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

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 838)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,516,472**	1,581,110
Cost of sales	*5*	**(1,103,871)**	(1,194,105)
Gross profit		**412,601**	387,005
Other income		**4,469**	2,805
Other gains - net		**707**	2,583
Selling and marketing costs	*5*	**(84,504)**	(84,747)
General and administrative expenses	*5*	**(231,652)**	(253,616)
Operating profit		**101,621**	54,030
Finance income	*6*	**3,398**	1,917
Finance costs	*6*	**(16,807)**	(18,353)
Share of profits/(losses) of associates		**1,794**	(451)

	Note	Unaudited Six months ended 30 June 2017 HK$'000	2016 HK$'000
Profit before income tax		**90,006**	37,143
Income tax expense	*7*	**(13,529)**	(12,554)
Profit for the period		**76,477**	24,589
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Revaluation (loss)/gain on available-for-sale financial assets		**(112)**	14,658
– Currency translation differences		**16,556**	(11,858)
– Release of exchange reserve from disposal of asset held for sale		**866**	–
Total comprehensive income for the period		**93,787**	27,389
Profit for the period attributable to:			
– Equity holders of the Company		**75,389**	22,998
– Non-controlling interests		**1,088**	1,591
		76,477	24,589
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		**92,580**	18,953
– Non-controlling interests		**1,207**	8,436
		93,787	27,389
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**4.2**	1.2
– diluted	*8*	**4.1**	1.2

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**Unaudited 30 June 2017 HK$'000**	Audited 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,683,985**	1,692,626
Investment property under development		**91,792**	–
Leasehold land and land use rights		**170,224**	171,061
Goodwill		**5,067**	5,067
Investments in associates		**58,999**	56,208
Available-for-sale financial assets		**107,343**	106,861
Prepayments, deposits and other receivables		**162,248**	128,758
		2,279,658	2,160,581
Current assets			
Inventories		**351,584**	325,615
Trade receivables	*10*	**767,245**	787,367
Amount due from a related company	*11*	**1,587**	1,587
Prepayments, deposits and other receivables		**203,382**	250,904
Restricted bank deposits		**73,482**	60,569
Short-term bank deposits		**200,037**	123,996
Cash and cash equivalents		**1,075,999**	1,423,134
		2,673,316	2,973,172
Asset classified as held for sale		**–**	11,376
		2,673,316	2,984,548
LIABILITIES			
Current liabilities			
Trade payables	*12*	**713,889**	683,255
Accruals and other payables		**212,034**	219,100
Bank borrowings		**951,760**	1,011,083
Finance lease liabilities		**6,750**	12,365
Current income tax liabilities		**10,557**	6,799
		1,894,990	1,932,602
Net current assets		**778,326**	1,051,946

	Note	Unaudited 30 June 2017 HK$'000	Audited 31 December 2016 HK$'000
Total assets less current liabilities		**3,057,984**	3,212,527
Non-current liabilities			
Bank borrowings		**398,398**	566,161
Finance lease liabilities		**5,090**	8,408
Deferred taxation		**21,125**	20,537
		424,613	595,106
Net assets		**2,633,371**	2,617,421
EQUITY			
Capital and reserves			
Share capital		**179,425**	186,138
Reserves		**2,421,256**	2,399,800
Equity attributable to equity holders of the Company		**2,600,681**	2,585,938
Non-controlling interests		**32,690**	31,483
Total equity		**2,633,371**	2,617,421

Note:

1. BASIS OF PRESENTATION

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

The 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 have been prepared in accordance with Hong Kong Accounting Standard ("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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue by the Board of Directors on 28 August 2017. The condensed consolidated interim financial information has not been audited.

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2017.

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 2017.

		Effective for accounting periods beginning on or after
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendments)	Disclosure of interest in other entities	1 January 2017

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.

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance Contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate 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.

