Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2019

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 2019 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Unaudited Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,782,589**	1,724,694
Cost of sales	*5*	**(1,365,953)**	(1,295,375)
Gross profit		**416,636**	429,319
Other income		**32,750**	18,954
Other losses – net		**(7,615)**	(4,451)
Selling and marketing costs	*5*	**(107,203)**	(106,861)
General and administrative expenses	*5*	**(266,767)**	(270,778)
Operating profit		**67,801**	66,183
Finance income	*6*	**13,241**	5,826
Finance costs	*6*	**(35,619)**	(22,074)
Share of (losses)/profits of associates		**(4,301)**	614
Profit before income tax		**41,122**	50,549
Income tax expense	*7*	**(6,064)**	(4,462)
Profit for the period		**35,058**	46,087

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(1,084)**	23,520
Items that will not be reclassified subsequently to profit or loss			
– Revaluation gain/(loss) on financial assets at fair value through other comprehensive income		**212**	(103)
Total comprehensive income for the period		**34,186**	69,504
Profit for the period attributable to equity holders of the Company		**35,058**	46,087
Total comprehensive income for the period attributable to equity holders of the Company		**34,186**	69,504
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**2.0**	2.6
– diluted	*8*	**2.0**	2.5

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,034,564**	2,017,140
Right-of-use assets	*2.1(a)*	**399,408**	–
Investment property under development		**172,311**	156,003
Leasehold land and land use rights		**–**	238,778
Goodwill		**2,510**	2,510
Investments in associates		**56,260**	63,043
Financial assets at fair value through other comprehensive income		**106,063**	105,851
Prepayments, deposits and other receivables		**39,924**	104,498
		2,811,040	2,687,823
Current assets			
Inventories		**506,860**	445,241
Trade receivables	*10*	**919,511**	989,599
Prepayments, deposits and other receivables		**245,087**	248,506
Restricted bank deposits		**26,910**	51,563
Short-term bank deposits		**23,520**	174,169
Cash and cash equivalents		**1,341,789**	1,111,046
		3,063,677	3,020,124
LIABILITIES			
Current liabilities			
Trade payables	*11*	**823,501**	838,136
Contract liabilities		**91,346**	68,493
Accruals and other payables		**214,592**	230,448
Bank borrowings		**1,255,758**	1,348,580
Lease liabilities		**18,581**	–
Finance lease liabilities		**–**	2,482
Current income tax liabilities		**8,824**	10,842
		2,412,602	2,498,981

	Note	Unaudited 30 June 2019 *HK$'000*	Audited 31 December 2018 *HK$'000*
Net current assets		**651,075**	521,143
Total assets less current liabilities		**3,462,115**	3,208,966
Non-current liabilities			
Bank borrowings		**724,655**	597,253
Lease liabilities		**97,787**	–
Deferred taxation		**22,898**	23,210
		845,340	620,463
Net assets		**2,616,775**	2,588,503
EQUITY			
Capital and reserves			
Share capital		**172,785**	172,944
Reserves		**2,443,990**	2,415,559
Total equity		**2,616,775**	2,588,503

Notes:

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 Standards ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018, 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 27 August 2019. 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 2018, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2019, which are described below.

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, amendments to existing standards and interpretation effective for the financial year beginning 1 January 2019

HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle
HK(IFRIC) 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 is disclosed in Note 2.1 below. Except this, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the 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 2019 and have not been early adopted

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

There are no standards and amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

On adoption of HKFRS 16, as a lessee, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.88%.

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**125,265**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**84,470**
Add: finance lease liabilities recognised as at 31 December 2018	**2,482**
(Less): short-term leases recognised on a straight-line basis as expense	**(286)**
Lease liability recognised as at 1 January 2019	**86,666**
Of which are:	
Current lease liabilities	**10,835**
Non-current lease liabilities	**75,831**
	86,666

	2019
	HK$'000
Lease liabilities – Plant and machinery	**2,482**
Lease liabilities – Factory and office premises	**84,184**
	86,666

