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 2014

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

		Unaudited Six months ended 30 June	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,600,519**	1,184,071
Cost of sales		**(1,174,724)**	(897,225)
Gross profit		**425,795**	286,846
Other income		**3,416**	794
Other (losses)/gains – net		**(2,884)**	6,744
Selling and marketing costs		**(76,521)**	(55,899)
General and administrative expenses		**(200,252)**	(197,796)
Operating profit	*5*	**149,554**	40,689
Finance income	*6*	**11,309**	4,498
Finance costs	*6*	**(17,458)**	(12,122)
Share of loss of an associate		**(1,639)**	(1,330)
Profit before income tax		**141,766**	31,735
Income tax expense	*7*	**(12,890)**	(3,600)
Profit for the period		**128,876**	28,135

	Note	Unaudited Six months ended 30 June **2014** ***HK$'000***	 2013 *HK$'000*
Other comprehensive (loss)/income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**(4,393)**	6,620
Total comprehensive income for the period		**124,483**	34,755
Profit for the period attributable to:			
– Equity holders of the Company		**123,922**	27,005
– Non-controlling interests		**4,954**	1,130
		128,876	28,135
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		**120,064**	32,721
– Non-controlling interests		**4,419**	2,034
		124,483	34,755
Earnings per share for profit for the period attributable to equity holders of the Company (expressed in HK cents per share)			
– basic	*8*	**7.4**	1.6
– diluted	*8*	**7.1**	1.6
Dividend	*9*	**36,981**	8,063

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,887,874**	1,883,099
Leasehold land and land use rights		**165,477**	167,500
Goodwill		**2,545**	2,545
Investment in an associate		**16,164**	17,858
Prepayments, deposits and other receivables		**108,548**	141,979
		2,180,608	2,212,981
Current assets			
Inventories		**379,474**	309,935
Trade receivables	*10*	**640,261**	552,603
Loan and interest receivables	*11*	**142,010**	135,830
Amount due from a related company	*12*	**7,813**	-
Prepayments, deposits and other receivables		**119,562**	120,988
Short-term bank deposits		**50,394**	50,876
Restricted bank deposits		**13,639**	12,205
Cash and cash equivalents		**1,012,166**	953,426
		2,365,319	2,135,863
LIABILITIES			
Current liabilities			
Trade payables	*13*	**597,229**	514,317
Accruals and other payables		**216,392**	228,647
Bank borrowings		**729,466**	653,393
Finance lease liabilities		**50,957**	52,344
Current income tax liabilities		**13,693**	26,167
		1,607,737	1,474,868
Net current assets		**757,582**	660,995
Total assets less current liabilities		**2,938,190**	2,873,976

	Unaudited 30 June 2014 *HK$'000*	Audited 31 December 2013 *HK$'000*
Non-current liabilities		
Bank borrowings	**557,243**	586,379
Finance lease liabilities	**73,317**	95,638
Deferred taxation	**21,763**	22,008
	652,323	704,025
Net assets	**2,285,867**	2,169,951
EQUITY		
Capital and reserves		
Share capital	**167,977**	167,977
Reserves	**2,045,777**	1,934,280
Equity attributable to equity holders of the Company	**2,213,754**	2,102,257
Non-controlling interests	**72,113**	67,694
Total equity	**2,285,867**	2,169,951

Note:

1 BASIS OF PRESENTATION

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

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013, 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 28 August 2014. The condensed consolidated interim financial information has not been audited.

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements. Taxes on income in the interim period are accrued using the tax rates that would be applicable to expected total annual earnings.

(a) Relevant amendments and interpretation to existing standards effective for the financial year beginning 1 January 2014.

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets

The adoption of these new standards, amendments and interpretation to existing standards does not have any significant financial impact on the reported results and financial position of the Group.

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

		Effective for accounting periods beginning on or after
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs	1 July 2014
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs	1 July 2014
HKAS 16 and HKAS 38 (Amendments)	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the reported results and financial position of the Group. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

3 SEGMENT INFORMATION

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

At 30 June 2014, the Group is organised into three main business segments:

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

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

(iii) micro lending business ("Microcredit").

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 condensed consolidated interim financial information.

