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 2015

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 2015 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

		Unaudited	
		Six months ended 30 June	
	Note	**2015**	2014
		HK$'000	*HK$'000*
Revenue	*4*	**1,761,504**	1,600,519
Cost of sales		**(1,279,151)**	(1,174,724)
Gross profit		**482,353**	425,795
Other income		**4,383**	3,416
Other gains/(losses) – net		**14,787**	(2,884)
Selling and marketing costs		**(88,370)**	(76,521)
General and administrative expenses		**(261,545)**	(200,252)
Operating profit	*5*	**151,608**	149,554
Finance income	*6*	**8,681**	11,309
Finance costs	*6*	**(18,468)**	(17,458)
Share of loss of an associate		**(1,194)**	(1,639)

	Note	Unaudited Six months ended 30 June **2015** ***HK$'000***	 2014 *HK$'000*
Profit before income tax		**140,627**	141,766
Income tax expense	*7*	**(17,085)**	(12,890)
Profit for the period		**123,542**	128,876
Other comprehensive income/(loss) for the period, net of tax			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**211**	(4,393)
Total comprehensive income for the period		**123,753**	124,483
Profit for the period attributable to:			
– Equity holders of the Company		**118,135**	123,922
– Non-controlling interests		**5,407**	4,954
		123,542	128,876
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		**118,320**	120,064
– Non-controlling interests		**5,433**	4,419
		123,753	124,483
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**6.6**	7.4
– diluted	*8*	**6.3**	7.1
Dividend	*9*	**37,281**	36,981

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,910,175**	1,913,652
Leasehold land and land use rights		**184,143**	163,940
Goodwill		**2,545**	2,545
Investment in an associate		**13,735**	14,927
Prepayments, deposits and other receivables		**134,358**	96,009
Amount due from a related company		**3,173**	3,173
Available-for-sale financial assets		**49,274**	25,197
		2,297,403	2,219,443
Current assets			
Inventories		**458,924**	425,491
Trade receivables	*10*	**808,353**	707,782
Loan and interest receivables	*11*	**131,796**	138,720
Amount due from a related company	*12*	**1,587**	1,587
Prepayments, deposits and other receivables		**131,280**	126,139
Restricted bank deposits		**37,474**	29,979
Short-term bank deposits		**303,364**	162,258
Cash and cash equivalents		**1,090,525**	989,428
		2,963,303	2,581,384
LIABILITIES			
Current liabilities			
Trade payables	*13*	**646,039**	613,051
Accruals and other payables		**212,499**	228,658
Bank borrowings		**1,093,938**	861,919
Finance lease liabilities		**43,231**	48,519
Current income tax liabilities		**10,637**	19,097
		2,006,344	1,771,244

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Net current assets	**956,959**	810,140
Total assets less current liabilities	**3,254,362**	3,029,583
Non-current liabilities		
Bank borrowings	**506,916**	546,127
Finance lease liabilities	**31,573**	51,072
Deferred taxation	**21,273**	21,518
	559,762	618,717
Net assets	**2,694,600**	2,410,866
EQUITY		
Capital and reserves		
Share capital	**186,405**	168,334
Reserves		
– Proposed dividend	**37,281**	47,340
– Others	**2,389,770**	2,119,481
Equity attributable to equity holders of the Company	**2,613,456**	2,335,155
Non-controlling interests	**81,144**	75,711
Total equity	**2,694,600**	2,410,866

Note:

1. BASIS OF PRESENTATION

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components 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 2014, 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 25 August 2015. 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 2014, as described in those annual financial statements.

(a) Relevant amendments to existing standards effective for the financial year beginning 1 January 2015.

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

The adoption of these amendments 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 2015 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

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 2015, 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 division");

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

(iii) micro lending business in Mainland China ("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 prevailing for arm's length transactions.