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

Leasehold land and land use rights previously presented as a separate item on the consolidated statement of financial position is also grouped as part of right-of-use assets with effect from 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	HK$'000	*HK$'000*
Leasehold land and land use rights	**235,539**	238,778
Land under finance lease	**6,199**	6,461
Plant and machinery under finance lease	**78,429**	11,990
Factory and office premises	**79,241**	84,184
Total right-of-use assets	**399,408**	341,413

The change in accounting policies affected the following items in the statement of financial position on 1 January 2019, whereby leasehold land and land use rights decreased by HK$238,778,000, property, plant and equipment decreased by HK$18,451,000, right-of-use assets increased by HK$341,413,000, finance lease liabilities decreased by HK$2,482,000 and lease liabilities increased by HK$86,666,000. There was no impact on retained earnings on 1 January 2019.

(i) *Impact on segment disclosures and earnings per share*

Segment results, segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Increase in segment results	**Increase in segment assets**	**Increase in segment liabilities**
	HK$'000	*HK$'000*	*HK$'000*
Metal stamping	540	39,422	39,848
Plastic injection	546	39,819	40,248
Total	1,086	79,241	80,096

Earnings per share decreased by approximately HK0.1 cent per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties, plant and machineries. Rental contracts are typically made for fixed periods of 2 to 11 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but certain lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 2019, the Group is organised into two main business segments:

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

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

The chief operating decision-maker assesses the performance of the operating segments based on a measure of profit 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 2019				Six months ended 30 June 2018			
	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	**1,041,547**	**1,051,914**	**–**	**2,093,461**	1,064,136	921,421	–	1,985,557
Inter-segment revenue	**(185,840)**	**(125,032)**	**–**	**(310,872)**	(157,227)	(103,636)	–	(260,863)
Revenue	**855,707**	**926,882**	**–**	**1,782,589**	906,909	817,785	–	1,724,694
Segment results	**31,126**	**40,298**	**(4,138)**	**67,286**	35,424	34,734	1,208	71,366
Unallocated expenses				**(3,786)**				(4,569)
Finance income				**13,241**				5,826
Finance costs				**(35,619)**				(22,074)
Profit before income tax				**41,122**				50,549
Income tax expense				**(6,064)**				(4,462)
Profit for the period				**35,058**				46,087
Share of (loss)/gain of associates	**(163)**	**–**	**(4,138)**	**(4,301)**	(594)	–	1,208	614
Depreciation	**75,830**	**35,122**	**–**	**110,952**	82,726	30,852	–	113,578
Amortisation	**–**	**–**	**–**	**–**	2,389	461	–	2,850

For the periods ended 30 June 2018 and 2019, unallocated expenses represent corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2019					As at 31 December 2018				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,786,076**	**2,027,080**	**49,400**	**12,161**	**5,874,717**	4,349,705	1,291,384	49,400	17,458	5,707,947
Liabilities	**739,342**	**504,278**	**–**	**2,014,322**	**3,257,942**	613,267	523,721	–	1,982,456	3,119,444

The segment capital expenditure is as follows:

	Six months ended 30 June 2019					Six months ended 30 June 2018				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	**114,667**	**49,010**	**–**	**–**	**163,677**	94,560	46,247	–	–	140,807

Segment assets consist primarily of certain property, plant and equipment, investment property under development, right-of-use assets, goodwill, investments in associates, prepayments, deposits, certain other receivables, financial assets at fair value through other comprehensive income ("FVOCI"), inventories, trade receivables and cash and cash equivalent.

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 and investment property under development.

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

Revenues by geographical region

	Six months ended 30 June 2019				Six months ended 30 June 2018			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,654,195**	**125,684**	**2,710**	**1,782,589**	1,649,239	75,455	–	1,724,694

Non-current assets by geographical region

	As at 30 June 2019				As at 31 December 2018			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment non-current assets	**2,318,438**	**257,163**	**235,439**	**2,811,040**	2,295,019	247,718	145,086	2,687,823
Total segment assets	**5,205,308**	**409,976**	**259,433**	**5,874,717**	5,069,204	419,045	219,698	5,707,947

