six months ended 30 June 2010
Profit attributable to equity holders of the Company (HK$'000)	**104,232**	140,181
Weighted average number of ordinary shares in issue ('000)	**1,736,122**	1,279,691
Basic earnings per share (HK cents per share)	**6.0**	11.0

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding (as above) to assume conversion of all dilutive potential ordinary shares (i.e. share options and warrants). 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 market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. 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 and warrants.

	Six months ended 30 June 2011	(Restated) Six months ended 30 June 2010
Profit attributable to equity holders of the Company (HK$'000)	**104,232**	140,181
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**1,736,122**	1,279,691
Adjustment for share options and warrants ('000)	**13,633**	96,526
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,749,755**	1,376,217
Diluted earnings per share (HK cents per share)	**6.0**	10.2

9 DIVIDENDS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Proposed interim dividend of HK1.8 cents (2010: HK6.5 cents) per ordinary share	**31,637**	49,055

10 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 90 days. The aging of the trade receivables is as follows:

	As at	
	30 June	31 December
	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**319,907**	286,548
91 to 180 days	**59,903**	37,406
181 to 365 days	**20,898**	2,356
	400,708	326,310
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables-net	**399,520**	325,122

11 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June	31 December
	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**248,102**	196,590
91 to 180 days	**30,559**	25,303
181 to 365 days	**2,184**	4,079
	280,845	225,972

The carrying amounts of trade payables approximate their fair values and they have maturity periods within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events and Development

The Group underwent a period of challenges during the first half of 2011. Our business growth was temporarily slowed down by the earthquake in Japan and the nuclear emission and massive power disruption that followed, which hit our customers' supply chain in Japan. As the components and mechanical modules sold by us to our customers' assembly plants require certain parts sourced from Japan to form the finished products, the disruption in the supply of such parts from Japan had inevitably resulted in a temporary slowdown of the order flow. Nevertheless, thanks to the on-going trend of our customers to concentrate more purchases on large manufacturers such as ourselves, our turnover continued to record a 7.1% growth despite unfavourable external environment and amounted to approximately HK$879,071,000 in 1H2011.

However, as compared to the impact on turnover, the Japan earthquake had a more prominent impact on our profit margin. Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. Production costs increased and, coupled with the increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake, the Group's net profit for the six months ended 30 June 2011 decreased by approximately 25.6% to HK$104,232,000.

Nevertheless, in spite of the challenges, we continued to make progresses on our business fundamentals. In July 2011, we entered into agreements to acquire 100% interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie"), an automobile moulds company established in Chongqing, China, at a consideration of RMB61,020,092. As mentioned in our 2009 and 2010 annual reports, the Group is in the process of strategically expanding from its previous focus on just office automation (OA) equipment to devoting more resources on the fast growing China domestic market, with particular attention given to the huge automobile sector. Accordingly, the acquisition of Chongqing Digidie was executed as part of this strategic plan of the Group, with a view to strengthening the business foundation of the Group in the automotive sector and providing a platform for the expansion of the Group's business in Chongqing and other regions in western China.

Currently, Chongqing is one of the major production hubs in China for automobiles. A number of international automobile brand names have established production bases in Chongqing or its adjacent cities, which includes Ford, Mazda, Suzuki, Isuzu and Volvo. Some of these are existing customers of Chongqing Digidie, whilst others are its target customers. We are confident that by acquiring Chongqing Digidie, and by combining the precision engineering expertise of the Group for products with high dimensional accuracy requirements which is also necessary for high quality automobile products and the existing engineering expertise of Chongqing Digidie, Chongqing Digidie can successfully serve as a platform for the Group to obtain businesses from its existing and target customers. At the same time, the acquisition of Chongqing Digidie can also facilitate the expansion of the Group geographically since the Group has no production base in the western region of China prior to the acquisition.

Our traditional OA equipment business also saw significant progresses during the period. Despite the unstable supply of parts from Japan following the earthquake, the new OA equipment models which were related to a series of "integrated orders" obtained by the Group in 2010 were finally launched by the relevant customer to the market in May 2011. Under these integrated orders, we offered one-stop solution to produce mechanical modules of the new OA equipment models covering the production of relevant moulds, components and product assembly for the first time. The initial production volume following the market launch of these new OA equipment models was less than originally expected, which was primarily due to the supply chain disruption in Japan. However, on a brighter side, the fact that we had successfully assisted our customer to launch these new OA equipment models shortly after the earthquake demonstrated our production capabilities, which are necessary credentials for us to obtain integrated orders of similar nature from other Japanese brand owners. Up to the end of the financial period, total component revenue of approximately HK$123,819,000 was recognised in respect of the above-mentioned integrated orders.

