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# 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 2012

### FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "**Company**") are pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2012 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
*For the six months ended 30 June 2012*

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | | **2012** | 2011 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *4* | **1,168,036** | 879,071 |
| Cost of sales | | **(928,134)** | (641,215) |
| **Gross profit** | | **239,902** | 237,856 |
| Other income | | **19** | – |
| Other gains – net | | **1,914** | 26 |
| Selling and marketing costs | | **(48,376)** | (34,895) |
| General and administrative expenses | | **(137,455)** | (79,701) |
| **Operating profit** | *5* | **56,004** | 123,286 |
| Finance income | *6* | **489** | 1,428 |
| Finance costs | *6* | **(8,703)** | (4,461) |
| **Profit before income tax** | | **47,790** | 120,253 |
| Income tax expense | *7* | **(8,066)** | (14,498) |
| **Profit for the period** | | **39,724** | 105,755 |
| Other comprehensive income for the period, net of tax | | **(836)** | – |
| **Total comprehensive income for the period** | | **38,888** | 105,755 |

| | | Unaudited | |
| --- | --- | --- | --- |
| | | **Six months ended 30 June** | |
| | | **2012** | 2011 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Profit attributable to: | | | |
| – Equity holders of the Company | | **40,201** | 104,232 |
| – Non-controlling interests | | **(477)** | 1,523 |
| | | **39,724** | 105,755 |
| Total comprehensive income attributable to: | | | |
| – Equity holders of the Company | | **39,365** | 104,232 |
| – Non-controlling interests | | **(477)** | 1,523 |
| | | **38,888** | 105,755 |
| **Earnings per share, expressed in HK cents per share** | *8* | | |
| – basic | | **HK 2.3 cents** | HK 6.0 cents |
| – diluted | | **HK 2.3 cents** | HK 6.0 cents |
| **Dividend** | *9* | **12,227** | 31,637 |

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**
*As at 30 June 2012*

| | Note | Unaudited 30 June 2012 HK$'000 | Audited 31 December 2011 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **1,600,456** | 1,404,846 |
| Leasehold land and land use rights | | **120,090** | 121,525 |
| Prepayments, deposits and other receivables | | **163,236** | 168,341 |
| Goodwill | | **2,545** | 2,545 |
| Other assets | | **1,607** | 1,607 |
| | | **1,887,934** | 1,698,864 |
| **Current assets** | | | |
| Inventories | | **261,927** | 302,398 |
| Trade receivables | *10* | **423,241** | 393,311 |
| Prepayments, deposits and other receivables | | **71,309** | 69,226 |
| Financial assets at fair value through profit or loss | | **16,192** | 16,708 |
| Pledged bank deposits | | **1,014** | 2,418 |
| Cash and cash equivalents | | **1,134,827** | 514,871 |
| | | **1,908,510** | 1,298,932 |
| **Current liabilities** | | | |
| Trade payables | *11* | **392,251** | 388,280 |
| Accruals and other payables | | **134,235** | 118,546 |
| Bank borrowings | | **428,692** | 309,256 |
| Finance lease liabilities | | **27,956** | 13,184 |
| Current income tax liabilities | | **29,096** | 38,703 |
| | | **1,012,230** | 867,969 |
| **Net current assets** | | **896,280** | 430,963 |
| **Total assets less current liabilities** | | **2,784,214** | 2,129,827 |

| | Note | Unaudited 30 June 2012 HK$'000 | Audited 31 December 2011 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowings | | **643,910** | 62,364 |
| Finance lease liabilities | | **62,613** | 63 |
| Deferred taxation | | **22,743** | 22,988 |
| | | **729,266** | 85,415 |
| **Net assets** | | **2,054,948** | 2,044,412 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **175,870** | 175,905 |
| Reserves | | **1,866,072** | 1,855,024 |
| **Equity attributable to equity holders of the Company** | | **2,041,942** | 2,030,929 |
| **Non-controlling interests** | | **13,006** | 13,483 |
| **Total equity** | | **2,054,948** | 2,044,412 |

