



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)

2015
INTERIM REPORT

中期報告

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.
 Sumitomo Mitsui Banking Corporation
 China CITIC Bank International Limited
 Chong Hing Bank Limited
 Australia and New Zealand Banking Group Limited
 KBC Bank N.V. Hong Kong Branch
 Fubon Bank (Hong Kong) Limited
 China Construction Bank (Asia) Corporation Limited
 Standard Chartered Bank (Hong Kong) Limited

Mainland China

Industrial and Commercial Bank of China
 Agricultural Bank of China
 Ping An Bank

LEGAL ADVISOR

Minter Ellison

AUDITORS

PricewaterhouseCoopers
 Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
 Cricket Square, Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 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
www.irasia.com/listco/hk/evaholdings

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Unaudited	Audited
		30 June	31 December
		2015	2014
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,910,175	1,913,652
Leasehold land and land use rights	7	184,143	163,940
Goodwill	8	2,545	2,545
Investment in an associate	9	13,735	14,927
Prepayments, deposits and other receivables	10	134,358	96,009
Amount due from a related company	11	3,173	3,173
Available-for-sale financial assets	12	49,274	25,197
		2,297,403	2,219,443
Current assets			
Inventories		458,924	425,491
Trade receivables	13	808,353	707,782
Loan and interest receivables	14	131,796	138,720
Amount due from a related company	11	1,587	1,587
Prepayments, deposits and other receivables	10	131,280	126,139
Restricted bank deposits		37,474	29,979
Short-term bank deposits		303,364	162,258
Cash and cash equivalents		1,090,525	989,428
		2,963,303	2,581,384
LIABILITIES			
Current liabilities			
Trade payables	15	646,039	613,051
Accruals and other payables	16	212,499	228,658
Bank borrowings	17	1,093,938	861,919
Finance lease liabilities	18	43,231	48,519
Current income tax liabilities		10,637	19,097
		2,006,344	1,771,244

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		Unaudited	Audited
		30 June	31 December
		2015	2014
	Note	HK\$'000	HK\$'000
Net current assets		956,959	810,140
Total assets less current liabilities		3,254,362	3,029,583
Non-current liabilities			
Bank borrowings	17	506,916	546,127
Finance lease liabilities	18	31,573	51,072
Deferred taxation	19	21,273	21,518
		559,762	618,717
Net assets		2,694,600	2,410,866
EQUITY			
Capital and reserves			
Share capital	20	186,405	168,334
Reserves	22		
– Proposed dividend		37,281	47,340
– Others		2,389,770	2,119,481
Equity attributable to equity holders of the Company		2,613,456	2,335,155
Non-controlling interests		81,144	75,711
Total equity		2,694,600	2,410,866

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 2015

		Unaudited	
		Six months ended 30 June	
	Note	2015	2014
		HK\$'000	HK\$'000
Revenue	6	1,761,504	1,600,519
Cost of sales	24	(1,279,151)	(1,174,724)
Gross profit		482,353	425,795
Other income	23	4,383	3,416
Other gains/(losses) – net	23	14,787	(2,884)
Selling and marketing costs	24	(88,370)	(76,521)
General and administrative expenses	24	(261,545)	(200,252)
Operating profit		151,608	149,554
Finance income	25	8,681	11,309
Finance costs	25	(18,468)	(17,458)
Share of loss of an associate	9	(1,194)	(1,639)
Profit before income tax		140,627	141,766
Income tax expense	26	(17,085)	(12,890)
Profit for the period		123,542	128,876
Other comprehensive income/(loss) for the period, net of tax			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		211	(4,393)
Total comprehensive income for the period		123,753	124,483

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Unaudited	
		Six months ended 30 June	
Note	2015	2014	
	HK\$'000	HK\$'000	
Profit for the period attributable to:			
– Equity holders of the Company	118,135	123,922	
– Non-controlling interests	5,407	4,954	
	123,542	128,876	
Total comprehensive income for the period attributable to:			
– Equity holders of the Company	118,320	120,064	
– Non-controlling interests	5,433	4,419	
	123,753	124,483	
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	6.6	7.4	
– diluted	6.3	7.1	
Dividend	37,281	36,981	

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 2015

	Unaudited			
	Attributable to equity holders of the Company			Total HK\$'000
Share capital HK\$'000	Reserves HK\$'000	Non-controlling interests HK\$'000		
Balance at 1 January 2015	168,334	2,166,821	75,711	2,410,866
Comprehensive income				
Profit for the period	-	118,135	5,407	123,542
Other comprehensive income				
Currency translation differences	-	185	26	211
Total comprehensive income for the period	-	118,320	5,433	123,753
Transactions with owners				
Employee share option scheme				
– proceeds from shares issued	11,071	67,969	-	79,040
Issuance of new shares	7,000	124,269	-	131,269
Dividend paid	-	(50,328)	-	(50,328)
	18,071	141,910	-	159,981
Balance at 30 June 2015	186,405	2,427,051	81,144	2,694,600
Balance at 1 January 2014	167,977	1,934,280	67,694	2,169,951
Comprehensive income				
Profit for the period	-	123,922	4,954	128,876
Other comprehensive loss				
Currency translation differences	-	(3,858)	(535)	(4,393)
Total comprehensive income for the period	-	120,064	4,419	124,483
Transaction with owners				
Dividend paid	-	(8,567)	-	(8,567)
Balance at 30 June 2014	167,977	2,045,777	72,113	2,285,867

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Unaudited	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	163,756	164,874
Interest received	8,681	11,309
Interest paid	(18,468)	(17,458)
Income tax paid	(25,799)	(22,117)
Net cash generated from operating activities	128,170	136,608
Cash flows from investing activities		
Payments/deposits for additions of property, plant and equipment	(162,651)	(88,828)
Payment for additions of land use rights	(22,098)	–
Proceeds from sales of property, plant and equipment	2,339	354
Purchase of an available-for-sale financial asset	(24,077)	–
Increase in restricted bank deposits	(7,495)	(1,434)
(Increase)/decrease in short-term bank deposits	(141,106)	482
Net cash used in investing activities	(355,088)	(89,426)
Cash flows from financing activities		
Proceeds from borrowings	412,792	250,000
Repayments of borrowings	(219,984)	(203,033)
Repayments of capital element of finance lease liabilities	(24,787)	(26,245)
Proceeds from issuance of ordinary shares	131,269	–
Proceeds from exercise of share options	79,040	–
Dividends paid	(50,328)	(8,567)
Net cash generated from financing activities	328,002	12,155
Net increase in cash and cash equivalents	101,084	59,337
Cash and cash equivalents at the beginning of the period	989,428	953,426
Exchange gains/(losses) on cash and cash equivalents	13	(597)
Cash and cash equivalents at the end of the period	1,090,525	1,012,166

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in (1) the design and fabrication of metal stamping and plastic injection moulds, (2) the manufacturing of metal stamping and plastic injection components and lathing components, and (3) the micro lending business in Mainland China (through a 60% owned subsidiary).

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 25 August 2015.

The condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014, 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 2014, as described in those annual financial statements.

(a) Relevant amendments to existing standards effective for the financial year beginning 1 January 2015.

Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs

The adoption of these amendments to existing standards does not have any significant financial impact on the reported results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

- (b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual improvements 2012-2014 cycle	Improvements to HKFRSs	1 January 2016

The directors anticipate that the adoption of the above new standards and amendments to existing standards will not result in a significant impact on the reported results and financial position of the Group. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 ESTIMATES

The preparation of condensed consolidated interim financial information 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 expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2014.

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 and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all the 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 2014.

There have been no changes in any risk management policies since 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretions, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates after taking into account the on demand clause, if any.

	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
At 30 June 2015						
Bank borrowings without repayment on demand clause	-	1,085,605	322,241	184,675	-	1,592,521
Term loans subject to a repayment on demand clause	8,333	-	-	-	-	8,333
Finance lease liabilities	-	43,231	27,083	4,490	-	74,804
Interest payable	111	27,431	7,334	2,675	-	37,551
Trade payables	-	646,039	-	-	-	646,039
Other payables	-	70,117	-	-	-	70,117
At 31 December 2014						
Bank borrowings without repayment on demand clause	-	850,252	313,849	232,260	18	1,396,379
Term loans subject to a repayment on demand clause	11,667	-	-	-	-	11,667
Finance lease liabilities	-	48,519	33,483	17,589	-	99,591
Interest payable	215	25,152	10,417	4,005	-	39,789
Trade payables	-	613,051	-	-	-	613,051
Other payables	-	69,405	-	-	-	69,405

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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.

Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	Total undiscounted cash outflows HK\$'000
30 June 2015	6,776	1,669	8,445
31 December 2014	6,849	5,033	11,882

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Revenue		
Design and fabrication of metal stamping moulds	192,056	129,555
Manufacturing of metal stamping components	659,533	621,304
Manufacturing of lathing components	73,997	75,381
Design and fabrication of plastic injection moulds	89,135	75,995
Manufacturing of plastic injection components	710,964	661,135
Income from micro lending business	16,800	15,924
Others (Note)	19,019	21,225
	<u>1,761,504</u>	<u>1,600,519</u>

Note: Others mainly represent proceeds from sales of scrap materials.

(b) Segment information

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

At 30 June 2015, the Group is organised into three main business segments:

- (i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components ("Metal division");
- (ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components ("Plastic division"); and
- (iii) micro lending business in Mainland China ("Microcredit").

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 condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Sales between segments are carried out on terms equivalent to those prevailing for arm's length transactions.

The segment results and other segment items are as follows:

	Six months ended 30 June 2015				Six months ended 30 June 2014			
	Metal division HK\$'000	Plastic division HK\$'000	Microcredit HK\$'000	Total HK\$'000	Metal division HK\$'000	Plastic division HK\$'000	Microcredit HK\$'000	Total HK\$'000
Total gross segment sales	1,004,011	812,518	16,800	1,833,329	1,038,338	915,877	15,924	1,970,139
Inter-segment sales	(65,029)	(6,796)	-	(71,825)	(196,531)	(173,089)	-	(369,620)
Sales	938,982	805,722	16,800	1,761,504	841,807	742,788	15,924	1,600,519
Segment results	78,151	69,277	7,194	154,622	74,702	67,453	9,331	151,486
Unallocated expenses, net				(3,014)				(1,932)
Finance income				8,681				11,309
Finance costs				(18,468)				(17,458)
Share of loss of an associate				(1,194)				(1,639)
Profit before income tax				140,627				141,766
Income tax expense				(17,085)				(12,890)
Profit for the period				123,542				128,876
Depreciation	83,244	36,859	382	120,485	78,189	35,333	268	113,790
Amortisation	1,792	121	-	1,913	1,780	129	-	1,909

For the periods ended 30 June 2014 and 2015, unallocated expenses, net, represent corporate expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	As at 30 June 2015					As at 31 December 2014				
	Metal division	Plastic division	Microcredit	Un-allocated	Total	Metal division	Plastic division	Microcredit	Un-allocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets	3,062,522	2,036,049	160,584	1,551	5,260,706	2,821,210	1,814,646	157,176	7,795	4,800,827
Liabilities	53,643	753,713	971	1,757,779	2,566,106	112,178	706,930	1,625	1,569,228	2,389,961

The segment capital expenditure is as follows:

	For the period ended 30 June 2015					For the period ended 30 June 2014				
	Metal division	Plastic division	Microcredit	Un-allocated	Total	Metal division	Plastic division	Microcredit	Un-allocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	104,555	36,363	341	-	141,259	109,033	12,838	769	-	122,640

Segment assets consist primarily of certain property, plant and equipment, leasehold land and land use rights, goodwill, investment in an associate, certain prepayments, deposits and other receivables, amount due from a related company, available-for-sale financial assets, inventories, trade receivables, loan and interest receivables and operating cash.

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities, current income tax liabilities, deferred taxation and certain accruals and other payables.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment assets and liabilities are reconciled to entity assets and liabilities at 30 June 2015 as follows:

	Assets HK\$'000	Liabilities HK\$'000
Segment assets/liabilities	5,259,155	808,327
Unallocated:		
Cash and cash equivalents	1,551	–
Current income tax liabilities	–	10,637
Deferred taxation	–	21,273
Bank borrowings	–	1,600,854
Finance lease liabilities	–	74,804
Accruals and other payables	–	50,211
Total	5,260,706	2,566,106

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2014 as follows:

	Assets HK\$'000	Liabilities HK\$'000
Segment assets/liabilities	4,793,032	820,733
Unallocated:		
Cash and cash equivalents	3,596	–
Other receivables	4,199	–
Current income tax liabilities	–	19,097
Deferred taxation	–	21,518
Bank borrowings	–	1,408,046
Finance lease liabilities	–	99,591
Accruals and other payables	–	20,976
Total	4,800,827	2,389,961

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.

The aggregated revenue for the six months ended 30 June 2015 for three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK\$748,434,000 (For the six months ended 30 June 2014: Four customers; HK\$912,841,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 CAPITAL EXPENDITURE

	Property, plant and equipment	Leasehold land and land use rights
	HK\$'000	HK\$'000
Opening net book amount at 1 January 2015	1,913,652	163,940
Additions	119,161	22,098
Disposals	(2,340)	–
Depreciation/amortisation charge	(120,485)	(1,913)
Exchange difference	187	18
	1,910,175	184,143
Closing net book amount at 30 June 2015	1,910,175	184,143
Opening net book amount at 1 January 2014	1,883,099	167,500
Additions	122,171	469
Disposals	(225)	–
Depreciation/amortisation charge	(113,790)	(1,909)
Exchange difference	(3,381)	(583)
	1,887,874	165,477
Closing net book amount at 30 June 2014	1,887,874	165,477

Depreciation and amortisation expenses are analysed as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Cost of sales	76,848	71,794
Selling and marketing costs	785	781
General and administrative expenses	44,765	43,124
	122,398	115,699

Land and buildings with a carrying amount of HK\$6,227,000 (31 December 2014: HK\$6,358,000) were pledged as collateral for the Group's borrowing (Note 17).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 GOODWILL

At 1 January 2014, 31 December 2014 and 30 June 2015

Goodwill HK\$'000

2,545

9 INVESTMENT IN AN ASSOCIATE

Six months ended 30 June

	2015	2014
	HK\$'000	HK\$'000
Beginning of the period	14,927	17,858
Share of loss	(1,194)	(1,639)
Exchange difference	2	(55)
End of the period	13,735	16,164

The assets, liabilities and results of Shenzhen KK Technology Co., Ltd., the associate, are shown below:

	Six months ended 30 June 2015
	HK\$'000
Assets	87,184
Liabilities	41,400
Revenues	8,154
Loss	(3,979)
Percentage held	30%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
Non-current		
Deposits for purchases of property, plant and equipment	117,855	79,510
Loan to the other shareholder of the associate (Note)	12,681	12,676
Others	3,822	3,823
	134,358	96,009
Current		
Prepayments for purchases of raw materials	18,033	15,410
VAT recoverable	65,926	75,188
Prepayment of utilities expenses	3,158	2,172
Receivables from employees and staff advances (Note)	19,866	26,436
Others	24,297	6,933
	131,280	126,139

Note: Loan to the other shareholder of the associate, receivables from employees and staff advances are unsecured, non-interest bearing and denominated in RMB.

