INTERIM REPORT 2011 中期報告

SETTING A ***NEW STANDARD***
FOR MANUFACTURING

引領製造模式***新標準***

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：838

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*
Mr. Nomo Kenshiro

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Dr. Lui Sun Wing *(Chairman)*
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

REMUNERATION COMMITTEE

Mr. Zhang Hwo Jie *(Chairman)*
Dr. Lui Sun Wing
Mr. Choy Tak Ho

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

Mr. Zhang Hwo Jie
Mr. Wong Hoi Chu Francis *FCCA CPA*

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REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited
KBC Bank Hong Kong Branch
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mainland China

Industrial and Commercial Bank of China
Shenzhen Development Bank

LEGAL ADVISOR

Minter Ellison

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Wanchai, Hong Kong

WEBSITE

www.eva-group.com
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AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2011

	Note	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,218,725**	1,086,132
Leasehold land and land use rights	7	**50,245**	50,781
Prepayments, deposits and other receivables	8	**61,140**	54,323
Goodwill	21	**2,510**	–
Other assets		**1,607**	1,607
		1,334,227	1,192,843
Current assets			
Inventories		**219,401**	150,947
Trade receivables	9	**399,520**	325,122
Prepayments, deposits and other receivables	8	**50,143**	50,393
Pledged bank deposits		**–**	4,090
Cash and cash equivalents		**670,295**	501,074
		1,339,359	1,031,626
Current liabilities			
Trade payables	10	**280,845**	225,972
Accruals and other payables		**80,810**	93,563
Bank borrowings	11	**240,362**	202,062
Finance lease liabilities	12	**25,412**	32,684
Current income tax liabilities		**43,621**	44,537
		671,050	598,818
Net current assets		**668,309**	432,808
Total assets less current liabilities		**2,002,536**	1,625,651

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2011

	Note	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Non-current liabilities			
Bank borrowings	11	**29,219**	16,879
Finance lease liabilities	12	**2,937**	13,247
Deferred taxation		**5,129**	5,129
		37,285	35,255
Net assets		**1,965,251**	1,590,396
EQUITY			
Capital and reserves			
Share capital	13	**175,762**	81,629
Reserves	15	**1,778,636**	1,499,437
		1,954,398	1,581,066
Non-controlling interests		**10,853**	9,330
Total equity		**1,965,251**	1,590,396

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2011

		Unaudited Six months ended 30 June	
		2011	2010
	Note	**HK$'000**	HK$'000
Revenue	6	**879,071**	820,573
Cost of goods sold	16	**(641,215)**	(565,031)
Gross profit		**237,856**	255,542
Other (losses)/gains		**(997)**	3,390
Selling and distribution costs	16	**(34,895)**	(31,917)
General and administrative expenses	16	**(78,678)**	(63,202)
Operating profit		**123,286**	163,813
Finance income	17	**1,428**	603
Finance costs	17	**(4,461)**	(2,573)
Profit before income tax		**120,253**	161,843
Income tax expense	18	**(14,498)**	(21,161)
Profit for the period		**105,755**	140,682
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**105,755**	140,682

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June **2011** **HK$'000**	 2010 HK$'000
Profit attributable to:			
– Equity holders of the Company		**104,232**	140,181
– Non-controlling interests		**1,523**	501
		105,755	140,682
Total comprehensive income attributable to:			
– Equity holders of the Company		**104,232**	140,181
– Non-controlling interests		**1,523**	501
		105,755	140,682
			Restated
Earnings per share, expressed in HK cents per share	19		
– basic		**HK6.0 cents**	HK11.0 cents
– diluted		**HK6.0 cents**	HK10.2 cents
Dividend	20	**31,637**	49,055

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

Condensed Consolidated Interim Statement of Changes In Equity

	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
		Unaudited			
		Attributable to equity holders of the Company			
Balance at 1 January 2011		81,629	1,499,437	9,330	1,590,396
Comprehensive income					
Profit for the period		–	104,232	1,523	105,755
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	104,232	1,523	105,755
Transactions with owners					
Employee share option scheme:					
– value of employee services		–	36	–	36
– proceeds from share issued		118	508	–	626
Dividend paid		–	(44,005)	–	(44,005)
Proceeds from issuance of shares pursuant to the warrant subscription	13&15	1,400	27,020	–	28,420
Proceeds from issuance of shares pursuant to the placement and subscription arrangement	13&15	4,734	279,289	–	284,023
Bonus issue of shares	13	87,881	(87,881)	–	–
		94,133	174,967	–	269,100
Balance at 30 June 2011		175,762	1,778,636	10,853	1,965,251

Condensed Consolidated Interim Statement of Changes In Equity

		Unaudited			
		Attributable to equity holders of the Company			
	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2010		61,802	835,014	–	896,816
Comprehensive income					
Profit for the period		–	140,181	501	140,682
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	140,181	501	140,682
Transactions with owners					
Employee share option scheme:					
– value of employee services		–	294	–	294
– proceeds from share issued		4,437	62,168	–	66,605
Dividend paid		–	(5,351)	–	(5,351)
Issuance of warrants		–	1,040	–	1,040
Non-controlling interest arising from business combination	21	–	–	8,580	8,580
		4,437	58,151	8,580	71,168
Balance at 30 June 2010		66,239	1,033,346	9,081	1,108,666

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

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2011

	Note	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations		**70,280**	90,135
Interest received		**1,428**	603
Interest paid		**(4,405)**	(2,239)
Income tax paid		**(15,414)**	(10,150)
Net cash generated from operating activities		**51,889**	78,349
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	21	**(2,500)**	(4,928)
Purchases of property, plant and equipment		**(125,346)**	(26,563)
Deposits for property, plant and equipment		**(61,034)**	(25,696)
Proceeds from sales of property, plant and equipment		**–**	85
Net cash used in investing activities		**(188,880)**	(57,102)
Cash flows from financing activities			
Proceeds from bank borrowings		**90,000**	60,171
Repayments of bank borrowings		**(39,360)**	(105,262)
Repayments of capital element of finance lease liabilities		**(17,582)**	(22,165)
Decrease in pledged bank deposits		**4,090**	1,136
Proceeds from exercise of share options		**626**	66,605
Dividends paid		**(44,005)**	(5,351)
Proceeds from share issued from warrants exercise		**28,420**	–
Proceeds from share issued from placing and subscription		**284,023**	–
Proceeds from issuance of warrants		**–**	1,040
Net cash generated from/(used in) financing activities		**306,212**	(3,826)
Net increase in cash and cash equivalents		**169,221**	17,421
Cash and cash equivalents at beginning of period		**501,074**	224,427
Cash and cash equivalents at end of period		**670,295**	241,848

The notes are an integral part to this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together the "Group") are 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 is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue on 23 August 2011.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2010, 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.

