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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 2010**

**HIGHLIGHTS**

- Profit attributable to equity holders increased by 811.8% to HK\$140.2 million (Six months ended 30 June 2009: HK\$15.4 million)
- Revenue increased by 66.3% to HK\$820.6 million (Six months ended 30 June 2009: HK\$493.4 million)
- Basic earnings per share was HK21.9 cents (Six months ended 30 June 2009: Basic earnings per share of HK2.3 cents)
- Interim dividend per share of HK6.5 cents was declared (Six months ended 30 June 2009: Interim dividend per share of HK0.82 cents)
- Gross and net profit margin returned to the normal level before financial tsunami
- The Group's strategy to focus on China's domestic consumer market met with huge success
- Strong balance sheet position allows the Group to continue to pursue both organic and inorganic growth

**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 2010 together with the comparative figures as follows:

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2010*

		Unaudited	
		Six months ended 30 June	
		2010	2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>820,573</b>	493,407
Cost of goods sold		<b>(565,031)</b>	(397,980)
<b>Gross profit</b>		<b>255,542</b>	95,427
Other gains		<b>3,390</b>	–
Selling and distribution expenses		<b>(31,917)</b>	(21,399)
General and administrative expenses		<b>(63,202)</b>	(48,807)
<b>Operating profit</b>	5	<b>163,813</b>	25,221
Finance income	6	<b>603</b>	1,085
Finance costs	6	<b>(2,573)</b>	(7,331)
<b>Profit before income tax</b>		<b>161,843</b>	18,975
Income tax expense	7	<b>(21,161)</b>	(3,601)
<b>Profit for the period</b>		<b>140,682</b>	15,374
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year</b>		<b>140,682</b>	15,374
Profit attributable to:			
– Equity holders of the Company		<b>140,181</b>	15,374
– Non-controlling interests		<b>501</b>	–
		<b>140,682</b>	15,374
Total comprehensive income attributable to:			
– Equity holders of the Company		<b>140,181</b>	15,374
– Non-controlling interests		<b>501</b>	–
		<b>140,682</b>	15,374
<b>Earnings per share, expressed in HK cents per share</b>	8		
– basic		<b>HK21.9 cents</b>	HK2.3 cents
– diluted		<b>HK20.4 cents</b>	HK2.2 cents
<b>Dividend</b>	9	<b>49,055</b>	5,318

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		Unaudited	As restated
		30 June	31 December
		2010	2009
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		949,377	948,843
Leasehold land and land use rights		51,242	51,703
Prepayments, deposits and other receivables		29,039	6,350
Other assets		1,607	1,607
		<u>1,031,265</u>	<u>1,008,503</u>
<b>Current assets</b>			
Inventories		120,652	96,266
Trade receivables	10	340,015	205,870
Prepayments, deposits and other receivables		27,519	18,924
Pledged bank deposits		–	1,136
Cash and cash equivalents		241,848	224,427
		<u>730,034</u>	<u>546,623</u>
<b>Current liabilities</b>			
Trade payables	11	229,729	170,713
Accruals and other payables		63,641	72,279
Bank borrowings		177,761	220,125
Finance lease liabilities		37,294	41,877
Current income tax liabilities		27,904	16,894
		<u>536,329</u>	<u>521,888</u>
<b>Net current assets</b>		<u>193,705</u>	<u>24,735</u>
<b>Total assets less current liabilities</b>		<u>1,224,970</u>	<u>1,033,238</u>
<b>Non-current liabilities</b>			
Bank borrowings		82,825	85,362
Finance lease liabilities		28,349	45,931
Deferred taxation		5,130	5,129
		<u>116,304</u>	<u>136,422</u>
<b>Net assets</b>		<u>1,108,666</u>	<u>896,816</u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		66,239	61,802
Reserves		1,033,346	835,014
		<u>1,099,585</u>	<u>896,816</u>
Non-controlling interests		9,081	–
<b>Total equity</b>		<u>1,108,666</u>	<u>896,816</u>

*Note:*

## **1. BASIS OF PRESENTATION**

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The condensed consolidated interim financial information also comply 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, and was approved for issue by the Board of Directors on 16 August 2010.