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 30 June 2019 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**5,862,556**	**1,243,620**
Unallocated:		
Cash and cash equivalents	**9,801**	**–**
Other receivables	**2,360**	**–**
Current income tax liabilities	**–**	**8,824**
Deferred taxation	**–**	**22,898**
Bank borrowings	**–**	**1,980,413**
Accruals and other payables	**–**	**2,187**
Total	**5,874,717**	**3,257,942**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2018 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	5,690,489	1,136,988
Unallocated:		
Cash and cash equivalents	15,029	–
Other receivables	2,429	–
Current income tax liabilities	–	10,842
Deferred taxation	–	23,210
Bank borrowings	–	1,945,833
Accruals and other payables	–	2,571
Total	5,707,947	3,119,444

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 six months ended 30 June 2019, the aggregated revenue from the top three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$684,565,000 (For the six months ended 30 June 2018: Top three customers; HK$651,255,000).

4 REVENUE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**110,044**	101,104
Manufacturing of metal stamping components	**685,654**	746,826
Manufacturing of lathing components	**43,469**	48,557
Design and fabrication of plastic injection moulds	**37,829**	31,851
Manufacturing of plastic injection components	**885,062**	781,995
Others *(Note)*	**20,531**	14,361
	1,782,589	1,724,694

The Group derives all revenue from the sales of goods at a point in time.

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	
	2019	2018
	HK$'000	*HK$'000*
Raw materials used	**904,708**	841,577
Production overhead costs (excluding labour and depreciation expenses)	**154,682**	145,989
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**383,582**	353,072
– Staff welfare	**33,852**	30,059
– Retirement benefit – defined contribution plans	**14,003**	24,136
– Share option granted	**6,144**	6,181
Depreciation		
– Property, plant and equipment	**100,158**	113,578
– Right-of-use assets	**10,794**	–
Amortisation of leasehold land and land use rights	**–**	2,850
Provision for inventory obsolescence	**3,363**	1,152

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**13,241**	5,826
Finance costs		
Interest expense on:		
Bank borrowings	**39,402**	27,817
Finance lease liabilities	**–**	89
Lease liabilities – Plant and machinery	**297**	–
Lease liabilities – Factory and office premises	**1,942**	–
	41,641	27,906
Less: interest expenses capitalised	**(6,022)**	(5,832)
	35,619	22,074

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**–**	–
– Mainland China enterprise income tax	**13,349**	12,758
Over-provision in prior years	**(6,973)**	(7,984)
Deferred income tax	**(312)**	(312)
	6,064	4,462

(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 2019 (2018: 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% (2018: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the periods ended 30 June 2018 and 2019.

(c) Overseas income taxes

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

The subsidiary operating in Vietnam during the period is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years.

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	
	2019	2018
Profit attributable to equity holders of the Company *(HK$'000)*	**35,058**	46,087
Weighted average number of ordinary shares in issue *('000)*	**1,728,026**	1,750,552
Basic earnings per share *(HK cents per share)*	**2.0**	2.6

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2019	2018
Profit attributable to equity holders of the Company *(HK$'000)*	**35,058**	46,087
Weighted average number of ordinary shares in issue *('000)*	**1,728,026**	1,750,552
Adjustment for share options *('000)*	**7,849**	99,791
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,735,875**	1,850,343
Diluted earnings per share *(HK cents per share)*	**2.0**	2.5

9 DIVIDEND

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Proposed interim dividend of HK0.65 cents (2018: HK0.85 cents) per ordinary share	**11,230**	14,678

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 based on invoice date is as follows:

	As at	
	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
0 to 90 days	**748,433**	830,915
91 to 180 days	**172,266**	159,872
	920,699	990,787
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**919,511**	989,599

The top five customers and the largest customer accounted for 31.3% (31 December 2018: 30.2%) and 10.7% (31 December 2018: 9.7%), respectively, of the trade receivables balance as at 30 June 2019. 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 2019, no additional provision was recorded for its trade receivables (30 June 2018: nil).