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

The segment results and other segment items are as follows:

	Six months ended 30 June 2014				Six months ended 30 June 2013			
	Metal stamping	**Plastic Injection**	**Microcredit**	**Total**	Metal stamping	Plastic injection	Microcredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment sales	**1,038,338**	**915,877**	**15,924**	**1,970,139**	811,840	593,271	8,800	1,413,911
Inter-segment sales	**(196,531)**	**(173,089)**	**–**	**(369,620)**	(124,742)	(105,098)	–	(229,840)
Sales	**841,807**	**742,788**	**15,924**	**1,600,519**	687,098	488,173	8,800	1,184,071
Segment results	**74,702**	**67,453**	**9,331**	**151,486**	14,469	18,983	6,366	39,818
Unallocated (expenses)/income, net				**(1,932)**				871
Finance income				**11,309**				4,498
Finance costs				**(17,458)**				(12,122)
Share of loss of an associate				**(1,639)**				(1,330)
Profit before income tax				**141,766**				31,735
Income tax expense				**(12,890)**				(3,600)
Profit for the period				**128,876**				28,135
Depreciation	**78,189**	**35,333**	**268**	**113,790**	64,101	31,099	10	95,210
Amortisation	**1,780**	**129**	**–**	**1,909**	1,267	110	–	1,377

For the periods ended 30 June 2013 and 2014, unallocated (expense)/income, net, represents corporate (expense)/income.

The segment assets and liabilities are as follows:

	As at 30 June 2014					As at 31 December 2013				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**2,667,732**	**1,727,826**	**147,763**	**2,606**	**4,545,927**	2,714,347	1,489,145	142,250	3,102	4,348,844
Liabilities	**157,028**	**750,238**	**1,200**	**1,351,594**	**2,260,060**	200,532	659,997	823	1,317,541	2,178,893
Capital expenditure	**109,033**	**12,838**	**769**	**–**	**122,640**	313,190	58,637	2,291	–	374,118

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

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 2014 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**4,543,321**	**908,466**
Unallocated:		
Cash and cash equivalents	**2,606**	**–**
Current income tax liabilities	**–**	**13,693**
Deferred taxation	**–**	**21,763**
Bank borrowings	**–**	**1,286,709**
Accruals and other payables	**–**	**29,429**
Total	**4,545,927**	**2,260,060**

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2013 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	4,345,742	861,352
Unallocated:		
Cash and cash equivalents	3,102	–
Current income tax liabilities	–	26,167
Deferred taxation	–	22,008
Bank borrowings	–	1,239,772
Accruals and other payables	–	29,594
Total	4,348,844	2,178,893

4 REVENUE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Revenue		
Design and fabrication of metal stamping moulds	**129,555**	119,403
Manufacturing of metal stamping components	**621,304**	488,977
Manufacturing of lathing components	**75,381**	64,962
Design and fabrication of plastic injection moulds	**75,995**	67,835
Manufacturing of plastic injection components	**661,135**	413,904
Income from micro lending business	**15,924**	8,800
Others *(Note)*	**21,225**	20,190
	1,600,519	1,184,071

Note: Others mainly represent sales of scrap materials.

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

The aggregated revenue for the six months ended 30 June 2014 for four customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$912,841,000 (2013: HK$683,162,000).

5 OPERATING PROFIT

Operating profit is stated after charging the followings:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Raw material and consumables used	**835,574**	600,648
Production overhead costs (excluding labour and depreciation expenses)	**98,003**	65,915
Staff costs, including directors' emoluments and share option costs		
– Share options granted	**–**	17,708
– Retirement benefit – defined contribution plans	**16,472**	13,677
– Others	**308,039**	255,597
Depreciation of property, plant and equipment	**113,790**	95,210
Amortisation of leasehold land and land use rights	**1,909**	1,377
Research and development expense	**3,672**	6,526
Provision for inventory obsolescence	**2,055**	3,328

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**11,309**	4,498
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**14,758**	11,992
Bank borrowings not wholly repayable within five years	**35**	47
Finance lease liabilities	**2,665**	1,056
	17,458	13,095
Less: Amounts capitalised on qualifying assets	**–**	(973)
	17,458	12,122

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**934**	–
– Mainland China enterprise income tax	**20,458**	6,810
– Over-provision in prior years	**(8,257)**	(2,965)
Deferred income tax	**(245)**	(245)
	12,890	3,600

(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 six months ended 30 June 2014 (2013: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for China corporate income tax was calculated on the statutory rate of 25% (2013: 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 period. Accordingly, the China corporate income tax for such subsidiaries has been provided for after taking into account of their tax exemptions and concessions.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Yihe Precision Hardware (Shenzhen) Co., Ltd., Chongqing Digidie Auto Body Ltd., and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. were each recognised by the Chinese Government as a "National High and New Technology Enterprise" and were therefore subject to a preferential tax rate of 15% during the periods ended 30 June 2013 and 2014.