## **2. ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2009, as described in the annual financial statements of the Group for that year.

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

### **(a) New and amended standards adopted by the Group**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2010:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31 'Interest in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. 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 are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), ‘Consolidated and separate financial statements’, at the same time. HKAS 27 (revised) 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 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 amendment does not have a material impact on the Group’s financial statements.

- HKAS 17 (amendment), ‘Leases’, deletes specific guidance regarding the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land and land use rights”, and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

The accounting for land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term. The amendment does not have a material impact to the Group’s statement of comprehensive income.

The effect of the adoption of this amendment to the Group’s statement of financial position is as below:

	<b>30 June 2010</b>	31 December 2009
Increase in property, plant and equipment	<b>6,201,000</b>	6,286,000
Decrease in leasehold land and land use rights	<b><u>(6,201,000)</u></b>	<b><u>(6,286,000)</u></b>

**(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group**

		<b>Effective for accounting periods beginning on or after</b>
HK(IFRIC)-Int 17	‘Distributions of non-cash assets to owners’	1 July 2009
HK(IFRIC)-Int 18	‘Transfers of assets from customers’	1 July 2009
HKFRS 1 (Amendments)	‘Additional exemptions for first-time adopters’	1 January 2010
HKAS 39 (Amendments)	‘Eligible hedged items’	1 July 2009
HKFRS 2 (Amendments)	‘Group cash-settled share-based payment transaction’	1 January 2010

First improvements to HKFRS (2008) were issued in October 2008 by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual period on or after 1 July 2009.

Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

**(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:**

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 9	‘Financial instruments’	1 January 2013
HKAS 24 (Revised)	‘Related party disclosures’	1 January 2011
HKAS 32 (Amendments)	‘Classification of rights issues’	1 February 2010
HK(IFRIC) Int – 14	‘Prepayments of a minimum funding requirement’	1 January 2011
HK(IFRIC) Int – 19	‘Extinguishing financial liabilities with equity instruments’	1 July 2010
HKFRS 1 (Amendments)	‘Limited exemption from comparative HKFRS 7 disclosures for first-time adopters’	1 July 2010

Third improvements to HKFRS (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011.

The directors anticipate that the adoption of the above standards, amendments and interpretations to existing standards in Note 2.1(b) and (c) will not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these standards, amendments and interpretations to existing standards when they become effective.

### 3. SEGMENT INFORMATION

At 30 June 2010, 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 2010			(Restated) Six months ended 30 June 2009		
	Metal stamping HK\$'000	Plastic Injection HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Total HK\$'000
Total gross segment sales	534,067	302,003	836,070	316,027	193,695	509,722
Inter-segment sales	<u>(11,744)</u>	<u>(3,753)</u>	<u>(15,497)</u>	<u>(14,629)</u>	<u>(1,686)</u>	<u>(16,315)</u>
Sales	<u>522,323</u>	<u>298,250</u>	<u>820,573</u>	<u>301,398</u>	<u>192,009</u>	<u>493,407</u>
Segment results	<u>99,537</u>	<u>64,682</u>	<u>164,219</u>	<u>9,754</u>	<u>15,825</u>	25,579
Unallocated expenses			(406)			(358)
Finance income			603			1,085
Finance costs			<u>(2,573)</u>			<u>(7,331)</u>
Profit before income tax			161,843			18,975
Income tax expense			<u>(21,161)</u>			<u>(3,601)</u>
Profit for the period			<u>140,682</u>			<u>15,374</u>
Depreciation	<u>32,393</u>	<u>10,536</u>	<u>42,929</u>	<u>28,274</u>	<u>11,508</u>	<u>39,782</u>
Amortisation	<u>219</u>	<u>242</u>	<u>461</u>	<u>286</u>	<u>64</u>	<u>350</u>

The segment assets and liabilities are as follows:

	As at 30 June 2010				As at 31 December 2009			
	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>	Metal stamping <i>HK\$'000</i>	Plastic injection <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets	<u>1,324,589</u>	<u>436,498</u>	<u>212</u>	<u>1,761,299</u>	<u>1,164,601</u>	<u>381,291</u>	<u>9,234</u>	<u>1,555,126</u>
Liabilities	<u>190,667</u>	<u>80,121</u>	<u>381,845</u>	<u>652,633</u>	<u>155,203</u>	<u>51,905</u>	<u>451,202</u>	<u>658,310</u>
Capital expenditure	<u>26,241</u>	<u>7,026</u>	<u>10,216</u>	<u>43,483</u>	<u>75,859</u>	<u>17,083</u>	<u>-</u>	<u>92,942</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, current income tax liabilities, deferred taxation and certain accruals and other payables related to neither segments.

