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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 2009

HIGHLIGHTS

- Turnover decreased by approximately 6.2% to approximately HK\$493,407,000.
- Profit attributable to shareholders was HK\$15,374,000, representing a decrease of approximately 67.8%.
- Net profit margin was 3.1% (For the six months ended 30 June 2008: 9.1%). Decrease in net profit margin was primarily caused by under-utilisation of existing and new production facilities following the financial tsunami.
- Net cash generated from operating activities was approximately HK\$100,067,000.

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 2009 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2009*

		Unaudited	
		Six months ended 30 June	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	493,407	526,007
Cost of goods sold		<u>(397,980)</u>	<u>(378,631)</u>
Gross profit		95,427	147,376
Other gains		–	4
Selling and distribution expenses		(21,399)	(26,442)
General and administrative expenses		<u>(48,807)</u>	<u>(56,519)</u>
Operating profit	5	25,221	64,419
Finance income	6	1,085	472
Finance costs	6	<u>(7,331)</u>	<u>(5,017)</u>
Profit before income tax		18,975	59,874
Income tax expense	7	<u>(3,601)</u>	<u>(12,075)</u>
Profit for the period		15,374	47,799
Other comprehensive income for the year, net of tax		<u>–</u>	<u>–</u>
Total comprehensive income for the year		<u>15,374</u>	<u>47,799</u>
Earnings per share, expressed in HK cents per share	8		
– basic		<u>HK2.3 cents</u>	<u>HK6.6 cents</u>
– diluted		<u>HK2.2 cents</u>	<u>HK6.5 cents</u>
Dividend	9	<u>5,318</u>	<u>14,236</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		Unaudited 30 June 2009 HK\$'000	Audited 31 December 2008 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		937,757	931,106
Leasehold land and land use rights		58,499	58,934
Prepayments		12,646	21,916
Other assets		1,607	1,607
		1,010,509	1,013,563
Current assets			
Inventories		113,884	179,204
Trade receivables	10	171,332	203,232
Prepayments and deposits		11,762	9,894
Pledged bank deposits		1,134	1,134
Cash and cash equivalents		270,190	251,828
		568,302	645,292
Current liabilities			
Trade payables	11	111,636	158,214
Accruals and other payables		27,396	31,801
Bank borrowings		257,563	189,463
Finance lease liabilities		47,690	50,968
Current income tax liabilities		13,003	15,388
		457,288	445,834
Net current assets		111,014	199,458
Total assets less current liabilities		1,121,523	1,213,021
Non-current liabilities			
Bank borrowings		110,196	155,122
Finance lease liabilities		65,643	85,714
Deferred taxation		5,129	5,129
		180,968	245,965
Net assets		940,555	967,056
EQUITY			
Capital and reserves			
Share capital		65,166	69,813
Reserves		875,389	897,243
Total equity		940,555	967,056

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 HSBC Trustee (Cayman) Limited, P. O. Box 484, HSBC House, 68 West Bay Road, Grand Cayman, KY1-1106 Cayman Island. 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 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards. The condensed consolidated interim financial information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. It was approved for issue by the Board of Directors on 1 September 2009.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2008 as described in the annual financial statements of the Group for that year, other than those described below

(a) Standards, amendments and interpretations effective in 2009

The following standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one performance statement: statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKAS 23 (Revised), “Borrowing costs”. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group’s current accounting policy complies with the revised requirements of HKAS 23 (Revised). As such, the adoption has no material impact on the Group’s financial statements.
- HKFRS 2 (Amendment), “Share-based payment”. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has applied HKFRS 2 (Amendment) from 1 January 2009, but there is no material impact on the Group’s financial statements.
- HKFRS 7 (Amendment), “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.
- HKFRS 8, “Operating segments”, which replaces HKAS 14, “Segment reporting”. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. 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.