3. SEGMENT INFORMATION

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

At 30 June 2017, the Group is organised into two main business segments:

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

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

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

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

The segment results and other segment items are as follows:

	Six months ended 30 June 2017				Six months ended 30 June 2016			
	Metal stamping	**Plastic injection**	**Microcredit**	**Total**	Metal stamping	Plastic injection	Microcredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**987,100**	**774,293**	**–**	**1,761,393**	918,958	1,017,322	18,664	1,954,944
Inter-segment revenue	**(114,599)**	**(130,322)**	**–**	**(244,921)**	(70,477)	(303,357)	–	(373,834)
Revenue	**872,501**	**643,971**	**–**	**1,516,472**	848,481	713,965	18,664	1,581,110
Segment results	**64,829**	**48,582**	**1,865**	**115,276**	24,148	20,681	10,910	55,739
Unallocated expenses				**(11,861)**				(2,160)
Finance income				**3,398**				1,917
Finance costs				**(16,807)**				(18,353)
Profit before income tax				**90,006**				37,143
Income tax expense				**(13,529)**				(12,554)
Profit for the period				**76,477**				24,589
Share of profits/(losses) of associates	**(71)**	**–**	**1,865**	**1,794**	–	(451)	–	(451)
Depreciation	**89,090**	**26,349**	**–**	**115,439**	91,474	30,328	377	122,179
Amortisation	**1,960**	**137**	**–**	**2,097**	1,990	134	–	2,124

For the periods ended 30 June 2016 and 2017, unallocated expenses represent corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2017					As at 31 December 2016				
	Metal stamping	**Plastic injection**	**Microcredit**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,185,752**	**1,700,618**	**58,442**	**8,162**	**4,952,974**	3,543,867	1,538,750	55,587	6,925	5,145,129
Liabilities	**79,895**	**847,477**	**–**	**1,392,231**	**2,319,603**	93,349	796,199	–	1,638,160	2,527,708

The segment capital expenditure is as follows:

	Six months ended 30 June 2017					Six months ended 30 June 2016				
	Metal stamping	**Plastic injection**	**Microcredit**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	**86,189**	**36,790**	**–**	**–**	**122,979**	101,704	6,079	–	–	107,783

Segment assets consist primarily of certain property, plant and equipment, investment property under development, leasehold land and land use rights, goodwill, investment in associates, prepayments, deposits, certain other receivables, amount due from a related company, available-for-sale financial assets, inventories, trade receivables and operating cash.

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.

Segment assets and liabilities are reconciled to Group's assets and liabilities at 30 June 2017 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**4,944,812**	**927,372**
Unallocated:		
Cash and cash equivalents	**7,173**	**–**
Other receivables	**989**	**–**
Current income tax liabilities	**–**	**10,557**
Deferred taxation	**–**	**21,125**
Bank borrowings	**–**	**1,350,158**
Accruals and other payables	**–**	**10,391**
Total	**4,952,974**	**2,319,603**

Segment assets and liabilities are reconciled to Group's assets and liabilities at 31 December 2016 as follows:

	Assets *HK$'000*	Liabilities *HK$'000*
Segment assets/liabilities	5,138,204	889,548
Unallocated:		
Cash and cash equivalents	5,936	–
Other receivables	989	–
Current income tax liabilities	–	6,799
Deferred taxation	–	20,537
Bank borrowings	–	1,577,244
Accruals and other payables	–	33,580
Total	5,145,129	2,527,708

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

During the period ended 30 June 2017, the aggregated revenue from the top three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$612,486,000 (For the six months ended 30 June 2016: Three customers; HK$645,133,000).