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 30 June 2010 as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	<b>1,761,087</b>	<b>270,788</b>
Unallocated:		
Cash and cash equivalents	212	-
Current income tax liabilities	-	27,904
Deferred taxation	-	5,130
Current borrowings	-	177,761
Non-current borrowings	-	82,825
Current finance lease liabilities	-	37,294
Non-current finance lease liabilities	-	28,349
Accruals and other payables	-	22,582
Total	<u><b>1,761,299</b></u>	<u><b>652,633</b></u>



Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2009 as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	1,545,892	207,108
Unallocated:		
Cash and cash equivalents	7,251	–
Prepayments, deposits and other receivables	1,983	–
Current income tax liabilities	–	16,894
Deferred taxation	–	5,129
Current borrowings	–	220,125
Non-current borrowings	–	85,362
Current finance lease liabilities	–	41,877
Non-current finance lease liabilities	–	45,931
Accruals and other payables	–	35,884
	<hr/>	<hr/>
Total	<u>1,555,126</u>	<u>658,310</u>

#### 4. REVENUE

	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Design and fabrication of metal stamping moulds	<b>77,789</b>	46,172
Manufacturing of metal stamping components	<b>384,142</b>	218,170
Manufacturing of lathing components	<b>45,982</b>	29,030
Design and fabrication of plastic injection moulds	<b>60,888</b>	36,614
Manufacturing of plastic injection components	<b>235,151</b>	154,221
Others <sup>1</sup>	<b>16,621</b>	9,200
	<hr/>	<hr/>
	<u><b>820,573</b></u>	<u>493,407</u>

<sup>1</sup> Others mainly represent sales of scrap materials.

## 5. OPERATING PROFIT

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

	<b>Six months ended 30 June 2010</b>	(Restated) Six months ended 30 June 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and consumables used	<b>429,084</b>	306,725
Production overhead costs (excluding labour and depreciation expenses)	<b>37,775</b>	19,717
Staff costs, including directors' emoluments and share option costs	<b>100,821</b>	63,940
Depreciation of property, plant and equipment	<b>42,929</b>	39,782
Amortisation of leasehold land and land use rights	<b>461</b>	350
(Gain)/loss on disposal of property, plant and equipment	<b>(65)</b>	651
(Reversal of)/provision for inventories to net realisable value	<b>(2,368)</b>	4,189
Net exchange losses/(gains)	<b>17</b>	(255)
	<b><u>17</u></b>	<b><u>(255)</u></b>

## 6. FINANCE INCOME/COSTS

	<b>Six months ended 30 June 2010</b>	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income from bank deposits	<b>603</b>	1,085
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	<b>1,489</b>	5,145
Bank borrowings not wholly repayable within five years	<b>59</b>	65
Finance lease liabilities	<b>1,025</b>	2,121
	<b><u>2,573</u></b>	<b><u>7,331</u></b>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	5,168	2,103
– Mainland China enterprise income tax	15,993	1,498
	<u>21,161</u>	<u>3,601</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 2010 (2009: 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 22% for the six months ended 30 June 2010 (2009: 20%). 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 Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited was 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2007 and June 2008, respectively, and Shenzhen EVA Mould Manufacturing Limited had taxable profits during the six months ended 30 June 2010 which its profits were offset to prior year tax losses. On 31 December 2009, Yihe Precision Hardware (Shenzhen) Co., Ltd, was recognised by the Chinese Government as a “National High and New Technology Enterprise” and was therefore subject to a preferential tax rate of 15% during the six month ended 30 June 2010.

