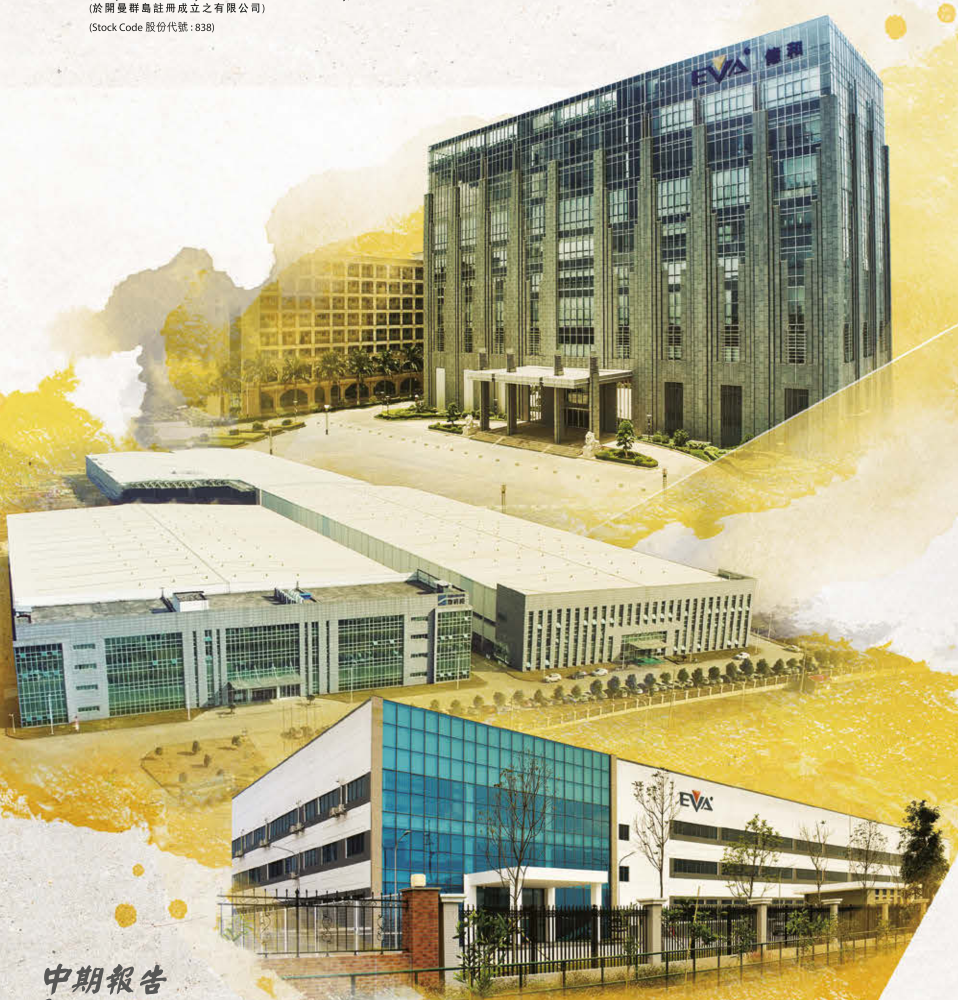
EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

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

(Stock Code 股份代號 : 838)



中期報告

Interim Report

2018

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Leung Tai Chiu *(Chairman)*
Mr. Choy Tak Ho
Mr. Lam Hiu Lo

NOMINATION COMMITTEE

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Choy Tak Ho
Mr. Lam Hiu Lo

REMUNERATION COMMITTEE

Mr. Choy Tak Ho *(Chairman)*
Mr. Zhang Hwo Jie
Mr. Lam Hiu Lo

HEAD OFFICE

Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza
No.1 Science Museum Road, Kowloon, Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

Mr. Zhang Hwo Jie
Mr. Wong Hoi Chu Francis *FCCA CPA*

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Citibank, N.A. Hong Kong Branch
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited

LEGAL ADVISOR

MinterEllison LLP

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.eva-group.com
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STOCK CODE

838

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 HK$'000**	Audited 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,760,953**	1,742,601
Investment property under development	7	**143,739**	120,490
Leasehold land and land use rights	7	**228,897**	228,737
Goodwill	8	**2,510**	2,510
Investments in associates	9	**68,785**	65,441
Available-for-sale financial assets	11	**–**	98,972
Financial assets at fair value through other comprehensive income	11	**113,562**	–
Prepayments, deposits and other receivables	10	**467,001**	196,252
		2,785,447	2,455,003
Current assets			
Inventories		**444,613**	381,662
Trade receivables	12	**886,018**	854,917
Prepayments, deposits and other receivables	10	**290,419**	273,709
Restricted bank deposits		**81,157**	82,295
Short-term bank deposits		**332,743**	196,382
Cash and cash equivalents		**1,257,727**	1,305,823
		3,292,677	3,094,788
		3,292,677	3,094,788
LIABILITIES			
Current liabilities			
Trade payables	13	**840,322**	818,753
Contract liabilities		**58,310**	–
Accruals and other payables	14	**192,778**	310,197
Bank borrowings	15	**1,517,162**	1,297,507
Finance lease liabilities	16	**4,741**	5,210
Current income tax liabilities		**9,102**	13,263
		2,622,415	2,444,930

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 HK$'000**	Audited 31 December 2017 HK$'000
Net current assets		**670,262**	649,858
Total assets less current liabilities		**3,455,709**	3,104,861
Non-current liabilities			
Bank borrowings	15	**779,723**	406,271
Finance lease liabilities	16	**349**	2,482
Deferred taxation	17	**23,486**	23,798
		803,558	432,551
Net assets		**2,652,151**	2,672,310
EQUITY			
Capital and reserves			
Share capital	18	**172,901**	179,384
Reserves	20	**2,479,250**	2,492,926
Total equity		**2,652,151**	2,672,310

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June **2018** **HK$'000**	 2017 HK$'000
Revenue	6	**1,724,694**	1,516,472
Cost of sales	22	**(1,295,375)**	(1,103,871)
Gross profit		**429,319**	412,601
Other income	21	**18,954**	4,469
Other (losses)/gains – net	21	**(4,451)**	707
Selling and marketing costs	22	**(106,861)**	(84,504)
General and administrative expenses	22	**(270,778)**	(231,652)
Operating profit		**66,183**	101,621
Finance income	23	**5,826**	3,398
Finance costs	23	**(22,074)**	(16,807)
Share of profits of associates	9	**614**	1,794
Profit before income tax		**50,549**	90,006
Income tax expense	24	**(4,462)**	(13,529)
Profit for the period		**46,087**	76,477
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Revaluation loss on available-for-sale financial assets		**–**	(112)
– Currency translation differences		**23,520**	16,556
– Release of exchange reserve from disposal of asset held for sale		**–**	866
Items that will not be reclassified subsequently to profit or loss			
– Revaluation loss on financial assets at fair value through other comprehensive income		**(103)**	–
Total comprehensive income for the period		**69,504**	93,787

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Unaudited Six months ended 30 June	
		2018	2017
	Note	**HK$'000**	HK$'000
Profit for the period attributable to:			
– Equity holders of the Company		**46,087**	75,389
– Non-controlling interests		**–**	1,088
		46,087	76,477
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		**69,504**	92,580
– Non-controlling interests		**–**	1,207
		69,504	93,787
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	25	**2.6**	4.2
– diluted	25	**2.5**	4.1