The segment results and other segment items are as follows:

	Six months ended 30 June 2015				Six months ended 30 June 2014			
	Metal division	**Plastic division**	**Microcredit**	**Total**	Metal division	Plastic division	Microcredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment sales	**1,004,011**	**812,518**	**16,800**	**1,833,329**	1,038,338	915,877	15,924	1,970,139
Inter-segment sales	**(65,029)**	**(6,796)**	**–**	**(71,825)**	(196,531)	(173,089)	–	(369,620)
Sales	**938,982**	**805,722**	**16,800**	**1,761,504**	841,807	742,788	15,924	1,600,519
Segment results	**78,151**	**69,277**	**7,194**	**154,622**	74,702	67,453	9,331	151,486
Unallocated expenses, net				**(3,014)**				(1,932)
Finance income				**8,681**				11,309
Finance costs				**(18,468)**				(17,458)
Share of loss of an associate				**(1,194)**				(1,639)
Profit before income tax				**140,627**				141,766
Income tax expense				**(17,085)**				(12,890)
Profit for the period				**123,542**				128,876
Depreciation	**83,244**	**36,859**	**382**	**120,485**	78,189	35,333	268	113,790
Amortisation	**1,792**	**121**	**–**	**1,913**	1,780	129	–	1,909

For the periods ended 30 June 2014 and 2015, unallocated expenses, net, represent corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2015					As at 31 December 2014				
	Metal division	**Plastic division**	**Microcredit**	**Un–allocated**	**Total**	Metal division	Plastic division	Microcredit	Un–allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,062,522**	**2,036,049**	**160,584**	**1,551**	**5,260,706**	2,821,210	1,814,646	157,176	7,795	4,800,827
Liabilities	**53,643**	**753,713**	**971**	**1,757,779**	**2,566,106**	112,178	706,930	1,625	1,569,228	2,389,961

The segment capital expenditure is as follows:

	For the period ended 30 June 2015					For the period ended 30 June 2014				
	Metal division	**Plastic division**	**Microcredit**	**Un–allocated**	**Total**	Metal division	Plastic division	Microcredit	Un–allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	**104,555**	**36,363**	**341**	**–**	**141,259**	109,033	12,838	769	–	122,640

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

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 2015 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**5,259,155**	**808,327**
Unallocated:		
Cash and cash equivalents	**1,551**	**–**
Current income tax liabilities	**–**	**10,637**
Deferred taxation	**–**	**21,273**
Bank borrowings	**–**	**1,600,854**
Finance lease liabilities	**–**	**74,804**
Accruals and other payables	**–**	**50,211**
Total	**5,260,706**	**2,566,106**

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2014 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	4,793,032	820,733
Unallocated:		
Cash and cash equivalents	3,596	–
Other receivables	4,199	–
Current income tax liabilities	–	19,097
Deferred taxation	–	21,518
Bank borrowings	–	1,408,046
Finance lease liabilities	–	99,591
Accruals and other payables	–	20,976
Total	4,800,827	2,389,961

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

The aggregated revenue for the six months ended 30 June 2015 for three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$748,434,000 (For the six months ended 30 June 2014: Four customers; HK$912,841,000).

4. REVENUE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Design and fabrication of metal stamping moulds	**192,056**	129,555
Manufacturing of metal stamping components	**659,533**	621,304
Manufacturing of lathing components	**73,997**	75,381
Design and fabrication of plastic injection moulds	**89,135**	75,995
Manufacturing of plastic injection components	**710,964**	661,135
Income from micro lending business	**16,800**	15,924
Others *(Note)*	**19,019**	21,225
	1,761,504	1,600,519

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

5. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Raw material and consumables used	**847,889**	835,574
Production overhead costs (excluding labour and depreciation expenses)	**152,368**	98,003
Staff costs, including directors' emoluments and share option costs		
– Retirement benefit – defined contribution plans	**21,553**	16,472
– Others	**391,342**	308,039
Depreciation of property, plant and equipment	**120,485**	113,790
Amortisation of leasehold land and land use rights	**1,913**	1,909
Research and development expense	**–**	3,672
Provision for loan receivable	**2,577**	–
Provision for inventory obsolescence	**2,830**	2,055

6. FINANCE INCOME/COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**8,681**	11,309
Finance costs		
Interest expense on:		
Bank borrowings	**16,403**	14,793
Finance lease liabilities	**2,065**	2,665
	18,468	17,458

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**337**	934
– Mainland China enterprise income tax	**21,771**	20,458
– Over-provision in prior years	**(4,778)**	(8,257)
Deferred income tax	**(245)**	(245)
	17,085	12,890

(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 2015 (2014: 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% (2014: 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.