The following amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- HKAS 32 (Amendment), “Financial instruments: presentation”.
- HK(IFRIC)-Int 9 (Amendment), “Reassessment of embedded derivatives” and HKAS 39 (Amendment), “Financial Instruments: Recognition and measurement”.
- HK(IFRIC)-Int 13, “Customer loyalty programmes”
- HK(IFRIC)-Int 15, “Agreements for the construction of real estate.”
- HK(IFRIC)-Int 16, “Hedges of a net investment in a foreign operation”.

(b) Amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- HKAS 27 (Revised), “Consolidated and separate financial statements” (effective for accounting period starting from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) from 1 January 2010.
- HKFRS 3 (Revised), “Business combinations” (effective for accounting period starting from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

The following amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2009 and not relevant for the Group’s operations:

- HKAS 39 (Amendment), “Financial instruments: Recognition and measurement” on eligible hedged items (effective for accounting period starting from 1 July 2009).
- HKFRS 1 (Amendment), “First time adoption of HKFRS” and HKAS 27 “Consolidated and separate financial statements” (effective for accounting period starting from 1 July 2009).
- HK(IFRIC) – Int 17, “Distributions of non-cash assets to owners” (effective for accounting period starting from 1 July 2009).
- HK(IFRIC) – Int 18, “Transfers of assets from customers” (effective for transfers on or after 1 July 2009).

Apart from the above, the Hong Kong Institute of Certified Public Accountants has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. These amendments are primarily effective for annual periods beginning on or after 1 July 2009, with earlier application permitted. The Group does not expect adoption of these amendments to have a significant effect on the consolidated financial statements.

3. SEGMENT INFORMATION

At 30 June 2009, 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 segment results and other segment items are as follows:

	Six months ended 30 June					
	2009			2008		
	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Total <i>HK\$'000</i>	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total gross segment sales	316,027	193,695	509,722	394,814	153,733	548,547
Inter-segment sales	<u>(14,629)</u>	<u>(1,686)</u>	<u>(16,315)</u>	<u>(20,690)</u>	<u>(1,850)</u>	<u>(22,540)</u>
Sales	<u>301,398</u>	<u>192,009</u>	<u>493,407</u>	<u>374,124</u>	<u>151,883</u>	<u>526,007</u>
Segment results	<u>9,754</u>	<u>15,825</u>	25,579	<u>44,692</u>	<u>19,727</u>	64,419
Unallocated expenses			(358)			–
Finance income			1,085			472
Finance costs			<u>(7,331)</u>			<u>(5,017)</u>
Profit before income tax			18,975			59,874
Income tax expense			<u>(3,601)</u>			<u>(12,075)</u>
Profit for the period			<u>15,374</u>			<u>47,799</u>
Depreciation	<u>28,189</u>	<u>11,508</u>	<u>39,697</u>	<u>19,710</u>	<u>7,680</u>	<u>27,390</u>
Amortisation	<u>371</u>	<u>64</u>	<u>435</u>	<u>352</u>	<u>84</u>	<u>436</u>

Unallocated expenses represented corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2009				As at 31 December 2008			
	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Un-allocated <i>HK\$'000</i>	Total <i>HK\$'000</i>	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Un-allocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>1,126,375</u>	<u>451,522</u>	<u>914</u>	<u>1,578,811</u>	<u>1,161,936</u>	<u>496,515</u>	<u>404</u>	<u>1,658,855</u>
Liabilities	<u>100,376</u>	<u>38,267</u>	<u>499,613</u>	<u>638,256</u>	<u>144,154</u>	<u>45,724</u>	<u>501,921</u>	<u>691,799</u>
Capital expenditure	<u>38,913</u>	<u>8,086</u>	<u>-</u>	<u>46,999</u>	<u>229,334</u>	<u>166,682</u>	<u>-</u>	<u>396,016</u>

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, inventories, trade receivables and operating cash.

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities, income tax liabilities and deferred taxation.