11 TRADE PAYABLES

The aging of trade payables is based on invoice date as follows:

	As at	
	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
0 to 90 days	**538,731**	510,521
91 to 180 days	**284,770**	327,615
	823,501	838,136

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

Throughout the first half of 2019, the trade dispute between the United States and China showed no sign of settlement and continued to create significant uncertainties over the global economic outlook. However, the Group's revenue for the same period recorded an increase, which was attributable to the Group's unique customer profile and sensible business strategies. Over the years, the Group has focused on serving internationally renowned office automation ("OA") equipment customers, which possess a worldwide production network and have established assembly plants in different countries around the world. Since 2018, these OA equipment customers have embarked on reorganising their internal production logistics whereby the production of those products that were carried out in China and targeted at the United States market were transferred to assembly plants in other countries such as those in Southeast Asia. At the same time, the production of those products that were carried out in other countries such as those in Southeast Asia and targeted at markets outside the United States were transferred to China. Through such reorganisation, the total production volume of these OA equipment customers in China, and consequently our sales to their China assembly plants, remained substantially unaffected by the United States-China trade dispute.

Since a few years ago, the Group has started building up production facilities in overseas countries, and had established industrial parks in Vietnam and Mexico in 2016 and 2019 respectively. Further, the Group's automobile business in China primarily targets at the Chinese automobile market, and therefore it is unlikely for this business to be significantly affected by the United States-China trade dispute as most of the cars manufactured in China are sold within China and are rarely sold to the United States. Accordingly, the Group's turnover continued to grow in spite of the uncertainties brought by the United States-China trade dispute.

In recent years, multi-national corporations have been increasing their production investments in Southeast Asia particularly in Vietnam, and the Group's OA equipment customers are no exception. To cope with the burgeoning production demand in Vietnam, the Group had completed the construction of phase two of its Vietnam industrial park in the first half of 2019. The new phase two of the Vietnam industrial park, which has a floor area of 46,000 square metres, has provided the Group with additional capacity to cope with the rapidly increasing orders from its customers, a majority of which are the OA equipment customers who have established assembly plants in Vietnam. During the period, the Group's revenue from its Vietnam industrial park increased rapidly, a trend which we expect to continue into the rest of 2019 and the years after. Apart from the OA equipment sector, the Group's Vietnam industrial park can also develop new customers in other high growth sectors such as the high-end consumer electronics sector in Vietnam at a later stage, as Vietnam is also well known as one of the global manufacturing hubs for high-end consumer electronics products.

In China, we have seen an accelerating trend of outsourcing from the Group's OA equipment customers. At present, the Group's OA equipment customers operate large-scale assembly plants in China, which purchase moulds and components from outside suppliers such as the Group. The Group was informed by its major OA equipment customers that they have long-term plans to gradually scale down their own production lines in China with a view to focusing more resources on product design and market development. As the first step of such long-term plans, these customers will select supplier with proven track record such as the Group and concentrate more of their purchases on the selected supplier. The customers will also get the selected supplier highly involved in their product design processes with a view to nurturing a supplier which can take up more of their internal production in the long-term. To capture this new business opportunity, the Group has recruited additional engineers and product design experts who will work closely with the customers' product design departments in Japan. Given this new business direction of the customers, the Group expects to see voluminous new orders from the OA equipment sector which are driven by accelerated outsourcing in China in the years ahead.

During the period, the Group continued the construction of a new industrial park in Weihai, China. The new Weihai industrial park has a land area of approximately 349,000 square metres and a planned floor area (phase one) of 79,000 square metres, and is scheduled for production by the end of 2019. The new Weihai industrial park is built at the invitation of Hewlett-Packard ("HP"), one of the largest corporations in the OA equipment sector, as HP has informed the Group that their production scale in Weihai will expand significantly in the future. To cope with the imminent demand from HP, the Group acquired an existing component manufacturer and rented a temporary factory in Weihai last year to serve HP before the self-constructed Weihai industrial park is completed. During the period, these existing production facilities in Weihai recorded a notable increase in revenue, which was driven by the increasing orders from HP. As the production demand from HP in Weihai is voluminous, the Group is confident that the new self-constructed Weihai industrial park can deliver robust sales performance upon completion. Apart from HP, the new Weihai industrial park can also be used for serving other OA equipment customers in the future, since these customers have a plan to accelerate production outsourcing in China and increasing sales orders are expected from them as mentioned above.