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	
	2010	2009
Profit attributable to equity holders of the Company (HK\$'000)	<u>140,181</u>	<u>15,374</u>
Weighted average number of ordinary shares in issue ('000)	<u>639,846</u>	<u>669,614</u>
Basic earnings per share (HK cents per share)	<u><u>21.9</u></u>	<u><u>2.3</u></u>

### Diluted

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (HK\$'000)	<u>140,181</u>	<u>15,374</u>
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<u>639,846</u>	<u>669,614</u>
Adjustment for share options and warrants ('000)	<u>48,263</u>	<u>28,574</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>688,109</u>	<u>698,188</u>
Diluted earnings per share (HK cents per share)	<u><u>20.4</u></u>	<u><u>2.2</u></u>

## 9. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Proposed interim dividend of HK6.50 cents (2009: HK0.82 cents) per ordinary share	<u><u>49,055</u></u>	<u><u>5,318</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 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
0 to 90 days	327,550	198,347
91 to 180 days	12,182	7,435
181 to 365 days	1,471	1,276
	<u>341,203</u>	<u>207,058</u>
Less: Provision for impairment of trade receivables	<u>(1,188)</u>	<u>(1,188)</u>
	<u><u>340,015</u></u>	<u><u>205,870</u></u>

## 11. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at	
	30 June 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>
0 to 90 days	204,753	157,005
91 to 180 days	19,833	12,999
181 to 365 days	5,143	709
	<u>229,729</u>	<u>170,713</u>

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT EVENTS AND DEVELOPMENT

The first half of 2010 was another period of milestone events and achievements for the Group. Not only have we completely recovered from the trauma of the financial tsunami in 2008/2009, but our business fundamentals have improved by leaps and bounds.

In May 2010, the Group had reached a mutual understanding with one of the world renowned brand owners of office automation (OA) equipments in Japan for placement of significant orders worth approximately HK\$3.6 billion in the following four years. The orders are related to the production of mechanical modules of new OA equipment models covering the relevant moulds, components and product assembly. Our key appeal to this customer was our ability to provide one-stop solution. Unlike our competitors which are specialised in only a single type of product, we are able to offer one-stop manufacturing from the development of the moulds, to producing both metal and plastic components and product assembly, thereby reducing the additional logistic costs and excess production lead time arising from the customer's current practice of outsourcing the production of moulds, components and product assembly to different suppliers. This unique business model, coupled with our ability to manufacture high quality moulds and components with dimensional accuracies comparable to the Japanese and the Germans, not only gives us a strong pricing power, but also provided strong incentives for this customer to redirect more businesses to us. More importantly, successfully obtaining these new orders is only the beginning for us as this will provide us with the necessary credentials for obtaining orders of similar size from other Japanese brand names, all of which are international business giants.

Large-scale production of moulds and components relating to the above-mentioned new orders will take place in the second half of 2010 and beyond, and therefore no revenue from these new orders were recorded during the six months ended 30 June 2010. Having said that, our turnover for the six months ended 30 June 2010 recorded a significant growth of 66.3% to approximately HK\$820,573,000, thanks to the resurgence of orders from both international and domestic customers who continued to shift their focus to the China market. Particularly, it is worth noting that our revenue from manufacture of moulds actually went up to approximately HK\$138,677,000, another historical high. Based on the Group's business model, the brand owners would normally require us to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in our production bases for future mass production of components and semi-finished products. In other words, the Group's mould revenue is the leading indicator of its future component revenue. The record level of mould revenue during the period is expected to lead to a continuing leap in the results of the Group in the second half of 2010 and beyond.

With the continuous development of China's economy, the Chinese consumers are now "moving up the consumption ladder". Chinese consumers are not only demanding more consumer products, but also higher quality products. Equipped with the credentials of serving Japanese customers which are well known for their demanding quality requirements, the Group is well positioned to partner with other international and domestic brand owners to capture the increasing demand for high-end and sophisticated products from Chinese consumers. To this end, we have already made significant progress in new product lines such as consumer electronics, automobile and medical equipment.