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2018	**179,384**	**2,492,926**	**–**	**2,672,310**
Comprehensive income				
Profit for the period	**–**	**46,087**	**–**	**46,087**
Other comprehensive income/(loss)				
Revaluation loss on financial assets at fair value through other comprehensive income	**–**	**(103)**	**–**	**(103)**
Currency translation differences	**–**	**23,520**	**–**	**23,520**
Total comprehensive income for the period	**–**	**69,504**	**–**	**69,504**
Transactions with owners				
Dividend paid	**–**	**(17,242)**	**–**	**(17,242)**
Employee share option scheme: value of employee services	**–**	**6,181**	**–**	**6,181**
Repurchase of shares	**(6,483)**	**(72,119)**	**–**	**(78,602)**
	(6,483)	**(83,180)**	**–**	**(89,663)**
Balance at 30 June 2018	**172,901**	**2,479,250**	**–**	**2,652,151**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2017	186,138	2,399,800	31,483	2,617,421
Comprehensive income				
Profit for the period	–	75,389	1,088	76,477
Other comprehensive income/(loss)				
Revaluation loss on available-for-sale financial assets	–	(112)	–	(112)
Currency translation differences	–	16,437	119	16,556
Release of exchange reserve upon disposal of asset held for sale	–	866	–	866
Total comprehensive income for the period	–	92,580	1,207	93,787
Transactions with owners				
Dividend paid	–	(9,151)	–	(9,151)
Employee share option scheme: value of employee services	–	3,440	–	3,440
Proceeds from issuance of shares upon exercise of employee share options	220	1,298	–	1,518
Repurchase of shares	(6,933)	(66,711)	–	(73,644)
	(6,713)	(71,124)	–	(77,837)
Balance at 30 June 2017	179,425	2,421,256	32,690	2,633,371

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cash flows from operating activities		
Cash generated from operations	**39,689**	225,698
Interest received	**5,826**	3,398
Interest paid	**(22,074)**	(16,807)
Income tax paid	**(8,935)**	(9,182)
Net cash generated from operating activities	**14,506**	203,107
Cash flows from investing activities		
Purchases of property, plant and equipment	**(119,688)**	(76,246)
Addition of investment property under development	**(20,551)**	(24,147)
Prepayments for property, plant and equipment and land use rights	**(270,474)**	(59,830)
Proceeds from sales of property, plant and equipment	**832**	1,348
Acquisition of a subsidiary, net of cash acquired	**–**	2,576
Addition of an financial asset at fair value through other comprehensive income	**(14,693)**	–
Addition of an available-for-sale financial asset	**–**	(2,075)
Proceeds from disposal of asset held for sale	**–**	10,423
Increase in short-term bank deposits	**(136,361)**	(76,041)
Decrease/(increase) in restricted bank deposits	**1,138**	(12,913)
Net cash used in investing activities	**(559,797)**	(236,905)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cash flows from financing activities		
Proceeds from borrowings	**1,213,750**	43,223
Repayments of borrowings	**(621,210)**	(270,309)
Repayments of capital element of finance lease liabilities	**(2,602)**	(8,933)
Repurchase of shares	**(78,602)**	(73,644)
Proceeds from issuance of shares upon exercise of share option	**–**	1,518
Dividends paid	**(17,242)**	(9,151)
Net cash generated from/(used in) financing activities	**494,094**	(317,296)
Net decrease in cash and cash equivalents	**(51,197)**	(351,094)
Cash and cash equivalents at the beginning of the period	**1,305,823**	1,423,134
Exchange gains on cash and cash equivalents	**3,101**	3,959
Cash and cash equivalents at the end of the period	**1,257,727**	1,075,999

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy.

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

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue on 23 August 2018.

The condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2018.

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

(a) Relevant new standards and amendments to existing standards effective for the financial year beginning 1 January 2018

		Effective for accounting periods beginning on or after
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarification to HKFRS15	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3.1 below.

		Effective for accounting periods beginning on or after
Annual Improvements Projects HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle	1 January 2018
HKFRS 1 (Amendments)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

3 ACCOUNTING POLICIES (CONTINUED)

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKAS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

Impact of HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$125,418,000 (Note 27 (b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's financial performance and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on financial information

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening of the interim condensed consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	Audited	Unaudited		
	31 December 2017			1 January 2018
Condensed consolidated interim balance sheet (extract)	**As originally presented**	**HKFRS 9**	**HKFRS 15**	**Restated**
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Available-for-sale ("AFS") financial assets	98,972	(98,972)	–	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	98,972	–	98,972
Current liabilities				
Other payables and accruals	310,197	–	(50,695)	259,502
Contract liabilities	–	–	50,695	50,695

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial Instruments – Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 3.1 (c) below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as AFS financial assets in other comprehensive income.

The impact of the reclassification is as follows:

	Unaudited	
	AFS financial assets HK$'000	**Financial assets at FVOCI** HK$'000
Closing balance 31 December 2017 – HKAS 39	98,972	–
Reclassify investments from AFS financial assets to financial assets at FVOCI	(98,972)	98,972
Opening balance 1 January 2018 – HKFRS 9	–	98,972

The impact of change on the Group's equity is as follows:

	Unaudited	
	AFS reserve HK$'000	**FVOCI reserve** HK$'000
Opening balance – HKAS 39	1,870	–
Reclassify reserve from AFS reserve to FVOCI reserve	(1,870)	1,870
Opening balance – HKFRS 9	–	1,870

The Group elected to present in statement of comprehensive income changes in the fair value of all its equity investments previously classified as AFS. As a result, assets with a fair value of HK$98,972,000 were reclassified from AFS financial asset to financial asset at FVOCI.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial Instruments – Impact on adoption (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that is subject to HKFRS 9's new expected credit loss model.

- Other receivables
- Trade receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets. While cash and cash equivalents, short-term bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Other receivables

The impairment loss on other receivables was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 January 2018.

(c) HKFRS 9, Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(c) HKFRS 9, Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Measurement

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all its debt instruments as amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains – net, together with foreign exchange gains and losses.

Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in "other (losses)/gains, net" in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured in FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(d) HKFRS 15, Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 replaces the provision of HKAS 18 which resulted in changes in accounting policies that relate to timing of revenue recognition and presentations of contract liabilities.

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings on 1 January 2018. Thus the comparative figures have not been restated.

The new accounting policies are set out in note 3.1 (e) below. The impacts of the adoption of HKFRS 15 are as follows:

Timing difference of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognise revenue from sales of goods.

Presentation of contract liabilities

"Deposit from customers" which were preciously included in accruals and other payables, amounting to HK$50,695,000 as at 1 January 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

(e) HKFRS 15, Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

(i) Sales of goods

The Group manufactures metal stamping and plastic injection components and lathing components to its customers. The sales mainly consist of design and fabrication of metal stamping and plastic injection moulds, manufacturing of metal stamping and plastic injection components and lathing components.

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

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(e) *HKFRS 15, Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018* (Continued)

(i) Sales of goods (Continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2017.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The condensed consolidated interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

There have been no changes in any risk management policies since 31 December 2017.

(b) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 30 June 2018				
Bank borrowings	**1,517,162**	**325,068**	**454,655**	**2,296,885**
Finance lease liabilities	**4,741**	**349**	**–**	**5,090**
Interest payable	**32,183**	**19,280**	**10,464**	**61,927**
Trade payables	**840,322**	**–**	**–**	**840,322**
Other payables	**119,555**	**–**	**–**	**119,555**
At 31 December 2017				
Bank borrowings	1,297,507	274,253	132,018	1,703,778
Finance lease liabilities	5,210	2,482	–	7,692
Interest payable	15,188	4,585	548	20,321
Trade payables	818,753	–	–	818,753
Other payables	168,074	–	–	168,074

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**101,104**	109,495
Manufacturing of metal stamping components	**746,826**	697,839
Manufacturing of lathing components	**48,557**	50,849
Design and fabrication of plastic injection moulds	**31,851**	38,913
Manufacturing of plastic injection components	**781,995**	601,706
Others (Note)	**14,361**	17,670
	1,724,694	1,516,472

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

(b) Segment information

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

At 30 June 2018, the Group is organised into two main business segments:

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

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

The chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax. Information provided to the chief operating decision-maker is measured in a manner consistent with that in the condensed consolidated interim financial information.