(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 2014 and 2015.

(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.

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	
	2015	2014
Profit attributable to equity holders of the Company *(HK$'000)*	**118,135**	123,922
Weighted average number of ordinary shares in issue *('000)*	**1,796,007**	1,679,774
Basic earnings per share *(HK cents per share)*	**6.6**	7.4

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	
	2015	2014
Profit attributable to equity holders of the Company *(HK$'000)*	**118,135**	123,922
Weighted average number of ordinary shares in issue *('000)*	**1,796,007**	1,679,774
Adjustment for share options *('000)*	**71,161**	70,889
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,867,168**	1,750,663
Diluted earnings per share *(HK cents per share)*	**6.3**	7.1

9. DIVIDEND

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Proposed interim dividend of HK2.0 cents (2014: HK2.2cents) per ordinary share	**37,281**	36,981

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 2015	31 December 2014
	HK$'000	*HK$'000*
0 to 90 days	**757,637**	607,846
91 to 180 days	**51,904**	101,124
	809,541	708,970
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**808,353**	707,782

The top five customers and the largest customer accounted for 45.0% (31 December 2014: 60.4%) and 13.1% (31 December 2014: 15.0%), respectively, of the trade receivables balance as at 30 June 2015. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

During the six months ended 30 June 2015, the Group recorded no provision for its trade receivables (30 June 2014: nil).

11. LOAN AND INTEREST RECEIVABLES

The loans to customers arising under the Group's micro lending business have loan periods ranging from 2 days to 12 months (31 December 2014: 2 days to 12 months).

The repayment period of loan and interest receivables is set as follows:

	As at	
	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
Within one year	**135,764**	140,111
Less: Provision for impairment	**(3,968)**	(1,391)
	131,796	138,720

As at 30 June 2015, the loans bore fixed interest rates ranging from 14.4% to 36.0% per annum (31 December 2014: 18.0% to 24.0% per annum).

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

As at 30 June 2015, loan and interest receivables of HK$8,623,000 (31 December 2014: HK$5,679,000) were overdue but considered not impaired. These relate to a few independent customers for whom there is no recent history of default.

The loan and interest receivables are denominated in RMB.

12. AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company is unsecured, non-interest bearing, denominated in Hong Kong dollars, and repayable by instalments in three years from December 2015 to December 2017. The balance was arose from the tax indemnity provided by the related company.

13. TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
0 to 90 days	**509,549**	478,857
91 to 180 days	**135,853**	134,090
181 to 365 days	**637**	104
	646,039	613,051

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

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

We have commenced the construction of a new industrial park in Vietnam since early 2015. The new Vietnam industrial park, which has a land area of approximately 37,000 square metres and planned floor area of approximately 12,000 square metres, is to be located at Haiphong, Vietnam, and is scheduled for production in early 2016. The establishment of the new Vietnam industrial park at the invitation of major OA equipment customers not only fortifies our leading position in the OA equipment industry, but also presents us with a new opportunity to extend our precision manufacturing services outside China. Upon completion, the new Vietnam industrial park will initially focus on tapping businesses from the OA equipment customers, but it will also expand into other sectors such as the high end consumer electronic sector at a later stage, as Vietnam is also well known as one of the major manufacturing hubs for these products.

During the period, China continued its intricate transition from a low cost processing centre into a high end manufacturing hub emphasising more on product quality, creativity and efficiency. Rising costs in China caused weaker manufacturers to lose their advantages, whilst high end manufacturers with proven track records in engineering innovation and production management benefited from an even larger marketplace brought by China's massive consumption demand for high quality and sophisticated products. To consolidate our leading position in China's manufacturing industry, we have devoted resources to technological enhancement, which included the formation of strategic partnerships with numerous universities in China for research and development, and production automation to gradually replace labour intensive processes with robotic production lines. Conscious steps have also been taken since a few years ago to extend our scope of business from previously focusing on just OA equipment to also serving the massive automobile and high end consumer electronic markets. We are now equipped with seven comprehensive production facilities in China, covering China's major production hubs for high end consumer electronics products, automobiles and precision equipment. We are also actively seeking new orders and opportunities from the market of other smart devices such as wearable smart accessories. Accordingly, we are poised to be a major beneficiary in the next phase of development in China's manufacturing industry.