11 AMOUNT DUE FROM A RELATED COMPANY

Amount due from a related company is unsecured, non-interest bearing, denominated in Hong Kong dollars, and repayable by instalments in three years from December 2015 to December 2017. The balance was arose from the tax indemnity provided by the related company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Unlisted:		
Equity securities – Mainland China, at fair value	49,274	25,197

The fair value of the unlisted equity securities was determined by reference to recent transaction prices in arm's length transactions.

The available-for-sale financial assets are denominated in RMB.

Movement of the available-for-sale financial assets is as follows:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
At beginning of the period	25,197	–
Addition	24,077	–
At end of the period	49,274	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 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:

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
0 to 90 days	757,637	607,846
91 to 180 days	51,904	101,124
	809,541	708,970
Less: Provision for impairment	(1,188)	(1,188)
Trade receivables – net	808,353	707,782

The top five customers and the largest customer accounted for 45.0% (31 December 2014: 60.4%) and 13.1% (31 December 2014: 15.0%), respectively, of the trade receivables balance as at 30 June 2015. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

During the six months ended 30 June 2015, the Group recorded no provision for its trade receivables (30 June 2014: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 LOAN AND INTEREST RECEIVABLES

The loans to customers arising under the Group's micro lending business have loan periods ranging from 2 days to 12 months (31 December 2014: 2 days to 12 months).

The repayment period of loan and interest receivables is set as follows:

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within one year	135,764	140,111
Less: Provision for impairment	(3,968)	(1,391)
	<u>131,796</u>	<u>138,720</u>

As at 30 June 2015, the loans bore fixed interest rates ranging from 14.4% to 36.0% per annum (31 December 2014: 18.0% to 24.0% per annum).

There is no concentration of credit risk with respect to the loan and interest receivables as the Group has a large number of customers with no individual amount more than RMB5,000,000 (2014: RMB5,000,000).

As at 30 June 2015, loan and interest receivables of HK\$8,623,000 (31 December 2014: HK\$5,679,000) were overdue but considered not impaired. These relate to a few independent customers for whom there is no recent history of default.

The loan and interest receivables are denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
0 to 90 days	509,549	478,857
91 to 180 days	135,853	134,090
181 to 365 days	637	104
	646,039	613,051

16 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Payables for purchase of land use rights	3,812	3,812
Payables for purchase of property, plant and equipment	21,569	48,320
Deposits from customers	53,873	49,081
Accrued wages, salaries and welfare	68,731	87,053
Accrued utilities expenses	5,207	4,432
Accrued operating expenses	4,520	9,582
Other payables	54,787	26,378
	212,499	228,658

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BANK BORROWINGS

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Current		
Short-term bank loans	751,790	520,000
Portion of long-term loans from banks due for repayment within one year	340,061	336,499
Portion of long-term loans from banks due for repayment after one year which contain a repayment on demand clause	1,667	5,000
Mortgage loan, current portion	420	420
	1,093,938	861,919
Non-current		
Portion of long-term loans from banks due for repayment after one year	505,428	544,429
Mortgage loan, non-current portion	1,488	1,698
	506,916	546,127
Total bank borrowings	1,600,854	1,408,046

All bank borrowings are interest-bearing and carried at amortised cost.

None of the portion of long-term loans due for repayment after one year which contain a repayment on demand clause, which are classified as current liabilities, is expected to be settled within one year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BANK BORROWINGS (CONTINUED)

The Group's bank borrowings are repayable as follows (Note):

	As at	
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
Within 1 year	1,093,938	856,919
Between 1 and 2 years	322,241	318,849
Between 2 and 5 years	184,675	232,260
Over 5 years	–	18
	<u>1,600,854</u>	<u>1,408,046</u>

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

As at 30 June 2015 and 31 December 2014, all bank borrowings bore floating interest rates.

Bank borrowings were denominated in Hong Kong dollars and United States dollars.

As at 30 June 2015 and 31 December 2014, the effective interest rates (per annum) of the Group's bank borrowings were as follows:

	Short-term bank loans		Long-term bank loans		Mortgage loan	
	June	December	June	December	June	December
	2015	2014	2015	2014	2015	2014
Hong Kong dollars	2.1%	2.0%	2.5%	2.5%	2.4%	2.4%
United States dollars	2.4%	–	2.3%	–	–	–

As at 30 June 2015, the Group has undrawn floating rate borrowing facilities of approximately HK\$416,436,000 (31 December 2014: HK\$405,369,000).

As at 30 June 2015, land and buildings with a carrying amount of HK\$6,227,000 (31 December 2014: HK\$6,358,000) were pledged as collateral for the Group's borrowing.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 FINANCE LEASE LIABILITIES

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

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within one year	45,194	51,333
In the second year	27,762	34,724
In the third to fifth year	4,550	17,862
	77,506	103,919
Less: Future finance charges	(2,702)	(4,328)
Present value	74,804	99,591

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 FINANCE LEASE LIABILITIES (CONTINUED)

The present value of finance lease liabilities is as follows:

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Within one year	43,231	48,519
In the second year	27,083	33,483
In the third to fifth year	4,490	17,589
Total finance lease liabilities	74,804	99,591
Less: Amount included in current liabilities	(43,231)	(48,519)
	31,573	51,072

Finance lease liabilities are denominated in Hong Kong dollars.

As at 30 June 2015, the effective interest rate of the Group's finance lease liabilities was 4.0% per annum (31 December 2014: 4.0% per annum).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. As at 30 June 2015, the net book amount of the leased assets was approximately HK\$252,964,000 (31 December 2014: HK\$265,971,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 DEFERRED TAXATION

The analysis of deferred income tax liabilities is as follows:

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Deferred income tax liabilities:		
Deferred income tax liability to be recovered after more than 12 months	21,028	21,028
Deferred income tax liability to be recovered within 12 months	245	490
	21,273	21,518

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

	Fair value gains HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1 January 2014	16,879	5,129	22,008
Credited to profit or loss	(245)	–	(245)
At 30 June 2014	<u>16,634</u>	<u>5,129</u>	<u>21,763</u>
At 1 January 2015	16,389	5,129	21,518
Credited to profit or loss	(245)	–	(245)
At 30 June 2015	<u>16,144</u>	<u>5,129</u>	<u>21,273</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousand)	Share capital HK\$'000
At 1 January 2015	1,683,348	168,334
Issue of new shares	70,000	7,000
Issue of shares pursuant to share option scheme	110,704	11,071
	<u>1,864,052</u>	<u>186,405</u>
At 30 June 2015	<u>1,864,052</u>	<u>186,405</u>
At 1 January 2014 and 30 June 2014	<u>1,679,774</u>	<u>167,977</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 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 director or 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.