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

4 REVENUE

	Six months ended 30 June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue		
Design and fabrication of metal stamping moulds	46,172	15,920
Manufacturing of metal stamping components	218,170	300,132
Manufacturing of lathing components	29,030	43,434
Design and fabrication of plastic injection moulds	36,614	18,645
Manufacturing of plastic injection components	154,221	131,479
Others ¹	<u>9,200</u>	<u>16,397</u>
	<u>493,407</u>	<u>526,007</u>

¹ Others mainly represent sales of scrap materials.

5 OPERATING PROFIT

Operating profit is stated after charging (crediting) the followings:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Raw materials and consumables used	306,725	288,523
Production overhead costs (excluding labour and depreciation expenses)	19,717	26,300
Staff costs, including directors' emoluments and share option costs	63,940	74,448
Depreciation of property, plant and equipment	39,697	27,390
Amortisation of leasehold land and land use rights	435	436
Loss on disposal of property, plant and equipment	651	45
Write-downs of inventories to net realisable value	4,189	1,160
Provision for doubtful debts	–	3,873
Net exchange loss/(gain)	<u>255</u>	<u>(2,539)</u>

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Finance income		
Interest income from bank deposits	<u>1,085</u>	<u>472</u>
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	5,145	2,840
Bank borrowings not wholly repayable within five years	65	61
Finance lease liabilities	<u>2,121</u>	<u>2,116</u>
	<u>7,331</u>	<u>5,017</u>

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
– Hong Kong profits tax	2,103	3,753
– Mainland China corporate income tax	1,498	6,081
Deferred taxation		
– Mainland China withholding income tax	–	2,241
	<u>3,601</u>	<u>12,075</u>

(i) 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 2009 (2008: 16.5%).

(ii) Mainland China corporate income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at a rate of 20% and 25%, respectively, for the six months ended 30 June 2009 (2008: 18%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from corporate income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in corporate income tax for the next three years. The first profitable year after offsetting prior year tax losses of Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited was 2003, 2006 and 2007, respectively. Yihe Precision Hardware (Shenzhen) Co., Ltd. had the above tax benefit expired in 2008. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2006 and June 2007, respectively, and had no taxable profits during the six months ended 30 June 2009.

Under the new Corporate Income Tax Law of Mainland China, dividend distribution out of profit of foreign invested enterprises earned after January 2008 will be subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for certain jurisdiction of foreign investor with tax treaty arrangement.

(iii) Overseas income taxes

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

8 EARNINGS PER SHARE

Basic

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period (HK\$'000)	<u>15,374</u>	<u>47,799</u>
Weighted average number of ordinary shares in issue ('000)	<u>669,614</u>	<u>721,297</u>
Basic earnings per share (HK cents per share)	<u><u>2.3</u></u>	<u><u>6.6</u></u>

Diluted

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period (HK\$'000)	<u>15,374</u>	<u>47,799</u>
Weighted average number of ordinary shares in issue ('000)	<u>669,614</u>	<u>721,297</u>
– adjustment for share options ('000)	<u>28,625</u>	<u>10,765</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>698,239</u>	<u>732,062</u>
Diluted earnings per share (HK cents per share)	<u><u>2.2</u></u>	<u><u>6.5</u></u>

9 DIVIDEND

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Proposed interim dividend of HK0.82 cents (2008: HK2.0 cents) per ordinary share	<u><u>5,318</u></u>	<u><u>14,236</u></u>

10 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 90 days. The aging analysis of the trade receivables is as follows:

	As at	
	30 June 2009 <i>HK\$'000</i>	31 December 2008 <i>HK\$'000</i>
0 to 90 days	160,553	176,453
91 to 180 days	9,602	20,152
181 to 365 days	<u>2,365</u>	<u>7,815</u>
	172,520	204,420
Less: Provision for impairment of trade receivables	<u>(1,188)</u>	<u>(1,188)</u>
	<u><u>171,332</u></u>	<u><u>203,232</u></u>

During the six months ended 30 June 2009, the Group recorded no provision for its trade receivables (For the six months ended 30 June 2008: HK\$3,873,000).