3 ACCOUNTING POLICIES (CONTINUED)

(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 1 January 2011:

- HKAS 34 (Amendment), "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

HK(IFRIC)-Int 14	"Prepayments of a minimum funding requirement"
HK(IFRIC)-Int 19	"Extinguishing financial liabilities with equity instruments"
HKAS 24 (Revised)	"Related party disclosures"
HKAS 32 (Amendment)	"Classification of right issue"

Third improvements to HKFRS (2010) were issued in May 2010 by Hong Kong Institute of Certified Public Accountants, except for amendment to HKAS 34 "Interim financial reporting" as disclosed in note 2(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

3 ACCOUNTING POLICIES (CONTINUED)

(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 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	"Deferred tax: Recovery of underlying assets"	1 January 2012
HKAS 19 (Amendment)	"Employee benefits"	1 January 2013
HKFRS 7 (Amendment)	"Disclosures – Transfers of financial assets"	1 July 2011
HKFRS 9	"Financial instruments"	1 January 2013
HKFRS 10	"Consolidated financial statements"	1 January 2013
HKFRS 11	"Joint arrangements"	1 January 2013
HKFRS 12	"Disclosure of interests in other entities"	1 January 2013
HKFRS 13	"Fair value measurements"	1 January 2013

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

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

(b) Liquidity risk

Compared to 31 December 2010, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, bank borrowings and finance lease liabilities) is determined by using valuation techniques.

The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Estimated discounted cash flows at the current market interest rate that is available to the Group for similar instruments are used.

The carrying values less impairment provisions of trade receivables and payables, pledged bank deposits and cash and cash equivalents are a reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Revenue		
Design and fabrication of metal stamping moulds	**61,455**	77,789
Manufacturing of metal stamping components	**439,720**	384,142
Manufacturing of lathing components	**55,986**	45,982
Design and fabrication of plastic injection moulds	**45,100**	60,888
Manufacturing of plastic injection components	**260,466**	235,151
Others[1]	**16,344**	16,621
	879,071	820,573

[1] Others mainly represent sales of scrap materials.

(b) Segment information

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

At 30 June 2011, 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").

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

The segment results and other segment items are as follows:

	Six months ended 30 June 2011			Six months ended 30 June 2010		
	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	**595,602**	**312,687**	**908,289**	534,067	302,003	836,070
Inter-segment sales	**(25,693)**	**(3,525)**	**(29,218)**	(11,744)	(3,753)	(15,497)
Sales	**569,909**	**309,162**	**879,071**	522,323	298,250	820,573
Segment results	**76,444**	**47,985**	**124,429**	99,537	64,682	164,219
Unallocated expenses			**(1,143)**			(406)
Finance income			**1,428**			603
Finance costs			**(4,461)**			(2,573)
Profit before income tax			**120,253**			161,843
Income tax expense			**(14,498)**			(21,161)
Profit for the period			**105,755**			140,682
Depreciation	**33,584**	**13,297**	**46,881**	32,393	10,536	42,929
Amortisation	**453**	**83**	**536**	399	62	461

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	As at 30 June 2011				As at 31 December 2010			
	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	**2,008,742**	**657,008**	**7,836**	**2,673,586**	1,668,749	549,053	6,667	2,224,469
Liabilities	**226,890**	**114,310**	**367,135**	**708,335**	200,595	73,459	360,019	634,073
Capital expenditure	**158,814**	**17,284**	**3,376**	**179,474**	177,661	47,100	–	224,761

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, prepayments, deposits and other receivables, other assets, 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 2011 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	**2,665,750**	**341,200**
Unallocated:		
Cash and cash equivalents	**4,319**	**–**
Prepayments, deposits and other receivables	**1,007**	**–**
Goodwill	**2,510**	**–**
Current income tax liabilities	**–**	**43,621**
Deferred taxation	**–**	**5,129**
Current borrowings	**–**	**240,362**
Non-current borrowings	**–**	**29,219**
Current finance lease liabilities	**–**	**25,412**
Non-current finance lease liabilities	**–**	**2,937**
Accruals and other payables	**–**	**20,455**
Total	**2,673,586**	**708,335**

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2010 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	2,217,802	274,054
Unallocated:		
Cash and cash equivalents	6,293	–
Prepayments, deposits and other receivables	374	–
Current income tax liabilities	–	44,537
Deferred taxation	–	5,129
Current borrowings	–	202,062
Non-current borrowings	–	16,879
Current finance lease liabilities	–	32,684
Non-current finance lease liabilities	–	13,247
Accruals and other payables	–	45,481
Total	2,224,469	634,073

7 CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Leasehold land and land use rights HK$'000
Six months ended 30 June 2011		
Opening net book amount at 1 January 2011	**1,086,132**	**50,781**
Additions	**179,474**	**–**
Depreciation/amortisation charge (Note 16)	**(46,881)**	**(536)**
Closing net book amount at 30 June 2011	**1,218,725**	**50,245**
Opening net book amount at 1 January 2010	948,843	51,703
Acquisition of a subsidiary (Note 21)	10,946	–
Additions	32,537	–
Disposal	(20)	–
Depreciation/amortisation charge (Note 16)	(42,929)	(461)
Closing net book amount at 30 June 2010	949,377	51,242

Certain leasehold land and buildings were given as security for the Group's borrowings. Certain property, plant and equipment were secured for the Group's borrowings and finance lease liabilities.

8 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2011 HK$'000	31 December 2010 HK$'000
Non-current		
Deposits for purchases of property, plant and equipment	**61,034**	54,128
Others	**106**	195
	61,140	54,323
Current		
Deposits for purchases of raw materials	**4,983**	2,586
VAT recoverable	**25,633**	18,993
Deposits for customs department	**1,908**	12,721
Others	**17,619**	16,093
	50,143	50,393

9 TRADE RECEIVABLES

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

	As at	
	30 June 2011 HK$'000	31 December 2010 HK$'000
0 to 90 days	**319,907**	286,548
91 to 180 days	**59,903**	37,406
181 to 365 days	**20,898**	2,356
	400,708	326,310
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables-net	**399,520**	325,122

9 TRADE RECEIVABLES (CONTINUED)

The top five customers and the largest customer accounted for 53.9% (2010: 53.4%) and 18.3% (2010: 27.6%) of the trade receivables balance as at 30 June 2011, respectively. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30 June 2011, the Group recorded no provision for its trade receivables (31 December 2010: Nil).

