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

(Incorporated with limited liability in the Cayman Islands)
(Stock Code: 838)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2018 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

		Unaudited Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**1,724,694**	1,516,472
Cost of sales	*5*	**(1,295,375)**	(1,103,871)
Gross profit		**429,319**	412,601
Other income		**18,954**	4,469
Other (losses)/gains – net		**(4,451)**	707
Selling and marketing costs	*5*	**(106,861)**	(84,504)
General and administrative expenses	*5*	**(270,778)**	(231,652)
Operating profit		**66,183**	101,621
Finance income	*6*	**5,826**	3,398
Finance costs	*6*	**(22,074)**	(16,807)
Share of profits of associates		**614**	1,794
Profit before income tax		**50,549**	90,006
Income tax expense	*7*	**(4,462)**	(13,529)
Profit for the period		**46,087**	76,477

		Unaudited Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Revaluation loss on available-for-sale financial assets		**–**	(112)
– Currency translation differences		**23,520**	16,556
– Release of exchange reserve from disposal of asset held for sale		**–**	866
Items that will not be reclassified subsequently to profit or loss			
– Revaluation loss on financial assets at fair value through other comprehensive income		**(103)**	–
Total comprehensive income for the period		**69,504**	93,787
Profit for the period attributable to:			
– Equity holders of the Company		**46,087**	75,389
– Non-controlling interests		**–**	1,088
		46,087	76,477
Total comprehensive income for the period attributable to:			
– Equity holders of the Company		**69,504**	92,580
– Non-controlling interests		**–**	1,207
		69,504	93,787
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**2.6**	4.2
– diluted	*8*	**2.5**	4.1

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	**Unaudited 30 June 2018 *HK$'000***	Audited 31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,760,953**	1,742,601
Investment property under development		**143,739**	120,490
Leasehold land and land use rights		**228,897**	228,737
Goodwill		**2,510**	2,510
Investments in associates		**68,785**	65,441
Available-for-sale financial assets		**–**	98,972
Financial assets at fair value through other comprehensive income		**113,562**	–
Prepayments, deposits and other receivables		**467,001**	196,252
		2,785,447	2,455,003
Current assets			
Inventories		**444,613**	381,662
Trade receivables	*10*	**886,018**	854,917
Prepayments, deposits and other receivables		**290,419**	273,709
Restricted bank deposits		**81,157**	82,295
Short-term bank deposits		**332,743**	196,382
Cash and cash equivalents		**1,257,727**	1,305,823
		3,292,677	3,094,788
		3,292,677	3,094,788
LIABILITIES			
Current liabilities			
Trade payables	*11*	**840,322**	818,753
Contract liabilities		**58,310**	–
Accruals and other payables		**192,778**	310,197
Bank borrowings		**1,517,162**	1,297,507
Finance lease liabilities		**4,741**	5,210
Current income tax liabilities		**9,102**	13,263
		2,622,415	2,444,930

	Note	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
Net current assets		**670,262**	649,858
Total assets less current liabilities		**3,455,709**	3,104,861
Non-current liabilities			
Bank borrowings		**779,723**	406,271
Finance lease liabilities		**349**	2,482
Deferred taxation		**23,486**	23,798
		803,558	432,551
Net assets		**2,652,151**	2,672,310
EQUITY			
Capital and reserves			
Share capital		**172,901**	179,384
Reserves		**2,479,250**	2,492,926
Total equity		**2,652,151**	2,672,310

Note:

1 BASIS OF PRESENTATION

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy.

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 have 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue by the Board of Directors on 23 August 2018. The condensed consolidated interim financial information has not been audited.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2018.

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

(a) Relevant new standards and amendments to existing standards effective for the financial year beginning 1 January 2018

		Effective for accounting periods beginning on or after
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarification to HKFRS15	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2.1 below.