(c) Overseas income taxes

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

(d) Development of tax cases

During the period, the Group agreed with the Hong Kong Inland Revenue Department the basis of tax assessment of Hong Kong profits tax in respect of certain long outstanding items by an amount of approximately HK$33,612,000, of which approximately HK$11,851,000 could be recovered from Prosper Empire Limited (see below). In this connection, the Group reversed excessive provision of approximately HK$7,076,000.

Prosper Empire Limited is owned by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors of the Company, and agreed to indemnify the Group for unprovided tax liabilities in respect of the aforesaid outstanding tax matters which relate to periods prior to May 2005.

8 EARNINGS PER SHARE

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

Basic

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**123,922**	27,005
Weighted average number of ordinary shares in issue ('000)	**1,679,774**	1,679,747
Basic earnings per share (HK cents per share)	**7.4**	1.6

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market 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.

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company (HK$'000)	**123,922**	27,005
Weighted average number of ordinary shares in issue ('000)	**1,679,774**	1,679,747
Adjustment for share options ('000)	**70,889**	52,421
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,750,663**	1,732,168
Diluted earnings per share (HK cents per share)	**7.1**	1.6

9 DIVIDEND

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Proposed interim dividend of HK2.2 cents (2013: HK0.48 cent) per ordinary share	**36,981**	8,063

10 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 180 days.

The aging of the trade receivables is as follows:

	As at	
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
0 to 90 days	**563,149**	511,978
91 to 180 days	**78,300**	41,813
	641,449	553,791
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**640,261**	552,603

The carrying amounts of trade receivables approximate their fair values.

11 LOAN AND INTEREST RECEIVABLES

Loan period analysis

The small and micro loans to customers arising under the Group's micro credit business have loan periods ranging from 7 days to 12 months.

Loan and interest receivables in respect of loans by repayment period were set as follows:

	As at	
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Within one year	**143,362**	137,195
Less: Provision for impairment	**(1,352)**	(1,365)
	142,010	135,830

The loans bear fixed interest rates ranging from 14.4% to 24.0% per annum (31 December 2013: 18.0% to 24.0% per annum), and are repayable according to the loan agreements.

As at 30 June 2014, no loan and interest receivables were overdue (31 December 2013: nil).

The loan and interest receivables are denominated in Chinese Reminbi and the carrying amounts of loan and interest receivables approximate their fair values as at 30 June 2014 and 31 December 2013.

As at 30 June 2014, loan and interest receivables of HK$143,362,000 (31 December 2013: HK$137,195,000) are neither past due nor considered impaired and relate to a wide range of customers for whom there was no history of default.

12 AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company is unsecured, interest free and denominated in Hong Kong dollars, and arose from the tax indemnity provided by the related company to the Group (Note 7(d)).

13 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
0 to 90 days	**494,670**	418,550
91 to 180 days	**100,858**	95,767
181 to 365 days	**1,701**	–
	597,229	514,317

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

During the period, the Group continued to make progresses in its strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diverse range products for the Chinese consumption market, particularly the huge high end consumer electronics and automobile sectors. As one of the milestone events in such expansion, we had successfully secured orders from a leading international smartphone and mobile tablet brand owner, for which delivery had commenced in early 2014. Our key appeal to this customer is our proven track record for outstanding quality and production management, which can minimise product deficiency and reduce production lead time to facilitate this customer coping with the increasingly shorter product life cycles in the smartphone and mobile tablet industry. At the same time, driven by the on-going trend for domestic brands to upgrade their product quality and brand positioning which necessitates the enlistment of higher end suppliers, we were also approached by numerous renowned domestic smartphone brand owners for procurement, for which delivery had also started in 1H2014. Our successful entry into the smartphone and tablet market was not only another proof of our superior technology and quality standards, but more importantly opened up a new realm for quantum leaps in our revenue going forward, as this market is well known for its massive size and rapid growth momentum.