10 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June 2011 HK$'000	31 December 2010 HK$'000
0 to 90 days	**248,102**	196,590
91 to 180 days	**30,559**	25,303
181 to 365 days	**2,184**	4,079
	280,845	225,972

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

11 BANK BORROWINGS

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Current		
Short-term bank loans	**110,000**	50,000
Portion of long-term loans from banks due for repayment within one year	**70,769**	73,195
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	**59,173**	78,447
Mortgage loan, current portion	**420**	420
	240,362	202,062
Non-current		
Portion of long-term loans from banks due for repayment after one year which do not contain a repayment on demand clause	**26,050**	13,500
Mortgage loan, non-current portion	**3,169**	3,379
	29,219	16,879
Total bank borrowings	**269,581**	218,941

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due for repayment after one year which contain a repayment clause and are classified as a current liabilities is expected to be settled within one year.

11 BANK BORROWINGS (CONTINUED)

The maturity of bank borrowings is as follows (Note i):

	As at 30 June 2011 HK$'000	31 December 2010 HK$'000
Within 5 years	**268,093**	217,243
Over 5 years	**1,488**	1,698
	269,581	218,941

Note i: The amounts due are based on the schedule repayments dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

Bank borrowings are denominated in Hong Kong dollars. The carrying amounts of bank borrowings approximate their fair values.

The effective interest rates (per annum) of the Group's bank borrowings at the statement of financial position dates were as follows:

	Short-term bank loans		Long-term bank loans		Mortgage loan	
	2011	2010	**2011**	2010	**2011**	2010
Hong Kong dollars	**2.3%**	1.6%	**2.2%**	2.0%	**2.4%**	2.4%

As at 30 June 2011, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book amounts of HK$7,315,000 and HK$54,223,000, respectively (2010: HK$7,444,000 and HK$58,468,000, respectively) and corporate guarantees provided by the Company.

12 FINANCE LEASE LIABILITIES

The Group's finance lease liabilities have maturity dates within five years and are repayable as follows:

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Within one year	**25,885**	33,717
In the second year	**2,950**	13,318
In the third to fifth year	**–**	63
	28,835	47,098
Less: future finance charges on finance leases	**(486)**	(1,167)
Present value of finance lease liabilities	**28,349**	45,931

The present value of finance lease liabilities is as follows:

	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
Within one year	**25,412**	32,684
In the second year	**2,937**	13,184
In the third to fifth year	**–**	63
Total finance lease liabilities	**28,349**	45,931
Less: amount included in current liabilities	**(25,412)**	(32,684)
	2,937	13,247

12 FINANCE LEASE LIABILITIES (CONTINUED)

Finance lease liabilities are denominated in Hong Kong dollars. The carrying amounts of finance lease liabilities approximate their fair values.

As at 30 June 2011, the effective interest rate of the Group's finance lease liabilities was 2.64% per annum (2010: 2.69% per annum).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. The net book amounts of the leased assets are approximately HK$127,179,000 (2010: HK$136,250,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$496,000 (2010: HK$1,479,000).

13 SHARE CAPITAL

	Note	**Number of shares** (thousand)	**Nominal value** HK$'000
Authorised:			
At 1 January 2011		1,000,000	100,000
Increased in authorised share capital	(a)	199,000,000	19,900,000
At 30 June 2011		200,000,000	20,000,000
Issued and fully paid:			
At 1 January 2010		618,021	61,802
Issue of shares pursuant to			
– share option scheme	(b)	80,273	8,027
– warrant subscription	(c)	38,000	3,800
– placement and subscription arrangement	(d)	80,000	8,000
At 31 December 2010		816,294	81,629
Issue of shares pursuant to			
– share option schemes	(e)	1,173	118
– warrant subscription	(c)	14,000	1,400
– placement and subscription	(f)	47,342	4,734
– Bonus issue of shares	(g)	878,809	87,881
At 30 June 2011		1,757,618	175,762

13 SHARE CAPITAL (CONTINUED)

Notes:

(a) Pursuant to a shareholder's resolution passed on 20 May 2011, the authorised share capital was increased from HK$100,000,000 to HK$20,000,000,000 by the creation of an additional 199,000,000,000 ordinary shares of HK$0.1 each.

(b) During 2010, 80,273,000 new ordinary shares of HK$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at exercise prices ranging from HK$0.35 to HK$2.10 per share.

(c) In March 2010, the Company entered into an agreement with an independent third parties whereby the Company agreed to issue and the independent third party agreed to subscribe for 52,000,000 warrants at a subscription price of HK$2.03 per warrant. Each warrant carried the right to subscribe for one new share of the Company. During 2010, the independent third party exercised its right attaching to the warrants and subscribed for 38,000,000 of the Company's new shares. During the six months ended 30 June 2011, the independent third parties exercised the remaining right attaching to the warrants and subscribed for the remaining 14,000,000 of the Company new shares.

(d) On July 9 2010, the Company, Prosper Empire Limited (the "Vendor") and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua and CLSA Limited (the "July 2010 Placing Agent") entered into a placing agreement (the "July 2010 Placing Agreement") pursuant to which the July 2010 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.

(e) During 2011, 1,173,000 new ordinary shares of HK$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at exercise prices ranging from HK$0.35 to HK$2.1 per share.

(f) On 3 March 2011, the Company entered into an agreement (the "March 2011 Placing Agreement") with a placing agent (the "March 2011 Placing Agent") whereby the March 2011 Placing Agent conditionally agreed to place on a best effort basis, as an agent for the Company, up to 47,342,000 new shares of the Company's shares (the "Placing Share") to a placee(s) at a price of HK$6.25 per Placing Share. The gross proceeds arising from this placing was HK$295,887,000 and the net proceeds arising from this placing (after deducting share issue expenses of HK$11,864,000) was amounted to approximately HK$284,023,000 which is intended to be used for funding continuous business expansion and potential acquisition opportunities. The Placing Shares had an aggregate nominal value of HK$4,734,000.

(g) During 2011, the Company allotted and issued 878,808,900 shares in May 2011 by way of bonus issue (the "Bonus Issue") on the basis of one new bonus share for every one existing share held by the shareholders. The number of share options and their exercise prices (as stated in Note 14 below) are restated accordingly as a result of the Bonus Issue.

14 SHARE OPTION SCHEME

In 2005, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant to any employee of the Group the right to take up options to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

On 18 May 2007, the shareholders of the Company approved the refreshment of the 10% limit under the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 72,000,000 shares, representing 10% of the shares of the Company in issue as at 18 May 2007.