4 REVENUE

	Six months ended 30 June	
	2017 ***HK$'000***	2016 *HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**109,495**	147,296
Manufacturing of metal stamping components	**697,839**	624,024
Manufacturing of lathing components	**50,849**	65,881
Design and fabrication of plastic injection moulds	**38,913**	73,486
Manufacturing of plastic injection components	**601,706**	636,228
Income from micro lending business	**–**	18,664
Others *(Note)*	**17,670**	15,531
	1,516,472	1,581,110

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

5 OPERATING PROFIT

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	
	2017	2016
	HK$'000	*HK$'000*
Raw material used	**743,837**	814,449
Production overhead costs (excluding labour and depreciation expenses)	**101,938**	109,018
Staff costs, including directors' emoluments and share option costs		
– Retirement benefit – defined contribution plans	**17,697**	20,696
– Share option granted	**3,440**	–
– Others	**300,643**	349,026
Depreciation of property, plant and equipment	**115,439**	122,179
Amortisation of leasehold land and land use rights	**2,097**	2,124
Provision/(reversal of provision) for inventory obsolescence	**5,027**	(1,662)

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**3,398**	1,917
Finance costs		
Interest expense on:		
Bank borrowings	**18,300**	20,034
Finance lease liabilities	**247**	718
	18,547	20,752
Less: interest expenses capitalised	**(1,740)**	(2,399)
	16,807	18,353

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**324**	–
– Mainland China enterprise income tax	**15,092**	9,054
(Over)/under-provision in prior years	**(2,475)**	3,745
Deferred income tax	**588**	(245)
	13,529	12,554

(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 2017 (2016: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for China corporate income tax was calculated on the statutory rate of 25% (2016: 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., Yihe Precision Hardware (Shenzhen) Co., Ltd., EVA Precision Industrial (Zhongshan) Limited and Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. 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 2016 and 2017. Digit Stamping Technology (Wuhan) Limited is 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 period ended 30 June 2017.

(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.

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

8 EARNINGS PER SHARE

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

Basic

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company *(HK$'000)*	**75,389**	22,998
Weighted average number of ordinary shares in issue *('000)*	**1,806,536**	1,879,052
Basic earnings per share *(HK cents per share)*	**4.2**	1.2

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	
	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company *(HK$'000)*	**75,389**	22,998
Weighted average number of ordinary shares in issue *('000)*	**1,806,536**	1,879,052
Adjustment for share options *('000)*	**36,104**	10,726
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,842,640**	1,889,778
Diluted earnings per share *(HK cents per share)*	**4.1**	1.2

9 DIVIDENDS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Proposed interim dividend of HK1.27 cents (2016: HK0.37 cent) per ordinary share	**22,942**	6,952

10 TRADE RECEIVABLES

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

The aging of the trade receivables is as follows:

	As at	
	30 June	31 December
	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**670,794**	655,370
91 to 180 days	**97,548**	133,185
181 to 365 days	**91**	–
	768,433	788,555
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**767,245**	787,367

The top five customers and the largest customer accounted for 39.4% (31 December 2016: 55.7%) and 11.7% (31 December 2016: 17.3%), respectively, of the trade receivables balance as at 30 June 2017. 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 2017, no additional provision was recorded for its trade receivables (30 June 2016: nil).

11 AMOUNT DUE FROM A RELATED COMPANY

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

The carrying amount of amount due from a related company approximates its fair value.

The maximum outstanding balance during the period was HK$1,587,000 (2016: HK$3,174,000)

12 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
0 to 90 days	**542,822**	428,324
91 to 180 days	**171,067**	254,931
	713,889	683,255

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

The first half of 2017 saw a strong profit rebound in the Group, which was primarily driven by an enhancement in productivity. Since 2016, the Group has been implementing various cost control measures and streamlining its workforce with a view to coping with the rising wage level in China and improving efficiency. The roles of various departments were carefully revisited, and administrative responsibilities were reassigned to optimise performance. At the same time, innovative automation solutions and new robotic equipment were brought into our production lines. Such efforts started to bring about positive outcomes during the six months ended 30 June 2017. During the period, although our new Vietnam industrial park started to ramp up production, the Group's total headcount continued to reduce from 7,855 employees as at 31 December 2016 to 7,736 employees as at 30 June 2017. Employment and various operating expenses decreased, which led to a strong improvement in the profit margin of the Group during the period.