In the automobile business, we continued to receive accolades from renowned automakers. Our new production base in Wuhan, which was completed by end of 2013 for automobile components and related welding services, had been ramping up its production smoothly during the period. At the same time, we had completed the construction of phase 2 of our Chongqing production base (which primarily produces automobile moulds at present) in early 2014, which is planned to be fitted out with equipment for automobile component production and welding gradually. With our Wuhan and Chongqing production bases in place, we can now extend our precision manufacturing services from the coastal area of China to two other major automobile hubs in the interior region. Taking into account the concentration of automakers in these areas and our outstanding engineering expertise which differentiates ourselves from other domestic suppliers, it is evident that the stage is now set for our business to grow prominently in this sector.

Our traditional OA equipment business also delivered remarkable performance. Unlike our competitors which are specialised in only a single type of service line, we are able to offer a unique one-stop solution covering the production of precision moulds and precision components, as well as automated product assembly such as precision laser welding. This provides strong incentives for our customers in OA equipment business to streamline their supplier bases and transfer a greater portion of their procurements to us, as our one-stop solution can effectively reduce the additional logistic costs and excess production lead time arising from our customers' current practice of outsourcing the production of moulds, components and product assembly to different suppliers. Driven by such streamlining process, we recorded a notable increase in revenue from this sector during the period.

The business of the Group's micro lending company in Shenzhen, in which the Group has a 60% stake, remained stable in 1H2014 as we had not enlarged the loan portfolio of this company. Having said that, we continued to devote resources for strengthening credit assessments and controls. Professional credit controllers were recruited and loans were only made to individuals or companies whose backgrounds were well known to the Group. Accordingly, no bad debt has occurred since its establishment in late 2012 (although a general provision for loan impairment based on about 1% of outstanding loan balance was made solely for the purpose of complying with the guideline issued by the Ministry of Finance of China). In the future, we expect the micro lending company to provide an auxiliary source of income to the Group, but we will nonetheless remain focused on our manufacturing business, which is well established and amidst rapid development.

In 2012 and 2013, we had been engaging in building new facilities to support capacity expansion, resulting in an increase in depreciation and other fixed costs which adversely affected our bottom lines in the past two years. Such investments started to yield benefits in 1H2014. With the expanded capacity, we had been able to cope with the surge in order flows which was driven by our development in different sectors as mentioned above. Accordingly, our turnover in 1H2014 increased by 35.2% to HK$1,600,519,000, another historical high. Since the notable increase in turnover improved the utilisation rate of our facilities and provided economies of scale, our gross profit margin for the period increased to 26.6% (1H2013: 24.2%). The impact of economies of scale was even more prominent on net profit margin as a majority of our general and administrative expenses are fixed in nature and did not increase in proportion to the growth in turnover. Coupled with the various cost control measures implemented by the Group and the absence of share option costs in the current period (1H2013: HK$17,708,000), our net profit for the period increased significantly by 358.9% to HK$123,922,000.

During the period, we continued to devote substantial effort to maintaining a healthy balance sheet. Cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) for the period remained short at 39 days despite a notable growth in turnover and business volume. Our net debt-to-equity ratio was low at 15.1%, which is attractive to existing and target customers looking for manufacturing partners as financial stability has become one of their key criteria for supplier selection to ensure a reliable supply chain.

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 approximately 30% of net profit, and 1H2014 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, 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			
	2014		2013	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**129,555**	**8.1%**	119,403	10.1%
Manufacturing of metal stamping components	**621,304**	**38.8%**	488,977	41.3%
Manufacturing of lathing components	**75,381**	**4.7%**	64,962	5.5%
Others *(Note 1)*	**15,567**	**1.0%**	13,756	1.2%
	841,807		687,098	
Plastic division				
Design and fabrication of plastic injection moulds	**75,995**	**4.7%**	67,835	5.7%
Manufacturing of plastic injection components	**661,135**	**41.3%**	413,904	35.0%
Others *(Note 1)*	**5,658**	**0.4%**	6,434	0.5%
	742,788		488,173	
Income from micro lending business	**15,924**	**1.0%**	8,800	0.7%
Total	**1,600,519**		1,184,071	
Segment results				
Metal division	**74,702**		14,469	
Plastic division	**67,453**		18,983	
Micro lending business	**9,331**		6,366	
Operating profit	**151,486**		39,818	
Unallocated (expense)/income	**(1,932)**		871	
Finance income	**11,309**		4,498	
Finance costs	**(17,458)**		(12,122)	
Share of loss of an associate	**(1,639)**		(1,330)	
Income tax expense	**(12,890)**		(3,600)	
Non-controlling interests	**(4,954)**		(1,130)	
Profit attributable to equity holders of the Company	**123,922**		27,005	