As part of the Group's strategic shift to focus on domestic consumption, the Group is in the process of constructing a new production base in Zhongshan, Guangdong Province, China, which is scheduled to be completed by end of 2010. Apart from better serving certain of the existing OA equipment and home appliance customers located in Zhongshan, Zhuhai and Shunde which include Canon and Midea, the primary purpose of establishing a new production base in Zhongshan is to facilitate the Group's penetration into the domestic automobile and home appliance markets on the western bank of the Pearl River Delta Region. Target customers of the new Zhongshan production base included Gree, Hisense-Kelon, Guangzhou Automobile Group and the new production facilities of Dongfeng-Nissan and FAW-Volkswagen located in Guangzhou and Foshan which are currently under construction. In addition, we have established a sale office in Chongqing in March 2010, which is intended to source orders from domestic automobile makers such as Changan Ford, Qingling Motors and Suzuki. In the years to come, the Group plans to set up sale offices in various other cities in China including Changchun, Tianjin and Huizhou (for high tech consumer electronics).

During the first half of 2010, the manufacturing sector in Southern China was clouded by the negative labour relations climate, which adversely affected a lot of local manufacturers. Unlike other traditional manufacturers in Southern China, we have been devoting substantial resources on creating a harmonious working environment since our establishment and received numerous accolades in this respect, which included "Corporate Citizen – Responsibility for Society Award" (企業公民 – 責任獻社會獎) from an organisation under the Ministry of Civil Affairs of the People's Republic of China in 2007 and "Employee Care Award" (關愛員工獎) from an organisation under the Ministry of Commerce of the People's Republic of China in 2009. We are particularly proud of the fact that we have close to 300 front line engineers who have share options, thus sharing the success of the Group. As such, the recent negative news flows in Southern China's labour market has also presented us with another huge opportunity. In order to avoid disruptions in the supply chain, brand owners are finding it necessary to shift their orders from small sized manufacturers to established companies with proven labor relations record such as ourselves.

During the period, we continued to devote substantial effort on maintaining a healthy balance sheet. This is evidenced by the fact that our inventory turnover days continued to decrease slightly to 39 days and our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) was maintained at 40 days despite the significant growth in our turnover and business volume. Our conscious effort to tightly control the cash conversion cycle reduces our working capital requirements in preparation for the quantum leap in our turnover in the future. In addition, as part of our effort to strengthen our financial position, we executed a share placement in early July 2010 which raised net proceeds of approximately HK\$276,074,000. With this placement of new shares, our balance sheet and capital base will be significantly strengthened. This will provide the necessary working capital for us to continue to solicit large size orders from brand owners similar to the one obtained in May 2010. Further, we intend to devote part of the placement proceeds to fund appropriate merger and acquisition opportunities in order to capitalise on the Chinese Government's policies of boosting domestic consumption, such as the Home Appliances Going to the Countryside Program and the Auto-stimulus Plan.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at 30% to 35% of net profit, and the first half of 2010 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement and sound financial management, whilst maximising returns to our shareholders.

## FINANCIAL REVIEW

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

	Six months ended 30 June			
	2010		2009	
	HK\$'000		HK\$'000	
<b>By business segment</b>				
<b>Turnover</b>				
<i>Metal division</i>				
Design and fabrication of metal stamping moulds	77,789	9.5%	46,172	9.4%
Manufacturing of metal stamping components	384,142	46.8%	218,170	44.2%
Manufacturing of lathing components	45,982	5.6%	29,030	5.9%
Others ( <i>Note 1</i> )	14,410	1.7%	8,026	1.6%
	<u>522,323</u>		<u>301,398</u>	
<i>Plastic division</i>				
Design and fabrication of plastic injection moulds	60,888	7.4%	36,614	7.4%
Manufacturing of plastic injection components	235,151	28.7%	154,221	31.3%
Others ( <i>Note 1</i> )	2,211	0.3%	1,174	0.2%
	<u>298,250</u>		<u>192,009</u>	
Total	<u>820,573</u>		<u>493,407</u>	
<b>Segment results</b>				
Metal division	99,537		9,754	
Plastic division	<u>64,682</u>		<u>15,825</u>	
Operating profit	164,219		25,579	
Unallocated expenses	(406)		(358)	
Finance income	603		1,085	
Finance costs	(2,573)		(7,331)	
Income tax expense	(21,161)		(3,601)	
Non-controlling interests	<u>(501)</u>		<u>—</u>	
Profit attributable to equity holders of the Company	<u>140,181</u>		<u>15,374</u>	