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Total HK$'000
Total gross segment revenue	1,064,136	921,421	-	1,985,557	987,100	774,293	–	1,761,393
Inter-segment revenue	(157,227)	(103,636)	-	(260,863)	(114,599)	(130,322)	–	(244,921)
Revenue	906,909	817,785	-	1,724,694	872,501	643,971	–	1,516,472
Segment results	35,424	34,734	1,208	71,366	64,829	48,582	1,865	115,276
Unallocated expenses				(4,569)				(11,861)
Finance income				5,826				3,398
Finance costs				(22,074)				(16,807)
Profit before income tax				50,549				90,006
Income tax expense				(4,462)				(13,529)
Profit for the period				46,087				76,477
Share of gain/(loss) of associates	(594)	-	1,208	614	(71)	–	1,865	1,794
Depreciation	82,726	30,852	-	113,578	89,090	26,349	–	115,439
Amortisation	2,389	461	-	2,850	1,960	137	–	2,097

For the periods ended 30 June 2017 and 2018, unallocated expenses represent corporate expenses.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	As at 30 June 2018					As at 31 December 2017				
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000
Assets	**4,166,728**	**1,838,756**	**49,399**	**23,241**	**6,078,124**	4,289,925	1,178,802	61,057	20,007	5,549,791
Liabilities	**675,753**	**414,598**	**-**	**2,335,622**	**3,425,973**	563,792	537,073	–	1,776,616	2,877,481

The segment capital expenditure is as follows:

	Six months ended 30 June 2018					Six months ended 30 June 2017				
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	**94,560**	**46,247**	**-**	**-**	**140,807**	86,189	36,790	–	–	122,979

Segment assets consist primarily of certain property, plant and equipments, investment property under development, leasehold land and land use rights, goodwill, investments in associates, prepayments, deposits, certain other receivables, AFS financial assets or financial assets at FVOCI, inventories, trade receivables and cash and cash equivalents.

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Revenue from external customers by country, based on the destination of the customer and non-current assets, other than financial instruments and deferred income tax assets are as follows:

Revenues by geographical region

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,649,239**	**75,455**	**–**	**1,724,694**	1,493,519	22,953	–	1,516,472

Non-current assets by geographical region

	As at 30 June 2018				As at 31 December 2017			
Total non-current assets	**2,482,009**	**195,222**	**108,216**	**2,785,447**	2,225,683	179,775	49,545	2,455,003
Total segment assets	**5,673,539**	**283,685**	**120,900**	**6,078,124**	5,237,385	246,800	65,606	5,549,791

Segment assets and liabilities are reconciled to Group's assets and liabilities at 30 June 2018 as follows:

	Assets	**Liabilities**
	HK$'000	**HK$'000**
Segment assets/liabilities	**6,054,883**	**1,090,351**
Unallocated:		
Cash and cash equivalents	**18,106**	**–**
Other receivables	**5,135**	**–**
Current income tax liabilities	**–**	**9,102**
Deferred taxation	**–**	**23,486**
Bank borrowings	**–**	**2,296,885**
Accruals and other payables	**–**	**6,149**
Total	**6,078,124**	**3,425,973**

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment assets and liabilities are reconciled to Group's assets and liabilities at 31 December 2017 as follows:

	Assets HK$'000	**Liabilities** HK$'000
Segment assets/liabilities	5,529,784	1,100,865
Unallocated:		
Cash and cash equivalents	16,574	–
Other receivables	3,433	–
Current income tax liabilities	–	13,263
Deferred taxation	–	23,308
Bank borrowings	–	1,703,778
Accruals and other payables	–	36,267
Total	5,549,791	2,877,481

During the six months ended 30 June 2018, the aggregated revenue from the top three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$651,255,000 (For the six months ended 30 June 2017: top three customers; HK$612,486,000).

7 CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Investment property under development HK$'000	Leasehold land and land use rights HK$'000
Opening net book amount at 1 January 2018	**1,742,601**	**120,490**	**228,737**
Additions	**119,688**	**20,551**	**568**
Disposals	**(712)**	**–**	**–**
Depreciation/amortisation charge	**(113,578)**	**–**	**(2,850)**
Exchange difference	**12,954**	**2,698**	**2,442**
Closing net book amount at 30 June 2018	**1,760,953**	**143,739**	**228,897**
Opening net book amount at 1 January 2017	1,692,624	–	171,061
Acquisition of a subsidiary	3	63,088	–
Additions	98,832	24,147	–
Fair value gain	–	3,330	–
Disposals	(1,149)	–	–
Depreciation/amortisation charge	(115,439)	–	(2,097)
Exchange difference	9,114	1,227	1,260
Closing net book amount at 30 June 2017	1,683,985	91,792	170,224

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

	Significant unobservable inputs (Level 3) as at	
	30 June 2018 HK$'000	30 June 2017 HK$'000
Investment property under development	**143,739**	91,792

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

7 CAPITAL EXPENDITURE (CONTINUED)

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Opening balance	**120,490**	–
Acquisition of a subsidiary	**–**	63,088
Additions	**20,551**	24,147
Fair value gains recognised in profit and loss	**–**	3,330
Exchange difference	**2,698**	1,227
	143,739	91,792

Depreciation and amortisation expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cost of sales	**76,381**	72,611
Selling and marketing costs	**894**	865
General and administrative expenses	**39,153**	44,060
	116,428	117,536

Land and buildings with a net book amount of HK$5,439,000 (31 December 2017: HK$5,570,000) were pledged as collateral for the Group's borrowing (Note 15).

8 GOODWILL

	Goodwill
	HK$'000
At 1 January 2018 and 30 June 2018	**2,510**
At 1 January 2017 and 31 December 2017	2,510

9 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Beginning of the period	**65,441**	56,208
Share of profits	**614**	1,794
Exchange difference	**2,730**	997
End of the period	**68,785**	58,999

The assets, liabilities and results of Shenzhen Jinggong Microcredit Limited, which are material to the Group, are shown below:

	Six months ended 30 June 2018
	HK$'000
Assets	**170,385**
Liabilities	**1,718**
Revenue	**16,420**
Profit	**3,019**
Percentage held	**40%**

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Non-current		
Deposits for purchases of property, plant and equipment	**463,253**	192,554
Others	**3,748**	3,698
	467,001	196,252
Current		
Consideration receivables from disposal of subsidiaries (Note)	**12,601**	12,601
Consideration receivable from disposal of an available-for-sale financial assets (Note)	**–**	26,319
Consideration receivable from disposal of financial asset at FVOCI (Note)	**12,244**	–
Prepayments for purchases of raw materials	**31,474**	24,777
VAT recoverable	**57,767**	50,275
Prepayment of utilities expenses	**1,118**	1,058
Receivables from employees and staff advances (Note)	**8,062**	10,759
Deposits placed with customs in Mainland China	**5,736**	4,103
Receivables from the then subsidiaries (Note)	**103,780**	112,821
Deposit to customer	**12,244**	–
Others	**45,393**	30,996
	290,419	273,709

Note: Consideration receivables from disposal of subsidiaries, consideration receivable from disposal of financial asset at FVOCI, consideration receivable from disposal of an available-for-sale financial assets, receivables from employees and staff advances, and receivables from the then subsidiaries are unsecured, non-interest bearing and denominated in RMB.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**113,562**	98,972

At 1 January 2018, the Group made an irrevocable election to present all changes in the fair value of the AFS financial assets to other comprehensive income, as explained in Note 3 of the condensed consolidated financial information.

The fair value of the equity securities was determined by reference to recent transaction prices in arm's length transactions. The fair values are within level 3 of the fair value hierarchy.

The financial assets at FVOCI/AFS financial assets are denominated in RMB.

Movement of the financial assets at FVOCI/AFS financial assets is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
At beginning of the period	**98,972**	106,861
Addition	**14,693**	2,075
Impairment	**–**	(1,481)
Revaluation losses transferred to other comprehensive income	**(103)**	(112)
At end of the period	**113,562**	107,343

12 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 2018	31 December 2017
	HK$'000	HK$'000
0 to 90 days	**711,847**	775,066
91 to 180 days	**175,359**	81,039
	887,206	856,105
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**886,018**	854,917

The top five customers and the largest customer accounted for 29.8% (31 December 2017: 30.3%) and 9.9% (31 December 2017: 9.5%), respectively, of the trade receivables balance as at 30 June 2018. 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 2018, no additional provision was recorded for its trade receivables (30 June 2017: nil).