11 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at	
	30 June 2009 <i>HK\$'000</i>	31 December 2008 <i>HK\$'000</i>
0 to 90 days	100,167	146,800
91 to 180 days	10,150	10,416
181 to 365 days	<u>1,319</u>	<u>998</u>
	<u><u>111,636</u></u>	<u><u>158,214</u></u>

The carrying amounts of trade payables approximate their fair values and have a maturity period within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2009, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) manufacturing of lathing components. A review of the Group's operations for the six months ended 30 June 2009 is as follows:

METAL DIVISION

During the six months ended 30 June 2009, the turnover of the Group's metal division decreased by 19.4% to approximately HK\$301,398,000 as compared to that of approximately HK\$374,124,000 for the six months ended 30 June 2008. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Epson and Brother and sales to Japanese customers accounted for approximately 86.6% of the Group's total sales for the six months ended 30 June 2009 (For the six months ended 30 June 2008: 84.7%).

During the period, the global economic situation was adversely affected by the aftermath of the financial tsunami. The Group's principal customers, which are the Japanese office automation equipment brand owners whose products are sold around the world, were inevitably affected by the economic downturn. As such, turnover of the Group's metal division decreased by approximately 19.4% during the six months ended 30 June 2009, as compared to a growth of approximately 4.2% for the six months ended 30 June 2008. Apart from Japanese customers, the remaining 13.4% of sales of the Group's metal division was derived from reputable Hong Kong or international companies during the six months ended 30 June 2009. To broaden its customer base and for the purpose of compensating for the downturn of revenue from Japanese office automation equipment brand owners, the Group will continue to source new customers. However, it is the policy of the Group to be selective in the sourcing of new customers and management will take into account a number of factors which include the pricing of products and credibility of potential customers in its decision making process.

PLASTIC DIVISION

Despite the financial tsunami, revenue of the Group's plastic division continued to increase since the plastic division is a relatively new division with a relatively low revenue base as compared to the Group's metal division. Turnover of the Group's plastic division for the six months ended 30 June 2009 was approximately HK\$192,009,000, representing an increase of approximately 26.4% as compared to that for the six months ended 30 June 2008.

HUMAN RESOURCES

As at 30 June 2009, the total number of employees of the Group was 3,461 employees, representing a decrease of 22.9% as compared to 4,490 employees as at 30 June 2008. The decrease in headcount was primarily due to the Group's cost control effort following the financial tsunami.

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 include 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.

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 United States dollars and only a portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2009, approximately 30%, 61% and 9% (For the six months ended 30 June 2008: 37%, 57% and 6%) of the Group's sales and approximately 15%, 68% and 17% (For the six months ended 30 June 2008: 20%, 64% and 16%) of the Group's purchases were denominated in Hong Kong dollars, United States dollars and Renminbi, respectively.

The Group's principal production facilities are located in Mainland China whilst its sale proceeds are primarily settled in Hong Kong dollars or United States dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates among United States dollars, Hong Kong dollars and Renminbi. Management has taken action to minimise the discrepancy in settlement currencies between its revenue and expenditure. In particular, despite the Group's substantial business operations in Mainland China, only a small portion of the Group's purchases are settled in Renminbi and all of the Group's borrowings were denominated in Hong Kong dollars and United States dollars instead of Renminbi currently. Management will continue to evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimise the Group's exposure whenever necessary.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2009	%	2008	%
	HK\$'000		HK\$'000	
By business segment				
Turnover				
<i>Metal division</i>				
Design and fabrication of metal stamping moulds	46,172	9.4%	15,920	3.0%
Manufacturing of metal stamping components	218,170	44.2%	300,132	57.1%
Manufacturing of lathing components	29,030	5.9%	43,434	8.3%
Others (Note 1)	8,026	1.6%	14,638	2.8%
	<u>301,398</u>		<u>374,124</u>	
<i>Plastic division</i>				
Design and fabrication of plastic injection moulds	36,614	7.4%	18,645	3.5%
Manufacturing of plastic injection components	154,221	31.3%	131,479	25.0%
Others (Note 1)	1,174	0.2%	1,759	0.3%
	<u>192,009</u>		<u>151,883</u>	
Total	<u>493,407</u>		<u>526,007</u>	
Segment results				
Metal division	9,754		44,692	
Plastic division	15,825		19,727	
Operating profit	25,579		64,419	
Unallocated expenses	(358)		–	
Finance income	1,085		472	
Finance costs	(7,331)		(5,017)	
Income tax expense	(3,601)		(12,075)	
Profit attributable to equity holders of the Company	<u>15,374</u>		<u>47,799</u>	