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

**CONDENSED CONSOLIDATED INTERIM OF CASH FLOWS**
*For the six months ended 30 June 2012*

| | Unaudited Six months ended 30 June 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **145,485** | 70,280 |
| Interest received | **489** | 1,428 |
| Interest paid | **(8,818)** | (4,405) |
| Income tax paid | **(17,824)** | (15,414) |
| Net cash generated from operating activities | **119,332** | 51,889 |
| **Cash flows from investing activities** | | |
| Acquisition of a subsidiary, net of cash acquired | **–** | (2,500) |
| Purchases of property, plant and equipment | **(27,421)** | (125,346) |
| Deposits for purchases of property, plant and equipment | **(152,552)** | (61,034) |
| Proceeds from sales of property, plant and equipment | **400** | – |
| Net cash used in investing activities | **(179,573)** | (188,880) |
| **Cash flows from financing activities** | | |
| Proceeds from bank borrowings | **818,000** | 90,000 |
| Inception of finance lease | **26,333** | – |
| Repayments of bank borrowings | **(117,018)** | (39,360) |
| Repayments of capital element of finance lease liabilities | **(19,854)** | (17,582) |
| Decrease in pledged bank deposits | **1,404** | 4,090 |
| Proceeds from exercise of share options | **–** | 626 |
| Dividends paid | **(28,144)** | (44,005) |
| Proceeds from share issued from warrants exercise | **–** | 28,420 |
| Proceeds from share issued from placing and subscription | **–** | 284,023 |
| Net cash generated from financing activities | **680,721** | 306,212 |
| **Net increase in cash and cash equivalents** | **620,480** | 169,221 |
| Cash and cash equivalents at the beginning of period | **514,871** | 501,074 |
| Exchange losses on cash and cash equivalent | **(524)** | – |
| **Cash and cash equivalents at the end of the period** | **1,134,827** | 670,295 |

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

*Note:*

## 1. BASIS OF PRESENTATION

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

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

The condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue on 21 August 2012. The condensed consolidated interim financial information has not been audited.

## 2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

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

### (a) New standards, amendments and interpretations to existing standards effective for the financial year beginning 1 January 2012 but not relevant to the Group

- HKFRS 1 (Amendment) — Severe hyperinflation and removal of fixed dates for first-time adopters
- HKFRS 7 (Amendment) — Disclosures – Transfers of financial assets
- HKAS 12 (Amendment) — Deferred tax: Recovery of underlying assets

There are no other new standards, amendments or interpretation that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

**(b)** The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| • HKFRS 7 (Amendment) | Financial instruments: Disclosures – Offsetting financial assets and financial liabilities | 1 January 2013 |
| • HKFRS 7 and HKFRS 9 (Amendments) | Mandatory effective date and transition disclosures | 1 January 2015 |
| • HKFRS 9 | Financial instruments | 1 January 2015 |
| • HKFRS 10 | Consolidated financial statements | 1 January 2013 |
| • HKFRS 11 | Joint arrangements | 1 January 2013 |
| • HKFRS 12 | Disclosure of interests in other entities | 1 January 2013 |
| • HKFRS 13 | Fair value measurements | 1 January 2013 |
| • HK (IFRIC)– Int 20 | Stripping costs in the production phase of a surface mine | 1 January 2013 |
| • HKAS 1 (Amendment) | Presentation of financial statements | 1 July 2012 |
| • HKAS 19 (Amendment) | Employee benefits | 1 January 2013 |
| • HKAS 27 (revised 2011) | Separate financial statements | 1 January 2013 |
| • HKAS 28 (revised 2011) | Associates and joint ventures | 1 January 2013 |
| • HKAS 32 (Amendment) | Financial instruments: Presentation – Offsetting financial assets and financial liabilities | 1 January 2014 |

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

## 3. SEGMENT INFORMATION

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

At 30 June 2012, 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 financial statements.

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

The segment results and other segment items are as follows:

| | **Six months ended 30 June 2012** | | | Six months ended 30 June 2011 | | |
|---|---|---|---|---|---|---|
| | **Metal stamping** | **Plastic injection** | **Total** | Metal stamping | Plastic injection | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Total gross segment sales | **802,018** | **456,408** | **1,258,426** | 595,602 | 312,687 | 908,289 |
| Inter-segment sales | **(67,829)** | **(22,561)** | **(90,390)** | (25,693) | (3,525) | (29,218) |
| Sales | **734,189** | **433,847** | **1,168,036** | 569,909 | 309,162 | 879,071 |
| Segment results | **24,115** | **32,244** | **56,359** | 76,444 | 47,985 | 124,429 |
| Unallocated expenses | | | **(355)** | | | (1,143) |
| Finance income | | | **489** | | | 1,428 |
| Finance costs | | | **(8,703)** | | | (4,461) |
| Profit before income tax | | | **47,790** | | | 120,253 |
| Income tax expense | | | **(8,066)** | | | (14,498) |
| Profit for the period | | | **39,724** | | | 105,755 |
| Depreciation | **46,752** | **19,316** | **66,068** | 33,584 | 13,297 | 46,881 |
| Amortisation | **1,308** | **67** | **1,375** | 453 | 83 | 536 |