The Group also completed the construction of a new industrial park in San Luis Potosí, Mexico for its automobile business. The new Mexico industrial park, which has a land area of 83,000 square metres and phase one floor area of 17,000 square metres, has now started trial production. The new Mexico industrial park was built at the invitation of one of the Group's existing automobile customers, which is an international leader in the production of automobile seats, interiors and exhaust systems, for the purpose of serving their existing plants in Mexico. Potential for sales orders from this customer in Mexico is huge. At present, San Luis Potosí is one of the major automobile production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp, have production plants either locally or in the adjacent states. Therefore, apart from the orders from the said existing customer, an enormous demand exists for the Group's automobile products and the Group see robust growth potential for the new Mexico industrial park.

In China, the automobile market underwent a slowdown during the six months ended 30 June 2019. With a view to driving business growth, the Group made conscious efforts to add more customers into its automobile customer base in China during the period. Particular attention was given to internationally renowned tier-one suppliers in the automobile industry which have production plants in China. These tier-one suppliers are leaders in their respective product fields, and their products are sold to different automakers. Therefore, they have a huge and stable production demand which is less affected by the sales performance of a single car model. At present, reputable tier-one suppliers which have already become our customers in China include Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-tech. At the same time, businesses with automakers were not ignored. During the period, the Group has successfully become a qualified supplier of Tesla, and moulds were sold to Tesla's overseas production facilities during the period. The Group has a plan to deepen its business relationship with Tesla after the construction of Tesla Gigafactory in China is completed. At the same time, the Group continued to supply high quality automobile moulds and components to other reputable automakers in China such as Dongfeng, Changan and SAIC-GM-Wuling during the period. Going forward, the Group will continue to devote substantial efforts to broaden its automobile customer base.

In recent years, the emergence of high technology industries in China creates a rapidly growing demand for highly sophisticated moulds and components. At the same time, the Chinese government has taken measures to nurture high quality local suppliers with a view to reducing the reliance on foreign suppliers for sophisticated moulds and components. This has created a lot of new business opportunities for the Group, as the Group is reputed for outstanding product quality and engineering expertise which are essential for producing high technology products. Therefore, the Group will also actively seek new manufacturing orders from the high technology sector in China.

Despite a lackluster economic environment brought by the United States-China trade dispute, the Group's turnover increased by 3.4% to HK$1,782,589,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period. Gross profit margin for the period decreased slightly to 23.4% (1H2018: 24.9%), as the newly completed Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margins at the initial stage of operations. During the period, the Group's new industrial park in Mexico incurred an initial loss of HK$9,150,000. In addition, there was a rise in market interest rates during the period, which resulted in an increase in finance costs to HK$35,619,000 (1H2018: HK$22,074,000). As a result, the Group's net profit decreased by 23.9% to HK$35,058,000.

During the period, the Group continued to devote substantial efforts on maintaining a healthy balance sheet. As at 30 June 2019, the Group's net debt-to-equity ratio was maintained at around the same level as last year, which was 23.9% (as at 31 December 2018: 23.6%) despite the capital expenditure used for the construction of the new Weihai industrial park. This was primarily because the Group was able to generate substantial cash flows through its business activities. Upon completion of the construction of the new Weihai industrial park, capital expenditure will slow down. Thereafter, the Group will use the cash flows generated from business activities to reduce its borrowing level, thereby improving the net debt-to-equity ratio and reducing the finance costs.

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

We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout policy at approximately 30% of net profit, and the first half of 2019 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 1,442,000 shares from the market during the six months ended 30 June 2019 and in July 2019. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