Note 1: Others mainly represented sales of scrap materials

Turnover

Metal division

Turnover of the Group's metal division decreased by approximately 19.4% from approximately HK\$374,124,000 for the six months ended 30 June 2008 to approximately HK\$301,398,000 for the six months ended 30 June 2009. The reduction was primarily caused by the decrease in sales orders from the Japanese office automation equipment brand owners following the financial tsunami.

Plastic division

A substantial portion of the components inside the office automation equipment are made from plastics. As such, with a view to reducing the additional production logistic costs and excess production lead time that arise from the current practices of outsourcing the production of metal and plastic components to different suppliers, it is a trend for major office automation equipment brand owners to shift more orders to comprehensive production service providers which are able to cover both metal and plastic components within the office automation equipment. Furthermore, the Group's plastic division is a relatively new division with a relatively low revenue base as compared to the metal division and has a high potential for growth. Therefore, despite the financial tsunami, turnover of the Group's plastic division continued to increase from approximately HK\$151,883,000 for the six months ended 30 June 2008 to approximately HK\$192,009,000 for the six months ended 30 June 2009.

Gross profit

Prior to 2009, the Group had expanded its production facilities on a continuous basis with a view to capturing the opportunities arising from the trend of outsourcing by Japanese brand owners to non-Japanese suppliers. In particular, taking into account that all of the Group's components currently sold to the customers are basically made from moulds, the Group had completed the construction of a new mould development centre in the last quarter of 2008 for the purpose of expanding its business and, at the same time, the balance of its property, plant and equipment (excluding construction-in-progress which is not subject to depreciation) increased from approximately HK\$546,546,000 as at 30 June 2008 to approximately HK\$750,817,000 as at 30 June 2009. However, due to the outbreak of financial crisis, turnover of the Group did not increase as expected and its production capacity was under-utilised during the six months ended 30 June 2009. Coupled with (i) the additional overheads and other fixed costs associated with the expanded operations of the Group and (ii) the sharp fall in the selling prices of scrap materials since the financial tsunami which deteriorated the Group's profitability generated from sales of scrap materials, the gross profit margin of the Group reduced from approximately 28.0% for the six months ended 30 June 2008 to approximately 19.3% for the six months ended 30 June 2009.

Segment results

For the six months ended 30 June 2009, segment result of the Group's metal division amounted to approximately HK\$9,754,000, representing a 78.2% decrease as compared to that of approximately HK\$44,692,000 for the six months ended 30 June 2008. During the six months ended 30 June 2009, turnover of the Group's metal division decreased by approximately 19.4% as the principal customers of the Group's metal division, which are the Japanese office automation equipment brand owners whose products are sold around the world, were adversely affected by the financial tsunami. However, at the same time, the Group's metal division had been expanding its operations prior to the financial tsunami and, in particular, the production capacity of the Group's metal division increased following the completion of the new mould development centre and the purchases of additional equipment prior to the financial tsunami. With an increased production capacity but a reduced turnover, the production capacity of the Group's metal division was under-utilised and, coupled with other additional fixed costs caused by an expanded operations, the operating profit margin of the Group's metal division decreased from approximately 11.9% for the six months ended 30 June 2008 to approximately 3.2% for the six months ended 30 June 2009.