The Group is also in the process of constructing another factory building within the Group's existing production base in Shi Yan Town, Shenzhen, which is scheduled for completion by end of 2011. Upon completion, certain of our production equipment will be relocated to the new factory building. However, should our production capacity be unable to cope with the rebound in orders following the normalisation of supply chain in Japan, the new factory building can provide adequate production floor area for further capacity expansion.

During the period, we continued to devote substantial efforts on maintaining a healthy balance sheet. Our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days), however, increased from 46 days for the year ended 31 December 2010 to 65 days for the six months ended 30 June 2011. The increase in cash conversion cycle was primarily caused by the production of mechanical modules relating to the "integrated orders" obtained by the Group in 2010. Since the manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, they require longer production lead time as compared to other traditional orders which cover the production of components only and therefore led to the piling up of inventories at the end of the financial period. Nonetheless, at the period end, the Group had net cash (defined as cash and bank balance less bank borrowings and finance lease liabilities) of approximately HK$372,365,000, our historical high, which has a strong appeal to existing and target customers looking for manufacturing partners in China as financial stability had become one of the key criteria for supplier selection after the financial crisis in 2008/09.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at 30% to 35% of net profit, and 1H2011 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement and sound financial management, whilst maximising returns to our shareholders.

Financial Review

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

	Six months ended 30 June			
	2011		2010	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**61,455**	**7.0%**	77,789	9.5%
Manufacturing of metal stamping components	**439,720**	**50.0%**	384,142	46.8%
Manufacturing of lathing components	**55,986**	**6.4%**	45,982	5.6%
Others *(Note 1)*	**12,748**	**1.5%**	14,410	1.7%
	569,909		522,323	
Plastic division				
Design and fabrication of plastic injection moulds	**45,100**	**5.1%**	60,888	7.4%
Manufacturing of plastic injection components	**260,466**	**29.6%**	235,151	28.7%
Others *(Note 1)*	**3,596**	**0.4%**	2,211	0.3%
	309,162		298,250	
Total	**879,071**		820,573	
Segment results				
Metal division	**76,444**		99,537	
Plastic division	**47,985**		64,682	
Operating profit	**124,429**		164,219	
Unallocated expenses	**(1,143)**		(406)	
Finance income	**1,428**		603	
Finance costs	**(4,461)**		(2,573)	
Income tax expense	**(14,498)**		(21,161)	
Non-controlling interests	**(1,523)**		(501)	
Profit attributable to equity holders of the Company	**104,232**		140,181	

Note 1: Others mainly represented sales of scrap materials

Turnover

The Group recorded a significant increase in the revenue from design and fabrication of metal stamping and plastic injection moulds during the last financial year. These moulds had been consigned in the Group's production bases for the mass production of metal stamping and plastic injection components starting from early 2011. Accordingly, despite the negative impact from the earthquake in Japan, the Group's revenue from manufacturing of metal stamping and plastic injection components continued to record growth by approximately 14.5% and 10.8% respectively during the six months ended 30 June 2011.

Under our existing business model, the brand owners will normally require the Group to jointly co-develop the relevant moulds with them during the product development stage of new models. After the earthquake, as the brand owners had shifted more focus on relief and restoration work, product development activities were delayed which resulted in a reduction in revenue from design and fabrication of metal stamping and plastic injection moulds by 23.2% during the period.

Gross profit

Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. Together with (1) an increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake and (2) a reduction in the percentage of mould revenue, which are higher margin products, to total turnover, the Group's gross profit reduced to approximately HK$237,856,000 and gross profit margin was 27.1%.

Segment results

For the six months ended 30 June 2011, segment results of the Group's metal and plastic division amounted to approximately HK$76,444,000 and HK$47,985,000, representing operating profit margin of approximately 13.4% and 15.5% respectively. Since the profit margin from mould revenue is generally higher than that from component revenue, the operating profit margin of the Group's plastic division is higher as its proportion of mould revenue to total divisional turnover is higher than that for the metal division.