13 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
0 to 90 days	**499,676**	561,260
91 to 180 days	**340,646**	257,493
	840,322	818,753

14 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Payables for purchase of property, plant and equipment	**59,657**	55,357
Deposits from customers	**–**	50,695
Accrued wages, salaries and welfare	**63,767**	81,983
Payable for acquisition of subsidiaries	**24,872**	80,221
Accrued utilities expenses	**4,688**	3,947
Accrued operating expenses	**4,768**	5,498
Other payables	**35,026**	32,496
	192,778	310,197

15 BANK BORROWINGS

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Current		
Short-term bank loans	**1,114,800**	937,617
Portion of long-term loans from banks due for repayment within one year	**401,942**	359,470
Mortgage loan, current portion	**420**	420
	1,517,162	1,297,507
Non-current		
Portion of long-term loans from banks due for repayment after one year	**779,495**	405,833
Mortgage loan, non-current portion	**228**	438
	779,723	406,271
Total bank borrowings	**2,296,885**	1,703,778

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

As at 31 December 2017 and 30 June 2018, all bank borrowings bore floating interest rates.

15 BANK BORROWINGS (CONTINUED)

The Group's bank borrowings are repayable as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Within 1 year	**1,517,162**	1,297,507
Between 1 and 2 years	**325,068**	274,253
Between 2 and 5 years	**454,655**	132,018
	2,296,885	1,703,778

Bank borrowings were denominated in below currencies:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
HK$	**2,296,885**	1,690,324
United States dollars	**–**	13,454
	2,296,885	1,703,778

As at 31 December 2017 and 30 June 2018, the effective interest rates (per annum) of the Group's bank borrowings were as follows:

	Short-term bank loans		Long-term bank loans		Mortgage loan	
	June 2018	December 2017	**June 2018**	December 2017	**June 2018**	December 2017
HK$	**1.8%**	1.4%	**3.1%**	2.3%	**2.4%**	2.4%
United States dollars	**–**	1.8%	**–**	3.2%	**–**	–

As at 30 June 2018, the Group has undrawn floating rate borrowing facilities of approximately HK$675,214,000 (31 December 2017: HK$573,938,000).

As at 30 June 2018, land and buildings with a carrying amount of HK$5,439,000 (31 December 2017: HK$5,570,000) were pledged as collateral for the Group's borrowing.

16 FINANCE LEASE LIABILITIES

The Group's finance lease liabilities have maturity dates within five years and are repayable as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Within one year	**4,799**	5,321
In the second year	**350**	2,499
In the third to fifth year	**–**	–
	5,149	7,820
Less: Future finance charges on finance lease	**(59)**	(128)
Present value of finance lease liabilities	**5,090**	7,692

The present value of finance lease liabilities is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Within one year	**4,741**	5,210
In the second year	**349**	2,482
In the third to fifth year	**–**	–
Total finance lease liabilities	**5,090**	7,692
Less: Amount included in current liabilities	**(4,741)**	(5,210)
	349	2,482

Finance lease liabilities are denominated in HK$.

As at 30 June 2018, the effective interest rate of the Group's finance lease liabilities was 3.6% per annum (31 December 2017: 3.3% per annum).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. As at 30 June 2018, the net book amount of the leased assets was approximately HK$14,277,000 (31 December 2017: HK$155,539,000).

17 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Deferred income tax liabilities:		
Deferred income tax liability to be recovered after more than 12 months	**22,862**	23,308
Deferred income tax liability to be recovered within 12 months	**624**	490
	23,486	23,798

The movements on the deferred income tax liabilities are as follows:

	Fair value gains	**Withholding tax**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2018	18,669	5,129	23,798
Charged to profit or loss	(312)	–	(312)
At 30 June 2018	18,357	5,129	23,486
At 1 January 2017	15,408	5,129	20,537
Charged to profit or loss	588	–	588
At 30 June 2017	15,996	5,129	21,125

18 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousand)	Share capital HK$'000
At 1 January 2018	1,793,844	179,384
Repurchase of shares	(64,832)	(6,483)
New shares issued upon exercise of share option	–	–
At 30 June 2018	1,729,012	172,901
At 1 January 2017	1,861,384	186,138
Repurchase of shares	(69,332)	(6,933)
New shares issued upon exercise of share option	2,200	220
At 30 June 2017	1,794,252	179,425

Notes:

(a) During the period ended 30 June 2018, no ordinary shares were issued upon exercise of options under the share options scheme.

(b) During the period ended 30 June 2018, the Company repurchased a total of 64,832,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.17 to HK$1.25 per share for a total consideration, before expenses, of approximately HK$78,602,000. The directors were authorised to repurchase shares of the Company at the annual general meetings held on 19 May 2017 and 21 May 2018. The repurchased shares were cancelled before 30 June 2018. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares, and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

19 SHARE OPTION SCHEME

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

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

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

	2018		2017	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
At 1 January		**140,480**		105,726
Exercised	**–**	**–**	0.69	(2,200)
At 30 June		**140,480**		103,526

19 SHARE OPTION SCHEME (CONTINUED)

Share options outstanding at 30 June 2018 have the following expiry dates and exercise prices:

Expiry date	Exercise price per share	Share options
	HK$	'000
1 October 2019	0.41	200
7 July 2021	0.692	67,050
19 November 2018	0.175	2,930
4 November 2024	1.10	70,300
		140,480

20 RESERVES

	Share premium HK$'000	Capital reserve(i) HK$'000	Statutory reserves(ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Exchange reserve HK$'000	AFS reserve HK$'000	FVOCI reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 31 December 2017	1,149,201	(735)	159,947	31,180	12,897	(29,498)	1,870	-	1,168,064	2,492,926
Change in accounting policies (Note 3)	-	-	-	-	-	-	(1,870)	1,870	-	-
Restated total equity as at 1 January 2018	1,149,201	(735)	159,947	31,180	12,897	(29,498)	-	1,870	1,168,064	2,492,926
Profit for the period	-	-	-	-	-	-	-	-	46,087	46,087
Dividend paid	-	-	-	-	-	-	-	-	(17,242)	(17,242)
Other comprehensive income/(loss)										
– Translation differences	-	-	-	-	-	23,520	-	-	-	23,520
– Revaluation loss on financial assets at FVOCI	-	-	-	-	-	-	-	(103)	-	(103)
Reclass exchange reserve from FVOCI reserve	-	-	-	-	-	405	-	(405)	-	-
Employee share option scheme: value of employee services	-	-	-	-	6,181	-	-	-	-	6,181
Capital redemption reserve arising from repurchase of shares	-	-	-	6,483	-	-	-	-	(6,483)	-
Repurchase of shares	(72,119)	-	-	-	-	-	-	-	-	(72,119)
Balance at 30 June 2018	1,077,082	(735)	159,947	37,663	19,078	(5,573)	-	1,362	1,190,426	2,479,250

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve(i) HK$'000	Statutory reserves(ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Exchange reserve HK$'000	AFS reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2017	1,219,707	(735)	143,122	22,096	14,715	(90,360)	3,673	1,087,582	2,399,800
Profit for the period	–	–	–	–	–	–	–	75,389	75,389
Dividend paid	–	–	–	–	–	–	–	(9,151)	(9,151)
Other comprehensive income/(loss)									
– Translation differences	–	–	–	–	–	16,437	–	–	16,437
– Revaluation loss on financial assets at FVOCI	–	–	–	–	–	–	(112)	–	(112)
– Release of exchange reserve upon disposal of asset held for sale	–	–	–	–	–	866	–	–	866
Employee share option scheme: value of employee services	–	–	–	–	3,440	–	–	–	3,440
Capital redemption reserve arising from repurchase of shares	–	–	–	6,933	–	–	–	(6,933)	–
Proceeds from issuance of shares upon exercise of employee share options	1,298	–	–	–	–	–	–	–	1,298
Transfer to share premium upon exercise of share options	558	–	–	–	(558)	–	–	–	–
Release of statutory reserve upon disposal of a subsidiary	–	–	(16)	–	–	–	–	16	–
Repurchase of shares	(66,711)	–	–	–	–	–	–	–	(66,711)
Balance at 30 June 2017	1,154,852	(735)	143,106	29,029	17,597	(73,057)	3,561	1,146,903	2,421,256

Notes:

(i) Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a reorganisation (the reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited) over the nominal value of the share capital of the Company issued in exchange therefor.