		Effective for accounting periods beginning on or after
Annual Improvements Projects HKFRS 1 and HKAS 28	Annual Improvements 2014 – 2016 Cycle	1 January 2018
HKFRS 1 (Amendments)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

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

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HKAS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

Impact of HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$125,418,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's financial performance and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on financial information

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening of the interim condensed consolidated balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Condensed consolidated interim balance sheet (extract)	Audited 31 December 2017 As originally presented *HK$'000*	Unaudited HKFRS 9 *HK$'000*	 HKFRS 15 *HK$'000*	 1 January 2018 Restated *HK$'000*
Non-current assets				
Available-for-sale ("AFS") financial assets	98,972	(98,972)	–	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	98,972	–	98,972
Current liabilities				
Other payables and accruals	310,197	–	(50,695)	259,502
Contract liabilities	–	–	50,695	50,695

(b) HKFRS 9, Financial Instruments – Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Note 2.1 (c) below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as AFS financial assets in other comprehensive income.

The impact of the reclassification is as follows:

	Unaudited	
	AFS financial assets	**Financial assets at FVOCI**
	HK$'000	*HK$'000*
Closing balance 31 December 2017 – HKAS 39	98,972	–
Reclassify investments from AFS financial assets to financial assets at FVOCI	(98,972)	98,972
Opening balance 1 January 2018 – HKFRS 9	–	98,972

The impact of change on the Group's equity is as follows:

	Unaudited	
	AFS reserve	**FVOCI reserve**
	HK$'000	*HK$'000*
Opening balance – HKAS 39	1,870	–
Reclassify reserve from AFS reserve to FVOCI reserve	(1,870)	1,870
Opening balance – HKFRS 9	–	1,870

The Group elected to present in statement of comprehensive income changes in the fair value of all its equity investments previously classified as AFS. As a result, assets with a fair value of HK$98,972,000 were reclassified from AFS financial asset to financial asset at FVOCI.

(ii) *Impairment of financial assets*

The Group has two types of financial assets that is subject to HKFRS 9's new expected credit loss model.

- Other receivables
- Trade receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each class of assets. While cash and cash equivalents, short-term bank deposits and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Other receivables

The impairment loss on other receivables was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 January 2018.

(c) HKFRS 9, Financial Instruments – Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies all its debt instruments as amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/ gains – net, together with foreign exchange gains and losses.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in the profit or loss, there is no subsequent reclassification of fair value gains and losses to other comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other (losses)/ gains, net" in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured in FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15, Revenue from Contracts with Customers – Impact of adoption

HKFRS 15 replaces the provision of HKAS 18 which resulted in changes in accounting policies that relate to timing of revenue recognition and presentations of contract liabilities.

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provision in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognise the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings on 1 January 2018. Thus the comparative figures have not been restated.

The new accounting policies are set out in note 2.1 (e) below. The impacts of the adoption of HKFRS 15 are as follows:

Timing difference of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognise revenue from sales of goods.

Presentation of contract liabilities

"Deposit from customers" which were preciously included in accruals and other payables, amounting to HK$50,695,000 as at 1 January 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

(e) ***HKFRS 15, Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018***

(i) *Sales of goods*

The Group manufactures metal stamping and plastic injection components and lathing components to its customers. The sales mainly consist of design and fabrication of metal stamping and plastic injection moulds, manufacturing of metal stamping and plastic injection components and lathing components.

Revenue is recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

3 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.

At 30 June 2018, the Group is organised into two main business segments:

(i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components ("Metal stamping");

(ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components ("Plastic injection").

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.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

The segment results and other segment items are as follows:

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	Metal stamping	**Plastic injection**	**Microcredit**	**Total**	Metal stamping	Plastic injection	Microcredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**1,064,136**	**921,421**	**–**	**1,985,557**	987,100	774,293	–	1,761,393
Inter-segment revenue	**(157,227)**	**(103,636)**	**–**	**(260,863)**	(114,599)	(130,322)	–	(244,921)
Revenue	**906,909**	**817,785**	**–**	**1,724,694**	872,501	643,971	–	1,516,472
Segment results	**35,424**	**34,734**	**1,208**	**71,366**	64,829	48,582	1,865	115,276
Unallocated expenses				**(4,569)**				(11,861)
Finance income				**5,826**				3,398
Finance costs				**(22,074)**				(16,807)
Profit before income tax				**50,549**				90,006
Income tax expense				**(4,462)**				(13,529)
Profit for the period				**46,087**				76,477
Share of gain/(loss) of associates	**(594)**	**–**	**1,208**	**614**	(71)	–	1,865	1,794
Depreciation	**82,726**	**30,852**	**–**	**113,578**	89,090	26,349	–	115,439
Amortisation	**2,389**	**461**	**–**	**2,850**	1,960	137	–	2,097