Turnover of the Group also saw signs of improvement. In the previous financial period, the Group's customers in the office automation ("OA") equipment sectors were affected by pessimism in the business community and experienced a slowdown in demand, which in turn had a negative impact on the sales orders received by the Group. Following a restoration of business confidence in late 2016, the demand from these customers started to improve. However, in September 2016, the OA equipment division of Samsung Electronics ("Samsung Printing Solutions"), which had been one of the customers of our Suzhou industrial park since 2012, was acquired by Hewlett-Packard ("HP"). Thereafter, Samsung Printing Solutions moved the production of its OA equipment products from Suzhou and consolidated such production in its manufacturing facilities in Weihai, Shandong Province, leading to a reduction in the sales to Samsung Printing Solutions by our Suzhou industrial park during the period. Accordingly, despite a general improvement in the demand from other customers, the Group witnessed a slight reduction in its turnover during the six months ended 30 June 2017.

Nonetheless, the Group remains confident about the future growth momentum of its OA equipment business despite the temporary reduction in turnover. In particular, the Group has been informed by Samsung Printing Solutions that the production volume of its Weihai manufacturing facilities increased significantly after the acquisition by HP. Given the excellent track record of the Group in serving Samsung Printing Solutions in Suzhou, the Group was invited by Samsung Printing Solutions to set up a new industrial park in Weihai to serve its enlarged production demand there, which is a strong endorsement of our outstanding quality and production management expertise. The new Weihai industrial park is planned to have a land area of 380,000 square metres and a floor area (phase one) of 70,000 square metres, and is scheduled for completion in the second half of 2019. After taking into account the significantly enlarged production volume of the manufacturing facilities of Samsung Printing Solutions in Weihai, we believe that the potential sales volume of the Group's future Weihai industrial park, when completed, will be significantly higher than that previously made by our Suzhou industrial park to Samsung Printing Solutions in Suzhou. Further, as the growth in the production demand of Samsung Printing Solutions in Weihai is imminent, the Group will rent a temporary factory in Weihai to serve Samsung Printing Solutions before the new Weihai industrial park is completed.

During the period, the Group's new Vietnam industrial park, which was completed in late 2016, was in the process of ramping up its production. The production ramp-up was smooth. The Group's new Vietnam industrial park was built at the invitation of certain of the Group's major customers in the OA equipment industry which had already set up assembly plants in Vietnam for a long time. However, in the past, we only had production facilities in China and were therefore unable to serve the assembly plants of our OA equipment customers in Vietnam, as these customers adopt just-in-time production system which requires their suppliers to be located in their proximity. By entering into our customers' supply chain in Vietnam through the establishment of a new industrial park there, our addressable market within the OA equipment industry is enlarged. During the period, the majority of the turnover of the new Vietnam industrial park was generated from the OA equipment customers. However, the new Vietnam industrial park can also expand into other sectors such as the high end consumer electronics sector at a later stage, as Vietnam is also well known as one of the major manufacturing hubs for high end consumer electronics products.

During the period, we continued to see significant progress in the automobile business line of the Group. Given the excellent track record of the Group in China, the Group was invited by one of its existing automobile customers, which is an international leader in the production of automobile seats, interiors and exhaust systems, to establish a new industrial park in Mexico to serve their existing plants there. The new Mexico industrial park is planned to be located at San Luis Potosí, Mexico where a lot of famous automakers and multinational tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler and Faurecia, have production bases either locally or in the adjacent states. The new Mexico industrial park will have 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 16,000 square metres, and is scheduled for completion in late 2018. Additional capacity can be added should our production capacity be unable to cope with the huge demand for high quality automobile moulds and components in Mexico, which is one of the major production hubs in the world for automobiles.

With a view to differentiating from the majority of domestic automobile suppliers in China whose products are small in size and do not form the core part of the automobiles, the Group's automobile business line in China focuses on the production of moulds and high tensile components used for auto bodies which require high safety and anti-collision standards. During the period, we continued to strengthen our business partnership with key automobile customers and received the "Excellent Supplier" award from a leading automaker in China once again, our fifth accolade from them since becoming their supplier five years ago. This not only strengthened our business partnership with them, but also provided us with the valuable credentials for sourcing other new orders in the automobile industry. Accordingly, turnover from the automobile industry continued to increase during the six months ended 30 June 2017.