Our investments in the past continued to provide rewards for the current period. New orders surged, which was reflected in the notable growth in our mould revenue for the period. Under the Group's business model, our customers will normally require us to jointly co-develop the relevant moulds with them during their product development stages. The completed moulds will then be consigned in our industrial parks for future mass production of components and semi-finished products when our customers launch their new products to the market. In other words, mould revenue is a leading indicator of our future production volume of components and semi-finished products. As many customers decided to increase their procurements from us for their new products, our production and sales of moulds were robust during the period. Mould revenue for the period increased by 36.8% and reached HK$281,191,000, another historical high. Therefore, we expect to see a substantial increase in the sales of components and semi-finished products in the later period.

During the period, the business of the Group's micro lending company in Shenzhen, in which the Group has a 60% stake, remained stable as we had not made any additional investment in this business. 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 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 undergoing rapid development.

Total turnover of the Group for the period increased by 10.1% to HK$1,761,504,000, which was primarily driven by the prominent growth in the sales of moulds as mentioned above. The growth in component revenue (which included the sales of semi-finished products) for the period was slower at 6.4%, as most of the new products of our customers were still under development and had not been launched to the market in the first half of 2015. Gross profit margin increased slightly to 27.4% (1H2014: 26.6%), thanks to the growth in the sales of moulds (which are higher margin products) that also raised the percentage of mould revenue to total turnover for the period. However, we continued to experience a general increase in employment and other costs in China's manufacturing industry during the period. Coupled with the absence of an one-off income from reversal of tax provision in relation to the settlement of tax cases in Hong Kong in the current period (1H2014: HK$7,076,000), the Group's net profit decreased slightly by 4.7% to HK$118,135,000.

Despite the aforesaid, we are confident that the slight reduction in our net profit was only temporary, which was clearly evidenced by our robust mould development activities throughout the period. Going forward, these mould development activities are very likely to lead to a prominent growth in our sales of components and semi-finished products, which can outweigh the increase in costs and revitalise our profit growth.

The Group is committed to generating positive returns through sustainable operations. We will seek growth and higher returns by sharpening our competitive edges, and will also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities which are of great potentials and add to our existing portfolio. We have a philosophy of creating values to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout of approximately 30% of net profit, and the first half of 2015 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2015		2014	
	HK$'000	*%*	*HK$'000*	*%*
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**192,056**	**10.9%**	129,555	8.1%
Manufacturing of metal stamping components	**659,533**	**37.4%**	621,304	38.8%
Manufacturing of lathing components	**73,997**	**4.2%**	75,381	4.7%
Others *(Note 1)*	**13,396**	**0.8%**	15,567	1.0%
	938,982		841,807	
Plastic division				
Design and fabrication of plastic injection moulds	**89,135**	**5.1%**	75,995	4.7%
Manufacturing of plastic injection components	**710,964**	**40.4%**	661,135	41.3%
Others *(Note 1)*	**5,623**	**0.3%**	5,658	0.4%
	805,722		742,788	
Income from micro lending business	**16,800**	**0.9%**	15,924	1.0%
Total	**1,761,504**		1,600,519	

	Six months ended 30 June			
	2015		2014	
	HK$'000	*%*	*HK$'000*	*%*
Segment results				
Metal division	**78,151**		74,702	
Plastic division	**69,277**		67,453	
Micro lending business	**7,194**		9,331	
Operating profit	**154,622**		151,486	
Unallocated expenses, net	**(3,014)**		(1,932)	
Finance income	**8,681**		11,309	
Finance costs	**(18,468)**		(17,458)	
Share of loss of an associate	**(1,194)**		(1,639)	
Income tax expense	**(17,085)**		(12,890)	
Non-controlling interests	**(5,407)**		(4,954)	
Profit attributable to equity holders of the Company	**118,135**		123,922	

Note 1: Others mainly represented sales of scrap materials

Turnover

Attracted by our innovative production solutions and proven engineering standards, our customers transferred a higher portion of their procurements to us for their new products which were under development during the period. Total turnover increased by 10.1% to HK$1,761,504,000, which was primarily driven by the notable growth in the sales of moulds during the period.