The segment assets and liabilities are as follows:

| | **As at 30 June 2012** | | | | As at 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Metal stamping** | **Plastic injection** | **Un–allocated** | **Total** | Metal stamping | Plastic injection | Un-allocated | Total |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Assets | **2,725,675** | **1,067,284** | **3,485** | **3,796,444** | 2,306,361 | 684,979 | 6,456 | 2,997,796 |
| Liabilities | **349,184** | **148,574** | **1,243,738** | **1,741,496** | 352,758 | 122,249 | 478,377 | 953,384 |
| Capital expenditure | **190,366** | **76,225** | **–** | **266,591** | 433,805 | 57,090 | – | 490,895 |

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, goodwill, certain prepayments, deposits and other receivables, other assets, inventories, trade receivables, financial assets at fair value through profit or loss and operating cash.

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

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 30 June 2012 as follows:

| | **Assets** | **Liabilities** |
|---|---|---|
| | ***HK$'000*** | ***HK$'000*** |
| Segment assets/liabilities | **3,792,959** | **497,758** |
| Unallocated: | | |
| Cash and cash equivalents | **3,485** | **–** |
| Current income tax liabilities | **–** | **29,096** |
| Deferred taxation | **–** | **22,743** |
| Current borrowings | **–** | **428,692** |
| Non-current borrowings | **–** | **643,910** |
| Current finance lease liabilities | **–** | **27,956** |
| Non-current finance lease liabilities | **–** | **62,613** |
| Accruals and other payables | **–** | **28,728** |
| Total | **3,796,444** | **1,741,496** |

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2011 as follows:

| | Assets<br>*HK$'000* | Liabilities<br>*HK$'000* |
|---|---|---|
| Segment assets/liabilities | 2,991,340 | 475,007 |
| Unallocated: | | |
| Cash and cash equivalents | 5,376 | – |
| Prepayments, deposits and other receivables | 1,080 | – |
| Current income tax liabilities | – | 38,703 |
| Deferred taxation | – | 22,988 |
| Current borrowings | – | 309,256 |
| Non-current borrowings | – | 62,364 |
| Current finance lease liabilities | – | 13,184 |
| Non-current finance lease liabilities | – | 63 |
| Accruals and other payables | – | 31,819 |
| Total | 2,997,796 | 953,384 |

## 4 REVENUE

| | **Six months ended 30 June** | |
|---|---|---|
| | **2012**<br>***HK$'000*** | 2011<br>*HK$'000* |
| **Revenue** | | |
| Design and fabrication of metal stamping moulds | **50,757** | 61,455 |
| Manufacturing of metal stamping components | **571,656** | 439,720 |
| Manufacturing of lathing components | **95,090** | 55,986 |
| Design and fabrication of plastic injection moulds | **32,284** | 45,100 |
| Manufacturing of plastic injection components | **396,908** | 260,466 |
| Others[1] | **21,341** | 16,344 |
| | **1,168,036** | 879,071 |

[1] Others mainly represent sales of scrap materials.

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

Revenues for the six months ended 30 June 2012 of approximately HK$259,346,000 (HK$151,862,000), HK$157,728,000 (HK$147,158,000), HK$140,296,000 (HK$121,546,000) and HK$139,408,000 (HK$114,900,000) were derived from the top four external customers respectively.