(ii) In accordance with the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reach 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries.

Upon approval by resolutions of the corresponding subsidiaries' shareholders in general meetings, the corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to existing equity holders in proportion to their existing ownership structure.

During the six months ended 30 June 2018, no transfer of statutory reserves has been made from the Group's profit for the period (for the period ended 30 June 2017: nil). The Mainland China subsidiaries of the Group, however, have retained sufficient funds for such purpose and these transfers will be made at the end of the year in accordance with the articles of association of these Mainland China subsidiaries.

21 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Other income		
Government grants	**17,301**	3,560
Others	**1,653**	909
	18,954	4,469
Other (losses)/gains – net		
Fair value gain on revaluation of investment property under development	**–**	3,330
Impairment of AFS investment	**–**	(1,481)
Loss on disposal of asset held for sale	**–**	(1,819)
Gains on disposal of property, plant and equipment	**120**	199
Net exchange (losses)/gains	**(4,571)**	478
	(4,451)	707

22 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

Statement of comprehensive income items included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Raw material used	**841,577**	743,837
Production overhead costs (excluding labour and depreciation expenses)	**145,989**	101,938
Staff costs, including directors' emoluments and share option costs		
– Retirement benefit – defined contribution plans	**24,136**	17,697
– Share option granted	**6,181**	3,440
– Others	**383,131**	300,643
Depreciation of property, plant and equipment	**113,578**	115,439
Amortisation of leasehold land and land use rights	**2,850**	2,097
Provision for inventory obsolescence	**1,152**	5,027

23 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**5,826**	3,398
Finance costs		
Interest expense on:		
Bank borrowings	**27,817**	18,300
Finance lease liabilities	**89**	247
	27,906	18,547
Less: interest expenses capitalised	**(5,832)**	(1,740)
	22,074	16,807

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**–**	324
– Mainland China enterprise income tax	**12,758**	15,092
Over-provision in prior years	**(7,984)**	(2,475)
Deferred income tax	**(312)**	588
	4,462	13,529

(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 2018 (2017: 16.5%).

24 INCOME TAX EXPENSE (CONTINUED)

(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% (2017: 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, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, EVA Precision Industrial (Zhongshan) Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the periods ended 30 June 2017 and 2018.

(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.

The subsidiary operating in Vietnam during the period is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group does not have any taxable profit for the period ended 30 June 2018 after offsetting losses in prior years.

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

25 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	
	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**46,087**	75,389
Weighted average number of ordinary shares in issue ('000)	**1,750,552**	1,806,536
Basic earnings per share (HK cents per share)	**2.6**	4.2

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual 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	
	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**46,087**	75,389
Weighted average number of ordinary shares in issue ('000)	**1,750,552**	1,806,536
Adjustment for share options ('000)	**99,791**	36,104
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,850,343**	1,842,640
Diluted earnings per share (HK cents per share)	**2.5**	4.1

26 DIVIDEND

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Proposed interim dividend of HK0.85 cent (2017: HK1.27 cents) per ordinary share	**14,678**	22,942

27 COMMITMENTS

(a) Capital Commitments

Capital expenditure at the statement of financial position date committed but not yet incurred is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Contracted but not provided for		
– Construction of buildings	**135,831**	66,392
– Purchase of plant and machinery	**77,804**	51,405
	213,635	117,797

(b) Operating lease commitments

The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Not later than one year	**9,068**	10,591
Later than one year but not later than five years	**45,581**	45,836
Later than five years	**70,769**	76,042
	125,418	132,469

28 RELATED-PARTY TRANSACTIONS

Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owns 38.85% of the Company's shares as at 30 June 2018 (31 December 2017: 37.45%).

(a) Key management compensation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Salaries and allowances	**13,040**	11,880
Share-based payment	**4,555**	2,783
Retirement benefits – defined contribution plan	**36**	36
	17,631	14,699

SIGNIFICANT EVENTS AND DEVELOPMENT

During the first half of 2018, the changes in international political environment cast significant uncertainties over the global economic environment. During the period, the trade and tariff disputes between the United States and China weakened the investment sentiment in the business community, and created uneasiness among the majority of manufacturers in China, particularly those with high reliance on exporting to the United States. As a result of the uncertainties caused by the trade and tariff disputes, most companies are becoming more cautious in their business development and investment plans.

However, despite the unfavourable external environment, the Group's revenue growth during the period remained unaffected, thanks to its unique customer profile and sensible business strategies. Over the years, the Group has focused on serving internationally renowned office automation ("OA") equipment customers. These customers have an international production network, and have established assembly plants in different countries around the world. Currently, the Group's industrial parks in China supply moulds, components and semi-finished products to the assembly plants of its OA equipment customers in China. After the finished products are completed in the customers' assembly plants, they are sold domestically in China or to other countries around the world, which may include the United States. However, the Group has been informed by its OA equipment customers that should the trade dispute between the United States and China escalate, they can reorganise their internal production logistics whereby the production of those products that are currently carried out in China and targeted at the United States market will be transferred to assembly plants in other countries such as the Southeast Asia. At the same time, the production of those products that are currently carried out in other countries such as the Southeast Asia and targeted at markets outside the United States will be transferred to China, leaving the total volume of production in China substantially unchanged. By having a unique customer base which comprises internationally renowned customers with flexible worldwide production network, the Group's exposure to the United States-China trade dispute is greatly mitigated.

With a view to diversifying its business and driving revenue growth, the Group has adopted a strategy of expanding from its previous focus on just OA equipment to devoting more resources to other high growth markets, with particular attention given to the huge automobile sector in China, since a few years ago. As most of the cars manufactured in China are sold within China and are rarely sold to the United States, it is unlikely that the Group's business in the automobile sector will be affected by the United States-China trade dispute. The Group also embarked on overseas expansion a few years ago, and completed the construction of an industrial park in Haiphong, Vietnam back in 2016 which had already commenced production operations. It is also in the process of constructing another new industrial park in San Luis Potosí, Mexico. Accordingly, despite the uncertainties caused by the United States-China trade dispute, the Group recorded turnover growth during the six months ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

As mentioned in the Group's 2017 annual report, Fuji Xerox, one of the major customers of the Group, announced a plan to merge with Xerox in January 2018. However, the proposed merger was subsequently terminated in May 2018 due to opposition from Xerox's shareholders. Despite this, our long-standing business partnership with Fuji Xerox, which has been our customers for more than 15 years, remained unaffected and the Group continued to see great business potentials in the OA equipment sector. In particular, the Group was invited by Hewlett-Packard, a new OA equipment customer of the Group, to establish a new industrial park in Weihai, Shandong Province to serve their existing assembly plant there. The new Weihai industrial park has a land area of approximately 349,000 square metres and a planned floor area (phase one) of 79,000 square metres. Construction started in early 2018 and production is scheduled to commence in the second half of 2019. In addition, as the production demand from Hewlett-Packard in Weihai was imminent, the Group acquired a component manufacturer named Intops (Weihai) Electronics Co., Ltd. ("Intops") at the end of December 2017 to accelerate our development in Weihai and better serve Hewlett-Packard. The Group had also rented a temporary factory in Weihai to serve Hewlett-Packard before the new self-constructed Weihai industrial park is completed. Both Intops and the rented factory in Weihai started to contribute revenue to the Group in the first half of 2018. As Hewlett-Packard is one of the largest companies in the OA equipment sector, the Group sees enormous growth potentials for the new Weihai industrial park upon completion.

At the same time, the Group has seen rapidly growing demand for its industrial park located at Haiphong, Vietnam. Accordingly, the Group is in the process of constructing phase two of the Vietnam industrial park. The new phase two of the Vietnam industrial park has a planned floor area of approximately 46,000 square metres and is scheduled for production before the end of 2018. Upon completion of the phase two construction, the Vietnam industrial park will have adequate capacity to cope with the increasing demand from its existing customers, which primarily consist of OA equipment companies, and to develop new customers in other high growth sectors such as the high end consumer electronics sector in Vietnam.