Note 1: Others mainly represented sales of scrap materials

Turnover

Attracted by the unique one-stop solution of the Group, our customers in OA equipment sector continued to transfer a higher percentage of their purchases to us during the period. Coupled with the development of our businesses in automobile and high end consumer electronics sectors, our total turnover increased by 35.2% to HK$1,600,519,000.

The Group's micro lending company was established by end of 2012, and was therefore under trial operation period for most of the time in 1H2013. Accordingly, income from micro lending business was lower in 1H2013.

Gross profit

During the period, our gross profit margin increased to 26.6% (1H2013: 24.2%), which was primarily attributable to the improvement in utilisation rate of production facilities and economies of scale brought by the notable growth in turnover.

Segment results

As mentioned above, the Group enjoyed economies of scale brought by the growth in turnover. The impact of economies of scale was even more prominent on operating profit margin because a majority of the Group's general and administrative expenses were fixed costs and did not increase in proportion to the growth in turnover. Coupled with the various cost control measures implemented by the Group and the absence of share option costs in the current period (1H2013: HK$17,708,000), the operating profit margin of the Group's metal and plastic divisions improved to 8.9% and 9.1% respectively.

The operating profit margin of the Group's micro lending business was 58.6%, which decreased as compared to that for 1H2013 because the Group continued to devote resources to strengthening credit assessments and controls. Accordingly, operating costs of this business increased.

Finance costs

The Group's finance costs for the six months ended 30 June 2014 increased to approximately HK$17,458,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities during the period.

Income tax expense

During the period, income tax expense amounted to HK$12,890,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 9.1%, which decreased as compared to that for 1H2013 because the Group had settled with the Hong Kong Inland Revenue Department (the "HKIRD") in respect of its offshore claim which had been queried by the HKIRD since 2005, and wrote back the related tax provision which was in excess of the settlement amount.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company increased to HK$123,922,000, which was primarily caused by the notable growth in turnover and the improvement in the Group's operating profit margin as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

During the six months ended 30 June 2014, the Group's net cash inflow from operating activities increased to HK$136,608,000 (1H2013: net cash outflow of HK$5,695,000) since the Group recorded a significant growth in turnover and profit during the period. In 1H2013, the Group's fixed deposits of HK$102,362,000 became mature and therefore the Group recorded a cash inflow item from investing activities of the same amount. With the absence of such item in 1H2014, the Group's recorded net cash outflow from investing activities of HK$89,426,000 for the period (1H2013: net cash inflow of HK$64,606,000), which was primarily related to the purchases of fixed assets. Further, since the Group's net cash inflow from operating activities increased significantly in 1H2014, it had been able to fund its investing activities without relying on bank loans. Therefore, the amount of new borrowings decreased and the Group's net cash inflow from financing activities reduced to HK$12,155,000 for the period (1H2013: HK$246,034,000).

Bank loans as at 30 June 2014 were denominated in Hong Kong and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2014 is as follows:

	30 June 2014	31 December 2013
Inventory turnover days *(Note 1)*	**58**	56
Debtors' turnover days *(Note 2)*	**73**	77
Creditors' turnover days *(Note 3)*	**92**	93
Cash conversion cycle *(Note 4)*	**39**	40
Current ratio *(Note 5)*	**1.47**	1.45
Net debt-to-equity ratio *(Note 6)*	**15.1%**	17.7%

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 period.

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 period.

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 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's inventory turnover days was 58 days, which was comparable to that for the year ended 31 December 2013.