For the periods ended 30 June 2017 and 2018, unallocated expenses represent corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2018					As at 31 December 2017				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**4,166,728**	**1,838,756**	**49,399**	**23,241**	**6,078,124**	4,289,925	1,178,802	61,057	20,007	5,549,791
Liabilities	**675,753**	**414,598**	**–**	**2,335,622**	**3,425,973**	563,792	537,073	–	1,776,616	2,877,481

The segment capital expenditure is as follows:

	Six months ended 30 June 2018					Six months ended 30 June 2017				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	**94,560**	**46,247**	**–**	**–**	**140,807**	86,189	36,790	–	–	122,979

Segment assets consist primarily of certain property, plant and equipment, investment property under development, leasehold land and land use rights, goodwill, investments in associates, prepayments, deposits, certain other receivables, AFS financial assets or financial assets at FVOCI, inventories, trade receivables and cash and cash equivalents.

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

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

Revenue from external customers by country, based on the destination of the customer and non-current assets, other than financial instruments and deferred income tax assets are as follows:

Revenues by geographical region

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,649,239**	**75,455**	**–**	**1,724,694**	1,493,519	22,953	–	1,516,472

Non-current assets by geographical region

	30 June 2018				31 December 2017			
Total non-current assets	**2,482,009**	**195,222**	**108,216**	**2,785,447**	2,225,683	179,775	49,545	2,455,003
Total segment assets	**5,673,539**	**283,685**	**120,900**	**6,078,124**	5,237,385	246,800	65,606	5,549,791

Segment assets and liabilities are reconciled to Group's assets and liabilities at 30 June 2018 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**6,054,883**	**1,090,351**
Unallocated:		
Cash and cash equivalents	**18,106**	**–**
Other receivables	**5,135**	**–**
Current income tax liabilities	**–**	**9,102**
Deferred taxation	**–**	**23,486**
Bank borrowings	**–**	**2,296,885**
Accruals and other payables	**–**	**6,149**
Total	**6,078,124**	**3,425,973**

Segment assets and liabilities are reconciled to Group's assets and liabilities at 31 December 2017 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	5,529,784	1,100,865
Unallocated:		
Cash and cash equivalents	16,574	–
Other receivables	3,433	–
Current income tax liabilities	–	13,263
Deferred taxation	–	23,308
Bank borrowings	–	1,703,778
Accruals and other payables	–	36,267
Total	5,549,791	2,877,481

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

During the six months ended 30 June 2018, the aggregated revenue from the top three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$651,255,000 (For the six months ended 30 June 2017: top three customers; HK$612,486,000).

4 REVENUE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**101,104**	109,495
Manufacturing of metal stamping components	**746,826**	697,839
Manufacturing of lathing components	**48,557**	50,849
Design and fabrication of plastic injection moulds	**31,851**	38,913
Manufacturing of plastic injection components	**781,995**	601,706
Others (Note)	**14,361**	17,670
	1,724,694	1,516,472

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

5 OPERATING PROFIT

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	
	2018	2017
	HK$'000	*HK$'000*
Raw material used	**841,577**	743,837
Production overhead costs (excluding labour and depreciation expenses)	**145,989**	101,938
Staff costs, including directors' emoluments and share option costs		
– Retirement benefit – defined contribution plans	**24,136**	17,697
– Share option granted	**6,181**	3,440
– Others	**383,131**	300,643
Depreciation of property, plant and equipment	**113,578**	115,439
Amortisation of leasehold land and land use rights	**2,850**	2,097
Provision for inventory obsolescence	**1,152**	5,027