During the period, the Group was also in the process of constructing a new automobile industrial park in San Luis Potosí, Mexico. The new Mexico industrial park was built at the invitation of one of the Group's existing automobile customers in China, which is a multi-national corporation engaging in the production of automobile seats, interiors and exhaust systems, for the purpose of serving their existing plants in Mexico. The new Mexico industrial park has a land area of approximately 83,000 square metres, and its development is divided into phases. Phase one is planned to have a floor area of approximately 17,000 square metres and is scheduled for completion by the end of 2018. At present, San Luis Potosí is one of the major automobile production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler, Brose and Faurecia, have established production plants either locally or in the adjacent states. Therefore, apart from the orders from the said existing customer, an enormous demand exists for the Group's automobile products and the Group sees robust growth potentials for the new Mexico industrial park upon completion.

In China, we continued to strengthen our business relationships with reputable automakers such as Dongfeng, Changan Suzuki, Great Wall and GAC Changfeng (Leopaard) Motor. During the period, the Group also continued to devote efforts to widen the customer base of its automobile business line by developing more in-depth relationships with internationally renowned tier-one suppliers in the automobile industry such as Faurecia, Brose, Yamada, Webasto and F-tech, which have already become our customers, and other tier-one suppliers which are our target customers. These tier-one suppliers are leaders in their respective product fields, and their products are sold to different automakers. Therefore, they have a huge and stable production demand which is less affected by the sales performance of a single car model. Positive feedback and increasing sales orders were received from these tier-one suppliers, which drove the growth of revenue of our automobile business line in China for the six months ended 30 June 2018.

In recent years, the Chinese government has made conscious efforts to transform China from a low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency. As a result, a lot of local high technology companies have emerged in China in recent years, which has created many new opportunities for the Group in the smart device and high end consumer electronics markets. With a view to benefiting from the swift development in the technology sector, the Group had made an investment of approximately HK$14,693,000 into a start-up company engaging in clean water technology during the period.

During the period, the Group's turnover increased by 13.7% to HK$1,724,694,000, which was primarily attributable to increasing orders from new and existing customers, and the revenue contribution from the Group's new production operations in Weihai. However, gross profit margin for the period decreased to 24.9%. This was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the period which diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations. Further, a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Accordingly, the appreciation in Renminbi exchange rate during the first half of 2018 as compared to the corresponding period last year led to an increase in various operating expenses of the Group. During the period, the Group's new Weihai business incurred an initial loss of HK$8,522,000, and there was an increase in share option costs to HK$6,181,000 (1H2017: HK$3,440,000) which was caused by the issuance of new share options to directors and employees in November 2017. Coupled with an increase in finance costs to HK$22,074,000 (1H2017: HK$16,807,000) as a result of higher borrowings and market interest rates, the Group's net profit decreased by 38.9% to HK$46,087,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, and will also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities with high potentials which can add to our existing portfolio. Investment decisions are made after comprehensive consideration of various factors such as the business viabilities and potential returns of the projects, legal and regulatory requirements and the financial capabilities of the Group. Investments are primarily made to projects which are related to the Group's principal businesses and, if such projects are not directly related to the Group's principal businesses, they should be of high growth potentials and the amount of investments will be limited. For investments required to be carried at fair values on the financial statements, they are valued by reference to recent transaction prices in arm's length transactions, net asset values or valuations determined by independent firms of professional valuers.

We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and the first half of 2018 is no exception. Further, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 67,072,000 shares from the market during the six months ended 30 June 2018 and in July 2018. 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			
	2018		2017	
	HK$'000		HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**101,104**	**5.9%**	109,495	7.2%
Manufacturing of metal stamping components	**746,826**	**43.3%**	697,839	46.0%
Manufacturing of lathing components	**48,557**	**2.8%**	50,849	3.4%
Others (Note 1)	**10,422**	**0.6%**	14,318	0.9%
	906,909		872,501	
Plastic division				
Design and fabrication of plastic injection moulds	**31,851**	**1.9%**	38,913	2.6%
Manufacturing of plastic injection components	**781,995**	**45.3%**	601,706	39.7%
Others (Note 1)	**3,939**	**0.2%**	3,352	0.2%
	817,785		643,971	
Total	**1,724,694**		1,516,472	
Segment results				
Metal division	**35,424**		64,829	
Plastic division	**34,734**		48,582	
Micro lending business	**1,208**		1,865	
Operating profit	**71,366**		115,276	
Unallocated expenses	**(4,569)**		(11,861)	
Finance income	**5,826**		3,398	
Finance costs	**(22,074)**		(16,807)	
Income tax expense	**(4,462)**		(13,529)	
Non-controlling interests	**–**		(1,088)	
Profit attributable to equity holders of the Company	**46,087**		75,389	

Note 1: Others mainly represented sales of scrap materials.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

During the period, the Group's turnover increased by 13.7% to HK$1,724,694,000, which was primarily attributable to increasing orders from new and existing customers, and the revenue contribution from the Group's new production operations in Weihai.

Gross profit

During the period, gross profit margin decreased to 24.9%, which was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the period which diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations.

Segment results

As mentioned above, the Group experienced a reduction in gross profit margin during the period. Further, a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Accordingly, an appreciation in Renminbi exchange rate in the first half of 2018 as compared to the corresponding period last year led to an increase in various operating expenses of the Group. During the period, the Group's new Weihai business incurred initial loss of HK$8,522,000, and there was an increase in share option costs to HK$6,181,000 (1H2017: HK$3,440,000) which was caused by the issuance of new share options to directors and employees in November 2017. Therefore, the operating profit margin of the Group's metal and plastic divisions decreased to 3.9% and 4.2% respectively.

Operating profit from the micro lending business for the six months ended 30 June 2018 represented the Group's share of 40% of the profit of the micro lending company through equity pick-up.

Finance income and costs

The majority of the Group's cash and bank deposits are denominated in Hong Kong and United States dollars. During the six months ended 30 June 2018, finance income increased as the interest rates from bank deposits in Hong Kong and United States dollars increased.

The Group's finance costs increased to HK$22,074,000, which was primarily caused by the increase in bank borrowings and finance lease liabilities during the period.

Income tax expense

During the period, income tax expense amounted to HK$4,462,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 8.8%, which decreased as compared to that in 1H2017. It was because the Group received tax refunds of HK$7,984,000 from the tax authorities in China during the period.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company decreased to HK$46,087,000, which was primarily caused by the reduction in gross profit margin and increase in operating expenses as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2018, the Group's net cash generated from operating activities decreased to HK$14,506,000 (first half of 2017: HK$203,107,000), which was primarily caused by the reduction in profit and the increase in working capital requirements such as inventories and trade receivables to cope with the increase in turnover. During the period, the Group was in the process of setting up new industrial parks in Weihai and Mexico, and was also constructing phase two of the Vietnam industrial park. Therefore, the Group paid deposits and prepayments relating to capital expenditure which led to an increase in cash outflow from investing activities to HK$559,797,000 (first half of 2017: HK$236,905,000). To finance the capital expenditure, the Group drew new bank borrowings during the period and therefore recorded a net cash inflow from financing activities of HK$494,094,000 (first half of 2017: net cash outflow of HK$317,296,000).

Bank loans as at 30 June 2018 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratio

	30 June 2018	31 December 2017
Inventory turnover days (Note 1)	**62**	59
Debtors' turnover days (Note 2)	**93**	99
Creditors' turnover days (Note 3)	**117**	126
Cash conversion cycle (Note 4)	**38**	32
Current ratio (Note 5)	**1.26**	1.27
Net debt-to-equity ratio (Note 6)	**23.8%**	4.8%

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Profitability ratio

	Six months ended 30 June	
	2018	2017
Net profit margin (Note 7)	**2.7%**	5.0%
Return on shareholders' equity (Note 8)	**1.7%**	2.9%

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.

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

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

Inventory turnover days

The Group's inventory turnover days for the period was comparable to that for the year ended 31 December 2017.

Debtors' and creditors' turnover days

The Group's debtors' turnover days for the period improved slightly to 93 days, which was primarily due to the Group's stringent credit control. Creditors' turnover days for the period decreased to 117 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the period.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 30 June 2018 was comparable to that as at 31 December 2017. Net debt-to-equity ratio as at 30 June 2018 increased to 23.8%, which was caused by the increase in borrowings to finance the construction of the Group's new industrial parks in Weihai and Mexico, and phase two of the Vietnam industrial park.