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

	2015		2014	
	Average exercise price per share HK\$	Number of options '000	Average exercise price per share HK\$	Number of options '000
At 1 January		164,380		167,954
Exercised	0.175	(2,970)	–	–
Exercised	0.41	(920)	–	–
Exercised	0.69	(97,374)	–	–
Exercised	1.172	(300)	–	–
Exercised	1.16	(9,140)	–	–
At 30 June		<u>53,676</u>		<u>167,954</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 SHARE OPTION SCHEME (CONTINUED)

Share options outstanding at 30 June 2015 have the following expiry dates and exercise prices:

Expiry date	Exercise price	Share options
	per share HK\$	
21 November 2018	0.175	2,970
30 September 2019	0.41	200
6 November 2017	0.69	37,796
6 November 2017	1.16	12,710
		<u>53,676</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RESERVES

	Share premium	Capital reserve(i)	Statutory reserves(ii)	Capital redemption reserve	Share options equity reserve	Cumulative translation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2015	999,147	(735)	121,473	20,329	43,814	11,763	971,030	2,166,821
Profit for the period	-	-	-	-	-	-	118,135	118,135
Dividend paid	-	-	-	-	-	-	(50,328)	(50,328)
Other comprehensive income								
– Currency translation differences	-	-	-	-	-	185	-	185
Employee share option scheme								
– proceeds from shares issued	67,969	-	-	-	-	-	-	67,969
Issuance of new shares	124,269	-	-	-	-	-	-	124,269
Transfer to share premium upon exercise of share options	28,560	-	-	-	(28,560)	-	-	-
Balance at 30 June 2015	<u>1,219,945</u>	<u>(735)</u>	<u>121,473</u>	<u>20,329</u>	<u>15,254</u>	<u>11,948</u>	<u>1,038,837</u>	<u>2,427,051</u>
Balance at 1 January 2014	996,978	(735)	99,403	20,329	44,479	12,303	761,523	1,934,280
Profit for the period	-	-	-	-	-	-	123,922	123,922
Dividend paid	-	-	-	-	-	-	(8,567)	(8,567)
Other comprehensive income								
– Currency translation differences	-	-	-	-	-	(3,858)	-	(3,858)
Balance at 30 June 2014	<u>996,978</u>	<u>(735)</u>	<u>99,403</u>	<u>20,329</u>	<u>44,479</u>	<u>8,445</u>	<u>876,878</u>	<u>2,045,777</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RESERVES (CONTINUED)

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.
- (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 equity holders in proportion to their existing ownership structure.

During the six months ended 30 June 2015, no transfer of statutory reserves has been made from the Group's profit for the period (for the period ended 30 June 2014: 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Other income		
Government grants	3,239	3,355
Others	1,144	61
	4,383	3,416
Other gains/(losses) – net		
(Losses)/gains on disposal of property, plant and equipment	(1)	127
Net exchange gains/(losses)	14,788	(3,011)
	14,787	(2,884)

24 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:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Raw material and consumables used	847,889	835,574
Production overhead costs (excluding labour and depreciation expenses)	152,368	98,003
Staff costs, including directors' emoluments and share option costs		
– Retirement benefit – defined contribution plans	21,553	16,472
– Others	391,342	308,039
Depreciation of property, plant and equipment	120,485	113,790
Amortisation of leasehold land and land use rights	1,913	1,909
Research and development expense	–	3,672
Provision for loan receivable	2,577	–
Provision for inventory obsolescence	2,830	2,055

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

25 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Finance income		
Interest income from bank deposits	8,681	11,309
Finance costs		
Interest expense on:		
Bank borrowings	16,403	14,793
Finance lease liabilities	2,065	2,665
	18,468	17,458

26 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	337	934
– Mainland China enterprise income tax	21,771	20,458
– Over-provision in prior years	(4,778)	(8,257)
Deferred income tax	(245)	(245)
	17,085	12,890

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 INCOME TAX EXPENSE (CONTINUED)

(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 2015 (2014: 16.5%).

(b) Mainland China corporate income tax

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

- (i) Provision for China corporate income tax was calculated on the statutory rate of 25% (2014: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period.
- (ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Yihe Precision Hardware (Shenzhen) Co., Ltd., Chongqing Digidie Auto Body Ltd., and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. were each 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 periods ended 30 June 2014 and 2015.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

27 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	118,135	123,922
Weighted average number of ordinary shares in issue ('000)	1,796,007	1,679,774
Basic earnings per share (HK cents per share)	6.6	7.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

27 EARNINGS PER SHARE (CONTINUED)

Diluted

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

	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	118,135	123,922
Weighted average number of ordinary shares in issue ('000)	1,796,007	1,679,774
Adjustment for share options ('000)	71,161	70,889
Weighted average number of ordinary shares for diluted earnings per share ('000)	1,867,168	1,750,663
Diluted earnings per share (HK cents per share)	6.3	7.1

28 DIVIDEND

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Proposed interim dividend of HK2.0 cents (2014: HK2.2 cents) per ordinary share	37,281	36,981

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

29 COMMITMENTS

(a) Capital Commitments

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

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Contracted but not provided for		
– Construction of buildings	63,088	24,204
– Purchase of plant and machinery	31,404	54,744
	94,492	78,948

(b) Operating lease commitments

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

	As at	
	30 June 2015 HK\$'000	31 December 2014 HK\$'000
Not later than one year	10,809	12,552
Later than one year but not later than five years	38,179	37,955
Later than five years	114,786	119,027
	163,774	169,534

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 RELATED-PARTY TRANSACTIONS

Mr. Zhang How Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owns 36.04% of the Company's shares as at 30 June 2015 (31 December 2014: 39.91%).

(a) Key management compensation

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Salaries and allowances	7,230	7,195
Retirement benefits – defined contribution plan	151	240
	7,381	7,435

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

The first half of 2015 witnessed the beginning of our global expansion. Over the past years, we had successfully built up a proven track record for innovative production solutions and outstanding quality in China. In particular, unlike other manufacturers which are specialised in only a single type of service line, we are able to offer a unique one-stop solution covering the production of precision moulds and precision components, as well as automated product assembly such as precision laser welding. This gives us a distinctive competitive advantage in the market, as our unique one-stop solution can effectively reduce the additional logistic costs and excess production lead time arising from outsourcing the production of moulds, components and product assembly to different suppliers. Realising that the benefits of our unique one-stop solution can be replicated elsewhere in the world, certain of our major customers in the office automation (“OA”) equipment market decided to elevate their partnership with us to a global level, and invited us to set up a new industrial park in Vietnam to serve their existing assembly plants there.