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**5,826**	3,398
Finance costs		
Interest expense on:		
Bank borrowings	**27,817**	18,300
Finance lease liabilities	**89**	247
	27,906	18,547
Less: interest expenses capitalised	**(5,832)**	(1,740)
	22,074	16,807

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**–**	324
– Mainland China enterprise income tax	**12,758**	15,092
Over-provision in prior years	**(7,984)**	(2,475)
Deferred income tax	**(312)**	588
	4,462	13,529

(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 2018 (2017: 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% (2017: 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, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, EVA Precision Industrial (Zhongshan) Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the periods ended 30 June 2017 and 2018.

(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.

The subsidiary operating in Vietnam during the period is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group does not have any taxable profit for the period ended 30 June 2018 after offsetting losses in prior years.

Provision for income taxes in other jurisdiction is based on the assessable profit of the relevant subsidiaries and the applicable tax rates.

8 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	
	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**46,087**	75,389
Weighted average number of ordinary shares in issue ('000)	**1,750,552**	1,806,536
Basic earnings per share (HK cents per share)	**2.6**	4.2

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	
	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**46,087**	75,389
Weighted average number of ordinary shares in issue ('000)	**1,750,552**	1,806,536
Adjustment for share options ('000)	**99,791**	36,104
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,850,343**	1,842,640
Diluted earnings per share (HK cents per share)	**2.5**	4.1

9 DIVIDEND

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Proposed interim dividend of HK0.85 cent (2017: HK1.27 cent) per ordinary share	**14,678**	22,942

10 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 2018	31 December 2017
	HK$'000	*HK$'000*
0 to 90 days	**711,847**	775,066
91 to 180 days	**175,359**	81,039
	887,206	856,105
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**886,018**	854,917

The top five customers and the largest customer accounted for 29.8% (31 December 2017: 30.3%) and 9.9% (31 December 2017: 9.5%), respectively, of the trade receivables balance as at 30 June 2018. 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 2018, no additional provision was recorded for its trade receivables (30 June 2017: nil).

11 TRADE PAYABLES

The aging of trade payables is as follows:

	As at	
	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
0 to 90 days	**499,676**	561,260
91 to 180 days	**340,646**	257,493
	840,322	818,753

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

During the first half of 2018, the changes in international political environment cast significant uncertainties over the global economic environment. During the period, the trade and tariff disputes between the United States and China weakened the investment sentiment in the business community, and created uneasiness among the majority of manufacturers in China, particularly those with high reliance on exporting to the United States. As a result of the uncertainties caused by the trade and tariff disputes, most companies are becoming more cautious in their business development and investment plans.

However, despite the unfavourable external environment, the Group's revenue growth during the period remained unaffected, thanks to its unique customer profile and sensible business strategies. Over the years, the Group has focused on serving internationally renowned office automation ("OA") equipment customers. These customers have an international production network, and have established assembly plants in different countries around the world. Currently, the Group's industrial parks in China supply moulds, components and semi-finished products to the assembly plants of its OA equipment customers in China. After the finished products are completed in the customers' assembly plants, they are sold domestically in China or to other countries around the world, which may include the United States. However, the Group has been informed by its OA equipment customers that should the trade dispute between the United States and China escalate, they can reorganise their internal production logistics whereby the production of those products that are currently carried out in China and targeted at the United States market will be transferred to assembly plants in other countries such as the Southeast Asia. At the same time, the production of those products that are currently carried out in other countries such as the Southeast Asia and targeted at markets outside the United States will be transferred to China, leaving the total volume of production in China substantially unchanged. By having a unique customer base which comprises internationally renowned customers with flexible worldwide production network, the Group's exposure to the United States-China trade dispute is greatly mitigated.