Net profit margin and return on shareholders' equity

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

OUTLOOK

As of today, the trade and tariff disputes between the United States and China are still ongoing, and we are not yet in a position to ascertain the final impact of the trade and tariff disputes on the global economy. However, we are confident that the Group is well positioned to weather any negative outcome from the trade and tariff disputes as the Group possesses a unique customer base comprising multi-national corporations with flexible worldwide production network which can replace their current China's export to the United States with export to other countries. Further, the Group made a right decision a few years ago to expand into the China's automobile sector, a huge market which primarily sold domestically. Although the Group's performance was temporarily affected by the initial loss incurred by the new Weihai business and the appreciation in Renminbi exchange rate during the period, profitability is likely to improve as production ramps up in Weihai, and taking into account the fact that Renminbi started to depreciate since mid-June 2018. Accordingly, we remain confident about the Group's prospect.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. The Group adopts international best practices in the area of product quality management, and has been accredited with ISO9001 certification by the BSI Group since 2000. As at the date of this report, the Group was compliant with the latest version of the ISO9001 standards (i.e. the 2015 version).

To strengthen our relationships with key customers, various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the period, the Group continued to implement various "Quality Control Circles" activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years, such as Fuji Xerox, Konica Minolta, Canon, Faurecia and Dongfeng.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers. Our procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. When selecting suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing, market share assessment and recommendation from the customers. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

As at 30 June 2018, the Group's length of relationship with its five largest customers and suppliers ranged from 1 year to more than 10 years and 7 years to more than 10 years respectively.

For the six months ended 30 June 2018, sales to the five largest customers represented 51.0% of the Group's total turnover. Accordingly, any change in these customers' businesses and financial conditions is likely to have an impact on the financial performance of the Group. To manage this risk, the Group performs credit evaluation of its customers to ensure that sales are made only to entities with viable businesses and sound financial background. Credit periods granted to the customers are closely monitored and approved by the appropriate level of management. At the same time, the Group identifies and develops new customers with high potentials in an effort to widen the customer base and reduce the reliance on existing key customers.

The foreign currency risks arising from dealings with customers and suppliers in foreign currencies are discussed in the section headed "Foreign Currency Exposure" of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

In conducting the business, the Group's objective is to minimise the adverse effects of its operations on the environment. In addition, in order to comply with the applicable environmental protection laws, the Group has established an environmental management system in its operations in accordance with ISO 14001 international standards and obtained the latest version of ISO14001 certification (i.e. the 2015 version). The environmental management system is reviewed from time to time in order to reduce risks relating to environmental issues. The Group has complied with a number of environmental protection laws in connection with water pollutants, air pollutants, solid waste pollutants, as well as noise pollution generated from its manufacturing operations. During the six months ended 30 June 2018, there was no material breach of or non-compliance with the environmental laws and regulations by the Group that has a significant impact on its business and operations.

Other green initiatives and measures have been adopted by the Group to control the use of energy and resources in the production, business operation and management activities so as to achieve economic benefit. Such initiatives include reducing wastes by setting up recycling centres at industrial parks, and reducing electricity, water and other resources consumption through practices such as small zone lighting, installing timer control systems on machinery, setting up resources conversation teams to monitor the use of resources and recycling of used papers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is subject to the laws and regulations in the countries in which it operates. Any failure to comply with laws and regulations could result in legal proceedings and expose us to civil or criminal liabilities. The long term development of our business depends on a steady legal environment. Unanticipated changes in policies and regulatory practices may adversely affect our business. The Group will continue to ensure the highest compliance standard and engage independent legal services whenever necessary.

During the six months ended 30 June 2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on its business and operations.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2018, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	20.5%	4.0%
US dollars	47.9%	56.9%
Renminbi	29.3%	38.9%
Other currencies	2.3%	0.2%

A majority of the Group's customers in both China and Vietnam are reputable international brand owners with worldwide distribution networks. At the same time, a substantial portion of the Group's suppliers in both China and Vietnam are international metal and plastic material producers designated by the Group's customers. Accordingly, approximately 68.4% of the Group's sales and 60.9% of its raw material purchases were made in Hong Kong dollars and US dollars (which are pegged) during the period. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies.

Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations. In addition, it is currently planned that the Group's new industrial parks in Weihai, China and Mexico will target at serving international office automation equipment and automobile customers respectively, and will purchase raw materials from international suppliers designated by such customers. Accordingly, it is expected that the majority of sales and raw material purchases of the Group's new industrial parks in Weihai and Mexico will be denominated in US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

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

HUMAN RESOURCES

During the period, the total number of the Group's employees increased from 8,015 employees as at 31 December 2017 to 8,648 employees as at 30 June 2018. This was primarily caused by the Group's new production business in Weihai, which included the takeover of the business operations and headcount of Intops (Weihai) Electronics Co., Ltd. by the Group since January 2018. Excluding the headcount of the new Weihai production business, the Group's headcount in other regions was 7,794 employees as at 30 June 2018.

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

As at 30 June 2018, the average length of services of the Group's employees below and above manager grade was 2.1 years and 7.4 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK$5,439,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$14,277,000 for securing finance lease liabilities.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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

(i) a term loan facility up to HK$100,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$25,000,000 as at 30 June 2018);

(ii) another term loan facility up to HK$200,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$150,500,000 as at 30 June 2018);

(iii) another term loan facility up to HK$200,000,000 with a repayment term of five years from the date of first drawdown (the outstanding loan balance was HK$200,000,000 as at 30 June 2018); and

(iv) a revolving loan for an amount up to HK$40,000,000 (the outstanding loan balance was HK$40,000,000 as at 30 June 2018).

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

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

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors and an executive director of the Company.

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

(i) a term loan facility up to HK$150,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$26,000,000 as at 30 June 2018);

(ii) another term loan facility up to HK$250,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$119,000,000 as at 30 June 2018);

(iii) another term loan facility up to HK$200,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$200,000,000 as at 30 June 2018);

MANAGEMENT DISCUSSION AND ANALYSIS

(iv) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$150,000,000 as at 30 June 2018); and

(v) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 30 June 2018).

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

The Company and a subsidiary of the Company are parties to loan agreements with MUFG Bank, Ltd. in respect of the following banking facilities ("MUFG Facilities Agreements"):

(i) a loan facility up to HK$250,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$93,750,000 as at 30 June 2018); and

(ii) another loan facility up to HK$125,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$117,187,000 as at 30 June 2018).

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall hold not less than 35% of the entire issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively remain as single largest shareholder of the Company.

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

(i) a term loan facility for an amount up to HK$150,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK$150,000,000 as at 30 June 2018);

(ii) revolving loan of HK$200,000,000 (the outstanding loan balance was HK$200,000,000 as at 30 June 2018); and

(iii) combined trade facilities of HK$100,000,000 (the outstanding balance was EUR€675,800, equivalent to approximately HK$6,207,000 as at 30 June 2018, which was documentary credit for import of machinery).

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

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

(i) short term advance facility on a revolving basis of up to US$7,000,000, or an equivalent amount in other currencies (the outstanding loan balance was HK$40,000,000 as at 30 June 2018); and

(ii) a term loan facility for an amount up to HK$100,000,000 with a repayment period of 4 years after drawdown (the outstanding loan balance was HK$100,000,000 as at 30 June 2018).

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

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

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

A subsidiary of the Company had also entered into a banking facility agreement with Chong Hong Bank Limited in respect of a revolving loan facility of HK$120,000,000 ("Chong Hing Facility Agreement"), and the outstanding loan balance was HK$120,000,000 as at 30 June 2018.

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall at all times maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall remain as the largest shareholder of the Company.

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

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTIONS

(a) The 2005 Share Option Scheme

The Company conditionally adopted a share option scheme on 20 April 2005 (the "2005 Share Option Scheme") which became unconditional on 11 May 2005. The 2005 Share Option Scheme was effective for a period of 10 years commencing on 20 April 2005, and it expired on 19 April 2015.