In recent years, the Chinese government has taken 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 emerged in China in recent years, which created many new business opportunities for the Group in the smart device and high end consumer electronics markets as product quality and engineering expertise are also essential for high technology products. In addition, for the purpose of focusing resources on our core manufacturing business, we reduced the shareholding interests in three subsidiary companies whose businesses or customers are not the development focus of the Group in July 2017, and thereafter these companies ceased to be the subsidiaries of the Group.

During the period, the turnover of the Group decreased by 4.1% to HK$1,516,472,000, which was primarily caused by the relocation of the manufacturing facilities of Samsung Printing Solutions as mentioned above. Gross profit margin, however, increased to 27.2%, which was mainly caused by the various cost control measures adopted by the Group since 2016 which led to a decrease in employment and other production costs, and a reduction in depreciation expenses as certain of the Group's production equipment had been fully depreciated. Various other operating costs of the Group also decreased due to cost controls. In addition, for the previous financial period, the Group's profit margin was lower and certain of its subsidiaries incurred losses, which increased the overall effective tax rate of the Group in the first half of 2016 as such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries. This situation changed as profit margin improved during the six months ended 30 June 2017, leading to a reduction in the effective tax rate of the Group. As a result, the Group's net profit rebounded sharply and increased by 227.8% to HK$75,389,000 for the six months ended 30 June 2017.

During the period, we continued to devote substantial efforts on maintaining a healthy balance sheet. We took steps to streamline our working capital requirements, and accordingly our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) reduced from 36 days for the year ended 31 December 2016 to 33 days for the six months ended 30 June 2017. Our net debt-to-equity ratio was low at 0.5% as at 30 June 2017, which has a strong appeal for existing and targeted customers looking for manufacturing partners as financial stability has become one of their key criteria for supplier selection to ensure a reliable supply chain.

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 controls 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. We have a philosophy of creating value for 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 2017 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 69,332,000 shares from the market during the six months ended 30 June 2017. In the future, we will adhere to our philosophy of continuous technological improvement, and will 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			
	2017		2016	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**109,495**	7.2%	147,296	9.3%
Manufacturing of metal stamping components	**697,839**	46.0%	624,024	39.5%
Manufacturing of lathing components	**50,849**	3.4%	65,881	4.2%
Others *(Note 1)*	**14,318**	0.9%	11,280	0.7%
	872,501		848,481	
Plastic division				
Design and fabrication of plastic injection moulds	**38,913**	2.6%	73,486	4.6%
Manufacturing of plastic injection components	**601,706**	39.7%	636,228	40.2%
Others *(Note 1)*	**3,352**	0.2%	4,251	0.3%
	643,971		713,965	
Income from micro lending business	**–**	–	18,664	1.2%
Total	**1,516,472**		1,581,110	
Segment results				
Metal division	**64,829**		24,148	
Plastic division	**48,582**		20,681	
Micro lending business	**1,865**		10,910	
Operating profit	**115,276**		55,739	
Unallocated expenses	**(11,861)**		(2,160)	
Finance income	**3,398**		1,917	
Finance costs	**(16,807)**		(18,353)	
Income tax expense	**(13,529)**		(12,554)	
Non-controlling interests	**(1,088)**		(1,591)	
Profit attributable to equity holders of the Company	**75,389**		22,998	

Note 1: Others mainly represented sales of scrap materials.

Turnover

Samsung Printing Solutions, which had been a customer of the Group's Suzhou industrial park since 2012, was acquired by HP in September 2016. Thereafter, Samsung Printing Solutions moved the production of its OA equipment products from Suzhou and consolidated such production in its Weihai manufacturing facilities. As a result, sales to Samsung Printing Solutions by the Group's Suzhou industrial park decreased during the six months ended 30 June 2017, which led to a reduction in the Group's turnover during the period.