During the six months ended 30 June 2011, no options were granted to the Company's directors and employees (31 December 2010: Nil). During the six months ended 30 June 2011, 1,173,000 share options were exercised (31 December 2010: 80,273,000 share options). No options lapsed during the six months ended 30 June 2011 (31 December 2010: Nil). Share options outstanding at 30 June 2011 have the following expiry dates and exercise prices after taking into account the effect of the Bonus Issue:

Expiry date	**Exercise price**	**Share options**
	HK$ per share	'000
2 February 2012	1.05	1,250
19 November 2018	0.175	7,400
1 October 2019	0.41	1,120

15 RESERVES

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Warrants reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2011	819,936	(735)	66,093	12,361	1,440	1,040	599,302	1,499,437
Profit for the period	–	–	–	–	–	–	104,232	104,232
Employee share option scheme								
– value of employee services	–	–	–	–	36	–	–	36
– proceeds from shares issued	508	–	–	–	–	–	–	508
Transfer to share premium upon exercise of share options	153	–	–	–	(153)	–	–	–
Transfer to share premium upon exercise of warrants	1,040	–	–	–	–	(1,040)	–	–
Proceeds from issuance of share pursuant to the warrants subscription (iii)	27,020	–	–	–	–	–	–	27,020
Proceeds from issuance of share pursuant to the placing and subscription arrangement (iv)	279,289	–	–	–	–	–	–	279,289
Dividend paid	–	–	–	–	–	–	(44,005)	(44,005)
Bonus issue of shares	(87,881)	–	–	–	–	–	–	(87,881)
Balance at 30 June 2011	1,040,065	(735)	66,093	12,361	1,323	–	659,529	1,778,636
Balance at 1 January 2010	383,405	(735)	43,921	12,361	21,007	–	375,055	835,014
Profit for the period	–	–	–	–	–	–	140,181	140,181
Employee share option scheme								
– value of employee services	–	–	–	–	294	–	–	294
– proceeds from shares issued	62,168	–	–	–	–	–	–	62,168
Transfer to share premium upon exercise of share options	15,624	–	–	–	(15,624)	–	–	–
Dividend paid	–	–	–	–	–		(5,351)	(5,351)
Issuance of warrants (iii)	–	–	–	–	–	1,040	–	1,040
Balance at 30 June 2010	461,197	(735)	43,921	12,361	5,677	1,040	509,885	1,033,346

15 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Warrants reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Profit for the period		–	–	–	–	–	162,483	162,483
Employee share option share								
– value of employee services		–	–	–	214	–	–	214
– proceed from shares issued	13,274	–	–	–	–	–	–	13,274
Transfer to retained earnings upon lapse of share options		–	–	–	(584)	–	584	–
Transfer to share premium upon exercise of share options	3,867	–	–	–	(3,867)	–	–	–
Dividend paid	–	–	–	–	–	–	(51,478)	(51,478)
Transfer to statutory reserve	–	–	22,172	–	–	–	(22,172)	–
Proceeds from issuance of share pursuant to the warrant subscription (iii)	73,340	–	–	–	–	–	–	73,340
Proceeds from issuance of share pursuant to the placement and subscription arrangement (v)	268,258	–	–	–	–	–	–	268,258
Balance at 31 December 2010	819,936	(735)	66,093	12,361	1,440	1,040	599,302	1,499,437

Notes:

(i) Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on the Stock Exchange of Hong Kong Limited.

(ii) In accordance with the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reach 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval by resolutions of the corresponding subsidiaries' shareholders in general meetings, the corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to existing owners in proportion to their existing ownership structure.

15 RESERVES (CONTINUED)

Notes: (Continued)

(ii) (Continued)

During the six months ended 30 June 2011, no transfer of statutory reserves has been made from the Group's profit for the period. The Mainland China subsidiaries of the Group, however, have retained sufficient funds for such purpose and these transfers will be made at the end of the year in accordance with the articles of association of these Mainland China subsidiaries.

(iii) On 22 March 2010, the Company entered into warrant subscription agreements with seven individual and corporate investor 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 proceeds from the warrant subscription amounted to HK$1,040,000. During the year ended 31 December 2010, 38,000,000 warrants were exercised to subscribe for 38,000,000 new shares of the Company. The total net proceeds from subscription and exercise of warrants amounted to HK$77,140,000. The remaining 14,000,000 warrants were exercised during the six months ended 30 June 2011 to subscribe for 14,000,000 new shares of the Company. The total net proceeds from the related subscription and exercise of warrants amounted to HK$28,420,000 for the six months ended 30 June 2011.

(iv) On 3 March 2011, the Company entered into the March 2011 Placing Agreement with the March 2011 Placing Agent whereby the Placing Agent conditionally agreed to place on a best effort basis, as an agent for the Company, up to 47,342,000 new shares of the Company's shares to a placee(s) at a price of HK$6.25 per Placing Share. For more details, refer to Note 13(e) to the condensed consolidated interim financial information.

(v) On 9 July 2010, the Company, Prosper Empire Limited (the "Vendor") and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua and CLSA Limited entered into a placing agreement pursuant to which CLSA Limited agreed to place up to an aggregate of 100,000,000 shares of the Company at a price of HK$3.60 ("July 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 "July Subscription Shares") at HK$3.60 which was equivalent to the July Placing Price. The July Subscription Shares were issued on 22 July 2010. The net proceeds from the subscription of shares (after deducting share issue expenses of HK$11,742,000) were approximately HK$276,258,000.

16 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

Statement of comprehensive income items included in cost of goods sold, selling and distribution expenses and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Raw materials and consumables used	**468,940**	429,084
Production overhead costs (excluding labour and depreciation expenses)	**40,065**	37,775
Staff costs, including directors' emoluments and share option costs	**139,138**	100,821
Depreciation of property, plant and equipment	**46,881**	42,929
Amortisation of leasehold land and land use rights	**536**	461
Gain on disposal of property, plant and equipment	**–**	(65)
Provision for/(reversal of) inventories to net realisable value	**2,294**	(2,368)
Net exchange (gains)/losses	**(1,023)**	17

17 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**1,428**	603
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**3,918**	1,489
Bank borrowings not wholly repayable within five years	**53**	59
Finance lease liabilities	**490**	1,025
	4,461	2,573

18 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**5,596**	5,168
– Mainland China enterprise income tax	**8,902**	15,993
	14,498	21,161

(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 2011 (2010: 16.5%).

(ii) Mainland China corporate income tax

Under the new Corporate Income Tax Law of Mainland China, entities currently enjoying tax holidays will continue to enjoy them until they expire. The corporate income tax rate applicable to the subsidiaries under tax holiday and applying reduced rate will gradually increase to 25% in a 5-year period starting from 2008 to 2012.

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at rates of 22% and 25%, respectively for the six months ended 30 June 2011 (2010: 22% and 25%, respectively). 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 years after offsetting prior year tax losses of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited were 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 2011 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% for the six months ended 30 June 2011. On 31 December 2010, Yihe Precision Plastic and Electronic Products (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% for the six months ended 30 June 2011.

18 INCOME TAX EXPENSE (CONTINUED)

(ii) Mainland China corporate income tax (Continued)

Under the new Corporate Income Tax Law of Mainland China, dividend distributions 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 jurisdictions of foreign investor with tax treaty arrangements.