We have commenced the construction of a new industrial park in Vietnam since early 2015. The new Vietnam industrial park, which has a land area of approximately 37,000 square metres and planned floor area of approximately 12,000 square metres, is to be located at Haiphong, Vietnam, and is scheduled for production in early 2016. The establishment of the new Vietnam industrial park at the invitation of major OA equipment customers not only fortifies our leading position in the OA equipment industry, but also presents us with a new opportunity to extend our precision manufacturing services outside China. Upon completion, the new Vietnam industrial park will initially focus on tapping businesses from the OA equipment customers, but it will also expand into other sectors such as the high end consumer electronic sector at a later stage, as Vietnam is also well known as one of the major manufacturing hubs for these products.

During the period, China continued its intricate transition from a low cost processing centre into a high end manufacturing hub emphasising more on product quality, creativity and efficiency. Rising costs in China caused weaker manufacturers to lose their advantages, whilst high end manufacturers with proven track records in engineering innovation and production management benefited from an even larger marketplace brought by China’s massive consumption demand for high quality and sophisticated products. To consolidate our leading position in China’s manufacturing industry, we have devoted resources to technological enhancement, which included the formation of strategic partnerships with numerous universities in China for research and development, and production automation to gradually replace labour intensive processes with robotic production lines. Conscious steps have also been taken since a few years ago to extend our scope of business from previously focusing on just OA equipment to also serving the massive automobile and high end consumer electronic markets. We are now equipped with seven comprehensive production facilities in China, covering China’s major production hubs for high end consumer electronics products, automobiles and precision equipment. We are also actively seeking new orders and opportunities from the market of other smart devices such as wearable smart accessories. Accordingly, we are poised to be a major beneficiary in the next phase of development in China’s manufacturing industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Our investments in the past continued to provide rewards for the current period. New orders surged, which was reflected in the notable growth in our mould revenue for the period. Under the Group's business model, our customers will normally require us to jointly co-develop the relevant moulds with them during their product development stages. The completed moulds will then be consigned in our industrial parks for future mass production of components and semi-finished products when our customers launch their new products to the market. In other words, mould revenue is a leading indicator of our future production volume of components and semi-finished products. As many customers decided to increase their procurements from us for their new products, our production and sales of moulds were robust during the period. Mould revenue for the period increased by 36.8% and reached HK\$281,191,000, another historical high. Therefore, we expect to see a substantial increase in the sales of components and semi-finished products in the later period.

During the period, the business of the Group's micro lending company in Shenzhen, in which the Group has a 60% stake, remained stable as we had not made any additional investment in this business. Having said that, we continued to devote resources for strengthening credit assessments and controls. Professional credit controllers were recruited and loans were only made to individuals or companies whose backgrounds were well known to the Group. Accordingly, no bad debt has occurred since its establishment in late 2012 (although a general provision for loan impairment was made solely for the purpose of complying with the guideline issued by the Ministry of Finance of China). In the future, we expect the micro lending company to provide an auxiliary source of income to the Group, but we will nonetheless remain focused on our manufacturing business, which is well established and undergoing rapid development.

Total turnover of the Group for the period increased by 10.1% to HK\$1,761,504,000, which was primarily driven by the prominent growth in the sales of moulds as mentioned above. The growth in component revenue (which included the sales of semi-finished products) for the period was slower at 6.4%, as most of the new products of our customers were still under development and had not been launched to the market in the first half of 2015. Gross profit margin increased slightly to 27.4% (1H2014: 26.6%), thanks to the growth in the sales of moulds (which are higher margin products) that also raised the percentage of mould revenue to total turnover for the period. However, we continued to experience a general increase in employment and other costs in China's manufacturing industry during the period. Coupled with the absence of an one-off income from reversal of tax provision in relation to the settlement of tax cases in Hong Kong in the current period (1H2014: HK\$7,076,000), the Group's net profit decreased slightly by 4.7% to HK\$118,135,000.

Despite the aforesaid, we are confident that the slight reduction in our net profit was only temporary, which was clearly evidenced by our robust mould development activities throughout the period. Going forward, these mould development activities are very likely to lead to a prominent growth in our sales of components and semi-finished products, which can outweigh the increase in costs and revitalise our profit growth.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to generating positive returns through sustainable operations. We will seek growth and higher returns by sharpening our competitive edges, and will also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities which are of great potentials and add to our existing portfolio. We have a philosophy of creating values to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout of approximately 30% of net profit, and the first half of 2015 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources with a view to maximising the returns to our shareholders.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2015		2014	
	HK\$'000	%	HK\$'000	%
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	192,056	10.9%	129,555	8.1%
Manufacturing of metal stamping components	659,533	37.4%	621,304	38.8%
Manufacturing of lathing components	73,997	4.2%	75,381	4.7%
Others (Note 1)	13,396	0.8%	15,567	1.0%
	938,982		841,807	
Plastic division				
Design and fabrication of plastic injection moulds	89,135	5.1%	75,995	4.7%
Manufacturing of plastic injection components	710,964	40.4%	661,135	41.3%
Others (Note 1)	5,623	0.3%	5,658	0.4%
	805,722		742,788	
Income from micro lending business	16,800	0.9%	15,924	1.0%
Total	1,761,504		1,600,519	

MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	%	%
Segment results		
Metal division	78,151	74,702
Plastic division	69,277	67,453
Micro lending business	7,194	9,331
Operating profit	154,622	151,486
Unallocated expenses, net	(3,014)	(1,932)
Finance income	8,681	11,309
Finance costs	(18,468)	(17,458)
Share of loss of an associate	(1,194)	(1,639)
Income tax expense	(17,085)	(12,890)
Non-controlling interests	(5,407)	(4,954)
Profit attributable to equity holders of the Company	118,135	123,922

Note 1: Others mainly represented sales of scrap materials

Turnover

Attracted by our innovative production solutions and proven engineering standards, our customers transferred a higher portion of their procurements to us for their new products which were under development during the period. Total turnover increased by 10.1% to HK\$1,761,504,000, which was primarily driven by the notable growth in the sales of moulds during the period.

Income from micro lending business in 1H2015 was HK\$16,800,000, which was comparable to that in 1H2014.

Gross profit

Despite an increase in costs, our gross profit margin improved slightly to 27.4% (1H2014: 26.6%), which was primarily attributable to the strong growth in the sales of moulds (which are higher margin products) that raised the percentage of mould revenue to total turnover during the period.

Segment results

The Group continued to experience a general increase in employment and other costs in China's manufacturing industry during the period. Accordingly, the operating profit margin of the Group's metal and plastic divisions decreased slightly to 8.3% and 8.6% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The operating profit margin of the Group's micro lending business was 42.8%, which decreased as compared to that for 1H2014 because the Group adopted a conservative loan policy. Substantial resources were devoted to credit assessments and controls including the recruitment of qualified credit controllers and preparation of legal documentation for loans and collaterals which resulted in an increase in operating costs of this business.

Finance costs

The Group's finance costs in 1H2015 was HK\$18,468,000, which was comparable to that in 1H2014.

Income tax expense

During the period, income tax expense amounted to HK\$17,085,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 12.1%, which increased as compared to that in 1H2014. In 1H2014, the Group settled with the Hong Kong Inland Revenue Department (the "HKIRD") in respect of its offshore claim which was queried by the HKIRD since 2005, and recorded an one-off income amounting to HK\$7,076,000 from the reversal of the related tax provision which was in excess of the settlement amount. With the absence of this one-off income, effective tax rate in 1H2015 increased.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company decreased slightly by 4.7% to HK\$118,135,000, which was primarily caused by the increase in costs and the absence of an one-off income from reversal of tax provision in the current period as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

During the six months ended 30 June 2015, the Group's net cash inflow from operating activities was HK\$128,170,000 (1H2014: HK\$136,608,000), which was comparable to that in 1H2014. In 1H2015, the Group placed additional short-term bank deposits with maturity dates of more than three months amounting to HK\$141,106,000, and therefore recorded a cash outflow item from investing activities of the same amount. Besides, the Group incurred additional capital expenditures for the construction of its new Vietnam industrial park. Accordingly, the Group's net cash outflow from investing activities increased from HK\$89,426,000 in 1H2014 to HK\$355,088,000 in 1H2015. The Group's net cash inflow from financing activities increased from HK\$12,155,000 in 1H2014 to HK\$328,002,000 in 1H2015, primarily because the Group received net proceeds from a share placement and the exercises of share options by employees amounting to HK\$131,269,000 and HK\$79,040,000 respectively during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank loans as at 30 June 2015 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 financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2015 is as follows:

	30 June 2015	31 December 2014
Inventory turnover days (Note 1)	65	61
Debtors' turnover days (Note 2)	84	75
Creditors' turnover days (Note 3)	91	88
Cash conversion cycle (Note 4)	58	48
Current ratio (Note 5)	1.48	1.46
Net debt-to-equity ratio (Note 6)	9.3%	14.0%

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.

Inventory turnover days

The Group experienced a surge in mould orders during the period. Certain of these new mould orders are due for delivery in the second half of 2015, leading to an increase in moulds under production being captured as part of the Group's inventories as at period end. Therefore, the Group's inventory turnover days for the period increased slightly as compared to that for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Debtors' and creditors' turnover days

Since late 2014, our customers have been engaging in new product development activities and therefore our production and sales of moulds were robust during the period. Most of these moulds were completed and sold by the Group in the second quarter of 2015. Such sales were still within normal credit periods and remained unpaid at period end. Therefore, balance of trade receivables increased which led to an increase in the Group's debtors' turnover days to 84 days for the period.

Creditors' turnover days increased slightly to 91 days for the period, which was primarily because the Group had successfully negotiated with certain of its suppliers for longer credit periods with a view to streamlining working capital requirements.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 30 June 2015 was 1.48, which was comparable to that as at 31 December 2014. During the period, the Group received net proceeds from a share placement and the exercises of share options by employees amounting to HK\$131,269,000 and HK\$79,040,000 respectively. Accordingly, the Group's net debt-to-equity ratio improved during the period.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2015, the Group's sales and purchases were denominated in the following currencies:

	<u>Sales</u>	<u>Purchases</u>
Hong Kong dollars	25.9%	12.4%
US dollars	45.7%	60.0%
Renminbi	26.9%	27.6%
Euro	1.5%	–

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 material 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 (which are pegged). The Group also has a policy of using Renminbi to settle the purchases of materials used for Renminbi denominated sales. Sales denominated in Euro were mainly related to initial trial orders from new customers, and therefore their percentage to our total turnover was small. Should the sales to these customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from selling to these customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Although the Group's sales and purchases are basically transacted in matching currencies, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. Going forward, management will continue to safeguard the Group from exchange rate risks by closely managing its foreign currency exposure.

HUMAN RESOURCES

As at 30 June 2015, the total number of employees of the Group was 9,061 employees, which was comparable to 9,075 employees as at 31 December 2014.

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 production management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potentials is also important for attracting and retaining qualified staff for its future success. Training programmes are offered to employees for their continuous development. Besides, various employee activities 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.

OUTLOOK

Despite a general expectation of slower growth as compared to the past, China's economy is still on a development path and far from saturation. However, at present, China's transition from an export-driven, low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency presents a lot of challenges to the manufacturers. Weaker companies whose only competitive advantage is low costs are expected to go out of business, and surviving companies with a proven track record for outstanding quality and innovative production solutions are poised to benefit from a much less crowded marketplace. At the same time, competition among different brand owners in the end markets of OA equipment, automobile and high end consumer electronic industries alike is escalating. Under this competitive environment, brand owners are imposing stricter requirements on product quality and production management standards, which necessitates the enlistment of higher end manufacturers into their supply chains. Manufacturers whose engineering and production management capabilities are endorsed by brand owners are also very likely to be invited for partnerships outside China, presenting these manufacturers with exciting opportunities for global expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is well prepared to embrace the next wave of development in the manufacturing industry. Over the years, we have been devoting resources for technology improvement and strengthening our engineering teams. Such investments have given us the reputation as a leader in precision engineering and innovative production solutions in China. We have developed a unique one-stop solution, which provides us with a distinctive competitive advantage as our one-stop services can effectively reduce the additional costs and excess production lead time that arise from outsourcing different production processes to different suppliers. Conscious steps have also been taken since a few years ago to expand the spectrum of our business from previously focusing on just OA equipment to also covering automobiles and high end consumer electronic products, enabling us to utilise our precision engineering expertise to ride on the rapid shift of customers' demand from low cost products to higher quality products in the massive automobile and high end consumer electronic markets in China. We have added new production facilities, and thereafter the reach of our precision manufacturing services can cover the major production hubs for high end consumer electronic products, automobiles and precision equipment in China.

These strategic moves put us on a fast track to significant business growth. With a proven track record as a valued business partner, we have been invited by major brand owners to take part in their supply chains outside China, thereby opening up a new realm for swift growth through overseas expansion. At the same time, the Group is actively seeking new orders and opportunities from the market of other smart devices such as wearable smart accessories. Last but not the least, new orders in China have also surged, which is clearly demonstrated by the notable growth in our sales of moulds in the first half of 2015. As these moulds will be used for mass production of components and semi-finished products when our customers launch their new products to the market, we expect to see a substantial increase in turnover and a revitalisation of our profit growth.

CONNECTED TRANSACTIONS

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

As disclosed in the Company's prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 36.04% shareholder of the Company as at 30 June 2015 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 this deed of tax indemnity, each of the Indemnifiers has jointly and severally undertaken to indemnify the Group for any taxation falling on any member of the Group (other than those established or acquired subsequent to the listing of the Company) attributable to periods before the listing date of the Company which had not been provided for in the annual financial statements of the relevant members of the Group before the listing date. This deed of tax indemnity was approved by the board of directors on 20 April 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, EVA Limited and EVA Plastic Mould Products (HK) Limited settled with The Hong Kong Inland Revenue Department (the “HKIRD”) regarding their offshore claims which had been queried by the HKIRD since 2005 by an amount of HK\$33,612,000. This was settled by the Group through cash payment of HK\$7,211,000 and utilisation of tax reserve certificates and other advance payments previously made to the HKIRD. The tax amount attributable to the periods prior to 11 May 2005 (the listing date of the Company) which had not been provided for in the annual financial statements of EVA Limited and EVA Plastic Mould Products (HK) Limited before the listing date was HK\$8,798,000, of which HK\$4,038,000 had been indemnified by the Indemnifier. The remaining balance of HK\$4,760,000 will also be indemnified by the Indemnifiers pursuant to the deed of tax indemnity.

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.

CHARGES ON THE GROUP’S ASSETS

As at 30 June 2015, the charges on the Group’s assets included (i) pledge of leasehold land and buildings located in Hong Kong with net book amounts of HK\$6,227,000 for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK\$252,964,000 for securing finance lease liabilities.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

Certain 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\$63,719,000 as at 30 June 2015); and
- (ii) factoring facilities up to HK\$40,000,000.

The following specific performance obligations are imposed on the controlling shareholders of the Company under 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$50,000,000 with a repayment term of three years after the date of advance of the loan (the outstanding loan balance was HK\$37,500,000 as at 30 June 2015);
- (ii) another term loan facility up to HK\$100,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK\$100,000,000 as at 30 June 2015); and
- (iii) 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 2015).

The following specific performance obligations are imposed on the controlling shareholders of the Company under 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\$107,143,000 as at 30 June 2015);
- (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\$154,000,000 as at 30 June 2015);
- (iii) another term loan facility up to HK\$150,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK\$150,000,000 as at 30 June 2015);
- (iv) revolving loan facilities of HK\$100,000,000 (the outstanding loan balance was HK\$100,000,000 as at 30 June 2015);
- (v) combined documentary credits in the amount of HK\$25,000,000 (there was no outstanding balance as at 30 June 2015); and

MANAGEMENT DISCUSSION AND ANALYSIS

- (vi) treasury products facility with a notional amount of HK\$47,619,048 (there was no outstanding balance as at 30 June 2015).

Under 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\$7,692,000 as at 30 June 2015.

The following specific performance obligations are imposed on the controlling shareholders of the Company under 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\$119,500,000 as at 30 June 2015);
- (ii) another term loan facility for an amount up to HK\$150,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK\$120,000,000 as at 30 June 2015);
- (iii) revolving loan facilities for a total amount of HK\$200,000,000 (the outstanding loan balances were HK\$200,000,000 as at 30 June 2015); and
- (iv) other term loan facilities with outstanding balances of approximately HK\$11,985,000 as at 30 June 2015 (fully repayable in 2017).

MANAGEMENT DISCUSSION AND ANALYSIS

The following specific performance obligations are imposed on the controlling shareholders of the Company under 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, a subsidiary 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 2015); and
- (ii) a term loan facility for an amount up to US\$4,000,000 with a repayment period of 3 years after drawdown (the outstanding loan balance was US\$4,000,000 as at 30 June 2015).

Pursuant to 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.

SHARE OPTIONS

(a) The 2005 Share Option Scheme

The Company conditionally adopted a share option scheme on 20 April 2005 which became unconditional on 11 May 2005 (the "2005 Share Option Scheme"). The 2005 Share Option Scheme was effective for a period of 10 years commencing on 20 April 2005, and it expired on 19 April 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The share options which were previously issued under the 2005 Share Option Scheme and remain outstanding after the 2005 Share Option Scheme has expired will continue to be valid and exercisable during their respective prescribed exercisable periods. Movement of these share options during the six months ended 30 June 2015 is as follows:

	As at 1 January 2015	Exercised during the period	As at 30 June 2015	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
				HK\$	HK\$	HK\$
Executive directors						
Mr. Zhang Hwo Jie						
– Granted on 7 November 2012	16,000,000	(10,000,000)	6,000,000	0.69	0.69	2.33
Mr. Zhang Jian Hua						
– Granted on 7 November 2012	16,000,000	(10,000,000)	6,000,000	0.69	0.69	2.33
Mr. Zhang Yaohua						
– Granted on 7 November 2012	16,000,000	(10,000,000)	6,000,000	0.69	0.69	2.33
Independent non-executive directors						
Mr. Choy Tak Ho						
– Granted on 7 November 2012	300,000	(300,000)	–	0.69	0.69	2.33
– 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	2.33
– Granted on 26 April 2013	300,000	–	300,000	1.20	1.16	–
Mr. Lam Hiu Lo						
– Granted on 12 January 2013	300,000	(300,000)	–	1.16	1.172	2.33
– Granted on 26 April 2013	300,000	–	300,000	1.20	1.16	–
Employees of the Group						
In aggregate						
– Granted on 10 December 2008	5,940,200	(2,970,000)	2,970,200	0.165	0.175	2.38
– Granted on 2 October 2009	1,120,000	(920,000)	200,000	0.405	0.41	2.38
– Granted on 7 November 2012	86,570,000	(66,774,000)	19,796,000	0.69	0.69	2.42
– Granted on 26 April 2013	20,950,000	(9,140,000)	11,810,000	1.20	1.16	2.52
	<u>164,380,200</u>	<u>(110,704,000)</u>	<u>53,676,200</u>			

The fair value of the options granted on 10 December 2008, 2 October 2009, 7 November 2012 and 26 April 2013 with outstanding balances as at 30 June 2015 of 2,970,200 options, 200,000 options, 37,796,000 options and 12,710,000 options were HK\$142,000, HK\$17,000, HK\$9,581,000 and HK\$4,923,000 respectively. The fair value of 300,000 options granted on 12 January 2013 which were fully exercised during the six months ended 30 June 2015 was HK\$118,000. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	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%

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

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

% of the options granted

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

MANAGEMENT DISCUSSION AND ANALYSIS

(b) The 2015 Share Option Scheme

As the 2005 Share Option Scheme expired on 19 April 2015, the Board proposed to adopt a new share option scheme (the “2015 Share Option Scheme”) to replace the 2005 Share Option Scheme. The 2015 Share Option Scheme became effective on 21 May 2015, the date on which it was approved by the shareholders in the annual general meeting of the Company that was held on the same day.

No share option was granted under the 2015 Share Option Scheme since its adoption.

The following is a summary of the 2015 Share Option Scheme:

1. *Purpose of the 2015 Share Option Scheme:*

The purpose of the 2015 Share Option Scheme is to provide the eligible participants with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group by granting options to them as incentives or rewards.

2. *Participants of the 2015 Share Option Scheme:*

- a. employees of the Group (whether full-time or part-time);
- b. directors (including executive directors, non-executive directors and independent non-executive directors) of the Group;
- c. substantial shareholders of each member of the Group;
- d. associates of directors or substantial shareholders of the Group;
- e. the trustees of any trust pre-approved by the Board and the beneficiaries (or in case of discretionary trust, the discretionary objects) of which include any of the above-mentioned persons; and
- f. business associates including (i) any adviser or consultant (in the areas of technical, financial or corporate management) to any member of the Group; (ii) any provider of goods and/or services to the Group; or (iii) any customer of the goods and/or services of the Group who, at the sole determination of the Board, is not a competitor of the Group and has contributed to the development and expansion of the Group and/or whose contribution to the future development and expansion of the Group is desired.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Total number of shares available for issue under the 2015 Share Option Scheme and the percentage of issued share capital as at the date of this report:*

Pursuant to the terms of the 2015 Share Option Scheme, the maximum number of shares in respect of which options may be granted thereunder must not exceed 186,405,180 shares, representing 10% of the Company's issued share capital as at the date of this report, unless the Company obtains a fresh approval from its shareholders. However, the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's shares in issue from time to time.