With a view to diversifying its business and driving revenue growth, the Group has adopted a strategy of expanding from its previous focus on just OA equipment to devoting more resources to other high growth markets, with particular attention given to the huge automobile sector in China, since a few years ago. As most of the cars manufactured in China are sold within China and are rarely sold to the United States, it is unlikely that the Group's business in the automobile sector will be affected by the United States-China trade dispute. The Group also embarked on overseas expansion a few years ago, and completed the construction of an industrial park in Haiphong, Vietnam back in 2016 which had already commenced production operations. It is also in the process of constructing another new industrial park in San Luis Potosí, Mexico. Accordingly, despite the uncertainties caused by the United States-China trade dispute, the Group recorded turnover growth during the six months ended 30 June 2018.

As mentioned in the Group's 2017 annual report, Fuji Xerox, one of the major customers of the Group, announced a plan to merge with Xerox in January 2018. However, the proposed merger was subsequently terminated in May 2018 due to opposition from Xerox's shareholders. Despite this, our long-standing business partnership with Fuji Xerox, which has been our customers for more than 15 years, remained unaffected and the Group continued to see great business potentials in the OA equipment sector. In particular, the Group was invited by Hewlett-Packard, a new OA equipment customer of the Group, to establish a new industrial park in Weihai, Shandong Province to serve their existing assembly plant there. The new Weihai industrial park has a land area of approximately 349,000 square metres and a planned floor area (phase one) of 79,000 square metres. Construction started in early 2018 and production is scheduled to commence in the second half of 2019. In addition, as the production demand from Hewlett-Packard in Weihai was imminent, the Group acquired a component manufacturer named Intops (Weihai) Electronics Co., Ltd. ("Intops") at the end of December 2017 to accelerate our development in Weihai and better serve Hewlett-Packard. The Group had also rented a temporary factory in Weihai to serve Hewlett-Packard before the new self-constructed Weihai industrial park is completed. Both Intops and the rented factory in Weihai started to contribute revenue to the Group in the first half of 2018. As Hewlett-Packard is one of the largest companies in the OA equipment sector, the Group sees enormous growth potentials for the new Weihai industrial park upon completion.

At the same time, the Group has seen rapidly growing demand for its industrial park located at Haiphong, Vietnam. Accordingly, the Group is in the process of constructing phase two of the Vietnam industrial park. The new phase two of the Vietnam industrial park has a planned floor area of approximately 46,000 square metres and is scheduled for production before the end of 2018. Upon completion of the phase two construction, the Vietnam industrial park will have adequate capacity to cope with the increasing demand from its existing customers, which primarily consist of OA equipment companies, and to develop new customers in other high growth sectors such as the high end consumer electronics sector in Vietnam.

During the period, the Group was also in the process of constructing a new automobile industrial park in San Luis Potosí, Mexico. The new Mexico industrial park was built at the invitation of one of the Group's existing automobile customers in China, which is a multi-national corporation engaging in the production of automobile seats, interiors and exhaust systems, for the purpose of serving their existing plants in Mexico. The new Mexico industrial park has a land area of approximately 83,000 square metres, and its development is divided into phases. Phase one is planned to have a floor area of approximately 17,000 square metres and is scheduled for completion by the end of 2018. At present, San Luis Potosí is one of the major automobile production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler, Brose and Faurecia, have established production plants either locally or in the adjacent states. Therefore, apart from the orders from the said existing customer, an enormous demand exists for the Group's automobile products and the Group sees robust growth potentials for the new Mexico industrial park upon completion.

In China, we continued to strengthen our business relationships with reputable automakers such as Dongfeng, Changan Suzuki, Great Wall and GAC Changfeng (Leopaard) Motor. During the period, the Group also continued to devote efforts to widen the customer base of its automobile business line by developing more in-depth relationships with internationally renowned tier-one suppliers in the automobile industry such as Faurecia, Brose, Yamada, Webasto and F-tech, which have already become our customers, and other tier-one suppliers which are our target customers. These tier-one suppliers are leaders in their respective product fields, and their products are sold to different automakers. Therefore, they have a huge and stable production demand which is less affected by the sales performance of a single car model. Positive feedback and increasing sales orders were received from these tier-one suppliers, which drove the growth of revenue of our automobile business line in China for the six months ended 30 June 2018.