In August 2016, the Group reduced the shareholding interest in its micro lending company from 60% to 40%. Thereafter, the micro lending company ceased to be a subsidiary of the Group, and the Group ceased to recognise the income from micro lending business as its own turnover. Accordingly, there was no turnover from the micro lending business during the six months ended 30 June 2017.

Gross profit

Since 2016, the Group has been implementing production automation and streamlining its workforce with a view to improving productivity, which led to a reduction in employment and other costs during the six months ended 30 June 2017. Further, there was a reduction in depreciation expenses as certain of the Group's production equipment had been fully depreciated. As a result, the gross profit margin for the period increased to 27.2%.

Segment results

As mentioned above, the Group experienced an improvement in gross profit margin during the period. Further, the Group's general and administrative expenses for the six months ended 30 June 2017 also decreased as a result of the various cost control measures adopted by the Group since 2016. Accordingly, the operating profit margin of the Group's metal and plastic divisions increased to 7.4% and 7.5% respectively.

Operating profit from the micro lending business for the six months ended 30 June 2017 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 2017, finance income increased as the interest rates from bank deposits in Hong Kong and United States dollars increased.

The Group's finance costs decreased to HK$16,807,000, which was primarily caused by the reduction in bank borrowings and finance lease liabilities during the period.

Income tax expense

During the period, income tax expense amounted to HK$13,529,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 15.0%, which decreased as compared to that in the first half of 2016. In the first half of 2016, the Group paid additional taxes of HK$3,745,000 to the tax authorities in China in relation to certain non-tax deductible expenses in prior years, whilst the Group received tax refunds of HK$2,475,000 from the tax authorities in China in the first half of 2017. In addition, the Group's profit margin was lower and certain of its subsidiaries incurred losses in the first half of 2016, which increased the overall effective tax rate of the Group as such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries. This situation changed as profit margin improved during the six months ended 30 June 2017, which led to a reduction in the effective tax rate of the Group.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company increased by 227.8% to HK$75,389,000, which was primarily caused by the improvement in the Group's operating profit margin as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2017, the Group continued to devote substantial resources to controlling its working capital requirements. However, as the items affecting working capital requirements such as inventories and trade receivables were already at low level by end of 2016, the operating cash inflow that can be generated through working capital management decreased as compared to that in the previous financial period. Accordingly, the Group's net cash inflow from operating activities for the period decreased by 11.3% to HK$203,107,000 (first half of 2016: HK$229,072,000). During the period, the Group increased its short-term bank deposits with maturities of more than three months by HK$76,041,000 and therefore recorded a cash outflow item from investing activities of the same amount, whereas the Group recorded a decrease in short-term bank deposits of HK$42,971,000 in the first half of 2016. Therefore, the Group's net cash outflow from investing activities increased from HK$103,292,000 in the first half of 2016 to HK$236,905,000 in the first half of 2017. During the period, the Group continued to reduce its debts and new bank borrowings decreased. The Group also paid HK$73,644,000 for repurchasing its own shares in the first half of 2017. Accordingly, the Group's net cash outflow from financing activities increased to HK$317,296,000 during the period (first half of 2016: HK$180,415,000).

The majority of the bank loans as at 30 June 2017 were denominated in Hong Kong and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Bank loan denominated in Renminbi was obtained by a non-wholly owned subsidiary whose business operations were located solely in China. As the size of business operations of this non-wholly owned subsidiary was not significant, the amount of bank loan denominated in Renminbi was small as at 30 June 2017. 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 2017	31 December 2016
Inventory turnover days *(Note 1)*	**58**	48
Debtors' turnover days *(Note 2)*	**92**	90
Creditors' turnover days *(Note 3)*	**117**	102
Cash conversion cycle *(Note 4)*	**33**	36
Current ratio *(Note 5)*	**1.41**	1.54
Net debt-to-equity ratio *(Note 6)*	**0.5%**	-0.4% (Net cash)