## 5 OPERATING PROFIT

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

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Raw materials and consumables used | **671,653** | 468,940 |
| Production overhead costs (excluding labour and depreciation expenses) | **53,475** | 40,065 |
| Staff costs, including directors' emoluments and share option costs | | |
| – research and development | **6,890** | – |
| – others | **220,050** | 139,138 |
| Depreciation of property, plant and equipment | **66,068** | 46,881 |
| Amortisation of leasehold land and land use rights | **1,375** | 536 |
| Research and development | **20,269** | – |
| Gain on disposal of property, plant and equipment | **145** | – |
| (Reversal of)/provision for inventories to net realisable value | **(125)** | 2,294 |
| Net exchange gains | **(1,313)** | (1,023) |

## 6 FINANCE INCOME/COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Finance income | | |
| Interest income from bank deposits | **489** | 1,428 |
| Finance costs | | |
| Interest on: | | |
| Bank borrowings wholly repayable within five years | **8,132** | 3,918 |
| Bank borrowings not wholly repayable within five years | **16** | 53 |
| Finance lease liabilities | **555** | 490 |
| | **8,703** | 4,461 |

## 7 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Current taxation | | |
| – Hong Kong profits tax | **276** | 5,596 |
| – Mainland China enterprise income tax | **8,526** | 8,902 |
| – Deferred income tax credited for the period | **(245)** | – |
| – Over – provision in prior years | **(491)** | – |
| | **8,066** | 14,498 |

### (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 2012 (2011: 16.5%).

### (b) Mainland China corporate income tax

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

(i) Provision for China corporate income tax was calculated on the statutory rate of 25% (2011: 25%) on the assessable income of each of the Group's entities except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period. Accordingly, the China corporate income tax for such subsidiaries has been provided for after taking into account of their tax exemptions and concessions.

(ii) On 31 December 2010 and 31 December 2011, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., respectively, were recognised by the Chinese Government as a "National High and New Technology Enterprise" and were therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2011 and 2012.

(iii) During the six months ended 30 June 2012, EVA Precision Industrial (Suzhou) Limited was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2012.

## 8 EARNINGS PER SHARE

### Basic

| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **40,201** | 104,232 |
| Weighted average number of ordinary shares in issue ('000) | **1,759,050** | 1,736,122 |
| Basic earnings per share (HK cents per share) | **2.3** | 6.0 |

### Diluted

| | Six months ended 30 June 2012 | Six months ended 30 June 2011 |
|---|---|---|
| Profit attributable to equity holders of the Company (HK$'000) | **40,201** | 104,232 |
| Weighted average number of ordinary shares in issue ('000) | **1,759,050** | 1,736,122 |
| Adjustment for share options and warrants ('000) | **7,060** | 13,633 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | **1,766,110** | 1,749,755 |
| Diluted earnings per share (HK cents per share) | **2.3** | 6.0 |

## 9 DIVIDEND

| | Six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* |
| Proposed interim dividend of HK 0.7 cents (2011: HK1.8 cents) per ordinary share | **12,227** | 31,637 |

## 10 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 60 to 120 days. The aging of the trade receivables is as follows:

| | As at | |
|---|---|---|
| | **30 June 2012** | 31 December 2011 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **377,721** | 319,566 |
| 91 to 180 days | **39,849** | 59,834 |
| 181 to 365 days | **6,182** | 15,071 |
| Over 365 days | **677** | 28 |
| | **424,429** | 394,499 |
| Less: Provision for impairment of trade receivables | **(1,188)** | (1,188) |
| Trade receivables – net | **423,241** | 393,311 |

The carrying amounts of trade receivables approximate their fair values.

## 11 TRADE PAYABLES

The aging of trade payables is as follows:

| | As at | |
|---|---|---|
| | **30 June 2012** | 31 December 2011 |
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **330,053** | 316,311 |
| 91 to 180 days | **36,572** | 61,595 |
| 181 to 365 days | **22,605** | 6,409 |
| Over 365 days | **3,021** | 3,965 |
| | **392,251** | 388,280 |

The carrying amounts of trade payables approximate their fair values and they have maturity periods within 180 days.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Significant Events and Development

Since 2009, the Group has been engaging in a strategic transformation from previously focusing on just office automation ("OA") equipment to serving a diversity of products for the fast growing Chinese consumption market, with particular attention given to the huge automobile sector. During the first half of 2012, the Group continued to make significant progress towards this direction. As one of the milestone events in such transformation, the Group commenced the construction of a new production base in Wuhan in March 2012 which is targeted at providing component production and welding services to automobile brand names located in Wuhan and adjacent cities. Since the Group's business in automobile sector was only confined to the production of moulds in the past, the construction of the new Wuhan production base signifies the Group's expansion into supplying automobile components on a large scale basis, a business which is much more voluminous than just supplying moulds and underscores our next step forward into the automobile market.