(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.

19 EARNINGS PER SHARE

Basic earning per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue for the six months ended 30 June 2010 and 2011, the bonus issue of May 2011 is treated as if it had occurred prior to 1 January 2010, the earliest period presented, necessitating the restatement of the comparative figures.

Basic

	Six months ended 30 June 2011	(Restated) Six months ended 30 June 2010
Profit attributable to equity holders of the Company (HK$'000)	**104,232**	140,181
Weighted average number of ordinary shares in issue ('000)	**1,736,122**	1,279,691
Basic earnings per share (HK cents per share)	**6.0**	11.0

19 EARNINGS PER SHARE (CONTINUED)

Diluted

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

	Six months ended 30 June 2011	(Restated) Six months ended 30 June 2010
Profit attributable to equity holders of the Company (HK$'000)	**104,232**	140,181
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**1,736,122**	1,279,691
Adjustment for share options and warrants ('000)	**13,633**	96,526
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,749,755**	1,376,217
Diluted earnings per share (HK cents per share)	**6.0**	10.2

20 DIVIDENDS

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Proposed interim dividend of HK1.8 cents (2010: HK6.5 cents) per ordinary share	**31,637**	49,055

21 BUSINESS COMBINATIONS

On 1 January 2011, the Group entered into an agreement with an independent third party to acquire 100% of the share capital of a company, which is principally engaged in trading activities, for a consideration of HK$2,500,000. The acquired business contributed goodwill of approximately HK$2,510,000 to the Group as at 30 June 2011.

On 1 January 2010, the Group entered into an agreement with an independent third party to acquire 51% of the share capital of a company and its subsidiary (the "Third Party") for a consideration of Renminbi 7,650,000 (equivalent to HK$8,705,000). The Third Party is principally engaged in the manufacture of metal stamping moulds and components and its operations are mainly carried out by its subsidiary in Mainland China. The determined fair value of the net identifiable assets of the Third Party attributable to the Group at the date of acquisition was HK$8,931,000, and the excess of Group's interest in the net fair value of the Third Party's identifiable assets, liabilities and contingent liabilities over cost amounted to HK$226,000 for the six months ended 30 June 2010.

22 CAPITAL COMMITMENTS

Capital expenditure at the statement of financial position date committed but not yet incurred is as follows:

	As at	
	30 June 2011	31 December 2010
	HK$'000	HK$'000
Contracted but not provided for		
– Construction of buildings	**71,226**	53,570
– Purchase of plant and machinery	**42,725**	48,732
	113,951	102,302

23 RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group is controlled by Prosper Empire Limited (incorporated in the British Virgin Islands), which owns 36.5% (2010: 39.3%) of the Company's shares as at 30 June 2011. The ultimate parent company of the Group is Prosper Empire Limited.

The following transactions were carried out with related parties:

(a) In 2005, EVA Limited and EVA Holdings Limited (the "Companies"), wholly owned subsidiaries of the Group, proposed a settlement with the Hong Kong Inland Revenue Department (the "HKIRD") regarding the Companies' offshore claim queries raised by the HKIRD. There has been no response from the HKIRD to the Companies' proposal. However, up to 30 June 2011, the Companies had already paid approximately HK$11,097,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2003. The payments incurred before 2009 which amounted to approximately HK$3,188,000 were indemnified by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors of the Company, pursuant to the deed of the indemnity in connection with the listing of the Company's shares in 2005. The remaining balance of approximately HK$7,909,000 will also be indemnified by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua should a final determination of such tax liabilities be made by the HKIRD.

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Wages, salaries and allowances	**4,233**	4,143
Share-based payments	**7**	379
Retirement benefits		
– defined contribution plans	**44**	43
	4,284	4,565

24 EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

In July 2011, the Group entered into three separate agreements with Chongqing Iron and Steel Group Company Limited, Chongqing Kaichuang High Technology Venture Investment Company Limited and DSI Digidie Systems (Chongqing) Ltd. to acquire an aggregate of 100% of the equity interest in Chongqing Digidie Auto Body Ltd. (the "Target Company") at an aggregate consideration of RMB61,020,092.

The Target Company is principally engaged in the development, manufacture and sale of moulds for automobiles. The acquisitions were executed as part of the Group's strategic plan to expand from its previous focus on just office automation equipment to devoting more resources on the fast growing China domestic market, in particular the automotive sector, as disclosed in the Group's 2010 annual report dated 30 March 2011.

Management Discussion and Analysis

SIGNIFICANT EVENTS AND DEVELOPMENT

The Group underwent a period of challenges during the first half of 2011. Our business growth was temporarily slowed down by the earthquake in Japan and the nuclear emission and massive power disruption that followed, which hit our customers' supply chain in Japan. As the components and mechanical modules sold by us to our customers' assembly plants require certain parts sourced from Japan to form the finished products, the disruption in the supply of such parts from Japan had inevitably resulted in a temporary slowdown of the order flow. Nevertheless, thanks to the on-going trend of our customers to concentrate more purchases on large manufacturers such as ourselves, our turnover continued to record a 7.1% growth despite unfavourable external environment and amounted to approximately HK$879,071,000 in 1H2011.

However, as compared to the impact on turnover, the Japan earthquake had a more prominent impact on our profit margin. Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. Production costs increased and, coupled with the increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake, the Group's net profit for the six months ended 30 June 2011 decreased by approximately 25.6% to HK$104,232,000.

Nevertheless, in spite of the challenges, we continued to make progresses on our business fundamentals. In July 2011, we entered into agreements to acquire 100% interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie"), an automobile moulds company established in Chongqing, China, at a consideration of RMB61,020,092. As mentioned in our 2009 and 2010 annual reports, the Group is in the process of strategically expanding from its previous focus on just office automation (OA) equipment to devoting more resources on the fast growing China domestic market, with particular attention given to the huge automobile sector. Accordingly, the acquisition of Chongqing Digidie was executed as part of this strategic plan of the Group, with a view to strengthening the business foundation of the Group in the automotive sector and providing a platform for the expansion of the Group's business in Chongqing and other regions in western China.

Currently, Chongqing is one of the major production hubs in China for automobiles. A number of international automobile brand names have established production bases in Chongqing or its adjacent cities, which includes Ford, Mazda, Suzuki, Isuzu and Volvo. Some of these are existing customers of Chongqing Digidie, whilst others are its target customers. We are confident that by acquiring Chongqing Digidie, and by combining the precision engineering expertise of the Group for products with high dimensional accuracy requirements which is also necessary for high quality automobile products and the existing engineering expertise of Chongqing Digidie, Chongqing Digidie can successfully serve as a platform for the Group to obtain businesses from its existing and target customers. At the same time, the acquisition of Chongqing Digidie can also facilitate the expansion of the Group geographically since the Group has no production base in the western region of China prior to the acquisition.