In recent years, the Chinese government has made conscious efforts to transform China from a low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency. As a result, a lot of local high technology companies have emerged in China in recent years, which has created many new opportunities for the Group in the smart device and high end consumer electronics markets. With a view to benefiting from the swift development in the technology sector, the Group had made an investment of approximately HK$14,693,000 into a start-up company engaging in clean water technology during the period.

During the period, the Group's turnover increased by 13.7% to HK$1,724,694,000, which was primarily attributable to increasing orders from new and existing customers, and the revenue contribution from the Group's new production operations in Weihai. However, gross profit margin for the period decreased to 24.9%. This was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the period which diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations. Further, a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Accordingly, the appreciation in Renminbi exchange rate during the first half of 2018 as compared to the corresponding period last year led to an increase in various operating expenses of the Group. During the period, the Group's new Weihai business incurred an initial loss of HK$8,522,000, and there was an increase in share option costs to HK$6,181,000 (1H2017: HK$3,440,000) which was caused by the issuance of new share options to directors and employees in November 2017. Coupled with an increase in finance costs to HK$22,074,000 (1H2017: HK$16,807,000) as a result of higher borrowings and market interest rates, the Group's net profit decreased by 38.9% to HK$46,087,000.

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, 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 with high potentials which can add to our existing portfolio. Investment decisions are made after comprehensive consideration of various factors such as the business viabilities and potential returns of the projects, legal and regulatory requirements and the financial capabilities of the Group. Investments are primarily made to projects which are related to the Group's principal businesses and, if such projects are not directly related to the Group's principal businesses, they should be of high growth potentials and the amount of investments will be limited. For investments required to be carried at fair values on the financial statements, they are valued by reference to recent transaction prices in arm's length transactions, net asset values or valuations determined by independent firms of professional valuers.

We have a philosophy of creating value to shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and the first half of 2018 is no exception. Further, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 67,072,000 shares from the market during the six months ended 30 June 2018 and in July 2018. 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			
	2018		2017	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**101,104**	5.9%	109,495	7.2%
Manufacturing of metal stamping components	**746,826**	43.3%	697,839	46.0%
Manufacturing of lathing components	**48,557**	2.8%	50,849	3.4%
Others *(Note 1)*	**10,422**	0.6%	14,318	0.9%
	906,909		872,501	
Plastic division				
Design and fabrication of plastic injection moulds	**31,851**	1.9%	38,913	2.6%
Manufacturing of plastic injection components	**781,995**	45.3%	601,706	39.7%
Others *(Note 1)*	**3,939**	0.2%	3,352	0.2%
	817,785		643,971	
Total	**1,724,694**		1,516,472	
Segment results				
Metal division	**35,424**		64,829	
Plastic division	**34,734**		48,582	
Micro lending business	**1,208**		1,865	
Operating profit	**71,366**		115,276	
Unallocated expenses	**(4,569)**		(11,861)	
Finance income	**5,826**		3,398	
Finance costs	**(22,074)**		(16,807)	
Income tax expense	**(4,462)**		(13,529)	
Non-controlling interests	**–**		(1,088)	
Profit attributable to equity holders of the Company	**46,087**		75,389	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover increased by 13.7% to HK$1,724,694,000, which was primarily attributable to increasing orders from new and existing customers, and the revenue contribution from the Group's new production operations in Weihai.

Gross profit

During the period, gross profit margin decreased to 24.9%, which was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the period which diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations.

Segment results

As mentioned above, the Group experienced a reduction in gross profit margin during the period. Further, a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Accordingly, an appreciation in Renminbi exchange rate in the first half of 2018 as compared to the corresponding period last year led to an increase in various operating expenses of the Group. During the period, the Group's new Weihai business incurred initial loss of HK$8,522,000, and there was an increase in share option costs to HK$6,181,000 (1H2017: HK$3,440,000) which was caused by the issuance of new share options to directors and employees in November 2017. Therefore, the operating profit margin of the Group's metal and plastic divisions decreased to 3.9% and 4.2% respectively.

Operating profit from the micro lending business for the six months ended 30 June 2018 represented the Group's share of 40% of the profit of the micro lending company through equity pick-up.

Finance income and costs

The majority of the Group's cash and bank deposits are denominated in Hong Kong and United States dollars. During the six months ended 30 June 2018, finance income increased as the interest rates from bank deposits in Hong Kong and United States dollars increased.

The Group's finance costs increased to HK$22,074,000, which was primarily caused by the increase in bank borrowings and finance lease liabilities during the period.

Income tax expense

During the period, income tax expense amounted to HK$4,462,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 8.8%, which decreased as compared to that in 1H2017. It was because the Group received tax refunds of HK$7,984,000 from the tax authorities in China during the period.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company decreased to HK$46,087,000, which was primarily caused by the reduction in gross profit margin and increase in operating expenses as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2018, the Group's net cash generated from operating activities decreased to HK$14,506,000 (first half of 2017: HK$203,107,000), which was primarily caused by the reduction in profit and the increase in working capital requirements such as inventories and trade receivables to cope with the increase in turnover. During the period, the Group was in the process of setting up new industrial parks in Weihai and Mexico, and was also constructing phase two of the Vietnam industrial park. Therefore, the Group paid deposits and prepayments relating to capital expenditure which led to an increase in cash outflow from investing activities to HK$559,797,000 (first half of 2017: HK$236,905,000). To finance the capital expenditure, the Group drew new bank borrowings during the period and therefore recorded a net cash inflow from financing activities of HK$494,094,000 (first half of 2017: net cash outflow of HK$317,296,000).

Bank loans as at 30 June 2018 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratio

	30 June 2018	31 December 2017
Inventory turnover days *(Note 1)*	**62**	59
Debtors' turnover days *(Note 2)*	**93**	99
Creditors' turnover days *(Note 3)*	**117**	126
Cash conversion cycle *(Note 4)*	**38**	32
Current ratio *(Note 5)*	**1.26**	1.27
Net debt-to-equity ratio *(Note 6)*	**23.8%**	4.8%

(b) Profitability ratio

	Six months ended 30 June	
	2018	2017
Net profit margin *(Note 7)*	**2.7%**	5.0%
Return on shareholders' equity *(Note 8)*	**1.7%**	2.9%

Notes:

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the period.

2. Calculation of debtors' turnover days is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the period.

3. Calculation of creditors' turnover days is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the period.

4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.

5. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.

6. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances divided by shareholders' equity.

7. Net profit margin is based on profit attributable to equity holders of the Company divided by turnover.

8. Return on shareholders' equity is based on profit attributable to equity holders of the Company divided by shareholders' equity.

Inventory turnover days

The Group's inventory turnover days for the period was comparable to that for the year ended 31 December 2017.

Debtors' and creditors' turnover days

The Group's debtors' turnover days for the period improved slightly to 93 days, which was primarily due to the Group's stringent credit control. Creditors' turnover days for the period decreased to 117 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the period.

Current ratio and net debt-to-equity ratio

The Group's current ratio as at 30 June 2018 was comparable to that as at 31 December 2017. Net debt-to-equity ratio as at 30 June 2018 increased to 23.8%, which was caused by the increase in borrowings to finance the construction of the Group's new industrial parks in Weihai and Mexico, and phase two of the Vietnam industrial park.

Net profit margin and return on shareholders' equity

The reduction in the Group's net profit margin and return on shareholders' equity was caused by the decrease in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2018, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	20.5%	4.0%
US dollars	47.9%	56.9%
Renminbi	29.3%	38.9%
Other currencies	2.3%	0.2%

A majority of the Group's customers in both China and Vietnam are reputable international brand owners with worldwide distribution networks. At the same time, a substantial portion of the Group's suppliers in both China and Vietnam are international metal and plastic material producers designated by the Group's customers. Accordingly, approximately 68.4% of the Group's sales and 60.9% of its raw material purchases were made in Hong Kong dollars and US dollars (which are pegged) during the period. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies.

Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations. In addition, it is currently planned that the Group's new industrial parks in Weihai, China and Mexico will target at serving international office automation equipment and automobile customers respectively, and will purchase raw materials from international suppliers designated by such customers. Accordingly, it is expected that the majority of sales and raw material purchases of the Group's new industrial parks in Weihai and Mexico will be denominated in US dollars.

At present, although the Group endeavours to transact sales and raw material purchases in matching currencies, the percentage of the Group's raw material purchases in Renminbi is still larger than the percentage of its sales in Renminbi due to the Group's substantial production operations in China. At the same time, a substantial portion of the Group's operating expenses are denominated in Renminbi. However, management is of the view that the exchange rate risk is not high because Renminbi is unlikely to resume a long-term appreciation trend in a foreseeable future. Going forward, management will continue to evaluate the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

HUMAN RESOURCES

During the period, the total number of the Group's employees increased from 8,015 employees as at 31 December 2017 to 8,648 employees as at 30 June 2018. This was primarily caused by the Group's new production business in Weihai, which included the takeover of the business operations and headcount of Intops (Weihai) Electronics Co., Ltd. by the Group since January 2018. Excluding the headcount of the new Weihai production business, the Group's headcount in other regions was 7,794 employees as at 30 June 2018.

The Group considers its employees, in particular the skilled engineers and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' 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 are 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 participate. 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.

As at 30 June 2018, the average length of services of the Group's employees below and above manager grade was 2.1 years and 7.4 years respectively.

OUTLOOK

As of today, the trade and tariff disputes between the United States and China are still ongoing, and we are not yet in a position to ascertain the final impact of the trade and tariff disputes on the global economy. However, we are confident that the Group is well positioned to weather any negative outcome from the trade and tariff disputes as the Group possesses a unique customer base comprising multi-national corporations with flexible worldwide production network which can replace their current China's export to the United States with export to other countries. Further, the Group made a right decision a few years ago to expand into the China's automobile sector, a huge market which primarily sold domestically. Although the Group's performance was temporarily affected by the initial loss incurred by the new Weihai business and the appreciation in Renminbi exchange rate during the period, profitability is likely to improve as production ramps up in Weihai, and taking into account the fact that Renminbi started to depreciate since mid-June 2018. Accordingly, we remain confident about the Group's prospect.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, 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$5,439,000 for securing mortgage loan and (ii) mortgage of equipment under finance lease liabilities with net book amount of HK$14,277,000 for securing finance lease liabilities.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2018, the Company repurchased its 64,832,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the six months ended 30 June 2018 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
January 2018	19,000,000	1.25	1.21	23,675
February 2018	17,000,000	1.20	1.17	20,206
March 2018	4,312,000	1.20	1.18	5,155
April 2018	18,320,000	1.21	1.19	22,064
May 2018	6,200,000	1.21	1.21	7,502
	64,832,000			78,602

Subsequent to 30 June 2018, the Company repurchased its 2,240,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 July 2018 up to the date of this announcement. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 30 June 2018 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
July 2018	2,240,000	0.89	0.84	1,973

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

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 2018 and up to the date of this announcement.

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.

DIVIDEND

The Board declared an interim dividend of HK0.85 cent per ordinary share, totaling HK$14,678,000 for the six months ended 30 June 2018 to eligible shareholders whose names appear on the register of members of the Company on Tuesday, 11 September 2018. The interim dividend will be payable in cash on Wednesday, 19 September 2018.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Friday, 7 September 2018 to Tuesday, 11 September 2018, 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 Thursday, 6 September 2018.

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 (the "Listing Rules"). Having made specific enquiry of all directors, the Company reported that all directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2018.

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 Listing Rules during the six months ended 30 June 2018.

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 Listing Rules, 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 2018.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 23 August 2018

As at the date of this announcement, the Board comprises three executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice Chairman) and Mr. Zhang Yaohua (Chief Executive Officer) and three independent non-executive directors, being Mr. Choy Tak Ho, Mr. Leung Tai Chiu and Mr. Lam Hiu Lo.