Currently, Wuhan is one of the major production hubs in China for automobiles. A number of international automobile brand names have established or are planning to establish production bases in Wuhan or its adjacent cities, which includes Dongfeng, Honda, Nissan, Citroen, Peugeot and General Motors. We are confident that by utilising our precision engineering and production management expertise obtained through nearly 20 years of experience in serving Japanese brand owners in the OA industry who are well known for their demanding quality requirements, our new Wuhan production base can stand out in the domestic automobile supply chain and eventually serve as a platform for the Group to achieve a quantum leap in revenue in the future.

The new Wuhan production base has a land area of approximately 166,000 square metres and its development is divided into phases. The construction of phase one of the Wuhan production base with a floor area of approximately 51,000 square metres, which commenced in March 2012, is scheduled for completion in 2013. Upon completion, we are confident that the new Wuhan production base can open up a new phase of development for the benefits of the Group. However, during the current reporting period, initial costs of approximately HK$27,159,000 were incurred in preparation for its launch of production, which included salaries for additional engineers and consumables and raw materials used for technology development and testing. Coupled with a general increase in labour and other costs in the manufacturing industry, the Group's net profit attributable to equity holders of the Company reduced by approximately 61.4% to HK$40,201,000 during the period.

As disclosed in our 2011 annual report, being cautious about the economic outlook in developed countries, the Group's customers in OA equipment business had temporarily shifted their short-term growth driver to lower end products for sales to emerging countries, which altered the type of orders received by the Group and adversely affected its profit margin since the Group used to target at supplying moulds and components for higher end products such as high resolution professional copiers. As a majority of the Group's revenue was still generated from the OA equipment sector during the current reporting period, the Group's gross profit margin reduced from 27.1% to 20.5%. However, on the brighter side, our revenue continued to grow by 32.9% to approximately HK$1,168,036,000, which offset the impact from margin reduction. As such, the amount of the Group's gross profit still increased slightly to approximately HK$239,902,000.

Despite our OA equipment customers' temporary shift to lower end products, it is undoubted that the launch of new higher end OA equipment is only delayed, but remains necessary due to technological advancement and replacement cycles of the equipment. On the other hand, our strong revenue growth under a lackluster external environment at present is a clear evidence of our increasingly solid relationship with customers and the on-going trend for them to concentrate a growing percentage of their purchases on us. As such, the Group is most likely to become the major beneficiary when new series of higher end OA equipment launch, which is just a matter of time.

During the period, we continued to devote substantial efforts on maintaining a healthy balance sheet. Our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) improved from 52 days in 2011 to 41 days in 1H2012. The improvement in our cash conversion cycle was primarily caused by our conscious effort to control inventories and streamline working capital requirement. Our net gearing ratio remained very low at only 1%, which has a strong appeal to existing and target customers looking for manufacturing partners as financial stability has become one of the key criteria for supplier selection particularly under the unstable economic environment at present.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at 30% to 35% of net profit, and 1H2012 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement and sound financial management, whilst maximising returns to our shareholders.

**Financial Review**

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

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2012** | | 2011 | |
| | ***HK$'000*** | | *HK$'000* | |
| **By business segment** | | | | |
| **Turnover** | | | | |
| Metal division | | | | |
| Design and fabrication of metal stamping moulds | **50,757** | **4.3%** | 61,455 | 7.0% |
| Manufacturing of metal stamping components | **571,656** | **49.0%** | 439,720 | 50.0% |
| Manufacturing of lathing components | **95,090** | **8.1%** | 55,986 | 6.4% |
| Others *(Note 1)* | **16,686** | **1.4%** | 12,748 | 1.5% |
| | **734,189** | | 569,909 | |
| **Plastic division** | | | | |
| Design and fabrication of plastic injection moulds | **32,284** | **2.8%** | 45,100 | 5.1% |
| Manufacturing of plastic injection components | **396,908** | **34.0%** | 260,466 | 29.6% |
| Others *(Note 1)* | **4,655** | **0.4%** | 3,596 | 0.4% |
| | **433,847** | | 309,162 | |
| Total | **1,168,036** | | 879,071 | |
| **Segment results** | | | | |
| Metal division | **24,115** | | 76,444 | |
| Plastic division | **32,244** | | 47,985 | |
| Operating profit | **56,359** | | 124,429 | |
| Unallocated expenses | **(355)** | | (1,143) | |
| Finance income | **489** | | 1,428 | |
| Finance costs | **(8,703)** | | (4,461) | |
| Income tax expense | **(8,066)** | | (14,498) | |
| Non-controlling interests | **477** | | (1,523) | |
| Profit attributable to equity holders of the Company | **40,201** | | 104,232 | |

*Note 1:* Others mainly represented sales of scrap materials

***Turnover***

Driven by the on-going trend for brand owners to concentrate higher percentage of their purchases on suppliers with proven quality standards and financial stability like ourselves, we continued to record significant revenue growth in the manufacture of metal stamping, lathing and plastic injection components during the period. Turnover for the period amounted to HK$1,168,036,000, representing an increase of 32.9% as compared to 1H2011.