Finance costs

The Group's finance costs for the six months ended 30 June 2011 increased to approximately HK$4,461,000, which was primarily caused by an increase in the total balance of bank borrowings and finance lease liabilities during the period.

Income tax expense

During the six months ended 30 June 2011, income tax expense amounted to approximately HK$14,498,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the six months ended 30 June 2011 was 12.1%, which was comparable to that for 1H2010.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2011, profit attributable to equity holders of the Company amounted to approximately HK$104,232,000, representing a decrease of approximately 25.6% as compared to that for the six months ended 30 June 2010. The reduction in profitability of the Group was primarily caused by the negative impact stemming from the earthquake in Japan as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2011, the Group recorded net cash generated from operating activities amounting to approximately HK$51,889,000, representing a decrease by approximately 33.8% as compared to that for the six months ended 30 June 2010, which was primarily caused by the reduction in the Group's net profit during the period. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK$188,880,000, increased by approximately 230.8% as compared to 1H2010 due to the purchases of additional equipments following the completion of the Group's new production base in Zhongshan by end of 2010 and the on-going construction of a new factory building in our existing production base at Shi Yan Town, Shenzhen during the period. In addition, the Group received net proceeds from exercise of warrants and share placement totaling HK$312,443,000. As such, net cash generated from financing activities of approximately HK$306,212,000 was recorded during the period.

Bank loans as at 30 June 2011 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2011 are as follows:

	30 June 2011	31 December 2010
Inventory turnover days *(Note 1)*	**62**	47
Debtors' turnover days *(Note 2)*	**82**	70
Creditors' turnover days *(Note 3)*	**79**	71
Cash conversion cycle *(Note 4)*	**65**	46
Current ratio *(Note 5)*	**2.00**	1.72
Net debt-to-equity ratio *(Note 6)*	**Net cash**	Net cash

Note -

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

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

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

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

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

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

Inventory turnover days

During the period, the Group gradually rammed up its production of mechanical modules relating to the "integrated orders" obtained by the Group in 2010. The manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, thus requires longer production lead time as compared to the traditional orders of the Group which cover the production of components only. As such, the Group's inventory turnover day increased by 15 days to 62 days during the period.

Debtors' and creditors' turnover days

During the six months ended 30 June 2011, the Group's debtors' and creditors' turnover days were approximately 82 days and 79 days respectively, which were in line with our normal credit periods with customers and suppliers of less than 90 days.

Current ratio and net debt-to-equity ratio

During the six months ended 30 June 2011, the Group continued to record positive cash flows from operations. Further, the Group executed a share placement in March 2011 which raised net proceeds of approximately HK$284,023,000. As such, the Group's current ratio and net debt-to-equity ratio improved during the period. As at 30 June 2011, the Group's current ratio was approximately 2.00 and the Group was in a net cash position.

FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2011, approximately 37%, 58% and 5% (For the six months ended 30 June 2010: 30%, 59% and 11%) of the Group's sales and approximately 13%, 71% and 16% (For the six months ended 30 June 2010: 20%, 68% and 12%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Although the settlement currencies between the Group's revenue and expenditure are basically matched, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi. Management will continue to closely monitor the Group's foreign currency exposure to safeguard the Group from any potential risks that may arise from the fluctuation in exchange rates.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2011, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book value of approximately HK$7,315,000 and HK$54,223,000 respectively for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book value of HK$127,179,000 for securing finance lease liabilities.

HUMAN RESOURCES

As at 30 June 2011, the total number of employees of the Group was 5,927 people, representing an increase of 8.8% as compared to 5,448 people as at 31 December 2010. The increase in headcount was primarily caused by the completion of the Group's new production base in Zhongshan and the recruitment of additional engineers during the period.

The Group considers its employees, in particular the skilled technicians 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' potential is also important for attracting and retaining qualified staff for its future success. Various employee activities were organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

OUTLOOK

Although the catastrophic earthquake in Japan had brought about temporary impacts on our 1H2011 results, our business fundamentals remained intact. Our ability to assist the relevant customer launching the new OA equipment models relating to the "integrated orders" obtained by us in 2010 despite an unstable supply of parts from Japan was an obvious proof of our production capabilities, and our quick responses after the earthquake demonstrated to other existing and target customers the benefits of our unique one-stop production model. We completed an acquisition in July 2011, a step forward in the fast growing China domestic consumption sector. Last but not the least, our balance sheet is at its strongest ever, with cash position strong enough to accommodate additional orders on a large scale.