Segment result of the Group's plastic division for the six months ended 30 June 2009 was approximately HK\$15,825,000, which decreased by approximately 19.8% as compared to that of approximately HK\$19,727,000 for the six months ended 30 June 2008. Operating profit margin of the Group's plastic division for the six months ended 30 June 2009 was approximately 8.2%, which decreased as compared to that of approximately 13.0% for the six months ended 30 June 2008. Since the Group's plastic division is a relatively new division with a relatively low revenue base as compared to the Group's metal division, its turnover continued to grow during the six months ended 30 June 2009. Therefore, although the Group also expanded the production capacity of its plastic division prior to the financial tsunami, the increase in turnover absorbed a portion of the expanded capacity and accordingly, the Group's plastic division was able to achieve a higher operating profit margin as compared to that of the metal division during the six months ended 30 June 2009.

Finance costs

The Group's finance costs for the six months ended 30 June 2009 amounted to approximately HK\$7,331,000, which was higher than that for the six months ended 30 June 2008 due to the increase in the total balance of the Group's bank borrowings and finance lease liabilities as at 30 June 2009 as compared to that as at 30 June 2008.

Income tax expense

During the six months ended 30 June 2009, income tax expense amounted to approximately HK\$3,601,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the six months ended 30 June 2009 was approximately 19.0%, which was comparable to that of approximately 20.2% for the six months ended 30 June 2008.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2009, profit attributable to equity holders of the Company amounted to approximately HK\$15,374,000, which decreased by approximately 67.8% as compared to approximately HK\$47,799,000 for the six months ended 30 June 2008. Net profit margin of the Group for the six months ended 30 June 2009 was approximately 3.1%, which decreased as compared to that of 9.1% for the six months ended 30 June 2008. The reduction in net profit margin of the Group was mainly caused by (i) under-utilisation of the Group's new and existing production facilities following the financial tsunami and other additional fixed overheads associated with an expanded operation as mentioned above and (ii) the increase in finance costs during the six months ended 30 June 2009.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2009, the Group recorded net cash generated from operating activities amounting to approximately HK\$100,067,000, representing an increase of approximately 234.4% as compared to that of approximately HK\$29,926,000 for the six months ended 30 June 2008. The increase in net cash generated from operating activities was a result of the stringent cash flow management measures implemented by the Group following the financial tsunami. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK\$34,804,000 for the six months ended 30 June 2009, decreased by approximately 73.2% as compared to that of approximately HK\$130,084,000 for the six months ended 30 June 2008 due to the slowdown of the Group's expansion plan under economic downturn. In addition, the Group recorded net cash used in financing activities of approximately HK\$46,901,000 during the six months ended 30 June 2009, which was primarily caused by the gradual repayment of bank borrowings and share repurchases during the period.

Bank loans as at 30 June 2009 were denominated in Hong Kong dollars and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2009 are as follows:

	30 June 2009	31 December 2008
Inventory turnover days (<i>Note 1</i>)	52	81
Debtors' turnover days (<i>Note 2</i>)	63	68
Creditors' turnover days (<i>Note 3</i>)	51	71
Current ratio (<i>Note 4</i>)	1.24	1.45
Net debt-to-equity ratio (<i>Note 5</i>)	<u>0.22</u>	<u>0.24</u>

Note –

1. Calculation of inventory turnover days is based on the ending inventory divided by cost of goods sold and multiplied by the number of days during the period/year.
2. Calculation of debtors' turnover is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the period/year.
3. Calculation of creditors' turnover is based on the ending balance of trade payables divided by cost of goods sold and multiplied by the number of days during the period/year.
4. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.
5. 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

Substantially all of the Group's Japanese customers have their own designated raw material suppliers. These Japanese customers generally require the Group to purchase raw materials from their designated suppliers for the manufacture of metal and plastic components and delivery and pricing of raw materials are negotiated based on three-way communications among the Group, its customers and suppliers. This practice enables the Group to manage its inventories in an efficient manner despite a continuous increase in its business scale. The Group's inventory turnover days for the six months ended 30 June 2009 was approximately 52 days, which decreased by 29 days as compared to that for the year ended 31 December 2008. The decrease was primarily driven by the stringent inventory control measures implemented by the Group under the economic downturn.