***Gross profit***

As disclosed in our 2011 annual report, being cautious about the economic outlook in developed countries, the Group's customers in OA equipment business had temporarily shifted their short-term growth driver to lower end products for sales to emerging countries, which altered the type of orders received by the Group and adversely affected its profit margin since the Group used to target at supplying moulds and components for higher end products such as high resolution professional copiers. Accordingly the Group's gross profit margin reduced from 27.1% in 1H2011 to 20.5% in 1H2012.

At the same time, the Group's turnover grew by 32.9%, which offset the impact from margin reduction. As a result, the amount of the Group's gross profit still increased slightly to approximately HK$239,902,000 during the period.

***Segment results***

For the six months ended 30 June 2012, segment results of the Group's metal and plastic divisions amounted to approximately HK$24,115,000 and HK$32,244,000, representing an operating profit margin of 3.3% and 7.4% respectively. During the period, the Group incurred initial costs of approximately HK$27,159,000 in preparation for its new automobile business, which included salaries for additional engineers and consumables and raw materials used for technology development and testing. Coupled with the reduction in gross profit margin as mentioned above, the Group's operating profit margin for the period decreased as compared to that for 1H2011.

In addition, as the initial costs for new automobile business were mainly incurred by the Group's metal division, the operating profit margin of the Group's metal division was lower than that of the plastic division.

***Finance costs***

The Group's finance costs for the six months ended 30 June 2012 increased to approximately HK$8,703,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities during the period.

### *Income tax expense*

During the six months ended 30 June 2012, income tax expense amounted to approximately HK$8,066,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 16.9%, which increased as compared to that for 1H2011 because: (i) one of the major subsidiaries of the Group, EVA Precision Industrial (Suzhou) Limited, was entitled to the tax benefits of "tax exemption for the first two profitable years and 50% tax reduction for the ensuing three years" under the former tax laws in China during the period from 2007 to 2011. Tax rate of this subsidiary increased due to the expiry of such tax benefits on 31 December 2011 and (ii) certain subsidiaries incurred initial losses primarily caused by the Group's development in the new automobile business, and such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries.

### *Profit attributable to equity holders of the Company*

During the six months ended 30 June 2012, profit attributable to equity holders of the Company amounted to approximately HK$40,201,000, representing a decrease of approximately 61.4% as compared to that for the six months ended 30 June 2011. The reduction in profitability of the Group was primarily caused by the decrease in gross profit margin and the initial costs incurred in preparation for the Group's new automobile business as mentioned above.

## LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

During the period, the Group devoted substantial effort on streamlining working capital requirements. Accordingly, cash generated from operations for the period increased by 107.0% to HK$145,485,000 despite a reduction in net profit. Net cash used in investing activities, which was primarily related to the purchases of fixed assets, amounted to HK$179,573,000 and was comparable to that for the same period last year. In addition, the Group obtained new bank borrowings of approximately HK$818,000,000 during the period. Therefore, net cash generated from financing activities increased by 122.3% to approximately HK$680,721,000.

Bank loans as at 30 June 2012 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2012 is as follows:

| | **30 June 2012** | 31 December 2011 |
|---|---|---|
| Inventory turnover days *(Note 1)* | **51** | 74 |
| Debtors' turnover days *(Note 2)* | **66** | 73 |
| Creditors' turnover days *(Note 3)* | **76** | 95 |
| Cash conversion cycle *(Note 4)* | **41** | 52 |
| Current ratio *(Note 5)* | **1.89** | 1.50 |
| Net debt-to-equity ratio *(Note 6)* | **0.01** | Net cash |

*Note:*

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

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

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

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

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

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

***Inventory turnover days***

With a view to streamlining the Group's working capital requirements, we devoted substantial effort on strengthening our inventory control during the six months ended 30 June 2012. Accordingly, the Group's inventory turnover days reduced by 23 days to 51 days during the period.