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



## **Turnover**

The Group recorded a significant increase in the revenue from design and fabrication of metal stamping and plastic injection moulds during the last financial year. These moulds had been consigned in the Group's production bases for the mass production of metal stamping and plastic injection components starting from early 2010. Accordingly, the Group's revenue from manufacturing of metal stamping and plastic injection components increased significantly by approximately 76.1% and 52.5% respectively during the six months ended 30 June 2010.

At the same time, with a view to capturing the huge business opportunities arising from China's consumption boom, both our existing and new customers continued to develop new models primarily for sales in China. This was translated into a 67.5% increase in revenue from design and fabrication of metal stamping and plastic injection moulds to approximately HK\$138,677,000 during the six months ended 30 June 2010. The moulds produced during the period will be used for the mass production of metal stamping and plastic injection components in the second half of 2010 and beyond.

## **Gross profit**

The Group's profitability was adversely affected by the financial tsunami during the last financial year. As struck by the global de-stocking activities of manufacturers worldwide, the Group's production facilities were significantly under-utilised which resulted in a reduction in gross profit margin of the Group during the six months ended 30 June 2009.

During the six months ended 30 June 2010, the Group experienced a strong resurgence in order flows as both international and domestic brand owners continued to shift their focus to the China market. With an increased turnover, the utilisation rate of the Group's production facilities returned to a normal level which resulted in a rebound in the Group's gross profit margin. During the six months ended 30 June 2010, gross profit margin of the Group was approximately 31.1%, which was comparable to our normal level before the financial tsunami (i.e. before 2008 and 2009) during which the Group's gross profit margin was consistently above 30% over the years.

## **Segment results**

For the six months ended 30 June 2010, segment results of the Group's metal and plastic division amounted to approximately HK\$99,537,000 and HK\$64,682,000 respectively, representing an operating profit margin of approximately 19.1% and 21.7% respectively. Since the profit margin from mould revenue is generally higher than that from component revenue, the operating profit margin of the Group's plastic division is slightly higher as its proportion of mould revenue to total divisional turnover is higher than that for the metal division.

## **Finance costs**

The Group's finance costs for the six months ended 30 June 2010 decreased to approximately HK\$2,573,000, which was primarily caused by the reduction in bank borrowings and finance lease liabilities as part of the Group's continuing effort on the improvement of its balance sheet position.

## **Income tax expense**

During the six months ended 30 June 2010, income tax expense amounted to approximately HK\$21,161,000. By end of 2009, one of the major subsidiaries of the Group was recognised by the Chinese government as a "National High and New Technology Enterprise", entitling it to a preferential tax rate of 15% commencing from 1 January 2010 (For the six months ended 30 June 2009: 20%). As such, the Group's overall 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 2010 reduced to approximately 13.1%.

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

During the six months ended 30 June 2010, profit attributable to equity holders of the Company amounted to approximately HK\$140,181,000, representing an increase of approximately 811.8% as compared to that for the six months ended 30 June 2009. The significant increase in net profit of the Group was primarily caused by the resurgence of orders flows from both existing and new customers targeting at the booming China's consumption market and the improvement in utilisation rate of our production facilities as described above. Net profit margin of the Group for the six months ended 30 June 2010 was approximately 17.1%, which was comparable to our normal level before the financial tsunami (i.e. before 2008 and 2009) during which the Group's net profit margin was consistently above 15% over the years.

## **OUTLOOK**

Up to June 2010, the estimated market size for moulds and components in OA equipment market was more than HK\$141 billion. However, its supplier base is fragmented and this market is still served by a huge number of Japanese suppliers, with each of them relatively small in size and specialising in a single type of product. The OA equipment industry is currently undergoing a supplier base consolidation process, which is clearly evidenced by the large new order equivalent to 3.5 times of our FY2009 revenue received by us in May 2010. In the years to come, with the continuing trend of supplier base consolidation in the OA equipment industry, we expect more orders of similar size coming from other brand owners in this industry.