The share options which were previously issued under the 2005 Share Option Scheme and remain outstanding after the 2005 Share Option Scheme had expired will continue to be valid and exercisable during their respective prescribed exercisable periods. During the six months ended 30 June 2018 and up to the date of this report, there was no movement in the share options granted under the 2005 Share Option Scheme, and details of these share options as at 30 June 2018 and the date of this report are as follows:

	As at 1 January 2018, 30 June 2018 and the date of this report	Share price immediately before offer date	Exercise price
		HK$	HK$
Employees of the Group			
In aggregate			
– Granted on 10 December 2008	2,930,200	0.165	0.175
– Granted on 2 October 2009	200,000	0.405	0.41
	3,130,200		

All options referred to the above are subject to vesting schedules and exercise periods as follows:

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 10 December 2008 with exercise price of HK$0.175		
100%	10 December 2008	10 December 2008 to 19 November 2018
With respect to the options granted on 2 October 2009 with exercise price of HK$0.41		
100%	5 October 2009	5 October 2009 to 1 October 2019

(b) The 2015 Share Option Scheme

As the 2005 Share Option Scheme expired on 19 April 2015, the Board proposed to adopt a new share option scheme (the "2015 Share Option Scheme") to replace the 2005 Share Option Scheme. The 2015 Share Option Scheme became effective on 21 May 2015, the date on which it was approved by the shareholders on the annual general meeting of the Company that was held on the same day.

During the six months ended 30 June 2018 and up to the date of this report, there was no movement in the share options granted under the 2015 Share Option Scheme, and details of these share options as at 30 June 2018 and the date of this report are as follows:

	As at 1 January 2018, 30 June 2018 and the date of this report	Share price immediately before offer date	Exercise price
		HK$	HK$
Executive directors			
Mr. Zhang Hwo Jie			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Jian Hua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Yaohua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Independent non-executive directors			
Mr. Choy Tak Ho			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Leung Tai Chiu			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Lam Hiu Lo			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Employees of the Group			
Mr. Zhang Hanming (Note 1)			
– Granted on 3 November 2017	600,000	1.08	1.10
Ms. Zhang Shen Monica Quian Yi (Note 2)			
– Granted on 3 November 2017	600,000	1.08	1.10
Others			
– Granted on 8 July 2016	11,850,000	0.64	0.692
– Granted on 3 November 2017	16,900,000	1.08	1.10
	137,350,000		

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Mr. Zhang Hanming is the father of the three executive directors, hence an associate (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of them. Mr. Zhang Hanming previously worked in the Chinese government for many years before his retirement, and is now a consultant of the Group in the areas of government regulations and communication.

2. Ms. Zhang Shen Monica Quian Yi is the daughter of the Chairman of the Group, hence an associate (as defined in the Listing Rules) of him. Ms. Zhang Shen Monica Quian Yi is responsible for the overseas business development of the Group.

All options referred to the above are subject to vesting schedule and exercise period as follows:

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 8 July 2016 with exercise price of HK$0.692		
100%	2 January 2018	2 January 2018 to 7 July 2021
With respect to the options granted on 3 November 2017 with exercise price of HK$1.10		
100%	2 January 2020	2 January 2020 to 4 November 2024

(c) Valuation

The fair value of the options granted on 10 December 2008 and 2 October 2009 under the 2005 Share Option Scheme with outstanding balances as at 30 June 2018 of 2,930,200 options and 200,000 options were HK$140,000 and HK$17,000 respectively. The fair value of the options granted on 8 July 2016 and 3 November 2017 under the 2015 Share Option Scheme with outstanding balances as at 30 June 2018 of 67,050,000 options and 70,300,000 options were HK$10,236,000 and HK$26,594,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK$				
Granted on 10 December 2008	0.175	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.41	56.65%	1 year	0.16%	3.68%
Granted on 8 July 2016	0.692	45.98%	3.24 years	0.52%	2.33%
Granted on 3 November 2017	1.10	46.52%	4.59 years	1.42%	1.89%

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2018, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they have taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 30 June 2018
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	35,000,000	722,442,000	41.78%
Mr. Zhang Jian Hua	–	664,000	–	35,000,000	35,664,000	2.06%
Mr. Zhang Yaohua	–	17,664,000	156,000	35,000,000	52,820,000	3.05%
Mr. Choy Tak Ho	–	–	–	800,000	800,000	0.05%
Mr. Leung Tai Chiu	–	–	–	800,000	800,000	0.05%
Mr. Lam Hiu Lo	–	–	–	800,000	800,000	0.05%

Notes:

1. These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Options" above.

2. Mr. Zhang Hwo Jie holds 45.25% of the entire issued capital of Prosper Empire Limited, which was interested in 38.85% of the entire issued capital of the Company as at 30 June 2018. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

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

Name of director	Capacity	Approximate percentage of interests in Prosper Empire Limited as at 30 June 2018
Mr. Zhang Hwo Jie	Personal interests	45.25%
Mr. Zhang Jian Hua	Personal interests	21.75%
Mr. Zhang Yaohua	Personal interests	33%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	671,750,000	–	671,750,000	38.85%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	35,000,000	722,442,000	41.78%
FIL Limited (Note 2)	Interest of controlled corporation	112,328,000	–	112,328,000	6.50%
FIL Asia Holding Pte Limited (Note 3)	Interest of controlled corporation	112,328,000	–	112,328,000	6.50%
FIL Investment Management (Hong Kong) Limited (Note 3)	Beneficial owner	112,328,000	–	112,328,000	6.50%
HSBC Global Asset Management (Hong Kong) Limited	Investment manager	104,626,000	–	104,626,000	6.05%

Notes:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 45.25% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 671,750,000 shares of the Company held by Prosper Empire Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

2. The corporate substantial shareholder notice filed by FIL Limited indicated that its interests were held through its wholly-owned subsidiaries.

3. The corporate substantial shareholder notice filed by FIL Limited indicated that FIL Investment Management (Hong Kong) Limited ("FIL (Hong Kong)") was wholly-owned by FIL Asia Holding Pte Limited, which was in turn wholly-owned by FIL Limited. Accordingly, each of FIL Limited and FIL Asia Holding Pte Limited were deemed to be interested in the shares held by FIL (Hong Kong).

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2018, the Company repurchased its 64,832,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the six months ended 30 June 2018 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
March 2018	4,312,000	1.20	1.18	5,155
April 2018	18,320,000	1.21	1.19	22,064
May 2018	6,200,000	1.21	1.21	7,502
	64,832,000			78,602

Subsequent to 30 June 2018, the Company repurchased its 2,240,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 July 2018 up to the date of this report. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 30 June 2018 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
July 2018	2,240,000	0.89	0.84	1,973

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2018 and up to the date of this report.

CHANGES IN THE DIRECTORS' INFORMATION

Effective from 1 April 2018, the monthly basic salaries of each of Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the executive directors of the Company, are adjusted from HK$380,000 to HK$500,000 plus a 13th month pay entitlement yearly.

The above changes to directors' remuneration had been approved by the Company's remuneration committee. Save as disclosed above, there was no significant change to the profiles of the Company's executive and independent non-executive directors as disclosed in the Company's 2017 annual report dated 27 March 2018.

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 HK0.85 cent per ordinary share, totaling HK$14,678,000 for the six months ended 30 June 2018 to eligible shareholders whose names appear on the register of members of the Company on Tuesday, 11 September 2018. The interim dividend will be payable in cash on Wednesday, 19 September 2018.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Friday, 7 September 2018 to Tuesday, 11 September 2018, 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 Thursday, 6 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2018.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 23 August 2018

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億和蘇州電子產業園

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Digit Chongqing Automobile Industrial Park
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EVA Shenzhen (Tianliao) Smart Device Industrial Park
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Tian Liao Community, Gong Ming Administrative Centre
Guang Ming New District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明新區公明辦事處田寮社區第九工業區
億和深圳(田寮)智能終端產業園

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EVA Weihai (Double Islands Bay) Electronic Industrial Park
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Shandong Province, the People's Republic of China
中國山東省威海市火炬高技術產業開發區和興路1396號
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墨西哥聖路易斯波托西州雷耶斯鎮Logistik工業園
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