Income from micro lending business in 1H2015 was HK$16,800,000, which was comparable to that in 1H2014.

Gross profit

Despite an increase in costs, our gross profit margin improved slightly to 27.4% (1H2014: 26.6%), which was primarily attributable to the strong growth in the sales of moulds (which are higher margin products) that raised the percentage of mould revenue to total turnover during the period.

Segment results

The Group continued to experience a general increase in employment and other costs in China's manufacturing industry during the period. Accordingly, the operating profit margin of the Group's metal and plastic divisions decreased slightly to 8.3% and 8.6% respectively.

The operating profit margin of the Group's micro lending business was 42.8%, which decreased as compared to that for 1H2014 because the Group adopted a conservative loan policy. Substantial resources were devoted to credit assessments and controls including the recruitment of qualified credit controllers and preparation of legal documentation for loans and collaterals which resulted in an increase in operating costs of this business.

Finance costs

The Group's finance costs in 1H2015 was HK$18,468,000, which was comparable to that in 1H2014.

Income tax expense

During the period, income tax expense amounted to HK$17,085,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 12.1%, which increased as compared to that in 1H2014. In 1H2014, the Group settled with the Hong Kong Inland Revenue Department (the "HKIRD") in respect of its offshore claim which was queried by the HKIRD since 2005, and recorded an one-off income amounting to HK$7,076,000 from the reversal of the related tax provision which was in excess of the settlement amount. With the absence of this one-off income, effective tax rate in 1H2015 increased.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company decreased slightly by 4.7% to HK$118,135,000, which was primarily caused by the increase in costs and the absence of an one-off income from reversal of tax provision in the current period as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

During the six months ended 30 June 2015, the Group's net cash inflow from operating activities was HK$128,170,000 (1H2014: HK$136,608,000), which was comparable to that in 1H2014. In 1H2015, the Group placed additional short-term bank deposits with maturity dates of more than three months amounting to HK$141,106,000, and therefore recorded a cash outflow item from investing activities of the same amount. Besides, the Group incurred additional capital expenditures for the construction of its new Vietnam industrial park. Accordingly, the Group's net cash outflow from investing activities increased from HK$89,426,000 in 1H2014 to HK$355,088,000 in 1H2015. The Group's net cash inflow from financing activities increased from HK$12,155,000 in 1H2014 to HK$328,002,000 in 1H2015, primarily because the Group received net proceeds from a share placement and the exercises of share options by employees amounting to HK$131,269,000 and HK$79,040,000 respectively during the period.

Bank loans as at 30 June 2015 were denominated in Hong Kong and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2015 is as follows:

	30 June 2015	31 December 2014
Inventory turnover days *(Note 1)*	**65**	61
Debtors' turnover days *(Note 2)*	**84**	75
Creditors' turnover days *(Note 3)*	**91**	88
Cash conversion cycle *(Note 4)*	**58**	48
Current ratio *(Note 5)*	**1.48**	1.46
Net debt-to-equity ratio *(Note 6)*	**9.3%**	14.0%

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

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

Debtors' and creditors' turnover days

Since late 2014, our customers have been engaging in new product development activities and therefore our production and sales of moulds were robust during the period. Most of these moulds were completed and sold by the Group in the second quarter of 2015. Such sales were still within normal credit periods and remained unpaid at period end. Therefore, balance of trade receivables increased which led to an increase in the Group's debtors' turnover days to 84 days for the period.

Creditors' turnover days increased slightly to 91 days for the period, which was primarily because the Group had successfully negotiated with certain of its suppliers for longer credit periods with a view to streamlining working capital requirements.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 30 June 2015 was 1.48, which was comparable to that as at 31 December 2014. During the period, the Group received net proceeds from a share placement and the exercises of share options by employees amounting to HK$131,269,000 and HK$79,040,000 respectively. Accordingly, the Group's net debt-to-equity ratio improved during the period.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2015, the Group's sales and purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	25.9%	12.4%
US dollars	45.7%	60.0%
Renminbi	26.9%	27.6%
Euro	1.5%	–

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic material producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars (which are pegged). The Group also has a policy of using Renminbi to settle the purchases of materials used for Renminbi denominated sales. Sales denominated in Euro were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers.