Our traditional OA equipment business also saw significant progresses during the period. Despite the unstable supply of parts from Japan following the earthquake, the new OA equipment models which were related to a series of "integrated orders" obtained by the Group in 2010 were finally launched by the relevant customer to the market in May 2011. Under these integrated orders, we offered one-stop solution to produce mechanical modules of the new OA equipment models covering the production of relevant moulds, components and product assembly for the first time. The initial production volume following the market launch of these new OA equipment models was less than originally expected, which was primarily due to the supply chain disruption in Japan. However, on a brighter side, the fact that we had successfully assisted our customer to launch these new OA equipment models shortly after the earthquake demonstrated our production capabilities, which are necessary credentials for us to obtain integrated orders of similar nature from other Japanese brand owners. Up to the end of the financial period, total component revenue of approximately HK$123,819,000 was recognised in respect of the above-mentioned integrated orders.

The Group is also in the process of constructing another factory building within the Group's existing production base in Shi Yan Town, Shenzhen, which is scheduled for completion by end of 2011. Upon completion, certain of our production equipment will be relocated to the new factory building. However, should our production capacity be unable to cope with the rebound in orders following the normalisation of supply chain in Japan, the new factory building can provide adequate production floor area for further capacity expansion.

During the period, we continued to devote substantial efforts on maintaining a healthy balance sheet. Our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days), however, increased from 46 days for the year ended 31 December 2010 to 65 days for the six months ended 30 June 2011. The increase in cash conversion cycle was primarily caused by the production of mechanical modules relating to the "integrated orders" obtained by the Group in 2010. Since the manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, they require longer production lead time as compared to other traditional orders which cover the production of components only and therefore led to the piling up of inventories at the end of the financial period. Nonetheless, at the period end, the Group had net cash (defined as cash and bank balance less bank borrowings and finance lease liabilities) of approximately HK$372,365,000, our historical high, which has a strong appeal to existing and target customers looking for manufacturing partners in China as financial stability had become one of the key criteria for supplier selection after the financial crisis in 2008/09.

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 1H2011 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			
	2011		2010	
	HK$'000		HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**61,455**	**7.0%**	77,789	9.5%
Manufacturing of metal stamping components	**439,720**	**50.0%**	384,142	46.8%
Manufacturing of lathing components	**55,986**	**6.4%**	45,982	5.6%
Others (Note 1)	**12,748**	**1.5%**	14,410	1.7%
	569,909		522,323	
Plastic division				
Design and fabrication of plastic injection moulds	**45,100**	**5.1%**	60,888	7.4%
Manufacturing of plastic injection components	**260,466**	**29.6%**	235,151	28.7%
Others (Note 1)	**3,596**	**0.4%**	2,211	0.3%
	309,162		298,250	
Total	**879,071**		820,573	
Segment results				
Metal division	**76,444**		99,537	
Plastic division	**47,985**		64,682	
Operating profit	**124,429**		164,219	
Unallocated expenses	**(1,143)**		(406)	
Finance income	**1,428**		603	
Finance costs	**(4,461)**		(2,573)	
Income tax expense	**(14,498)**		(21,161)	
Non-controlling interests	**(1,523)**		(501)	
Profit attributable to equity holders of the Company	**104,232**		140,181	

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 2011. Accordingly, despite the negative impact from the earthquake in Japan, the Group's revenue from manufacturing of metal stamping and plastic injection components continued to record growth by approximately 14.5% and 10.8% respectively during the six months ended 30 June 2011.

Under our existing business model, the brand owners will normally require the Group to jointly co-develop the relevant moulds with them during the product development stage of new models. After the earthquake, as the brand owners had shifted more focus on relief and restoration work, product development activities were delayed which resulted in a reduction in revenue from design and fabrication of metal stamping and plastic injection moulds by 23.2% during the period.

Gross profit

Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. Together with (1) an increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake and (2) a reduction in the percentage of mould revenue, which are higher margin products, to total turnover, the Group's gross profit reduced to approximately HK$237,856,000 and gross profit margin was 27.1%.

Segment results

For the six months ended 30 June 2011, segment results of the Group's metal and plastic division amounted to approximately HK$76,444,000 and HK$47,985,000, representing operating profit margin of approximately 13.4% and 15.5% 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 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 2011 increased to approximately HK$4,461,000, which was primarily caused by an increase in the total balance of bank borrowings and finance lease liabilities during the period.

Income tax expense

During the six months ended 30 June 2011, income tax expense amounted to approximately HK$14,498,000. 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 2011 was 12.1%, which was comparable to that for 1H2010.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2011, profit attributable to equity holders of the Company amounted to approximately HK$104,232,000, representing a decrease of approximately 25.6% as compared to that for the six months ended 30 June 2010. The reduction in profitability of the Group was primarily caused by the negative impacts stemming from the earthquake in Japan as mentioned above.

OUTLOOK

Although the catastrophic earthquake in Japan had brought about temporary impacts on our 1H2011 results, our business fundamentals remained intact. Our ability to assist the relevant customer launching the new OA equipment models relating to the "integrated orders" obtained by us in 2010 despite an unstable supply of parts from Japan was an obvious proof of our production capabilities, and our quick responses after the earthquake demonstrated to other existing and target customers the benefits of our unique one-stop production model. We completed an acquisition in July 2011, a step forward in the fast growing China domestic consumption sector. Last but not the least, our balance sheet is at its strongest ever, with cash position strong enough to accommodate additional orders on a large scale.

At the time of writing, the post earthquake production has not been fully normalised. Whilst an unstable supply of parts from Japan that followed the earthquake may continue to have an impact on us in 2H2011, certain of our major customers had already publicised their views that the worst is now behind us. Though we may remain cautious in the near term, history always tells us that when restocking starts again in the aftermath, manufacturer with sound capabilities and proven track records is most likely to become the major beneficiary, and this is not without precedent.

HUMAN RESOURCES

As at 30 June 2011, the total number of employees of the Group was 5,927 people, representing an increase of 8.8% as compared to 5,448 people as at 31 December 2010. The increase in headcount was primarily caused by the completion of the Group's new production base in Zhongshan and the recruitment of additional engineers 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 2011, approximately 37%, 58% and 5% (For the six months ended 30 June 2010: 30%, 59% and 11%) of the Group's sales and approximately 13%, 71% and 16% (For the six months ended 30 June 2010: 20%, 68% and 12%) 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 2011, the Group recorded net cash generated from operating activities amounting to approximately HK$51,889,000, representing a decrease by approximately 33.8% as compared to that for the six months ended 30 June 2010, which was primarily caused by the reduction in the Group's net profit during the period. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK$188,880,000, increased by approximately 230.8% as compared to 1H2010 due to the purchases of additional equipments following the completion of the Group's new production base in Zhongshan by end of 2010 and the on-going construction of a new factory building in our existing production base at Shi Yan Town, Shenzhen during the period. In addition, the Group received net proceeds from exercise of warrants and share placement totaling HK$312,443,000. As such, net cash generated from financing activities of approximately HK$306,212,000 was recorded during the period.