OUTLOOK

At present, the outcome of the United States-China trade dispute is still uncertain. Accordingly, the Group expects that the international political and economic environment will continue to be volatile. However, the Group remains confident about the development of China, and expects that the acceleration of production outsourcing in China by the OA equipment customers will bring about enormous business opportunities for the Group. At the same time, the Group will continue to devote substantial efforts to develop new customers with high potential in China's automobile and high technology sectors. The Group also made the right decision to expand into Vietnam and Mexico a few years ago, and therefore the Group can now benefit from the rapidly growing investments by multi-national corporations in these countries. Since July 2019, the market interest rates have started to show a downward trend, which will reduce the finance costs of the Group. Therefore, the Group is optimistic about its prospects.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2019		2018	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**110,044**	**6.2%**	101,104	5.9%
Manufacturing of metal stamping components	**685,654**	**38.5%**	746,826	43.3%
Manufacturing of lathing components	**43,469**	**2.4%**	48,557	2.8%
Others *(Note 1)*	**16,540**	**0.9%**	10,422	0.6%
	855,707		906,909	
Plastic division				
Design and fabrication of plastic injection moulds	**37,829**	**2.1%**	31,851	1.9%
Manufacturing of plastic injection components	**885,062**	**49.7%**	781,995	45.3%
Others *(Note 1)*	**3,991**	**0.2%**	3,939	0.2%
	926,882		817,785	
Total	**1,782,589**		1,724,694	
Segment results				
Metal division	**31,126**		35,424	
Plastic division	**40,298**		34,734	
Micro lending business	**(4,138)**		1,208	
Operating profit	**67,286**		71,366	
Unallocated expenses	**(3,786)**		(4,569)	
Finance income	**13,241**		5,826	
Finance costs	**(35,619)**		(22,074)	
Income tax expense	**(6,064)**		(4,462)	
Profit attributable to equity holders of the Company	**35,058**		46,087	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover increased by 3.4% to HK$1,782,589,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period.

Gross profit

During the period, gross profit margin slightly decreased to 23.4% (1H2018: 24.9%). It was mainly because the Group's new industrial parks, namely, the new Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margins at the initial stage of operations.

Segment results

For the six months ended 30 June 2019, operating profit margin of the Group's metal division decreased slightly to 3.6% (1H2018: 3.9%). This was because the Group's new Mexico industrial park, which was included in metal division, incurred initial loss of HK$9,150,000 during the period. Operating profit margin of the plastic division was 4.3%, and was comparable to that for the same period last year (1H2018: 4.2%).

Operating loss from the micro lending business for the six months ended 30 June 2019 represented the Group's share of 40% of the loss 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 2019, finance income increased as the interest rates from bank deposits in Hong Kong and United States dollars increased.

The Group's finance costs increased to HK$35,619,000, which was primarily because (i) market interest rates increased; and (ii) certain rental payments for factory and office premises of HK$1,942,000 (1H2018: nil) were deemed as interest expenses under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases" during the period.

Income tax expense

During the period, income tax expense amounted to HK$6,064,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 14.7%, which increased as compared to that in the first half of 2018. It was because (i) tax refunds from the tax authorities in China decreased to HK$6,973,000 (1H2018: HK$7,984,000) during the period, and (ii) certain subsidiaries such as the Group's new Mexico industrial park, and the micro lending business incurred losses during the period. Such losses were not eligible for offsetting the taxable profits generated by other profitable companies within the Group.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company decreased to HK$35,058,000, which was primarily caused by the reduction in operating profit and the increase in finance costs as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2019, the Group's net cash generated from operating activities increased to HK$204,181,000 (1H2018: HK$14,506,000), which was primarily due to the Group's efforts to control working capital requirements such as trade receivables and inventories. During the period, the Group's capital expenditure decreased and its short-term bank deposits with maturities of more than three months also decreased by HK$150,649,000. Therefore, the Group recorded net cash inflows from investing activities of HK$3,646,000 during the period (1H2018: net cash outflows of HK$559,797,000). Net increase in bank borrowings amounted to HK$34,580,000 for the period, which decreased significantly as compared to that of HK$592,540,000 in 1H2018. Therefore, the Group's net cash generated from financing activities decreased to HK$19,430,000 during the period (1H2018: HK$494,094,000).