At the time of writing, the post earthquake production has not been fully normalised. Whilst an unstable supply of parts from Japan that followed the earthquake may continue to have an impact on us in 2H2011, certain of our major customers had already publicised their views that the worst is now behind us. Though we may remain cautious in the near term, history always tells us that when restocking starts again in the aftermath, manufacturer with sound capabilities and proven track records is most likely to become the major beneficiary, and this is not without precedent.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

(1) Placing of new shares in March 2011

On 3 March 2011, the Company and CLSA Limited entered into a placing agreement pursuant to which CLSA Limited agreed to place up to 47,342,000 new shares of the Company (the "Placing Shares") at a price of HK$6.25 per share to Janus Capital Management LLC, an independent investment manager. The placing price of HK$6.25 represented (i) the closing price of HK$6.25 per share as quoted on The Stock Exchange of Hong Kong Limited on 2 March 2011, being the last trading day immediately preceding the date of the placing agreement; (ii) a premium of approximately 3.65% to the average closing price of HK$6.03 per share for the last 5 consecutive trading days up to and including 2 March 2011 and (iii) a premium of approximately 4.52% to the average closing price of HK$5.98 per share for the last 10 consecutive trading days up to and including 2 March 2011.

The Placing Shares represented approximately 5.71% of the then existing share capital of the Company and approximately 5.40% of the Company's issued share capital as enlarged by the Placing Shares. The Placing Shares were issued on 11 March 2011. The net proceeds from the placing of the Placing Shares were approximately HK$284,023,000. The net proceeds were intended to be applied for funding continuous business expansion and potential acquisition opportunities. As at the date of this report, the proceeds were placed on interest-bearing short-term deposits for the intended future uses.

(2) Issue of bonus shares

During the annual general meeting of the Company on 20 May 2011, the Company's shareholders passed a resolution to issue bonus shares on the basis of 1 bonus share for every 1 existing ordinary share. Accordingly, 878,808,900 shares were issued on 27 May 2011.

Save for disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2011.

PRE–EMPTIVE RIGHTS

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

BUSINESS ACQUISITION

In July 2011, the Group entered into agreements with Chongqing Iron and Steel Group Company Limited, Chongqing Kaichuang High Technology Venture Investment Company Limited and DSI Digidie Systems (Chongqing) Ltd. to acquire 100% equity interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie") at a total consideration of RMB61,020,092. Thereafter, Chongqing Digidie became a wholly-owned subsidiary of the Group.

Chongqing Digidie is located in Chongqing, China, and is principally engaged in the development, manufacture and sale of moulds for automobiles. The acquisition of 100% equity interests in Chongqing Digidie was executed as part of the Group's strategic plan to devoting more resources on the fast growing China domestic market, in particular the automotive sector.

CHANGES IN THE DIRECTORS' INFORMATION

The following changes in directors' information occurred during the six months ended 30 June 2011 and up to the date of this report:

1) Dr. Lui Sun Wing, an independent non-executive director, was re-designated from independent non-executive director to executive director of Leeport (Holdings) Limited with effect from 1 July 2011;

2) Mr. Leung Tai Chiu, an independent non-executive director, was appointed as an independent non-executive director of G-Vision International (Holdings) Limited with effect from 11 August 2011; and

3) Mr. Choy Tak Ho, an independent non-executive director, was appointed as an independent non-executive directors of China Solar Energy Holdings Limited with effect from 28 March 2011.

Save for disclosed above, there is no significant change to the profiles of the Company's executive and independent non-executive directors as disclosed in the Company's 2010 annual report dated 30 March 2011.

DIVIDENDS

The Board declared interim dividends of HK1.8 cents per ordinary share, totaling HK$31,637,000 for the six months ended 30 June 2011 to eligible shareholders whose names appear on the register of members of the Company on Monday, 12 September 2011. The interim dividends will be payable in cash on or about Friday, 16 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 September 2011 to Monday, 12 September 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividends for the six months ended 30 June 2011, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 6 September 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the interim report for the six months ended 30 June 2011.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 23 August 2011

As at the date of this announcement, the Board comprises four executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice-Chairman), Mr. Zhang Yaohua (Chief Executive Officer) and Mr. Nomo Kenshiro and three independent non-executive directors, being Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu.