



INTERIM REPORT  
2013 中期報告



®

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)

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDIT COMMITTEE

Mr. Leung Tai Chiu (*Chairman*)  
Mr. Choy Tak Ho  
Mr. Lam Hiu Lo

### NOMINATION COMMITTEE

Mr. Zhang Hwo Jie (*Chairman*)  
Mr. Choy Tak Ho  
Mr. Lam Hiu Lo

### REMUNERATION COMMITTEE

Mr. Choy Tak Ho (*Chairman*)  
Mr. Zhang Hwo Jie  
Mr. Lam Hiu Lo

### HEAD OFFICE

Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza  
No.1 Science Museum Road, Kowloon, Hong Kong

### REGISTERED OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

### AUTHORISED REPRESENTATIVES

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

### STOCK CODE

838

### PRINCIPAL BANKERS

#### Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
CITIC Bank International Limited  
Chong Hing Bank Limited  
Australia and New Zealand Banking Group Limited  
Fubon Bank (Hong Kong) Limited  
Standard Chartered Bank (Hong Kong) Limited

#### Mainland China

Industrial and Commercial Bank of China  
Agricultural Bank of China

### LEGAL ADVISOR

Minter Ellison

### AUDITORS

PricewaterhouseCoopers  
Certified Public Accountants

### 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

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai, Hong Kong

### WEBSITE

[www.eva-group.com](http://www.eva-group.com)  
[www.irasia.com/listco/hk/evaholdings](http://www.irasia.com/listco/hk/evaholdings)

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	<b>Unaudited 30 June 2013 HK\$'000</b>	Audited 31 December 2012 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	<b>1,715,300</b>	1,702,098
Leasehold land and land use rights	7	<b>169,153</b>	176,296
Goodwill	8	<b>2,545</b>	2,545
Investment in a jointly controlled entity	9	<b>10,012</b>	9,538
Prepayments, deposits and other receivables	10	<b>184,011</b>	142,518
Other assets		<b>1,607</b>	1,607
		<b>2,082,628</b>	2,034,602
<b>Current assets</b>			
Inventories		<b>272,396</b>	270,185
Trade receivables	11	<b>423,841</b>	422,990
Loan and interest receivables	12	<b>102,685</b>	6,166
Prepayments, deposits and other receivables	10	<b>100,502</b>	78,246
Financial assets at fair value through profit or loss	13	<b>20,073</b>	17,277
Short-term bank deposits		–	102,362
Restricted cash		<b>1,456</b>	2,913
Cash and cash equivalents		<b>1,195,596</b>	888,994
		<b>2,116,549</b>	1,789,133
<b>Current liabilities</b>			
Trade payables	14	<b>391,551</b>	392,158
Accruals and other payables		<b>127,798</b>	154,278
Bank borrowings	15	<b>678,110</b>	530,150
Finance lease liabilities	16	<b>52,216</b>	27,435
Current income tax liabilities		<b>26,707</b>	25,654
		<b>1,276,382</b>	1,129,675
<b>Net current assets</b>			
		<b>840,167</b>	659,458
<b>Total assets less current liabilities</b>			
		<b>2,922,795</b>	2,694,060

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	<b>Unaudited 30 June 2013 HK\$'000</b>	Audited 31 December 2012 HK\$'000
<b>Non-current liabilities</b>			
Bank borrowings	15	<b>659,697</b>	539,804
Finance lease liabilities	16	<b>121,738</b>	56,082
Deferred taxation	17	<b>22,253</b>	22,498
		<b>803,688</b>	618,384
<b>Net assets</b>			
		<b>2,119,107</b>	2,075,676
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	18	<b>167,977</b>	167,947
Reserves	20	<b>1,887,070</b>	1,845,703
<b>Equity attributable to owners of the Company</b>			
		<b>2,055,047</b>	2,013,650
<b>Non-controlling interests</b>			
		<b>64,060</b>	62,026
<b>Total equity</b>			
		<b>2,119,107</b>	2,075,676

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
Note	<b>2013</b>	2012	
	<b>HK\$'000</b>	HK\$'000	
<b>Revenue</b>	<b>6</b>	<b>1,184,071</b>	1,168,036
Cost of sales	22	<b>(897,225)</b>	(928,134)
<b>Gross profit</b>		<b>286,846</b>	239,902
Other income		<b>28</b>	19
Other gains – net	21	<b>7,510</b>	1,914
Selling and marketing costs	22	<b>(55,899)</b>	(48,376)
General and administrative expenses	22	<b>(197,796)</b>	(137,455)
<b>Operating profit</b>		<b>40,689</b>	56,004
Finance income	23	<b>4,498</b>	489
Finance costs	23	<b>(12,122)</b>	(8,703)
Share of loss of a jointly controlled entity		<b>(1,330)</b>	–
<b>Profit before income tax</b>		<b>31,735</b>	47,790
Income tax expense	24	<b>(3,600)</b>	(8,066)
<b>Profit for the period</b>		<b>28,135</b>	39,724
Other comprehensive income/(loss) for the period, net of tax Item that may be reclassified subsequently to profit or loss Currency translation differences		<b>6,620</b>	(836)
Total comprehensive income for the period		<b>34,755</b>	38,888
Profit attributable to:			
– Owners of the Company		<b>27,005</b>	40,201
– Non-controlling interests		<b>1,130</b>	(477)
		<b>28,135</b>	39,724

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
Note	<b>2013</b>	2012	
	<b>HK\$'000</b>	HK\$'000	
Total comprehensive income attributable to:			
– Owners of the Company	<b>32,721</b>	39,365	
– Non-controlling interests	<b>2,034</b>	(477)	
	<b>34,755</b>	38,888	
<b>Earnings per share for profit attributable to the owners of the Company, expressed in HK cents per share</b>			
– basic	<b>HK1.6 cents</b>	HK2.3 cents	25
– diluted	<b>HK1.6 cents</b>	HK2.3 cents	
<b>Dividend</b>	<b>8,063</b>	12,227	26

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

		<b>Unaudited</b>			
		<b>Attributable to owners of the Company</b>		<b>Non- controlling interests</b>	<b>Total</b>
Note	<b>Share capital</b>	<b>Reserves</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>167,947</b>	<b>1,845,703</b>	<b>62,026</b>	<b>2,075,676</b>	
Balance at 1 January 2013					
Comprehensive income					
Profit for the period	–	27,005	1,130	28,135	
Other comprehensive income:					
– Currency translation differences	–	5,716	904	6,620	
Total comprehensive income for the period	–	32,721	2,034	34,755	
Transactions with owners					
Dividend paid	–	(9,239)	–	(9,239)	
Employee share option scheme					
– value of employee services	19	17,708	–	17,708	
– proceeds from shares issued	18&20	177	–	207	
	<b>30</b>	<b>8,646</b>	<b>–</b>	<b>8,676</b>	
Balance at 30 June 2013	<b>167,977</b>	<b>1,887,070</b>	<b>64,060</b>	<b>2,119,107</b>	

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	<b>Unaudited</b>			
	<b>Attributable to owners of the Company</b>			<b>Total</b>
	<b>Share capital</b>	<b>Reserves</b>	<b>Non- controlling interests</b>	
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2012	175,905	1,855,024	13,483	2,044,412
Comprehensive income				
Profit for the period	–	40,201	(477)	39,724
Other comprehensive income:				
– Currency translation differences	–	(836)	–	(836)
Total comprehensive income for the period	–	39,365	(477)	38,888
Transactions with owners				
Dividend paid	–	(28,144)	–	(28,144)
Repurchases of shares	18&20 (35)	(173)	–	(208)
	(35)	(28,317)	–	(28,352)
Balance at 30 June 2012	175,870	1,866,072	13,006	2,054,948

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

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>4,762</b>	145,485
Interest received	<b>4,498</b>	489
Interest paid	<b>(12,125)</b>	(8,818)
Income tax paid	<b>(2,830)</b>	(17,824)
Net cash (used in)/generated from operating activities	<b>(5,695)</b>	119,332
<b>Cash flows from investing activities</b>		
Investment in a jointly controlled entity	<b>(1,804)</b>	–
Purchases of property, plant and equipment	<b>(21,300)</b>	(27,421)
Deposits for purchases of property, plant and equipment	<b>(22,577)</b>	(152,552)
Refund of payments for acquisition of land use right	<b>6,987</b>	–
Proceeds from sales of property, plant and equipment	<b>938</b>	400
Decrease in short-term bank deposit	<b>102,362</b>	–
Net cash generated from/(used in) investing activities	<b>64,606</b>	(179,573)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	<b>434,175</b>	818,000
Inception of finance lease	<b>–</b>	26,333
Repayments of bank borrowings	<b>(166,322)</b>	(117,018)
Repayments of capital element of finance lease liabilities	<b>(14,244)</b>	(19,854)
Decrease in restricted cash	<b>1,457</b>	1,404
Proceeds from exercise of share options	<b>207</b>	–
Dividends paid	<b>(9,239)</b>	(28,144)
Net cash generated from financing activities	<b>246,034</b>	680,721
<b>Net increase in cash and cash equivalents</b>	<b>304,945</b>	620,480
Cash and cash equivalents at beginning of period	<b>888,994</b>	514,871
Exchange gains/(losses) on cash and cash equivalent	<b>1,657</b>	(524)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,195,596</b>	1,134,827

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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 the manufacturing of metal stamping and plastic injection components and lathing components. The Group also has a 60% subsidiary which engages in micro lending business in China.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated, and was approved for issue on 28 August 2013.

The condensed consolidated interim financial information has not been audited.

### 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements. Taxes on income in the interim period are accrued using the tax rates that would be applicable to expected total annual earnings.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3 ACCOUNTING POLICIES (CONTINUED)

**(a) New standards, amendments and interpretations to existing standards effective for the financial year beginning 1 January 2013.**

HKAS 1 (Amendment)	Financial statements presentation
HKAS 19 (Revised)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Associates and joint ventures
HKFRS 1 (Amendment)	First time adoption – Government loans
HKFRS7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
Annual improvement projects	Annual improvements 2009-2011 cycle

The adoption of these new standards, amendments and interpretations has not had any significant financial impact on the results of operation and financial position of the Group. However, certain additional disclosure have been included, including in respect of the comparative period.

**(b) The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted**

		<b>Effective for accounting periods beginning on or after</b>
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 10, HKFRS 12 and HKFRS 27 (Revised 2011)	Investment entities	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HK (IFRIC) – Int 21	Levies	1 January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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 2012, as described in those consolidated financial statements.

### 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 condensed consolidated interim 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 consolidated financial statements as at 31 December 2012.

There have been no changes in the risk management department or in any risk management policies since 31 December 2012.

#### (b) Liquidity risk

Compared to 31 December 2012, there have been no material changes in the contractual undiscounted cash out flows for financial liabilities except for bank borrowings and finance lease liabilities.

The table below analyses the Group's bank borrowings and finance lease liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Liquidity risk (Continued)

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>						
<b>At 30 June 2013</b>						
Bank borrowings	-	623,388	259,953	399,096	648	1,283,085
Term loans subject to a repayment						
on demand clause	54,722	-	-	-	-	54,722
Finance lease liabilities	-	52,216	50,419	71,319	-	173,954
Interest payable	962	28,674	6,632	7,399	15	43,682
<b>At 31 December 2012</b>						
Bank borrowings	-	450,599	198,444	340,502	858	990,403
Term loans subject to a						
repayment on demand clause	79,551	-	-	-	-	79,551
Finance lease liabilities	-	27,435	27,472	28,610	-	83,517
Interest payable	1,506	8,799	6,399	17,314	26	34,044

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (b) Liquidity risk (Continued)

*Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments*

	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash outflows
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
30 June 2013	-	32,211	20,965	2,508	-	55,684
31 December 2012	-	39,028	32,890	9,139	-	81,057

## (c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013 and 31 December 2012:

	Level 2 As at	
	30 June 2013	31 December 2012
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	20,073	17,277

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**5 FINANCIAL RISK MANAGEMENT** (CONTINUED)**(c) Fair value estimation** (Continued)

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**6 REVENUE AND SEGMENT INFORMATION****(a) Revenue**

	<b>Six months ended 30 June</b>	
	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Revenue		
Design and fabrication of metal stamping moulds	<b>119,403</b>	50,757
Manufacturing of metal stamping components	<b>488,977</b>	571,656
Manufacturing of lathing components	<b>64,962</b>	95,090
Design and fabrication of plastic injection moulds	<b>67,835</b>	32,284
Manufacturing of plastic injection components	<b>413,904</b>	396,908
Income from micro lending business	<b>8,800</b>	–
Others <sup>1</sup>	<b>20,190</b>	21,341
	<b><u>1,184,071</u></b>	<u>1,168,036</u>

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

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

Revenues for the six months ended 30 June 2013 of approximately HK\$286,720,000 (2012: HK\$270,202,000), HK\$179,915,000 (2012: HK\$164,605,000), HK\$139,567,000 (2012: HK\$139,408,000) and HK\$83,876,000 (2012: HK\$140,296,000) were derived from the top four external customers respectively.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**6 REVENUE AND SEGMENT INFORMATION (CONTINUED)****(b) Segment information**

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

At 30 June 2013, the Group is organised into three (30 June 2012: two) main business segments:

- (i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components ("Metal stamping");
- (ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components ("Plastic injection"); and
- (iii) micro lending business in China ("Microcredit") (being a new segment in second half of 2012 and commencing operation in 2013).

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

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (Continued)

The segment results and other segment items are as follows:

	Six months ended 30 June 2013				Six months ended 30 June 2012		
	Metal stamping	Plastic Injection	Microcredit	Total	Metal stamping	Plastic injection	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total gross segment sales	811,840	593,271	8,800	1,413,911	802,018	456,408	1,258,426
Inter-segment sales	(124,742)	(105,098)	-	(229,840)	(67,829)	(22,561)	(90,390)
Sales	<u>687,098</u>	<u>488,173</u>	<u>8,800</u>	<u>1,184,071</u>	734,189	433,847	1,168,036
Segment results	<u>14,469</u>	<u>18,983</u>	<u>6,366</u>	<u>39,818</u>	<u>24,115</u>	<u>32,244</u>	56,359
Unallocated expenses				(459)			(355)
Finance income				4,498			489
Finance costs				(12,122)			(8,703)
Profit before income tax				31,735			47,790
Income tax expense				(3,600)			(8,066)
Profit for the period				<u>28,135</u>			<u>39,724</u>
Depreciation	<u>64,101</u>	<u>31,099</u>	<u>10</u>	<u>95,210</u>	46,752	19,316	66,068
Amortisation	<u>1,267</u>	<u>110</u>	<u>-</u>	<u>1,377</u>	1,308	67	1,375

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

**(b) Segment information** (Continued)

The segment assets and liabilities are as follows:

	As at 30 June 2013					As at 31 December 2012			
	Metal stamping HK\$'000	Plastic injection HK\$'000	Microcredit HK\$'000	Unallocated HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Unallocated HK\$'000	Total HK\$'000
Assets	<u>2,792,091</u>	<u>1,269,812</u>	<u>133,911</u>	<u>3,363</u>	<u>4,199,177</u>	<u>2,842,479</u>	<u>852,290</u>	<u>128,966</u>	<u>3,823,735</u>
Liabilities	<u>352,945</u>	<u>136,459</u>	<u>517</u>	<u>1,590,149</u>	<u>2,080,070</u>	<u>102,091</u>	<u>414,912</u>	<u>1,231,056</u>	<u>1,748,059</u>
Capital expenditure	<u>64,349</u>	<u>40,939</u>	<u>23</u>	<u>-</u>	<u>105,311</u>	<u>425,286</u>	<u>102,378</u>	<u>89</u>	<u>527,753</u>

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

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

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

## (b) Segment information (Continued)

Segment assets and liabilities are reconciled to entity assets and liabilities at 30 June 2013 as follows:

	<b>Assets</b> <b>HK\$'000</b>	<b>Liabilities</b> <b>HK\$'000</b>
Segment assets/liabilities	<b>4,195,814</b>	<b>489,921</b>
Unallocated:		
Cash and cash equivalents	<b>3,363</b>	–
Current income tax liabilities	–	<b>26,707</b>
Deferred taxation	–	<b>22,253</b>
Current borrowings	–	<b>678,110</b>
Non-current borrowings	–	<b>659,697</b>
Current finance lease liabilities	–	<b>52,216</b>
Non-current finance lease liabilities	–	<b>121,378</b>
Accruals and other payables	–	<b>29,788</b>
Total	<b><u>4,199,177</u></b>	<b><u>2,080,070</u></b>

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2012 as follows:

	Assets HK\$'000	Liabilities HK\$'000
Segment assets/liabilities	3,694,769	517,003
Unallocated:		
Cash and cash equivalents	121,939	–
Prepayments, deposits and other receivables	6,938	–
Property, plant and equipment	89	–
Current income tax liabilities	–	25,654
Deferred taxation	–	22,498
Current borrowings	–	530,150
Non-current borrowings	–	539,804
Current finance lease liabilities	–	27,435
Non-current finance lease liabilities	–	56,082
Accruals and other payables	–	29,433
Total	<b><u>3,823,735</u></b>	<b><u>1,748,059</u></b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 7 CAPITAL EXPENDITURE

	<b>Property, plant and equipment</b>	<b>Leasehold land and land use rights</b>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Six months ended 30 June 2013		
Opening net book amount at 1 January 2013	<b>1,702,098</b>	<b>176,296</b>
Additions	<b>105,311</b>	<b>-</b>
Refund	<b>-</b>	<b>(6,987)</b>
Depreciation/amortisation charge (Note 22)	<b>(95,210)</b>	<b>(1,377)</b>
Exchange difference	<b>3,101</b>	<b>1,221</b>
	<u><b>1,715,300</b></u>	<u><b>169,153</b></u>
Closing net book amount at 30 June 2013		
Opening net book amount at 1 January 2012	1,404,846	121,525
Additions	266,591	-
Disposal	(4,567)	-
Depreciation/amortisation charge (Note 22)	(66,068)	(1,375)
Exchange difference	(346)	(60)
	<u>1,600,456</u>	<u>120,090</u>

Depreciation and amortisation expenses are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<u>HK\$'000</u>	<u>HK\$'000</u>
Cost of sales	<b>61,134</b>	46,899
Selling and marketing costs	<b>862</b>	1,066
General and administrative expenses	<b>34,591</b>	19,478
	<u><b>96,587</b></u>	<u>67,443</u>

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**8 GOODWILL**

The movements on goodwill are as follows:

	<b>Goodwill</b>
	HK\$'000
At 1 January 2012, at 31 December 2012 and 30 June 2013	<u>2,545</u>

**9 INVESTMENT IN A JOINTLY CONTROLLED ENTITY**

	<b>Six months ended</b>
	<b>30 June 2013</b>
	HK\$'000
Beginning of period	9,538
Addition	1,804
Share of loss of a jointly controlled entity	<u>(1,330)</u>
End of period	<u>10,012</u>

Details of the jointly controlled entity as at 30 June 2013:

<u>Name</u>	<u>Place of establishment</u>	<u>% of ownership</u>	<u>Nature of the relationship</u>	<u>Measurement method</u>
Shenzhen KK Technology Co., Ltd (深圳市精森源科技有限公司)	Mainland China, limited liability company	50%	Note a	Equity

Note a: Shenzhen KK Technology Co., Ltd. designs and manufactures plastic components. It is a strategic partnership for the Group, providing access to technology and processes for its automobile sector.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**9 INVESTMENT IN A JOINTLY CONTROLLED ENTITY** (CONTINUED)

The Group's share of the results in Shenzhen KK Technology Co., Ltd and its aggregated assets and liabilities are shown below:

	<b>Six months ended 30 June 2013</b>
	<u>HK\$'000</u>
Assets	26,599
Liabilities	6,575
Revenue	1,083
Share of loss of a jointly controlled entity	<u>(1,330)</u>
Percentage held	<u>50%</u>

**10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>As at</b>	
	<b>30 June 2013</b>	31 December 2012
	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current		
Deposits for purchases of property, plant and equipment	<b>154,790</b>	111,543
Others	<b>29,221</b>	30,975
	<b>184,011</b>	142,518
Current		
Prepayments for purchases of raw materials	<b>19,233</b>	8,660
VAT recoverable	<b>44,319</b>	38,940
Deposits for customs department	<b>4,931</b>	1,259
Prepayment of utilities expenses	<b>766</b>	1,982
Prepayment of tax reserve certificate	<b>12,424</b>	9,089
Others	<b>18,829</b>	18,316
	<b>100,502</b>	78,246

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 11 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 180 days. The aging of the trade receivables is as follows:

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
0 to 90 days	<b>382,719</b>	393,961
91 to 180 days	<b>35,542</b>	24,378
181 to 360 days	<b>6,768</b>	5,647
Over 360 days	<b>–</b>	192
	<b>425,029</b>	424,178
Less: Provision for impairment of trade receivables	<b>(1,188)</b>	(1,188)
Trade receivables – net	<b>423,841</b>	422,990

The top five customers and the largest customer accounted for 76.8% (2012: 57.9%) and 24.9% (2012: 26.9%) of the trade receivables balance as at 30 June 2013, respectively. The management closely monitors the subsequent settlements of customers and does not grant long credit periods to counterparties. In this regard, the directors consider that the Group's credit risk is significantly reduced. 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 2013, the Group recorded no provision for its trade receivables (2012: Nil).

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 12 LOAN AND INTEREST RECEIVABLE

**Loan period analysis**

The small and micro loans to customers arising under the Group's micro credit business have loan periods ranging from 3 days to 7 months. Loans and interest receivables in respect of loans by repayment period were set as follows:

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Within one year	<b>102,685</b>	6,166
Less: provision for impairment	-	-
	<b><u>102,685</u></b>	<b><u>6,166</u></b>

The loans provided to customers bore fixed interest rates ranging from 7.2% to 24% per annum (2012: 24%), and were repayable according to the loan agreements.

As at 30 June 2013, loan and interest receivable of HK\$102,685,000 (2012: HK\$6,166,000) are neither past due nor considered impaired and relate to a wide range of customers for whom there was no history of default.

The loan and interest receivables are denominated in Chinese Renminbi.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Unlisted equity securities		
Unlisted investment fund, at fair value	<b>20,073</b>	17,277

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the condensed consolidated interim statement of cash flows.

Changes in fair value of financial assets at fair value through profit or loss are recorded in 'other gains – net' in the condensed consolidated interim statement of comprehensive income.

The assessed fair value of the investment securities is based on observable market data (Note 5(c)).

## 14 TRADE PAYABLES

The aging of trade payables is as follows:

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
0 to 90 days	<b>332,526</b>	327,603
91 to 180 days	<b>41,191</b>	52,041
181 to 360 days	<b>11,565</b>	6,063
Over 360 days	<b>6,269</b>	6,451
	<b>391,551</b>	392,158

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 15 BANK BORROWINGS

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
<b>Current</b>		
Short-term bank loans	<b>389,175</b>	312,000
Portion of long-term loans from banks due for repayment within one year	<b>265,262</b>	176,494
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	<b>23,253</b>	41,236
Mortgage loan, current portion	<b>420</b>	420
	<b>678,110</b>	530,150
<b>Non-current</b>		
Portion of long-term loans from banks due for repayment after one year which do not contain a repayment on demand clause	<b>657,368</b>	537,265
Mortgage loan, non-current portion	<b>2,329</b>	2,539
	<b>659,697</b>	539,804
Total bank borrowings	<b>1,337,807</b>	1,069,954

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**15 BANK BORROWINGS** (CONTINUED)

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

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Within 5 years	<b>1,337,159</b>	1,069,096
Over 5 years	<b>648</b>	858
	<b><u>1,337,807</u></b>	<u>1,069,954</u>

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 and United States dollars. The carrying amounts of bank borrowings approximate their fair values as the impact of discounting is not significant.

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

	<b>Short-term bank loans</b>		<b>Long-term bank loans</b>		<b>Mortgage loan</b>	
	<b>2013</b>	2012	<b>2013</b>	2012	<b>2013</b>	2012
Hong Kong dollars	<b>2.0%</b>	2.5%	<b>2.3%</b>	2.4%	<b>2.4%</b>	2.4%
United States dollars	<b>2.1%</b>	-	-	-	-	-

As at 30 June 2013, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong with net book amounts of HK\$6,751,000 (2012: HK\$6,882,000) and corporate guarantees provided by the Company.

As at 30 June 2013, the Group has undrawn floating rate borrowing facilities of approximately HK\$431,404,000 (31 December 2012: HK\$261,677,000).

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 16 FINANCE LEASE LIABILITIES

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

	As at	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Within one year	<b>57,661</b>	29,935
In the second year	<b>54,037</b>	29,005
In the third to fifth year	<b>73,845</b>	29,248
	<b>185,543</b>	88,188
Less: Future finance charges on finance leases	<b>(11,589)</b>	(4,671)
Present value of finance lease liabilities	<b>173,954</b>	83,517

The present value of finance lease liabilities is as follows:

	As at	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Within one year	<b>52,216</b>	27,435
In the second year	<b>50,419</b>	27,472
In the third to fifth year	<b>71,319</b>	28,610
Total finance lease liabilities	<b>173,954</b>	83,517
Less: Amount included in current liabilities	<b>(52,216)</b>	(27,435)
	<b>121,738</b>	56,082

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

As at 30 June 2013, the effective interest rate of the Group's finance lease liabilities was 3.69% per annum (2012: 3.58% per annum).

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**16 FINANCE LEASE LIABILITIES (CONTINUED)**

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\$186,674,000 (2012: HK\$128,912,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK\$173,954,000 (2012: HK\$83,455,000).

**17 DEFERRED TAXATION**

The analysis of deferred tax liabilities is as follows:

	<b>As at</b>	
	<b>30 June 2013 HK\$'000</b>	31 December 2012 HK\$'000
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	<b>21,783</b>	22,027
Deferred tax liability to be recovered within 12 months	<b>470</b>	471
	<b>22,253</b>	22,498

The movements on the deferred income tax liabilities are as follows:

	<b>Fair value gains HK\$'000</b>	<b>Withholding tax HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2012	17,859	5,129	22,988
Credited to profit or loss	(245)	–	(245)
At 30 June 2012	<u>17,614</u>	<u>5,129</u>	<u>22,743</u>
At 1 January 2013	17,369	5,129	22,498
Credited to profit or loss	(245)	–	(245)
At 30 June 2013	<u>17,124</u>	<u>5,129</u>	<u>22,253</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 18 SHARE CAPITAL

	Note	<b>Number of shares</b> (thousand)	<b>Nominal value</b> HK\$'000
<b>Authorised:</b>			
At 1 January 2012, 31 December 2012 and 30 June 2013		<u>200,000,000</u>	<u>20,000,000</u>
<b>Issued and fully paid:</b>			
At 1 January 2012		1,759,054	175,905
Issue of shares pursuant to – share option scheme	(a)	100	10
Repurchases of share	(b)	<u>(79,680)</u>	<u>(7,968)</u>
At 31 December 2012		1,679,474	167,947
Issue of shares pursuant to – share option scheme	(c)	<u>300</u>	<u>30</u>
At 30 June 2013		<u>1,679,774</u>	<u>167,977</u>

Notes:

- (a) During 2012, 100,000 new ordinary shares of HK\$0.10 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at exercise price of HK\$0.175 per share.

## 18 SHARE CAPITAL (CONTINUED)

- (b) During 2012, the Company repurchased a total of 79,680,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK\$0.57 to HK\$0.95 per share for a total consideration of approximately HK\$52,817,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 21 May 2012. The repurchased shares were cancelled before 31 December 2012. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve (Note 20).

<b>Month of purchase</b>	<b>Number of shares of HK\$0.10 each</b>	<b>Highest price per share HK\$</b>	<b>Lowest price per share HK\$</b>	<b>Aggregate consideration paid HK\$' 000</b>
June 2012	350,000	0.60	0.57	208
July 2012	11,950,000	0.66	0.63	7,653
August 2012	37,196,000	0.63	0.61	23,141
September 2012	20,900,000	0.62	0.61	12,992
November 2012	9,284,000	0.95	0.93	8,823
	<u>79,680,000</u>			<u>52,817</u>

- (c) During 2013, 300,000 new ordinary shares of HK\$0.10 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at exercise price of HK\$0.69 per share.

## 19 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.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**19 SHARE OPTION SCHEME (CONTINUED)**

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.

On 10 June 2009, the shareholders of the Company further 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 65,166,200 shares, representing 10% of the shares of the Company in issue as at 10 June 2009.

On 2 October 2009, a total of 1,960,000 options were granted to the Company's directors and employees with an exercise price of HK\$0.82 per share. These options were fully vested at the date of grant.

On 21 May 2012, the shareholders of the Company further 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 175,905,000 shares, representing 10% of the shares of the Company in issue as at 21 May 2012.

On 7 November 2012, a total of 137,870,000 options were granted to the Company's directors and employees with an exercise price HK\$0.69 per share. These options are exercisable from 2 January 2014 to 6 November 2017.

On 12 January 2013, a total of 300,000 options were granted to a director of the Company with an exercise price HK\$1.172 per share. These options are exercisable from 2 January 2014 to 6 November 2017.

On 26 April 2013, a total of 21,850,000 options were granted to the Company's directors and employees with an exercise price HK\$1.16 per share. These options are exercisable from 2 January 2014 to 6 November 2017.

On 21 May 2013, the shareholders of the Company further 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 167,977,000 shares, representing 10% of the shares of the Company in issue as at 21 May 2013.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 19 SHARE OPTION SCHEME (CONTINUED)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price per share HK\$	Number of options '000	Average exercise price per share HK\$	Number of options '000
At 1 January		146,104		8,334
Granted	1.172	300	–	–
Granted	1.16	21,850	–	–
Exercised	0.69	(300)	–	–
At 30 June		<u>167,954</u>		<u>8,334</u>
Exercisable as at 30 June				
	0.175	7,114	0.175	7,214
	0.41	1,120	0.41	1,120
	0.69	137,570	–	–
	1.172	300	–	–
	1.16	<u>21,850</u>	–	<u>–</u>

Share options outstanding at 30 June 2013 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK\$ per share	Share options '000
21 November 2018	0.175	7,114
30 September 2019	0.41	1,120
6 November 2017	0.69	137,570
6 November 2017	1.172	300
6 November 2017	1.16	<u>21,850</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 19 SHARE OPTION SCHEME (CONTINUED)

No options were granted during the six months ended 30 June 2012. The fair values of 300,000 options granted on 12 January 2013 and 21,850,000 options granted on 26 April 2013, determined using the Black-Scholes Valuation Model, were approximately HK\$118,000 and HK\$8,464,000 respectively. The significant inputs into the model were the exercise price shown above, standard deviation of expected share price returns of 66.361% and 66.349% respectively, expected life of options of approximately 1.97 years and 1.74 years respectively, expected dividend paid out rate of 2.0354% and 1.087% respectively, and annual risk free interest rate of approximately 0.141% and 0.184% respectively. The amount charged to the condensed consolidated interim statement of comprehensive income during the six months ended 30 June 2013 was HK\$17,708,000 (2012: Nil).

## 20 RESERVES

	Share premium	Capital reserve (i)	Statutory reserves (ii)	Capital redemption reserve (iii)	Share options equity reserve	Translation	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at								
1 January 2013	996,725	(735)	89,988	20,329	4,907	1,677	732,812	1,845,703
Profit for the period	-	-	-	-	-	-	27,005	27,005
Dividend paid	-	-	-	-	-	-	(9,239)	(9,239)
Translation differences	-	-	-	-	-	5,716	-	5,716
Employee share option scheme								
- value of employee services	-	-	-	-	17,708	-	-	17,708
- proceeds from shares issued (note 18(c))	177	-	-	-	-	-	-	177
Transfer to share premium upon exercise of share options	8	-	-	-	(8)	-	-	-
Balance at								
30 June 2013	<u>996,910</u>	<u>(735)</u>	<u>89,988</u>	<u>20,329</u>	<u>22,607</u>	<u>7,393</u>	<u>750,578</u>	<u>1,887,070</u>
Balance at								
1 January 2012	1,041,563	(735)	83,388	12,361	1,027	677	716,743	1,855,024
Profit for the period	-	-	-	-	-	-	40,201	40,201
Dividend paid	-	-	-	-	-	-	(28,144)	(28,144)
Premium on repurchase of shares	(173)	-	-	-	-	-	-	(173)
Capital redemption reserve arising from repurchase of shares (note 18(b))	-	-	-	35	-	-	(35)	-
Translation differences	-	-	-	-	-	(836)	-	(836)
Balance at								
30 June 2012	<u>1,041,390</u>	<u>(735)</u>	<u>83,388</u>	<u>12,396</u>	<u>1,027</u>	<u>(159)</u>	<u>728,765</u>	<u>1,866,072</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 20 RESERVES (CONTINUED)

	Share premium	Capital reserve (i)	Statutory reserves (ii)	Capital redemption reserve (iii)	Share options equity reserve	Translation	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 July 2012	1,041,390	(735)	83,388	12,396	1,027	(159)	728,765	1,866,072
Profit for the period	-	-	-	-	-	-	30,688	30,688
Dividends paid	-	-	-	-	-	-	(12,108)	(12,108)
Premium on repurchase of shares	(44,676)	-	-	-	-	-	-	(44,676)
Capital redemption reserve arising from repurchase of shares	-	-	-	7,933	-	-	(7,933)	-
Translation differences	-	-	-	-	-	1,836	-	1,836
Employee share option scheme								
- value of employee services	-	-	-	-	3,884	-	-	3,884
- proceeds from shares issued	7	-	-	-	-	-	-	7
Transfer to share premium upon exercise of share options	4	-	-	-	(4)	-	-	-
Transfer to statutory reserves	-	-	6,600	-	-	-	(6,600)	-
Balance at 31 December 2012	<u>996,725</u>	<u>(735)</u>	<u>89,988</u>	<u>20,329</u>	<u>4,907</u>	<u>1,677</u>	<u>732,812</u>	<u>1,845,703</u>

## Notes:

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**20 RESERVES (CONTINUED)**

- (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.

During the six months ended 30 June 2013, no transfer of statutory reserves has been made from the Group's profit for the period (for the period ended 30 June 2012: Nil). 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) During the six months ended 30 June 2013, the Company did not repurchase of its own shares (for the six months ended 30 June 2012: 350,000) (Note 18(b)).

**21 OTHER GAINS – NET**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Gain/(losses) on financial assets at fair value through profit or loss	<b>2,796</b>	(516)
Gain on disposal of property, plant and equipment	<b>–</b>	145
Net exchange gains	<b>3,948</b>	1,313
Others	<b>766</b>	972
	<b>7,510</b>	1,914

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**22 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE**

Statement of comprehensive income items included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Raw materials and consumables used	<b>600,648</b>	671,653
Production overhead costs (excluding labour and depreciation expenses)	<b>65,915</b>	53,475
Staff costs, including directors' emoluments and share option costs		
– Research and development	<b>15,634</b>	6,890
– Share options granted	<b>17,708</b>	–
– Others	<b>253,640</b>	220,050
Depreciation of property, plant and equipment	<b>95,210</b>	66,068
Amortisation of leasehold land and land use rights	<b>1,377</b>	1,375
Research and development	<b>6,526</b>	20,269
Provision for/(reversal of) inventories to net realisable value	<b>3,328</b>	(125)

**23 FINANCE INCOME/COSTS**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Finance income		
Interest income from bank deposits	<b>4,498</b>	489
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	<b>11,992</b>	8,132
Bank borrowings not wholly repayable within five years	<b>47</b>	16
Finance lease liabilities	<b>1,056</b>	555
	<b>13,095</b>	8,703
Less: amounts capitalised on qualifying assets	<b>(973)</b>	–
	<b>12,122</b>	8,703

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 24 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current taxation		
– Hong Kong profits tax	–	276
– Mainland China enterprise income tax	<b>6,810</b>	8,526
– Deferred income tax credited for the period	<b>(245)</b>	(245)
– Over-provision in prior years	<b>(2,965)</b>	(491)
	<b>3,600</b>	8,066

**(a) Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2013 (2012: 16.5%).

**(b) Mainland China corporate income tax**

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

- (i) Provision for China corporate income tax was calculated on the statutory rate of 25% (2012: 25%) on the assessable income of each of the Group's entities except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period. Accordingly, the China corporate income tax for such subsidiaries has been provided for after taking into account of their tax exemptions and concessions.
- (ii) During the year ended 31 December 2011, 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% during the six months ended 30 June 2012 and 2013.
- (iii) During the six months ended 30 June 2012, EVA Precision Industrial (Suzhou) Limited was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2012 and 2013.
- (iv) During the year ended 31 December 2012, Shenzhen EVA Mould Manufacturing Limited and Chongqing Digidie Auto Body Ltd. were recognised by the Chinese Government as a "National High and New Technology Enterprise" and were therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2013 (30 June 2012: 25%).

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**24 INCOME TAX EXPENSE** (CONTINUED)**(c) Overseas income taxes**

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

**25 EARNINGS PER SHARE****Basic**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
Profit attributable to owners of the Company (HK\$'000)	<b>27,005</b>	40,201
Weighted average number of ordinary shares in issue ('000)	<b>1,679,747</b>	1,759,050
Basic earnings per share (HK cents per share)	<b>1.6</b>	2.3

**Diluted**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
Profit attributable to owners of the Company (HK\$'000)	<b>27,005</b>	40,201
Weighted average number of ordinary shares in issue ('000)	<b>1,679,747</b>	1,759,050
Adjustment for share options ('000)	<b>52,421</b>	7,060
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>1,732,168</b>	1,766,110
Diluted earnings per share (HK cents per share)	<b>1.6</b>	2.3

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 26 DIVIDEND

Proposed interim dividend of HK0.48 cents  
(2012: HK0.7 cents) per ordinary share

## Six months ended 30 June

<b>2013</b>	2012
<b>HK\$'000</b>	HK\$'000
<b>8,063</b>	12,227

## 27 COMMITMENTS

## (a) Capital Commitments

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

Contracted but not provided for

- Construction of buildings
- Purchase of plant and machinery

<b>As at</b>	
<b>30 June</b>	31 December
<b>2013</b>	2012
<b>HK\$'000</b>	HK\$'000
<b>46,753</b>	83,044
<b>62,228</b>	138,054
<b>108,981</b>	221,098

## (b) Operating lease commitments

The future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases of the group are as follows:

Not later than one year  
Later than one year but not later than five year  
Later than five years

<b>As at</b>	
<b>30 June</b>	31 December
<b>2013</b>	2012
<b>HK\$'000</b>	HK\$'000
<b>9,966</b>	11,094
<b>36,893</b>	36,321
<b>132,654</b>	136,111
<b>179,513</b>	183,526

## 28 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 38.19% (31 December 2012: 38.2%) of the Company's shares as at 30 June 2013. The ultimate parent company of the Group is Prosper Empire Limited.

The following transactions were carried out with related parties:

- (a) 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 38.19% shareholder of the Company as at 30 June 2013 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 or acquired 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, a wholly owned subsidiary of the Group, proposed to settle with The Hong Kong Inland Revenue Department (the "HKIRD") regarding their offshore claims which were queried by the HKIRD. There has been no response from the HKIRD to the proposal of EVA Limited. However, up to 30 June 2013, EVA Limited had already paid approximately HK\$11,588,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the periods prior to 11 May 2005, the listing date of the Company. Payments of approximately HK\$4,038,000 (2012: HK\$4,038,000) had been indemnified by the Indemnifiers. The remaining balance of approximately HK\$7,550,000 (2012: HK\$7,550,000) will also be indemnified by the Indemnifiers should the final determination of such tax liabilities be made by the HKIRD.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 28 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Wages, salaries and allowances	<b>6,120</b>	3,840
Share-based payments	<b>5,859</b>	–
Retirement benefits – defined contribution plan	<b>30</b>	25
	<b>12,009</b>	3,865

## SIGNIFICANT EVENTS AND DEVELOPMENT

During the period, the Group continued to make progresses in its strategic expansion from previously focusing on just office automation (“OA”) equipment to also serving a diversity of products for the Chinese consumption market, particularly the huge automobile sector. The Group’s new automobile component production base in Wuhan, which started construction in 2012, is now near completion and is planned for commercial production before the end of 2013. The new Wuhan production base, which has land area of approximately 166,000 square metres and construction area (phase one) of approximately 49,000 square metres, is targeted at providing component production and welding services to automobile brand names located in Wuhan and adjacent cities. Since the Group’s business in automobile sector was only confined to the production of moulds in the past, the forthcoming completion of the new Wuhan production base signifies the Group’s expansion into supplying automobile components on a large scale basis, a business which is much more voluminous than just supplying moulds, and underscores our next step forward into the automobile market.

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

Further, by the end of 2012, the Group had established Shenzhen Jinggong Microcredit Limited, a micro lending company in Shenzhen in which the Group has a 60% stake. This company is a non-deposit taking institution and therefore its fund available for lending is currently confined to its registered capital of RMB101,000,000. To control credit risk, loans are only made to individuals or companies whose backgrounds are well known to the Group. In the future, we expect the new micro lending company to provide an auxiliary source of income but the Group will nonetheless remain focused on its manufacturing business, which is well established and currently undergoing rapid development.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 1H2013, turnover of the Group increased to HK\$1,184,071,000. The percentage of turnover growth, however, was only 1.4%, which was low as compared to our historical level and was primarily caused by the product replacement cycle of our customers. Last year, cautious about the economic conditions of developed countries, the Group's customers in OA equipment business increased the production volume of relatively low end products for sales to emerging countries instead. Fortunately, the economy started to show stronger signs of recovery since late 2012. Driven by the revival in business confidence, our customers developed new product models. Under the Group's business model, our customers would normally require us to jointly co-develop the relevant moulds with them during their product development stages. The completed moulds would then be consigned in our production bases for future mass production of components and semi-finished products when new OA equipment models are launched to the market. Accordingly, the product development activities of our customers drove our mould revenue to HK\$187,238,000 in 1H2013, another historical high. However, as these new models have yet to be launched to the market, component revenue decreased as existing models were gradually phased out, which offset the increase in mould revenue.

Since moulds are high margin products, our gross profit margin increased to 24.2% for the period (1H2012: 20.5%). However, we had completed a new production base in Tianliao, Shenzhen in 2012, which commenced operations only after 1H2012. The Group's new management headquarter which is located at Shenzhen (Shiyan) production base was also put into use in early 2013. Therefore, depreciation and other operating costs in 1H2013 increased on a year-on-year basis. Further, the Group incurred share option costs of HK\$17,708,000 in relation to stock options granted in 2H2012 and 1H2013 (but recognition of such costs will end on 31 December 2013). At the same time, finance costs increased as the Group obtained new borrowings for its future capital expenditure and working capital requirements. Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's net profit declined by approximately 32.8% to HK\$27,005,000.

Despite the aforesaid, our revenue from the manufacture of moulds went up by as much as 125.5% as compared to 1H2012. As these moulds will be used for the production of components and semi-finished products when new OA equipment models are launched to the market, it is very likely to lead to a substantial increase in our component revenue in later periods, which can outweigh the above-mentioned costs, being either semi-fixed or non-recurring in nature, and enable us to revitalise profit growth.

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 approximately 30% of net profit, and 1H2013 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, whilst maximising returns to our shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

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

	Six months ended 30 June			
	2013		2012	
	HK\$'000		HK\$'000	
<b>By business segment</b>				
<b>Turnover</b>				
<i>Metal division</i>				
Design and fabrication of metal stamping moulds	<b>119,403</b>	<b>10.1%</b>	50,757	4.3%
Manufacturing of metal stamping components	<b>488,977</b>	<b>41.3%</b>	571,656	49.0%
Manufacturing of lathing components	<b>64,962</b>	<b>5.5%</b>	95,090	8.1%
Others (Note 1)	<b>13,756</b>	<b>1.2%</b>	16,686	1.4%
	<b>687,098</b>		734,189	
<i>Plastic division</i>				
Design and fabrication of plastic injection moulds	<b>67,835</b>	<b>5.7%</b>	32,284	2.8%
Manufacturing of plastic injection components	<b>413,904</b>	<b>35.0%</b>	396,908	34.0%
Others (Note 1)	<b>6,434</b>	<b>0.5%</b>	4,655	0.4%
	<b>488,173</b>		433,847	
Income from micro lending business	<b>8,800</b>	<b>0.7%</b>	—	—
Total	<b>1,184,071</b>		1,168,036	
<b>Segment results</b>				
Metal division	<b>14,469</b>		24,115	
Plastic division	<b>18,983</b>		32,244	
Micro lending business	<b>6,366</b>		—	
Operating profit	<b>39,818</b>		56,359	
Unallocated expenses	<b>(459)</b>		(355)	
Finance income	<b>4,498</b>		489	
Finance costs	<b>(12,122)</b>		(8,703)	
Income tax expense	<b>(3,600)</b>		(8,066)	
Non-controlling interests	<b>(1,130)</b>		477	
Profit attributable to owners of the Company	<b>27,005</b>		40,201	

Note 1: Others mainly represented sales of scrap materials

## MANAGEMENT DISCUSSION AND ANALYSIS

### Turnover

During the six months ended 30 June 2013, our customers were developing new office automation equipment models and required us to jointly co-develop the relevant moulds for them. Accordingly, mould revenue from metal and plastic divisions increased by approximately 125.5% to HK\$187,238,000, another historical high. However, as these new models have yet to be launched to the market, component revenue decreased as existing models were gradually phased out, which offset the increase in mould revenue. Therefore, our total turnover in 1H2013 was stable as compared to 1H2012.

### Gross profit

As mentioned above, our mould revenue was strong in 1H2013 and its percentage to our total turnover increased to 15.8%. Since the profit margin from mould production is generally higher than that from component production, our gross profit margin increased to 24.2% (1H2012: 20.5%).

### Segment results

We had completed a new production base in Tianliao, Shenzhen in 2012, which commenced operations only after 1H2012. The Group's new management headquarter which is located at Shenzhen (Shiyan) production base was also put into use in early 2013. Therefore, depreciation and other operating costs in 1H2013 increased on a year-on-year basis. Further, the Group incurred share option costs of HK\$17,708,000 in relation to stock options granted in 2H2012 and 1H2013. Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's operating profit margin decreased in 1H2013.

Same as last year, the Group continued to incur initial costs for its new automobile component business, which included salaries for additional engineers and materials used for technology development and testing. As such initial costs were mainly incurred by the Group's metal division, the operating profit margin of the Group's metal division was lower than that of the plastic division, which were 2.1% and 3.9% respectively.

The operating profit margin of the Group's newly established micro lending company was 72.3%. Since its loans made to customers were solely funded by its own capital, this business had no significant cost and therefore its operating profit margin was high.

### Finance costs

The Group's finance costs for the six months ended 30 June 2013 increased to approximately HK\$12,122,000, which was primarily caused by an increase in bank borrowings and finance lease liabilities during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Income tax expense**

During the six months ended 30 June 2013, income tax expense amounted to approximately HK\$3,600,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 11.3%, which decreased as compared to 1H2012 because the Group received tax refund of HK\$2,965,000 from tax authority in China for over-payment of tax in prior years. Excluding such refund, effective tax rate in 1H2013 was 20.7% and increased as compared to 1H2012. This was mainly because the Group's new micro lending company, Shenzhen Jinggong Microcredit Limited, was subject to China income tax at statutory tax rate of 25% and is higher than most other major subsidiaries of the Group in China, which are entitled to preferential tax rate of 15% under the "National High and New Technology Enterprise" status.

### **Profit attributable to owners of the Company**

During the period, profit attributable to owners of the Company decreased by approximately 32.8% to HK\$27,005,000, which was primarily attributable to the reduction in the Group's operating profit margin as mentioned above.

## **LIQUIDITY, FINANCIAL RESOURCES AND RATIOS**

During the period, the Group recorded net cash outflow from operating activities of HK\$5,695,000. This was primarily caused by the increase in loans advanced to independent third parties from HK\$6,166,000 as at 31 December 2012 to HK\$102,685,000 as at 30 June 2013 under the Group's new micro lending business which was established by end of 2012. Excluding this, the Group had net operating cash inflow from its traditional manufacturing business of HK\$90,824,000, which decreased as compared to 1H2012 due to the reduction in profit in 1H2013. During the period, the Group's fixed deposits of HK\$102,362,000, which was placed in banks as at 31 December 2012, became mature and therefore the Group recorded a cash inflow from investing activities of the same amount. At the same time, although the construction of the Group's new production base in Wuhan was still on-going in the first half of 2013, the majority of the related capital expenditure such as land and construction costs had already been paid before 2013. Accordingly, the Group recorded net cash generated from investing activities of HK\$64,606,000 despite the on-going development of the Group. Since capital expenditure decreased, less new bank borrowings were drawn by the Group during the six months ended 30 June 2013, which resulted in a reduction in net cash generated from financing activities to HK\$246,034,000 during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

Bank loans as at 30 June 2013 were denominated in Hong Kong and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2013 is as follows:

	<b>30 June 2013</b>	31 December 2012
Inventory turnover days (Note 1)	<b>55</b>	53
Debtors' turnover days (Note 2)	<b>65</b>	66
Creditors' turnover days (Note 3)	<b>79</b>	77
Cash conversion cycle (Note 4)	<b>41</b>	42
Current ratio (Note 5)	<b>1.66</b>	1.58
Net debt-to-equity ratio (Note 6)	<b>15.3%</b>	7.9%

Notes:

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the period.
2. Calculation of debtors' turnover days is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the period.
3. Calculation of creditors' turnover days is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the period.
4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.
5. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Inventory, debtors' and creditors' turnover days**

During the period, the Group's inventory, debtors' and creditors' turnover days remained stable.

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

During the period, the Group obtained additional bank borrowings for future capital expenditure and working capital requirements, which resulted in an increase in the Group's net debt-to-equity ratio as at 30 June 2013. At the same time, most of these new bank borrowings are long-term bank loans with repayment periods of more than one year, and accordingly was classified as non-current liabilities on the Group's statement of financial position. As a majority of the proceeds from these new bank borrowings remained unused as at 30 June 2013, cash and current assets increased which resulted in an improvement in the Group's current ratio as at 30 June 2013.

## **HUMAN RESOURCES**

As at 30 June 2013, the total number of employees of the Group was 7,709 employees, which was comparable to 7,595 employees as at 31 December 2012.

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. Training programmes are offered to employees for their continuous development. Besides, 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. During the six months ended 30 June 2013, approximately 35%, 50% and 15% (For the six months ended 30 June 2012: 32%, 53% and 15%) of the Group's sales and approximately 14%, 67% and 19% (For the six months ended 30 June 2012: 13%, 66% and 21%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 and United States dollars instead of Renminbi to match repayment currency with operating cash inflows. Management will continue to closely monitor the Group's foreign currency exposure to safeguard the Group from any potential risks that may arise from the fluctuation in exchange rates.

### CHARGES ON THE GROUP'S ASSETS

As at 30 June 2013, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of approximately HK\$6,751,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK\$186,674,000 for securing finance lease liabilities.

### DIVIDEND

The Board declared an interim dividend of HK0.48 cents per ordinary share, totaling HK\$8,063,000 for the six months ended 30 June 2013 to eligible shareholders whose names appear on the register of members of the Company on Tuesday, 17 September 2013. The interim dividends will be payable in cash on or about Tuesday, 24 September 2013.

### OUTLOOK

Despite a general expectation for slower growth as compared to the past, China's automobile market is still in its ascending channel and far from saturation. With an increasing demand for higher end and sophisticated products from Chinese customers, China's automobile market is most likely to face a structural adjustment from previously focusing on low cost vehicles to vehicles with higher quality and better performance. Whilst our engineering expertise accumulated through 20 years of experience in precision equipment industry may be better than required for low cost vehicles, the shift in demand to higher quality vehicles opened up a doorway for the Group to enter into this huge but still expanding market. Going forward, we expect our investment in automobile business today will translate into a quantum leap in our future profitability.

In addition, our traditional OA business is still on a growth track, which is evidenced by a 125.5% growth in mould revenue as compared to 1H2012. These moulds will be used for producing components and semi-finished products in later periods, and therefore we expect to see a resurgence in our component revenue.

## CONNECTED TRANSACTIONS

The following connected transaction, which also constitutes related party transaction set out in Note 28 to the condensed consolidated interim financial statements, existed as at 30 June 2013:

### **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 38.19% shareholder of the Company as at 30 June 2013 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 or acquired 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, a wholly owned subsidiary of the Group, proposed to settle with The Hong Kong Inland Revenue Department (the "HKIRD") regarding their offshore claims which were queried by the HKIRD. There has been no response from the HKIRD to the proposal of EVA Limited. However, up to 30 June 2013, EVA Limited had already paid approximately HK\$11,588,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the periods prior to 11 May 2005, the listing date of the Company. Payments of approximately HK\$4,038,000 had been indemnified by the Indemnifiers. The remaining balance of approximately HK\$7,550,000 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 loan agreements with DBS Bank (Hong Kong) Limited in respect of the following banking facilities ("DBS Facilities Agreements"):

- (i) term loan/finance lease facilities up to HK\$140,000,000 with a repayment term of four years after the date of advance of the loan (the outstanding loan balance was approximately HK\$131,090,000 as at 30 June 2013); and
- (ii) factoring facilities up to HK\$90,000,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 collectively maintain not less than 35% of the issued shares of the Company and shall remain as the single largest shareholder of the Company; and
- (ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

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

- (i) a term loan facility up to HK\$80,000,000 with a repayment term of three years after the date of advance of the loan (the outstanding loan balance was HK\$80,000,000 as at 30 June 2013); 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 2013).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the BOC 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 share capital of the Company; and
- (ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors and an executive director of the Company.

In addition, a subsidiary of the Company is a party to loan agreements with Hang Seng Bank Limited in respect of the following facilities ("HSB Facilities Agreements"):

- (i) a term loan facility up to HK\$250,000,000 for a term of four years from August 2012, being five months after the date of the relevant facility letter (the outstanding loan balance was HK\$250,000,000 as at 30 June 2013);
- (ii) another term loan facility in the principal amount of HK\$250,000,000, which is repayable by instalments over 4 years from the date of drawdown (the outstanding loan balance was HK\$250,000,000 as at 30 June 2013);
- (iii) another term loan facility up to HK\$30,000,000 for a term of three years from the date of drawdown of the loan (the outstanding loan balance was HK\$9,000,000 as at 30 June 2013);

## MANAGEMENT DISCUSSION AND ANALYSIS

- (iv) revolving loan facility of HK\$50,000,000 (the outstanding loan balance was HK\$50,000,000 as at 30 June 2013);
- (v) combined documentary credits in the amount of HK\$25,000,000 (there was no outstanding balance as at 30 June 2013); and
- (vi) treasury products facility with a notional amount of HK\$47,619,048 (there was no outstanding balance as at 30 June 2013).

Under the HSB Facilities Agreements, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall maintain an aggregate shareholding of not less than 35% of the issued share capital of the Company, and Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

A subsidiary of the Company is also a party to the loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. in respect of a four years term loan facility of up to HK\$50,000,000 ("BTMU Facility Agreement"), and the total outstanding balance of the loan was HK\$38,462,000 as at 30 June 2013.

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

- (i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall hold not less than 35% of the entire issued share capital of the Company; and
- (ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively remain as single largest shareholder of the Company.

Certain subsidiaries of the Company are also parties to loan agreements with The Hongkong and Shanghai Banking Corporation Limited in respect of the following facilities ("HSBC Facility Agreements"):

- (i) a term loan facility for an amount up to HK\$250,000,000 with a repayment period of five years from the date of acceptance of the relevant facility letter (the outstanding loan balance was HK\$235,500,000 as at 30 June 2013);
- (ii) a revolving loan facility for an amount up to HK\$50,000,000 (the outstanding loan balance was HK\$50,000,000 as at 30 June 2013);
- (iii) other term loan facilities with outstanding balances of approximately HK\$50,720,000 as at 30 June 2013 (fully repayable in 2017); and
- (iv) factoring facility up to HK\$21,600,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

- (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.

Besides, certain subsidiaries of the Company had entered into banking facility agreements with Fubon Bank (Hong Kong) Limited in respect of the following banking facilities ("Fubon Facility Agreements"):

- (i) short term advance facility on a revolving basis of up to US\$7,000,000 (the outstanding loan balance was US\$7,000,000 as at 30 June 2013); and
- (ii) facility for treasury transactions up to an aggregate pre-settlement risk amount of not more than US\$1,000,000 (there was no outstanding balance as at 30 June 2013).