Bank loans as at 30 June 2011 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 2011 are as follows:

	30 June 2011	31 December 2010
Inventory turnover days (Note 1)	**62**	47
Debtors' turnover days (Note 2)	**82**	70
Creditors' turnover days (Note 3)	**79**	71
Cash conversion cycle (Note 4)	**65**	46
Current ratio (Note 5)	**2.00**	1.72
Net debt-to-equity ratio (Note 6)	**Net cash**	Net cash

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.

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.

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.

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

During the period, the Group gradually rammed up its production of mechanical modules relating to the "integrated orders" obtained by the Group in 2010. The manufacture of these mechanical modules included the assembly of different components produced by the Group into modules, thus requires longer production lead time as compared to the traditional orders of the Group which cover the production of components only. As such, the Group's inventory turnover day increased by 15 days to 62 days during the period.

Debtors' and creditors' turnover days

During the six months ended 30 June 2011, the Group's debtors' and creditors' turnover days were approximately 82 days and 79 days respectively, which were in line with our normal credit periods with customers and suppliers of less than 90 days.

Current ratio and net debt-to-equity ratio

During the six months ended 30 June 2011, the Group continued to record positive cash flows from operations. Further, the Group executed a share placement in March 2011 which raised net proceeds of approximately HK$284,023,000. As such, the Group's current ratio and net debt-to-equity ratio improved during the period. As at 30 June 2011, the Group's current ratio was approximately 2.00 and the Group was in a net cash position.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2011, 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$7,315,000 and HK$54,223,000 respectively for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book value of HK$127,179,000 for securing finance lease liabilities.

DIVIDEND

The Board declared interim dividends of HK1.8 cents per ordinary share, totaling HK$31,637,000 for the six months ended 30 June 2011 to eligible shareholders whose names appear on the register of members of the Company on Monday, 12 September 2011. The interim dividends will be payable in cash on or about Friday, 16 September 2011.

CONNECTED TRANSACTIONS

The following transaction, which is also disclosed in Note 23 to the condensed consolidated interim financial information, was entered into with connected parties during the six months ended 30 June 2011:

Deeds of tax indemnity provided by the directors and shareholders in favour of the Group

As disclosed in the Company's Prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 36.50% shareholder of the Company as at 30 June 2011 and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua who are directors and beneficial shareholders of the Company (together the "Indemnifiers") under which each of the Indemnifiers has jointly and severally undertaken to indemnify the Group in connection with, inter alia, any taxation falling on any member of the Group (other than those established subsequent to the listing of the Company) resulting from any income, profits, gains, transactions, events, matters, things or businesses earned, accrued, received, entered into, carried on, or occurring on or before the listing date of the Company. This deed of tax indemnity was approved by the Board of Directors on 20 April 2005.

In 2005, EVA Limited and EVA Holdings Limited (the "Companies"), wholly owned subsidiaries of the Group, proposed a settlement with The Hong Kong Inland Revenue Department (the "HKIRD") regarding the Companies' offshore claim queries raised by the HKIRD. There has been no response from the HKIRD to the Companies' proposal. However, up to 30 June 2011, the Companies had already paid approximately HK$11,097,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2003. The payments incurred before 2009 which amounted to approximately HK$3,188,000 had been indemnified by the Indemnifiers. The remaining balance of approximately HK$7,909,000 will also be indemnified by the Indemnifiers should the final determination of such tax liabilities be made by the HKIRD.

The above transaction constitutes a connected transaction in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires disclosure in the interim report of the Company.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

Some subsidiaries of the Company are parties to the loan agreements with DBS Bank (China) Limited, Shanghai Branch and DBS Bank (Hong Kong) Limited in respect of the following banking facilities ("DBS Facilities Agreements"):

(i) a term loan facility up to HK$80,000,000 with a repayment term of four years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$15,000,000 as at 30 June 2011);

(ii) letters of credit, letters of credit (cargo receipt) and trust receipt loans in aggregate up to HK$30,000,000 (that was no outstanding balance as at 30 June 2011);

(iii) factoring facilities up to HK$60,000,000; and

(iv) finance lease facilities (the outstanding balance was approximately HK$7,838,000 as at 30 June 2011).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the DBS Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 35% of the issued shares of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua collectively shall remain as the single largest shareholder of the Company.

Further, a subsidiary of the Company is a party to the loan agreement with Bank of China (Hong Kong) Limited in respect of the following banking facilities ("BOC Facilities Agreement"):

(i) a term loan facility up to HK$40,000,000 with a repayment term of four years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$16,375,000 as at 30 June 2011); and

(ii) a revolving loan for an amount up to HK$40,000,000 (the outstanding loan balance was HK$40,000,000 as at 30 June 2011).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the BOC Facilities Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

In addition, a subsidiary of the Company is a party to the loan agreement with Hang Seng Bank Limited in respect of a total banking facilities of HK$55,000,000, comprising a term loan facility in the amount of HK$30,000,000 for a term of three years from the date of drawdown and combined documentary credits in the amount of HK$25,000,000 ("HSB Facilities Agreement").

The following specific performance obligations are imposed on the controlling shareholders of the Company under the HSB Facilities Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in the cancellation of all or any part of the commitments under the relevant facilities agreements and all borrowed amounts outstanding becoming immediately due and payable.

SHARE OPTIONS

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 20 April 2005 which became unconditional on 11 May 2005. Details of the movements of the share options under the Share Option Scheme for the six months ended 30 June 2011 were as follows:

	As at 1 January 2011	Issued during the period (Note 1)	Exercised during the period	As at 30 June 2011	Share price immediately before offer date HK$ (Note 1)	Exercise price HK$ (Note 1)	Weighted average closing price before exercise of options HK$ (Note 1)
Employees of the Group							
In aggregate							
– Granted on 1 February 2008	716,000	625,000	(91,000)	1,250,000	1.05	1.05	3.24
– Granted on 10 December 2008	4,662,100	3,700,100	(962,000)	7,400,200	0.165	0.175	3.26
– Granted on 2 October 2009	680,000	560,000	(120,000)	1,120,000	0.405	0.41	3.21
	6,058,100	4,885,100	(1,173,000)	9,770,200			

Note 1: On 27 May 2011, the Company issued bonus shares on the basis of 1 bonus share for every 1 existing share pursuant to a shareholders' resolution passed at the Company's annual general meeting on 20 May 2011. On the same basis, additional share options were issued on the basis of 1 share option for every 1 existing share option and the original exercise prices of HK$2.10, HK$0.35 and HK$0.82 were adjusted to HK$1.05, HK$0.175 and HK$0.41 respectively. The share prices immediately before offer date and the weighted average closing prices before exercise of options as shown above were also adjusted to reflect the impact of bonus share issue on share prices.

