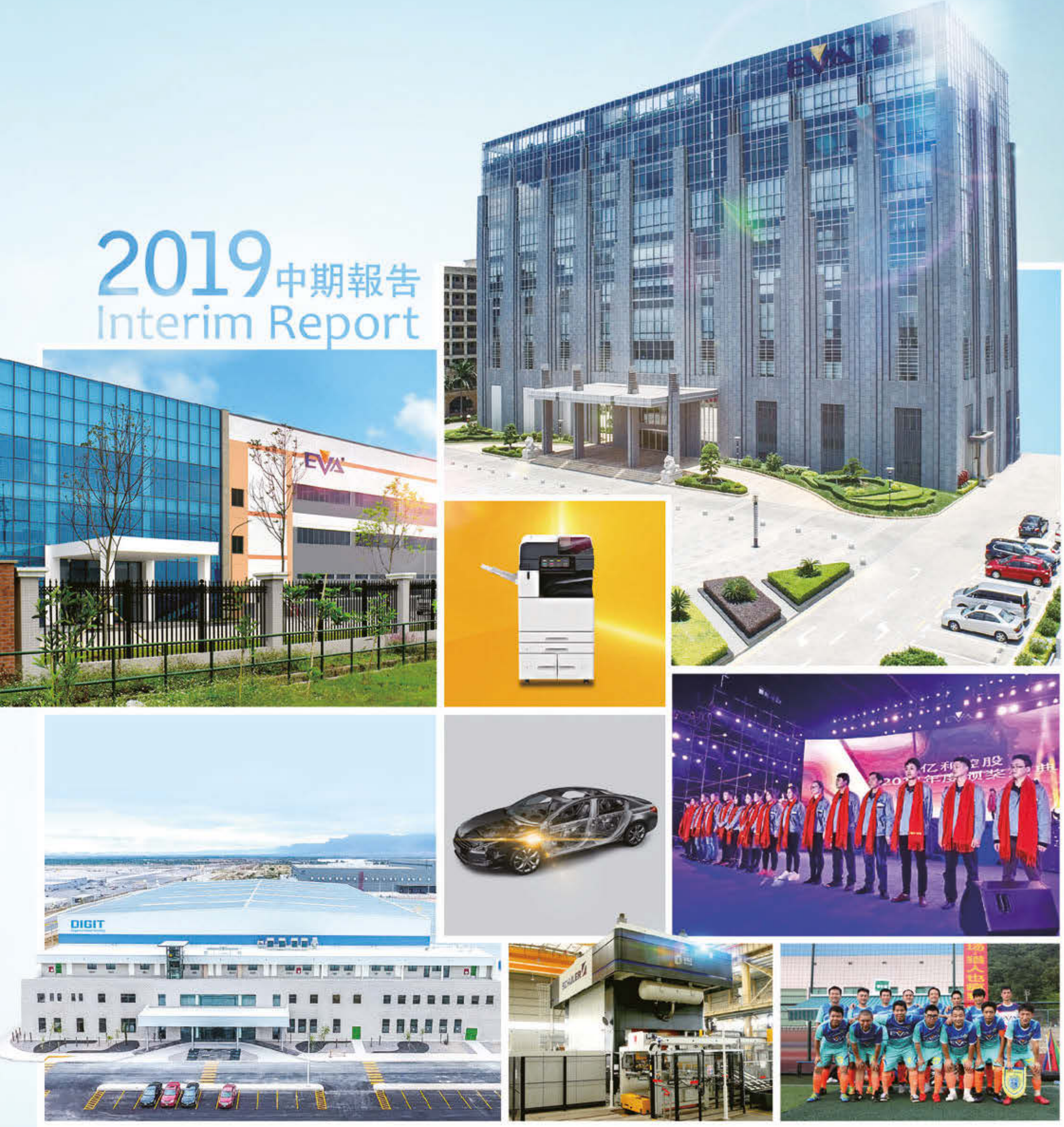
EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(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)

2019中期報告
Interim Report



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
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
China Construction Bank Corporation, Hong Kong Branch