China is gradually moving away from just an export-driven economy and is putting increasing emphasis on domestic consumption. So far, we have already made significant progress into new product lines such as consumer electronics, automobile and medical equipment, primarily targeting at the booming China's consumption market. Going forward, we expect an increasing demand from both international and domestic brand owners looking for expansion in the burgeoning China market, a trend which has been well reflected by our mould revenue reaching another historical high in the first half of 2010.

## **HUMAN RESOURCES**

As at 30 June 2010, the total number of employees of the Group was 5,307 employees, representing an increase of approximately 53.3% as compared to 3,461 employees as at 30 June 2009. The increase in headcount was primarily due to the recruitment of additional engineers and production personnel to cope with the significant increase in turnover during the period.

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

## **FOREIGN CURRENCY EXPOSURE**

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2010, approximately 30%, 59% and 11% (For the six months ended 30 June 2009: 30%, 61% and 9%) of the Group's sales and approximately 20%, 68% and 12% (For the six months ended 30 June 2009: 15%, 68% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

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

## LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2010, the Group recorded net cash generated from operating activities amounting to approximately HK\$78,349,000, representing a decrease of approximately 21.7% as compared to that of approximately HK\$100,067,000 for the six months ended 30 June 2009. During the six months ended 30 June 2010, our turnover increased significantly to approximately HK\$820,573,000 as compared to that of approximately HK\$493,407,000 for the six months ended 30 June 2009. Accordingly, despite our successful effort in controlling our cash conversion cycle at 40 days which is comparable to that for the year ended 31 December 2009, the great leap in our turnover increased our working capital requirements and resulted in a reduction in our net operating cash flows for the period. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK\$57,102,000 for six months ended 30 June 2010, increased by approximately 64.1% as compared to that of approximately HK\$34,804,000 for the six months ended 30 June 2009 due to the prepayments made for the completion of the new production base located in Zhongshan, Guangdong Province, China. In addition, the Group recorded net cash used in financing activities of approximately HK\$3,826,000 during the six months ended 30 June 2010. During the period, the Group received net proceeds from exercise of employee share options of approximately HK\$66,605,000 but at the same time, the Group gradually repaid its borrowings as part of its continuous effort on strengthening its balance sheet. As such, net cash outflow from financing activities was recorded during the period.

Bank loans as at 30 June 2010 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2010 are as follows:

	<b>30 June 2010</b>	31 December 2009
Inventory turnover days ( <i>Note 1</i> )	<b>39</b>	43
Debtors' turnover days ( <i>Note 2</i> )	<b>75</b>	73
Creditors' turnover days ( <i>Note 3</i> )	<b>74</b>	76
Cash conversion cycle ( <i>Note 4</i> )	<b>40</b>	40
Current ratio ( <i>Note 5</i> )	<b>1.36</b>	1.05
Net debt-to-equity ratio ( <i>Note 6</i> )	<b><u>0.08</u></b>	<b><u>0.19</u></b>

*Note:*

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of goods sold and multiplied by the number of days during the period/year.
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/year.
3. Calculation of creditors' turnover days 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. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.
5. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.
6. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances divided by shareholders' equity.

### **Inventory turnover days**

With a view to reducing the Group's working capital requirements for its on-going turnover growth, we continued to closely monitor our inventory control during the period. Accordingly, our inventory turnover days remained at a low level which was approximately 39 days, despite a significant increase in our turnover during the six months ended 30 June 2010.

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

During the six months ended 30 June 2010, the Group's debtors' and creditors' turnover days were approximately 75 days and 74 days respectively, which were comparable to that for the year ended 31 December 2009.

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

During the six months ended 30 June 2010, the Group continued to record positive operating cash flows and gradually repaid its bank borrowings and finance lease liabilities. As such, the Group's current ratio and net debt-to-equity ratio improved to approximately 1.36 and 0.08 during the period, as compared to those of approximately 1.05 and 0.19 for the year ended 31 December 2009.