4. *Maximum entitlement of each participant under the 2015 Share Option Scheme:*

The total number of shares issued and to be issued upon the exercise of options granted and to be granted to each participant (including both exercised and outstanding options) in any period of twelve consecutive months shall not exceed 1% of the Company's shares in issue. Any further grant of options in excess of this limit must be subject to shareholders' approval in general meeting at which the relevant participant and his associates must abstain from voting.

5. *The period within which shares must be taken up under an option:*

Commencing from the date of grant of an option and ending on such date as the Board may determine in granting the option but in any event not exceeding ten years from the date of grant.

6. *The minimum period for which an option must be held before it can be exercised:*

An eligible participant to whom an option is granted is required to satisfy all the conditions (including any performance target if required to be achieved) imposed by the Board before he may exercise any of his options.

7. *The amount payable on application or acceptance of the option and the period within which payments must be made:*

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer may be accepted in respect of less than the number of shares for which it is offered provided that it is accepted in a board lot for dealing in the Company's shares on The Stock Exchange of Hong Kong Limited or an integral multiple thereof. An offer is open for acceptance within 21 days from the date of offer provided that no offer shall be open for acceptance after the expiry of the scheme period or after the 2015 Share Option Scheme has been terminated.

MANAGEMENT DISCUSSION AND ANALYSIS

8. *The basis of determining the exercise price:*

The exercise price shall be determined by the Board and such price shall at least be the highest of: (i) the nominal value of the Company's shares; (ii) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited on the date of offer, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of offer.

9. *The remaining life of the 2015 Share Option Scheme:*

The 2015 Share Option Scheme is valid and effective for a period of 10 years. It commenced on 21 May 2015 and will expire on 20 May 2025.

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

As at 30 June 2015, 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 register 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:

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives	Total interests	Approximate percentage of interest in the Company as at 30 June 2015
				(Note 1)		
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	6,000,000	693,442,000	37.20%
Mr. Zhang Jian Hua	–	664,000	–	6,000,000	6,664,000	0.36%
Mr. Zhang Yaohua	–	15,780,000	156,000	6,000,000	21,936,000	1.18%
Mr. Choy Tak Ho	–	–	–	300,000	300,000	0.02%
Mr. Leung Tai Chiu	–	2,200,000	–	300,000	2,500,000	0.13%
Mr. Lam Hiu Lo	–	–	–	300,000	300,000	0.02%

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.
- Mr. Zhang Hwo Jie holds 38% of the entire issued capital of Prosper Empire Limited, which was interested in 36.04% of the entire issued capital of the Company as at 30 June 2015. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

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

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 30 June 2015
Mr. Zhang Hwo Jie	Personal interests	38%
Mr. Zhang Jian Hua	Personal interests	29%
Mr. Zhang Yaohua	Personal interests	33%

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO are as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	671,750,000	-	671,750,000	36.04%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	6,000,000	693,442,000	37.20%
The Capital Group Companies, Inc.	Investment manager (Note 2)	111,548,000	-	111,548,000	5.98%
Templeton Investment Counsel, LLC	Investment manager	106,655,000	-	106,655,000	5.72%
Capital Research and Management Company	Investment manager (Note 2)	111,548,000	-	111,548,000	5.98%
Capital Group International, Inc.	Investment manager (Note 2)	111,548,000	-	111,548,000	5.98%

Notes:

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 671,750,000 shares of the Company held by Prosper Empire Limited.
2. The corporate substantial shareholder notice filed by The Capital Group Companies, Inc. indicated that:
 - (i) 28,580,000 shares of the Company were held by Capital Guardian Trust Company ("Capital Guardian");
 - (ii) 56,560,000 shares of the Company were held by Capital International, Inc. ("Capital Inc.");
 - (iii) 250,000 shares of the Company were held by Capital International Limited ("Capital Limited"); and
 - (iv) 26,158,000 shares of the Company were held by Capital International Sarl ("Capital Sarl").

Each of Capital Guardian, Capital Inc., Capital Limited and Capital Sarl was wholly-owned by Capital Group International, Inc. ("Capital Group"), which was in turn wholly-owned by Capital Research and Management Company ("Capital Research"). Capital Research was wholly-owned by The Capital Group Companies, Inc.

Accordingly, each of Capital Group, Capital Research and The Capital Group Companies, Inc. was deemed to be interested in the shares held by Capital Guardian, Capital Inc., Capital Limited and Capital Sarl.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASES, SALE AND REDEMPTION OF THE SHARES

On 15 January 2015, the Company, Prosper Empire Limited (the “Vendor”) and RHB OSK Securities Hong Kong Limited (the “Placing Agent”) entered into a placing agreement pursuant to which the Placing Agent agreed to place up to an aggregate of 70,000,000 shares of the Company at a price of HK\$1.94 per share (the “Placing Price”) to not less than six independent professional institutional investors under a top-up placing. The Placing Price represented (i) a discount of 7.18% to the closing price of HK\$2.09 per share as quoted on The Stock Exchange of Hong Kong Limited on 15 January 2015; (ii) a discount of approximately 4.90% to the average of the closing prices of approximately HK\$2.04 per share as quoted on The Stock Exchange of Hong Kong Limited for the last five consecutive trading days up to and including 15 January 2015; and (iii) a discount of approximately 1.37% to the average of the closing prices of approximately HK\$1.967 per share as quoted on The Stock Exchange of Hong Kong Limited for the last ten consecutive trading days up to and including 15 January 2015. The Placing Price was arrived at after arm’s length negotiations between the Company, the Vendor and the Placing Agent with reference to the market condition and the price performance of the shares the Company.

On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for 70,000,000 new shares of the Company (the “Subscription Shares”) at HK\$1.94 per share which was equivalent to the Placing Price. The 70,000,000 Subscription Shares represented approximately 4.16% of the then existing issued share capital of the Company and approximately 3.99% of the Company’s issued share capital as enlarged by the issue of the Subscription Shares. The actual number of Subscription Shares was the same as the number of shares successfully placed under the placing agreement entered into on 15 January 2015, which was 70,000,000 shares. The Subscription Shares were issued on 28 January 2015.

The directors considered that it was beneficial to the Group and the shareholders of the Company as a whole to raise capital by way of the aforesaid placing and subscription as it would broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the shares of the Company in the market. The net proceeds from the subscription of the Subscription Shares were approximately HK\$131,269,000, or HK\$1.88 per share, and were intended to be applied by the Company for the continuing expansion of its existing business and general working capital purposes. As at the date of this report, the total net proceeds had been utilised for their intended purposes.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares during the six months ended 30 June 2015 and up to the date of this 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.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board declared an interim dividend of HK2.0 cents per ordinary share, totaling HK\$37,281,000 for the six months ended 30 June 2015 to eligible shareholders whose names appear on the register of members of the Company on Monday, 14 September 2015. The interim dividend will be payable in cash on or about Monday, 21 September 2015.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Wednesday, 9 September 2015 to Monday, 14 September 2015, both days inclusive, during which period no shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 8 September 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 2015.

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 2015.

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. The audit committee comprises the three independent non-executive directors with Mr. Leung Tai Chiu as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2015.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 25 August 2015



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