Treasury policy

The Group adopts a prudent treasury policy. 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 adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 30 June 2019 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), substantially all of the Group's borrowings as at 30 June 2019 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remains committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratio

	30 June 2019	31 December 2018
Inventory turnover days *(Note 1 and 5)*	**67**	56
Debtors' turnover days *(Note 2 and 5)*	**93**	99
Creditors' turnover days *(Note 3 and 5)*	**109**	106
Cash conversion cycle *(Note 4 and 5)*	**51**	49
Current ratio *(Note 6 and 8)*	**1.27**	1.21
Net debt-to-equity ratio *(Note 7 and 8)*	**23.9%**	23.6%

(b) Profitability ratio

	Six months ended 30 June	
	2019	2018
Net profit margin *(Note 9 and 11)*	**2.0%**	2.7%
Return on shareholders' equity *(Note 10 and 11)*	**1.3%**	1.7%

Notes:

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

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

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

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

5. These ratios have a significant impact on the ability of the Group to generate cash flows from its operations. Therefore, they are selected as key financial performance indicators.

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

7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$80,096,000 as at 30 June 2019 (as at 31 December 2018: nil). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

8. These ratios reflect the Group's financial stability and its ability to pay its debts as they fall due. Therefore, they are selected as key financial performance indicators.

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

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

11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators. Ratios for the six months ended 30 June 2018 and 2019 were calculated using the half-year profit. Accordingly, these ratios are lower than the full-year ratios disclosed in the annual reports of the Group.

Inventory turnover days

The Group's inventory turnover days for the period was 67 days, which was higher than that for the year ended 31 December 2018. It was mainly because the Group's new industrial parks, namely, the new Mexico industrial park and phase two of the Vietnam industrial park, commenced operations during the period and had purchased inventories in preparation for the predicted increase in sales orders in the second half of 2019.

Debtors' and creditors' turnover days

Debtors' turnover days for the period improved to 93 days, which was primarily due to the Group's stringent credit control. Creditors' turnover days for the period increased to 109 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with longer credit periods during the period.

Current ratio and net debt-to-equity ratio

During the period, the Group obtained a long-term instalment loan to refinance certain of its short-term revolving loans. Accordingly, current liabilities as at 30 June 2019 decreased which resulted in a slight improvement in current ratio to 1.27 as at 30 June 2019. The Group's net debt-to-equity ratio as at 30 June 2019 was 23.9%, which was comparable to that as at 31 December 2018.

Net profit margin and return on shareholders' equity

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

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2019, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	19.8%	6.4%
United States dollars	52.5%	57.2%
Renminbi	26.7%	36.4%
Other currencies	1.0%	–

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 72.3% of the Group's sales and 63.6% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) 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 other currencies 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 new customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing with them. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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

During the period, the total number of the Group's employees increased from 8,635 employees as at 31 December 2018 to 8,916 employees as at 30 June 2019. This was primarily because the Group's new Mexico industrial park and phase two of the Vietnam industrial park commenced operations during the period.

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

As at 30 June 2019, the average length of services of the Group's employees below and above manager grade was 2.53 years and 7.57 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, 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$5,176,000 for securing mortgage loan and (ii) mortgage of equipment under lease liabilities with net book amount of HK$78,429,000 for securing lease liabilities.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2019, the Company repurchased its 1,052,000 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 2019 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 2019	1,052,000	0.81	0.71	808

In addition, the Company repurchased its 538,000 listed shares on The Stock Exchange of Hong Kong Limited in December 2018 at a price range from HK$0.66 per share (lowest price) to HK$0.68 per share (highest price). Aggregate consideration paid for such share repurchases was HK$363,000. These shares were cancelled on 3 January 2019. Together with the 1,052,000 listed shares which were repurchased and cancelled in January 2019, the total number of shares cancelled by the Company during the six months ended 30 June 2019 was 1,590,000 shares.

Subsequent to 30 June 2019, the Company repurchased its 390,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 July 2019 up to the date of this announcement. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 30 June 2019 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
July 2019	390,000	0.68	0.66	264

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they uplifted 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 2019 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 HK0.65 cent per ordinary share, totaling HK$11,230,000 for the six months ended 30 June 2019 to eligible shareholders whose names appear on the register of members of the Company on Friday, 13 September 2019. The interim dividend will be payable in cash on Monday, 23 September 2019.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Wednesday, 11 September 2019 to Friday, 13 September 2019, both days inclusive, during which period no share will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 September 2019.

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 (the "Listing Rules"). Having made specific enquiry of all directors, the Company reported that all directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2019.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 August 2019

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.