Mainland China

Industrial and Commercial Bank of China
Hankou Bank

LEGAL ADVISOR

MinterEllison LLP

AUDITOR

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 2019

	Note	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,034,564**	2,017,140
Right-of-use assets	16	**399,408**	–
Investment property under development	7	**172,311**	156,003
Leasehold land and land use rights	7	**–**	238,778
Goodwill	8	**2,510**	2,510
Investments in associates	9	**56,260**	63,043
Financial assets at fair value through other comprehensive income	11	**106,063**	105,851
Prepayments, deposits and other receivables	10	**39,924**	104,498
		2,811,040	2,687,823
Current assets			
Inventories		**506,860**	445,241
Trade receivables	12	**919,511**	989,599
Prepayments, deposits and other receivables	10	**245,087**	248,506
Restricted bank deposits		**26,910**	51,563
Short-term bank deposits		**23,520**	174,169
Cash and cash equivalents		**1,341,789**	1,111,046
		3,063,677	3,020,124
LIABILITIES			
Current liabilities			
Trade payables	13	**823,501**	838,136
Contract liabilities		**91,346**	68,493
Accruals and other payables	14	**214,592**	230,448
Bank borrowings	15	**1,255,758**	1,348,580
Lease liabilities	16	**18,581**	–
Finance lease liabilities		**–**	2,482
Current income tax liabilities		**8,824**	10,842
		2,412,602	2,498,981

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	**Unaudited 30 June 2019 HK$'000**	Audited 31 December 2018 HK$'000
Net current assets		**651,075**	521,143
Total assets less current liabilities		**3,462,115**	3,208,966
Non-current liabilities			
Bank borrowings	15	**724,655**	597,253
Lease liabilities	16	**97,787**	–
Deferred taxation	17	**22,898**	23,210
		845,340	620,463
Net assets		**2,616,775**	2,588,503
EQUITY			
Capital and reserves			
Share capital	18	**172,785**	172,944
Reserves	20	**2,443,990**	2,415,559
Total equity		**2,616,775**	2,588,503

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 2019

	Note	**Unaudited Six months ended 30 June 2019 HK$'000**	2018 HK$'000
Revenue	6	**1,782,589**	1,724,694
Cost of sales	22	**(1,365,953)**	(1,295,375)
Gross profit		**416,636**	429,319
Other income	21	**32,750**	18,954
Other losses – net	21	**(7,615)**	(4,451)
Selling and marketing costs	22	**(107,203)**	(106,861)
General and administrative expenses	22	**(266,767)**	(270,778)
Operating profit		**67,801**	66,183
Finance income	23	**13,241**	5,826
Finance costs	23	**(35,619)**	(22,074)
Share of (losses)/profits of associates	9	**(4,301)**	614
Profit before income tax		**41,122**	50,549
Income tax expense	24	**(6,064)**	(4,462)
Profit for the period		**35,058**	46,087
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(1,084)**	23,520
Items that will not be reclassified subsequently to profit or loss			
– Revaluation gain/(loss) on financial assets at fair value through other comprehensive income		**212**	(103)
Total comprehensive income for the period		**34,186**	69,504
Profit for the period attributable to equity holders of the Company		**35,058**	46,087
Total comprehensive income for the period attributable to equity holders of the Company		**34,186**	69,504
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	25	**2.0**	2.6
– diluted	25	**2.0**	2.5

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 2019

	Unaudited		
	Attributable to equity holders of the Company		
	Share capital HK$'000 (Note 18)	Reserves HK$'000 (Note 20)	Total HK$'000
Balance at 1 January 2019	172,944	2,415,559	2,588,503
Comprehensive income			
Profit for the period	–	35,058	35,058
Other comprehensive income/(loss)			
Revaluation gain on financial assets at fair value through other comprehensive income	–	212	212
Currency translation differences	–	(1,084)	(1,084)
Total comprehensive income for the period	–	34,186	34,186
Transactions with owners			
Dividend paid	–	(10,885)	(10,885)
Employee share option scheme: value of employee services	–	6,143	6,143
Repurchase of shares	(159)	(1,013)	(1,172)
	(159)	(5,755)	(5,914)
Balance at 30 June 2019	172,785	2,443,990	2,616,775