Although the Group's sales and purchases are basically transacted in matching currencies, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. Going forward, management will continue to safeguard the Group from exchange rate risks by closely managing its foreign currency exposure.

HUMAN RESOURCES

As at 30 June 2015, the total number of employees of the Group was 9,061 employees, which was comparable to 9,075 employees as at 31 December 2014.

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

OUTLOOK

Despite a general expectation of slower growth as compared to the past, China's economy is still on a development path and far from saturation. However, at present, China's transition from an export-driven, low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency presents a lot of challenges to the manufacturers. Weaker companies whose only competitive advantage is low costs are expected to go out of business, and surviving companies with a proven track record for outstanding quality and innovative production solutions are poised to benefit from a much less crowded marketplace. At the same time, competition among different brand owners in the end markets of OA equipment, automobile and high end consumer electronic industries alike is escalating. Under this competitive environment, brand owners are imposing stricter requirements on product quality and production management standards, which necessitates the enlistment of higher end manufacturers into their supply chains. Manufacturers whose engineering and production management capabilities are endorsed by brand owners are also very likely to be invited for partnerships outside China, presenting these manufacturers with exciting opportunities for global expansion.

The Group is well prepared to embrace the next wave of development in the manufacturing industry. Over the years, we have been devoting resources for technology improvement and strengthening our engineering teams. Such investments have given us the reputation as a leader in precision engineering and innovative production solutions in China. We have developed a unique one-stop solution, which provides us with a distinctive competitive advantage as our one-stop services can effectively reduce the additional costs and excess production lead time that arise from outsourcing different production processes to different suppliers. Conscious steps have also been taken since a few years ago to expand the spectrum of our business from previously focusing on just OA equipment to also covering automobiles and high end consumer electronic products, enabling us to utilise our precision engineering expertise to ride on the rapid shift of customers' demand from low cost products to higher quality products in the massive automobile and high end consumer electronic markets in China. We have added new production facilities, and thereafter the reach of our precision manufacturing services can cover the major production hubs for high end consumer electronic products, automobiles and precision equipment in China.

These strategic moves put us on a fast track to significant business growth. With a proven track record as a valued business partner, we have been invited by major brand owners to take part in their supply chains outside China, thereby opening up a new realm for swift growth through overseas expansion. At the same time, the Group is actively seeking new orders and opportunities from the market of other smart devices such as wearable smart accessories. Last but not the least, new orders in China have also surged, which is clearly demonstrated by the notable growth in our sales of moulds in the first half of 2015. As these moulds will be used for mass production of components and semi-finished products when our customers launch their new products to the market, we expect to see a substantial increase in turnover and a revitalisation of our profit growth.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2015, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK$6,227,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$252,964,000 for securing finance lease liabilities.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

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

Stock Exchange of Hong Kong Limited for the last ten consecutive trading days up to and including 15 January 2015. The Placing Price was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent with reference to the market condition and the price performance of the shares the Company.

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

The directors considered that it was beneficial to the Group and the shareholders of the Company as a whole to raise capital by way of the aforesaid placing and subscription as it would broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the shares of the Company in the market. The net proceeds from the subscription of the Subscription Shares were approximately HK$131,269,000, or HK$1.88 per share, and were intended to be applied by the Company for the continuing expansion of its existing business and general working capital purposes. As at the date of this announcement, the total net proceeds had been utilised for their intended purposes.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2015 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

The Board declared an interim dividend of HK2.0 cents per ordinary share, totaling HK$37,281,000 for the six months ended 30 June 2015 to eligible shareholders whose names appear on the register of members of the Company on Monday, 14 September 2015. The interim dividend will be payable in cash on or about Monday, 21 September 2015.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Wednesday, 9 September 2015 to Monday, 14 September 2015, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 September 2015.

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 2015.

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 2015.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the 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 risk management, internal control and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2015.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 25 August 2015

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.