### **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2010, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book value of approximately HK\$6,201,000 and HK\$62,714,000 respectively for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book value of HK\$183,248,000 for securing finance lease liabilities.

## **PURCHASES, SALE AND REDEMPTION OF THE SHARES**

On 22 March 2010, the Company entered into warrant subscription agreements with seven individual and corporate investors whereby the Company agreed to issue and the subscribers agreed to subscribe for 52,000,000 warrants at a warrant issue price of HK\$0.02 per warrant. The warrants entitle the subscribers to subscribe for 52,000,000 new shares of the Company at an initial subscription price of HK\$2.03 per new shares (subject to adjustment for subdivision and consolidation of shares) for a period of one year commencing from the date of issue of the warrants.

It is expected that all the proceeds from the warrant subscription, being HK\$1,040,000, will be used for payment of the costs and expenses in connection with the warrant subscription. Assuming the full exercise of the subscription rights attaching to the warrants at the initial subscription price of HK\$2.03 per new share, the total funds to be raised is approximately HK\$105,560,000. It is intended that the funds so raised be applied as general working capital and as funds for future development of the Group.

No warrant was exercised during the six months ended 30 June 2010. Subsequent to 30 June 2010 and up to the date of this report, 11,000,000 warrants were exercised to subscribe for 11,000,000 new shares of the Company. The net proceeds of HK\$22,330,000 have been applied as general working capital of the Group.

On 9 July 2010, the Company, Prosper Empire Limited (the “Vendor”) and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang YaoHua (together the “Controlling Shareholders”) and CLSA Limited (the “Placing Agent”) entered into a placing agreement (the “Placing Agreement”) pursuant to which the Placing Agent agreed to place up to an aggregate of 100,000,000 shares of the Company at a price of HK\$3.60 (“Placing Price”) to not less than six independent professional institutional investors and other investors. These shares consisted of 80,000,000 shares under top-up placing and 20,000,000 shares placed by the Vendor.

On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for 80,000,000 new shares of the Company (the “Subscription Shares”) at HK\$3.60 which is equivalent to the Placing Price.

The placing shares represented approximately 15.1% of the then existing issued share capital of the Company and approximately 13.5% of the Company’s issued share capital as enlarged by the issue of the Subscription Shares. Completion of the placing took place on 14 July 2010 and the Subscription Shares were issued on 22 July 2010.

Pursuant to the Placing Agreement, each of the Vendor and the Controlling Shareholders undertakes to the Placing Agent that they will not dispose of or enter into any arrangement to dispose of any of the Company’s shares owned by them for the period commencing from the date of the Placing Agreement and ending three months from the completion of the placing (the “Lock-up Period”) without the prior written consent of the Placing Agent. The Company and the Controlling Shareholders also undertakes to the Placing Agent that they will not and will not procure any of its subsidiaries or any members of the Group to issue or agree to issue any shares, warrants or other rights to subscribe for shares

or to repurchase any securities of the Company during the Lock-up Period without the prior written consent of the Placing Agent (other than pursuant to options outstanding under the existing share option schemes, the warrants issued, any scrip dividend scheme or shares issued pursuant to the subscription agreement as described above).

The net proceeds of approximately HK\$276,074,000 from the placing and subscription of shares will be applied by the Company for the continuing expansion of the existing business and potential acquisition opportunities. As at the date of this report, the proceeds were placed on interest-bearing short-term deposits for the intended future uses.

Save for disclosed above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares during the six months ended 30 June 2010.

### **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 HK6.5 cents per ordinary shares, totaling HK\$49,055,000 for the six months ended 30 June 2010 to eligible shareholders whose names appear on the register of members of the Company on Friday, 3 September 2010. The interim dividends will be payable in cash on or about Friday, 10 September 2010.

The register of members of the Company will be closed from Tuesday, 31 August 2010 to Friday, 3 September 2010, both days inclusive, during which 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 2010, 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 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 Monday, 30 August 2010.

### **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 2010.

## **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 2010.

## **AUDIT COMMITTEE**

The Company has set up an audit committee, 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 2010.

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

Hong Kong, 16 August 2010

*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.*