Pursuant to the Fubon Facility Agreements, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall maintain not less than 35% of the issued share capital 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, inter alia, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2013 were as follows:

	As at 1 January 2013	Granted during the period	Exercised during the period	Share price As at immediately 30 June 2013	Share price before offer date	Exercise price	Weighted average closing price before exercise of options
					HK\$	HK\$	HK\$
<b>Executive directors</b>							
Mr. Zhang Hwo Jie							
– Granted on 7 November 2012	16,000,000	–	–	16,000,000	0.69	0.69	–
Mr. Zhang Jian Hua							
– Granted on 7 November 2012	16,000,000	–	–	16,000,000	0.69	0.69	–
Mr. Zhang Yaohua							
– Granted on 7 November 2012	16,000,000	–	–	16,000,000	0.69	0.69	–
Mr. Nomo Kenshiro (Note 1)	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
Dr. Lui Sun Wing (Note 2)							
– Granted on 7 November 2012 (Note 3)	300,000	–	(300,000)	–	0.69	0.69	1.09
Mr. Choy Tak Ho							
– Granted on 7 November 2012	300,000	–	–	300,000	0.69	0.69	–
– Granted on 26 April 2013	–	300,000	–	300,000	1.20	1.16	–
Mr. Leung Tai Chiu							
– Granted on 7 November 2012	300,000	–	–	300,000	0.69	0.69	–
– Granted on 26 April 2013	–	300,000	–	300,000	1.20	1.16	–
Mr. Lam Hiu Lo (Note 4)							
– Granted on 12 January 2013	–	300,000	–	300,000	1.16	1.172	–
– Granted on 26 April 2013	–	300,000	–	300,000	1.20	1.16	–
<b>Employees of the Group</b>							
In aggregate							
– Granted on 10 December 2008	7,114,200	–	–	7,114,200	0.165	0.175	–
– Granted on 2 October 2009	1,120,000	–	–	1,120,000	0.405	0.41	–
– Granted on 7 November 2012	88,970,000	–	–	88,970,000	0.69	0.69	–
– Granted on 26 April 2013	–	20,950,000	–	20,950,000	1.20	1.16	–
	<u>146,104,200</u>	<u>22,150,000</u>	<u>(300,000)</u>	<u>167,954,200</u>			

## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

1. Mr. Nomo Kenshiro ceased to be an executive director of the Company with effect from 1 January 2013.
2. Dr. Lui Sun Wing ceased to be an independent non-executive director of the Company with effect from 11 January 2013.
3. The 300,000 options granted to Dr. Lui Sun Wing on 7 November 2012 was originally only exercisable on or after 2 January 2014 and should also lapse on 11 January 2013, the date on which Dr. Lui Sun Wing ceased to be an independent non-executive director of the Company. However, in appreciation of the efforts and valuable contributions of Dr. Lui Sun Wing as an independent non-executive director since the listing of the Group in 2005, the Board, on the recommendation of the remuneration committee, had on 11 January 2013 exercised its discretion under the Share Option Scheme to waive the vesting period of the 300,000 options granted to Dr. Lui Sun Wing so that they became immediately exercisable, and to defer the date of lapse of such options from 11 January 2013 to 10 February 2013. The aforesaid waiver of the vesting period and the deferral of the date of lapse of these options had been approved by the independent non-executive directors. Such options were exercised by Dr. Lui Sun Wing on 18 January 2013.
4. Mr. Lam Hiu Lo was appointed as an independent non-executive director of the Company with effect from 11 January 2013.

The fair value of the options granted on 10 December 2008, 2 October 2009 and 7 November 2012 with outstanding balances as at 30 June 2013 of 7,114,200 options, 1,120,000 options and 137,570,000 options were HK\$340,000, HK\$92,000 and HK\$34,874,000 respectively. The fair value of 300,000 options and 21,850,000 options granted on 12 January 2013 and 26 April 2013 were HK\$118,000 and HK\$8,464,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	<b>Exercise price</b>	<b>Expected volatility</b>	<b>Expected life</b>	<b>Risk-free rate</b>	<b>Dividend paid-out rate</b>
	HK\$				
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%
Granted on 7 November 2012	0.69	64.19%	2.2 years	0.241%	3.3333%
Granted on 12 January 2013	1.172	66.361%	1.97 years	0.141%	2.0354%
Granted on 26 April 2013	1.16	66.349%	1.74 years	0.184%	1.087%

## MANAGEMENT DISCUSSION AND ANALYSIS

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:

<u>% of the options granted</u>	<u>Vesting date</u>	<u>Exercise period</u>
<b>With respect to the options granted on 10 December 2008 with exercise price of HK\$0.175</b>		
100%	10 December 2008	10 December 2008 to 19 November 2018
<b>With respect to the options granted on 2 October 2009 with exercise price of HK\$0.41</b>		
100%	5 October 2009	5 October 2009 to 1 October 2019
<b>With respect to the options granted on 7 November 2012, 12 January 2013 and 26 April 2013 with exercise price of HK\$0.69, HK\$1.172 and HK\$1.16 respectively</b>		
100%	2 January 2014	2 January 2014 to 6 November 2017

## MANAGEMENT DISCUSSION AND ANALYSIS

### DISCLOSURE OF INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2013, the interests and/or short positions of the directors or chief executive 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 under equity of spouse	Personal interests in underlying shares held	Total interests	Approximate percentage of interest in the Company as at 30 June 2013
				Interest under equity derivatives		
				(Note 1)		
Mr. Zhang Hwo Jie	641,480,000 (Note 2)	15,692,000	–	16,000,000	673,172,000	40.08%
Mr. Zhang Jian Hua	–	664,000	–	16,000,000	16,664,000	0.99%
Mr. Zhang Yaohua	5,648,000 (Note 3)	10,132,000	156,000	16,000,000	31,936,000	1.90%
Mr. Choy Tak Ho	–	–	–	600,000	600,000	0.04%
Mr. Leung Tai Chiu	–	4,600,000	–	600,000	5,200,000	0.31%
Mr. Lam Hiu Lo	–	–	–	600,000	600,000	0.04%

Notes:

- These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Options" above.

## MANAGEMENT DISCUSSION AND ANALYSIS

2. Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 38.19% of the entire issued capital of the Company as at 30 June 2013. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.
3. 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

<b>Name of director</b>	<b>Capacity</b>	<b>Approximate percentage of interest in Prosper Empire Limited as at 30 June 2013</b>
Mr. Zhang Hwo Jie	Personal interests	38%
Mr. Zhang Jian Hua	Personal interests	29%
Mr. Zhang Yaohua	Personal interests	33%

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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:

<b>Name</b>	<b>Capacity</b>	<b>Number of underlying shares held</b>		<b>Total</b>	<b>Approximate percentage of interest</b>
		<b>Number of under equity shares</b>	<b>derivatives</b>	<b>interests</b>	
Prosper Empire Limited	Beneficial owner	641,480,000	–	641,480,000	38.19%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	657,172,000	16,000,000	673,172,000	40.08%
The Capital Group Companies, Inc.	Investment manager	133,151,000	–	133,151,000	7.93%

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PURCHASE, SALE AND REDEMPTION OF THE SHARES

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 2013.

### CHANGES IN THE DIRECTORS' INFORMATION

During the period, the composition of the board of directors and board committees changed as follows:

- (1) Mr. Nomo Kenshiro retired as an executive director of the Company with effect from 1 January 2013;
- (2) Dr. Lui Sun Wing had decided not to renew his appointment as an independent non-executive director of the Company upon completion of his term of appointment on 10 January 2013, and ceased to be a member and the chairman of the audit committee of the Company and a member of the nomination committee and remuneration committee, all with effect from 11 January 2013;
- (3) Mr. Leung Tai Chiu, an independent non-executive director, was appointed as the chairman of the audit committee of the Company whilst he ceased to be a member and the chairman of the nomination committee of the Company with effect from 11 January 2013;
- (4) Mr. Zhang Hwo Jie, Chairman of the Board, was appointed as a member and the chairman of the nomination committee of the Company with effect from 11 January 2013; and
- (5) Mr. Lam Hiu Lo was appointed as an independent non-executive director of the Company and a member of the Company's audit committee, nomination committee and remuneration committee, all with effect from 11 January 2013.

The existing members of the Company's board of directors and board committees are set out in the section headed "Corporate Information" of the interim report.

## 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 Thursday, 12 September 2013 to Tuesday, 17 September 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 June 2013, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 September 2013.

## 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 2013.

## CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the 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. Prior to 11 January 2013, the audit committee was chaired by Dr. Lui Sun Wing and its members comprised Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu, the three independent non-executive directors of the Company. On 11 January 2013, Dr. Lui Sun Wing ceased to be the Company's independent non-executive director and a member and the chairman of the audit committee. With effect from 11 January 2013, Mr. Leung Tai Chiu replaced Dr. Lui Sun Wing as the chairman of the audit committee and the vacancy left by Dr. Lui Sun Wing in the audit committee was filled by Mr. Lam Hiu Lo, who was appointed as an independent non-executive director of the Company on the same day. 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 2013.

By order of the Board

**Zhang Hwo Jie**

*Chairman*

Hong Kong, 28 August 2013



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