Debtors' and creditors' turnover days

During the six months ended 30 June 2009, the Group's debtors' turnover days decreased from approximately 68 days for the year ended 31 December 2008 to approximately 63 days owing to the continuous improvement of the Group's cash flow management during the period. Creditors' turnover days for the six months ended 30 June 2009 reduced to approximately 51 days, which was primarily caused by the measures adopted by the Group to lower the level of inventories during the period and therefore reduced the amount payable to raw material suppliers during the six months ended 30 June 2009.

Current ratio and net debt-to-equity ratio

During the six months ended 30 June 2009, the Group increased its short-term bank borrowings with a view to providing working capital for the continuing operations of the Group. As such, the Group's current ratio reduced from approximately 1.45 as at 31 December 2008 to approximately 1.24 as at 30 June 2009. However, as the total borrowings of the Group (bank borrowings and finance lease liabilities) as at 30 June 2009 remained comparable to that as at 31 December 2008, the Group's net debt-to-equity ratio was 0.22 which was similar to that as at 31 December 2008.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2009, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK\$1,134,000 which were pledged in favour of a contractor of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and equipment located in Suzhou with net book value of approximately HK\$6,371,000 and HK\$69,316,000, respectively, for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK\$212,958,000 for securing finance lease liabilities.

OUTLOOK

During the six months ended 30 June 2009, the Group was principally engaged in (i) design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) manufacturing of lathing components. The Group continued to focus on serving the office automation equipment market, with its revenue primarily derived from Japanese customers.

However, during the period under review, the global situation was adversely affected by the aftermath of the financial tsunami. The Group's principal customers, which are the Japanese office automation equipment brand owners whose products are sold around the world, were inevitably affected by the economic downturn which consequently had a negative impact on the performance of the Group. Under the current economic situation, the Group has taken strategies to maintain a stable development. During the period, the Group had implemented various cost and inventory control measures with a view to enhancing operating effectiveness. Particularly, despite the fall in net profit of the Group, the Group's net cash generated from operating activities for the six months ended 30 June 2009 amounted to approximately HK\$100,067,000, representing an increase of approximately 234.4% as compared to that for the six months ended 30 June 2008. Directed by a cautious mind and the commitment towards cost monitoring and inventory control, management believes that the Group can overcome the adversity and achieve satisfactory results in maintaining a leading position in its industry.

Prior to 2009, the Group had expanded its production facilities on a continuous basis with a view to capturing the opportunities arising from the trend of outsourcing by Japanese office automation equipment brand owners to non-Japanese suppliers. However, the global economic situation underwent unexpected changes since the last quarter of 2008 and the office automation equipment market was inevitably hit. Turnover of the Group reduced by approximately 6.2% to approximately HK\$493,407,000 during the six months ended 30 June 2009 and, coupled with the additions of production facilities prior to the financial tsunami, the Group's production capacity was under-utilised and its net profit fell by approximately 67.8% to approximately HK\$15,374,000 during the same period.

However, although the Group's production facilities are currently under-utilised, management believes that the new facilities added prior to the financial tsunami will still be beneficial to the Group's continuous development in the long run. In the last quarter of 2008, the Group's new mould development centre in Shenzhen commenced commercial production. The Group established the new mould development centre as part of the Group's plan to continue improving its production management and quality. Under

the Group's existing business model, the Group's customers normally require the Group to design and manufacture the relevant moulds prior to the mass production of metal stamping and plastic injection components. Accordingly, the manufacturing capability and quality standards for the production of moulds are crucial determinants for securing an increase in sale orders from customers for the subsequent production of metal stamping and plastic injection components. Further, as all components are basically produced from moulds, the number of moulds manufactured by the Group has a significant impact on the Group's future component orders. Therefore, with an expanded mould production capability, the Group will not only be able to manufacture more moulds for future component orders but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers engaged not only in the office automation equipment industry, but also the automobile, home appliance and medical equipment industries. Although the production facilities of the Group's new mould development centre are under-utilised under the current market condition, management is still confident that the establishment of the mould development centre can strengthen the Group's position in the industry in the long run.