The fair value of the options granted on 1 February 2008, 10 December 2008 and 2 October 2009 with outstanding balances as at 30 June 2011 of 1,250,000 options, 7,400,200 options and 1,120,000 options were HK$312,000, HK$354,000 and HK$92,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price HK$	**Expected volatility**	**Expected life**	**Risk-free rate**	**Dividend paid-out rate**
Granted on 1 February 2008	1.05	41.55%	1.5 to 3.5 years	1.487% to 1.7965%	2.79%
Granted on 10 December 2008	0.175	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.41	56.65%	1 year	0.16%	3.68%

The expected volatility is based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. Dividend paid-out rate is based on historical dividend paid-out rate. Changes in these subjective input assumptions could affect the fair value estimate. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

All options referred to the above are subject to vesting schedules and exercise periods as follows:

% of the options granted	**Vesting date**	**Exercise period**
With respect to the options granted on 1 February 2008 at exercise price of HK$1.05		
20%	2 February 2009	2 February 2009 to 2 February 2012
30%	2 February 2010	2 February 2010 to 2 February 2012
50%	2 February 2011	2 February 2011 to 2 February 2012
With respect to the options granted on 10 December 2008 at exercise price of HK$0.175		
100%	10 December 2008	10 December 2008 to 19 November 2018
With respect to the options granted on 2 October 2009 with exercise price of HK$0.41		
100%	5 October 2009	5 October 2009 to 1 October 2019

DISCLOSURE OF INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the interests and/or short positions of the directors or chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the registrar referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Total interests	Approximate percentage of interest in the Company as at 30 June 2011
Mr. Zhang Hwo Jie	641,480,000 (Note 1)	15,292,000	–	656,772,000	37.37%
Mr. Zhang Jian Hua	–	664,000	–	664,000	0.04%
Mr. Zhang Yaohua	5,648,000 (Note 2)	10,132,000	156,000	15,936,000	0.91%
Mr. Nomo Kenshiro	–	–	–	–	–
Dr. Lui Sun Wing	–	–	–	–	–
Mr. Choy Tak Ho	–	–	–	–	–
Mr. Leung Tai Chiu	–	4,600,000	–	4,600,000	0.26%

Notes:

1. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 36.50% of the entire issued capital of the Company as at 30 June 2011. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

2. These shares are held under Billion Fortune Group Limited, a company incorporated in the British Virgin Islands and is 100% owned by Mr. Zhang Yaohua, a director of the Company.

(ii) Long position in shares of Prosper Empire Limited, an associated corporation of the Company

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 30 June 2011
Mr. Zhang Hwo Jie	Personal interests	38%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	29%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO are as follows:

Name	Capacity	Number of shares	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	641,480,000	36.50%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	656,772,000	37.37%
FMR LLC	Investment manager	131,317,000	7.47%
FIL Limited	Investment manager	89,084,000	5.07%
Janus Capital Management LLC	Investment manager	125,336,000	7.13%

Note –

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 38% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 641,480,000 shares of the Company held by Prosper Empire Limited.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

(1) Placing of new shares in March 2011

On 3 March 2011, the Company and CLSA Limited entered into a placing agreement pursuant to which CLSA Limited agreed to place up to 47,342,000 new shares of the Company (the "Placing Shares") at a price of HK$6.25 per share to Janus Capital Management LLC, an independent investment manager. The placing price of HK$6.25 represented (i) the closing price of HK$6.25 per share as quoted on The Stock Exchange of Hong Kong Limited on 2 March 2011, being the last trading day immediately preceding the date of the placing agreement; (ii) a premium of approximately 3.65% to the average closing price of HK$6.03 per share for the last 5 consecutive trading days up to and including 2 March 2011 and (iii) a premium of approximately 4.52% to the average closing price of HK$5.98 per share for the last 10 consecutive trading days up to and including 2 March 2011.

The Placing Shares represented approximately 5.71% of the then existing share capital of the Company and approximately 5.40% of the Company's issued share capital as enlarged by the Placing Shares. The Placing Shares were issued on 11 March 2011. The net proceeds from the placing of the Placing Shares were approximately HK$284,023,000. The net proceeds were intended to be applied for funding continuous business expansion 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.

(2) Issue of bonus shares

During the annual general meeting of the Company on 20 May 2011, the Company's shareholders passed a resolution to issue bonus shares on the basis of 1 bonus share for every 1 existing ordinary share. Accordingly, 878,808,900 shares were issued on 27 May 2011.

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 2011.

Management Discussion and Analysis

BUSINESS ACQUISITION

In July 2011, the Group entered into agreements with Chongqing Iron and Steel Group Company Limited, Chongqing Kaichuang High Technology Venture Investment Company Limited and DSI Digidie Systems (Chongqing) Ltd. to acquire 100% equity interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie") at a total consideration of RMB61,020,092. Thereafter, Chongqing Digidie became a wholly-owned subsidiary of the Group.

Chongqing Digidie is located in Chongqing, China, and is principally engaged in the development, manufacture and sale of moulds for automobiles. The acquisition of 100% equity interests in Chongqing Digidie was executed as part of the Group's strategic plan to devoting more resources on the fast growing China domestic market, in particular the automotive sector.

CHANGES IN THE DIRECTORS' INFORMATION

The following changes in directors' information occurred during the six months ended 30 June 2011 and up to the date of this report:

1) Dr. Lui Sun Wing, an independent non-executive director, was re-designated from independent non-executive director to executive director of Leeport (Holdings) Limited with effect from 1 July 2011;

2) Mr. Leung Tai Chiu, an independent non-executive director, was appointed as an independent non-executive director of G-Vision International (Holdings) Limited with effect from 11 August 2011; and

3) Mr. Choy Tak Ho, an independent non-executive director, was appointed as an independent non-executive directors of China Solar Energy Holdings Limited with effect from 28 March 2011.

Save for disclosed above, there is no significant change to the profiles of the Company's executive and independent non-executive directors as disclosed in the Company's 2010 annual report dated 30 March 2011.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 September 2011 to Monday, 12 September 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividends for the six months ended 30 June 2011, 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 Tuesday, 6 September 2011.

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 2011.

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 2011.

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 audit committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the interim report for the six months ended 30 June 2011.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 23 August 2011

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