Debtors' and creditors' turnover days

Despite a notable increase in turnover, the Group's debtors' turnover days decreased slightly to 73 days due to the stringent credit control of the Group. Creditors' turnover days was 92 days, which was in line with that for the year ended 31 December 2013.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 30 June 2014 was 1.47, which was in line with that as at 31 December 2013. During the period, the Group recorded a notable growth in profit and operating cash inflows. Accordingly, bank balances and shareholders' equity increased which resulted in a reduction of the Group's net debt-to-equity ratio as at 30 June 2014.

HUMAN RESOURCES

As at 30 June 2014, the total number of employees of the Group was 8,502 employees, which was comparable to 8,257 employees as at 31 December 2013.

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. Training programmes are offered to employees for their continuous development. Besides, various employee activities were organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

FOREIGN CURRENCY EXPOSURES

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. For the six months ended 30 June 2014, the Group's sales and purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	28.0%	10.5%
US dollars	51.2%	60.0%
Renminbi	20.8%	29.5%

Although the majority of the Group's revenue and expenditure are in HK dollars and US dollars (which are pegged), management evaluates the Group's foreign currency exposures on a continuing basis and takes actions to minimise the Group's exposures, in particular those relating to the fluctuation in Renminbi exchange rate. The Group purposely increased the percentage of sales denominated in Renminbi to match with its Renminbi purchases. Further, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings were denominated in Hong Kong and United States dollars to match repayment currency with its major source of operating cash inflow. Management will continue to closely monitor the Group's foreign currency exposures 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 2014, the charges on the Group's assets included (i) pledge of leasehold land and building located in Hong Kong with net book amounts of approximately HK$6,489,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of approximately HK$282,201,000 for securing finance lease liabilities.

OUTLOOK

With the roll out of the fourth generation ("4G") wireless communication system licenses in China at the end of 2013, the smartphone and tablet industry has entered into another boom cycle, presenting exciting opportunities to the related component industry. At the same time, competition among international and domestic brands is escalating, with leading brands striving to remain on top and domestic brands devoting utmost effort to upgrading brand images in an attempt to break into the top rank. Under this competitive environment, both international and domestic brands are imposing stricter requirements on product quality and production management standards, which necessitates the enlistment of higher end manufacturers into their supply chains. Our proven track record for outstanding quality and production management is strongly attractive to them, which is evidenced by the receipt of orders from international and domestic brands alike in 1H2014. Looking forward, our successful entry into the smartphone and tablet market presents a rosy prospect for us, as this market is well known for its massive size and rapid growth momentum.

Despite a general expectation for slower growth as compared to the past, China's automobile market is still in its ascending channel and far from saturation. At the same time, China's automobile industry has also entered into a new phase of development as customers' demand is rapidly shifting from low cost vehicles to higher quality vehicles with better performance. With our proven engineering expertise which differentiates ourselves from other domestic suppliers, we are in a very favourable position to capture the growing demand for sophisticated moulds and components tailored for higher quality vehicles. Our Wuhan and Chongqing production bases also enable us to extend our precision manufacturing services from the coastal area of China to two other major automobile hubs in the interior region. Accordingly, we are poised for significant growth in this sector.

For micro lending business, we will remain committed to a conservative loan policy and the strengthening of credit management.

Last but not the least, having successfully foreseen the trend of major brand owners streamlining their supplier bases in OA equipment industry, we had started building up the necessary production divisions and accumulating technologies for our unique one-stop solution since 2005. This provided us with an apparent first mover advantage and our unique one-stop solution has now become one of our key competitive advantages which our competitors are unable to imitate. Accordingly, it is evident that our traditional OA equipment business will continue to be one of our future growth drivers, from which we can generate substantial cash flows to fund our expansion in other new sectors.

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 six months ended 30 June 2014.

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.

DIVIDEND

The Board declared an interim dividend of HK2.2 cents per ordinary shares, totaling HK$36,981,000 for the six months ended 30 June 2014 to eligible shareholders whose names appear on the register of members of the Company on Wednesday, 17 September 2014. The interim dividends will be payable in cash on or about Wednesday, 24 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 September 2014 to Wednesday, 17 September 2014, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 June 2014, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 September 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 2014.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2014.

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 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 Mr. Leung Tai Chiu 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 2014.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 28 August 2014

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