(b) Profitability ratio

	Six months ended 30 June	
	2017	2016
Net profit margin *(Note 7)*	**5.0%**	1.5%
Return on shareholders' equity *(Note 8)*	**2.9%**	0.9%

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

As at 30 June 2017, the Group's inventory balance increased to HK$351,584,000 (as at 31 December 2016: HK$325,615,000), which was primarily caused by an increase in moulds under production or pending inspection by customers being captured as part of the Group's inventories as at period end. Such moulds are due for delivery in the second half of 2017. As inventory balance increased, inventory turnover days for the period increased to 58 days.

Debtors' and creditors' turnover days

The Group's debtors' turnover days for the period was 92 days, which was comparable to that for the year ended 31 December 2016. At the same time, for the purpose of streamlining working capital requirements, the Group arranged with its banks to increase the issue of discountable notes to the Group's suppliers for the settlement of raw material purchases, which led to an increase in creditors' turnover days to 117 days during the period.

Current ratio and net debt-to-equity ratio

During the period, the Group continued to utilise its operating cash inflows for the repayment of bank borrowings, which were mainly long-term loans through instalment payments. As a result, the Group's total current assets decreased and its current ratio as at 30 June 2017 reduced to 1.41. In addition, the Group also utilised its cash for repurchasing its own shares during the period, which led to a slight increase in net debt-to-equity ratio to 0.5% as at 30 June 2017.

Net profit margin and return on shareholders' equity

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

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2017, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	24.4%	4.7%
US dollars	48.8%	54.2%
Renminbi	25.1%	41.1%
Euro and Vietnamese Dong	1.7%	–

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 73.2% of the Group's sales and 58.9% 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 denominated in Euro and Vietnamese Dong were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

Further, it is currently planned that the Group's new industrial parks in Weihai, China and Mexico will target at serving international OA equipment and automobile brand owners 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 Group's new industrial parks in Weihai and Mexico will be denominated in US dollars.

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

HUMAN RESOURCES

Despite the production ramp-up of the new Vietnam industrial park during the six month ended 30 June 2017, the total number of the Group's employees reduced from 7,855 employees as at 31 December 2016 to 7,736 employees as at 30 June 2017, which was primarily caused by production automation and management improvement measures to streamline the headcount and internal structures of the Group.

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.

OUTLOOK

The financial result for the first half of 2017 has provided another proof of our outstanding management capabilities for overcoming difficulties. Despite a temporary reduction in turnover caused by the relocation of Samsung Printing Solutions, we managed to drive a sharp profit rebound through stringent cost controls and other management measures. The foundation of our automobile business line became more solid, as evidenced by its sustained revenue growth. At the same time, we have also been actively seeking new business opportunities to accelerate our development. Our entry into Vietnam and Mexico has not only fortified our partnerships with key customers, but can also provide the Group with additional streams of revenue from new geographical markets. The new Weihai industrial park is built under the invitation of Samsung Printing Solutions, who was impressed by our excellent track record in serving them in the past. Since the production demand of Samsung Printing Solutions in Weihai has been significantly enlarged after its acquisition by HP, we expect that the potential sales volume of the Group's new Weihai industrial park will be significantly larger than that previously made to Samsung Printing Solutions in the past. As the platform for significant business growth has now been set, we are confident to see robust business performance ahead.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2017, 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$5,701,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$174,355,000 for securing finance lease liabilities.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2017, the Company repurchased its 69,332,000 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 2017 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 2017	25,386,000	1.00	0.84	23,563
February 2017	43,946,000	1.20	1.00	50,081
	69,332,000			73,644

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 2017 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

The Board declared an interim dividend of HK1.27 cents per ordinary share, totaling HK$22,942,000 for the six months ended 30 June 2017 to eligible shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2017. The interim dividend will be payable in cash on or about Thursday, 21 September 2017.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Tuesday, 12 September 2017 to Thursday, 14 September 2017, 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 Monday, 11 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2017.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 28 August 2017

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