### *Debtors' and creditors' turnover days*

During the period, the Group's debtors' turnover days was 66 days, which was comparable to that for the year ended 31 December 2011. Creditors' turnover day reduced to 76 days, which was primarily caused by the measures adopted by the Group to lower the level of inventories and therefore the amount payable to inventories suppliers remained stable despite an increase in cost of sales during the period.

### *Current ratio and net debt-to-equity ratio*

During the period, the Group obtained additional bank loans for future capital expenditure and working capital requirements. Most of these new bank loans are long-term bank loans with repayment periods of three to five years, and accordingly classified as non-current liabilities on the Group's statement of financial position. At the same time, a majority of the proceeds from these new bank loans remained unused as at 30 June 2012. Cash and current assets increased which resulted in an improvement in the Group's current ratio as at 30 June 2012.

Despite these new bank loans, the Group's net debt-to-equity ratio remains at a very low level, which was only 1% as at 30 June 2012.

## FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars. During the six months ended 30 June 2012, approximately 32%, 53% and 15% (For the six months ended 30 June 2011: 37%, 58% and 5%) of the Group's sales and approximately 13%, 66% and 21% (For the six months ended 30 June 2011: 13%, 71% and 16%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

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

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2012, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book value of approximately HK$7,027,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book value of HK$98,890,000 for securing finance lease liabilities.

## HUMAN RESOURCES

As at 30 June 2012, the total number of employees of the Group was 7,410 employees, representing an increase of 11.0% as compared to 6,673 employees as at 31 December 2011. The increase in headcount was primarily caused by the recruitment of additional employees in preparation for the Group's new Wuhan production base and the ramping up of the Group's production base in Zhongshan, which was completed by end of 2010 and under trial production stage during the last financial year.

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

## OUTLOOK

Despite a general expectation for slower growth in the near term, China's automobile market is still in its ascending channel and far from saturation. With an increasing demand for higher end and sophisticated products from Chinese customers, China's automobile market is most likely to face a structural adjustment from previously focusing on low cost vehicles to vehicles with higher quality and performance. Whilst our precision engineering expertise accumulated through nearly 20 years of experience in serving Japanese equipment makers which are well known for their demanding quality requirements may be better than required for low cost vehicles, the shift in demand to higher quality vehicles opened up a doorway for the Group to enter into this huge but still expanding market. Going forward, we expect our investment in automobile business today will translate into a quantum leap in our profitability in the future. Meanwhile, our net gearing ratio remains at a very low level, with cash position strong enough to fund our investment.

Last but not the least, turnover from our traditional OA business is still on a growth track, generating healthy cash flows for our new automobile business. Although our profitability from OA business was temporarily affected by the short-term shift to lower end products by our customers, we are optimistic that there will be a resurgence in our profitability when new series of higher end OA equipment launch, which is just a matter of time as OA equipment is subject to regular replacement.

## PURCHASES, SALE AND REDEMPTION OF THE SHARES

In June and July 2012, the Company repurchased its 12,300,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled on 31 July 2012 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of such repurchases 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* |
| June 2012 | 350,000 | 0.60 | 0.57 | 208 |
| July 2012 | 11,950,000 | 0.66 | 0.63 | 7,653 |
| | 12,300,000 | | | 7,861 |

Save for disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2012 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 HK0.7 cents per ordinary share, totaling HK$12,227,000 for the six months ended 30 June 2012 to eligible shareholders whose names appear on the register of members of the Company on Monday, 10 September 2012. The interim dividends will be payable in cash on or about Friday, 14 September 2012.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 September 2012 to Monday, 10 September 2012, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 June 2012, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 4 September 2012.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2012.

## CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Code on Corporate Governance Practices (the "Former CG 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 period from 1 January 2012 to 31 March 2012. On 1 April 2012, the Former CG Code was amended and renamed as the Corporate Governance Code (the "New CG Code"). The Company and the directors also confirm that the Company has complied with the New CG Code during the period from 1 April 2012 to 30 June 2012.

## AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Former CG Code and the New CG 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 Dr. Lui Sun Wing as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the interim report for the six months ended 30 June 2012.

By order of the Board
**Zhang Hwo Jie**
*Chairman*

Hong Kong, 21 August 2012

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