Under the just-in-time inventory management methodology adopted by a majority of the Group's Japanese customers, these Japanese customers will normally procure from suppliers located in the proximity of their manufacturing facilities for production and cost control purposes and therefore the Group's existing production plant located in Shiyan, Shenzhen derives substantially all of its revenue from the Southern China region. To capture the business opportunities arising from the outsourcing of production from the Group's existing and new customers located in the Eastern China region, the Group established a production plant in Suzhou in 2006. The development of the Group's Suzhou production plant is able to facilitate the Group to further penetrate into the office automation equipment market and explore new business opportunities by expanding the Group's geographical coverage. Taking into account the huge potentials for the Group's business in the Eastern China region, the Group commenced the construction of phase two of the Suzhou production plant with a planned construction area of approximately 59,000 square metres in 2007, with completion targeted by end of 2009. At the same time, since certain existing customers of the Group are located in the western bank of the Pearl River Delta region and with a view to developing new businesses in that area, the Group is also in the process of establishing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a construction area of approximately 33,000 square metres is expected to be completed by 2010. Management believes that the expanded production capabilities following the completion of phase two of the Group's Suzhou production plant and Zhongshan production plant will finally translate into higher market share and larger business volume for the Group in the long run, in particular when the economic situation starts to turn positive.

Currently the Group is primarily serving as a mould and component supplier to reputable Japanese brand owners engaging in the production of office automation equipment which includes copiers and printers. Taking into account the outsourcing by Japanese brand owners to non-Japanese suppliers is still fairly new with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, the Group's market share within the office automation equipment market is still relatively small at this stage. Management believes that there are still ample opportunities for the continuous expansion of the Group in this market, which is evidenced by the fact that the Group was still able to maintain a similar level of turnover for the six months ended 30 June 2009 as compared

to that for the same period last year despite the contraction in the office automation equipment market following the financial tsunami. Therefore, in the near future, management will continue to focus a majority of its resources in the office automation equipment market and expects a substantial portion of its customer orders continues to come from office automation equipment brand owners. However, at the same time, the Group will continuously search for expansion opportunities in other industries including the automobile, home appliance and medical equipment markets and take necessary actions to explore into these new markets if appropriate.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company repurchased its 47,116,000 listed shares on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2009. 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 2009 are summarised as follows:

Month of repurchase	Number of shares of HK\$0.10 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
April 2009	3,836,000	0.65	0.60	2,454
May 2009	4,804,000	0.80	0.75	3,721
June 2009	<u>2,020,000</u>	0.85	0.82	<u>1,695</u>
	<u><u>47,116,000</u></u>			<u><u>29,554</u></u>

Subsequent to 30 June 2009, the Company repurchased its 4,022,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 July 2009 to the date of this report. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 30 June 2009 are summarised as follows:

Month of repurchase	Number of shares of HK\$0.10 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
July 2009	<u><u>4,022,000</u></u>	0.80	0.76	<u><u>3,155</u></u>

The repurchases of the Company's shares during the six months ended 30 June 2009 and in July 2009 were effected by the Directors pursuant to the general mandate approved by the shareholders at the annual general meetings of the Company held on 16 May 2008 and 10 June 2009, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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 2009.

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.

DIVIDENDS

The Board declared an interim dividend of HK0.82 cents per ordinary share, totaling HK\$5,318,000 for the six months ended 30 June 2009 to eligible shareholders whose names appear on the register of members of the Company on Thursday, 24 September 2009. The interim dividends will be payable in cash on or about Monday, 5 October 2009.

The register of members of the Company will be closed from Monday, 21 September 2009 to Thursday, 24 September 2009, 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 2009, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share register in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 September 2009.

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 2009 and up to the date of this report.

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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2009.

AUDIT COMMITTEE

The Company has set up an audit committee and has formulated its written terms of reference, in accordance with the requirements of the Code on Corporate Governance Practices 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 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 2009.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 1 September 2009

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.