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 2019

	Unaudited		
	Attributable to equity holders of the Company		
	Share capital HK$'000 (Note 18)	Reserves HK$'000 (Note 20)	Total HK$'000
Balance at 1 January 2018	179,384	2,492,926	2,672,310
Comprehensive income			
Profit for the period	–	46,087	46,087
Other comprehensive income/(loss)			
Revaluation loss on financial assets at fair value through other comprehensive income	–	(103)	(103)
Currency translation differences	–	23,520	23,520
Total comprehensive income for the period	–	69,504	69,504
Transactions with owners			
Dividend paid	–	(17,242)	(17,242)
Employee share option scheme: value of employee services	–	6,181	6,181
Repurchase of shares	(6,483)	(72,119)	(78,602)
	(6,483)	(83,180)	(89,663)
Balance at 30 June 2018	172,901	2,479,250	2,652,151

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 2019

	Note	**Unaudited Six months ended 30 June 2019 HK$'000**	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations		**234,953**	39,689
Interest received		**13,241**	5,826
Interest paid		**(35,619)**	(22,074)
Income tax paid		**(8,394)**	(8,935)
Net cash generated from operating activities		**204,181**	14,506
Cash flows from investing activities			
Purchases of property, plant and equipment		**(91,222)**	(119,688)
Addition of investment property under development		**(16,944)**	(20,551)
Prepayments for property, plant and equipment and land use rights		**(36,329)**	(240,474)
Proceeds from sales of property, plant and equipment		**9,100**	832
Upfront payment of lease payments		**(36,261)**	–
Addition of an financial asset at fair value through other comprehensive income		**–**	(14,693)
Decrease/(increase) in short-term bank deposits		**150,649**	(136,361)
Decrease in restricted bank deposits		**24,653**	1,138
Net cash generated from/(used in) investing activities		**3,646**	(559,797)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited Six months ended 30 June	
	Note	**2019 HK$'000**	2018 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**553,524**	1,213,750
Repayments of borrowings		**(518,944)**	(621,210)
Repayments of principal element of lease payments (2018: Repayments capital element of finance lease liabilities)		**(3,093)**	(2,602)
Repurchase of shares		**(1,172)**	(78,602)
Dividends paid		**(10,885)**	(17,242)
Net cash generated from financing activities		**19,430**	494,094
Net increase/(decrease) in cash and cash equivalents		**227,257**	(51,197)
Cash and cash equivalents at the beginning of the period		**1,111,046**	1,305,823
Exchange gains on cash and cash equivalents		**3,486**	3,101
Cash and cash equivalents at the end of the period		**1,341,789**	1,257,727

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 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 is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue on 27 August 2019.

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 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2019, which are described below.

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

3 ACCOUNTING POLICIES (CONTINUED)

(a) Relevant new standards, amendments to existing standards and interpretation effective for the financial year beginning 1 January 2019

HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle
HK(IFRIC) 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16 is disclosed in Note 3.1 below. Except this, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the 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 2019 and have not been early adopted

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	To be determined

There are no standards and amendments that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustments recognised on the adoption of HKFRS 16

On adoption of HKFRS 16, as a lessee, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.88%.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	125,265
Discounted using the lessee's incremental borrowing rate of at the date of initial application	84,470
Add: finance lease liabilities recognised as at 31 December 2018	2,482
(Less): short-term leases recognised on a straight-line basis as expense	(286)
Lease liability recognised as at 1 January 2019	86,666
Of which are:	
Current lease liabilities	10,835
Non-current lease liabilities	75,831
	86,666

	1 January 2019 HK$'000
Lease liabilities – Plant and machinery	2,482
Lease liabilities – Factory and office premises	84,184
	86,666

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

Leasehold land and land use rights previously presented as a separate item on the consolidated statement of financial position is also grouped as part of right-of-use assets with effect from 1 January 2019.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 HK$'000	1 January 2019 HK$'000
Leasehold land and land use rights	**235,539**	238,778
Land under finance lease	**6,199**	6,461
Plant and machinery under finance lease	**78,429**	11,990
Factory and office premises	**79,241**	84,184
Total right-of-use assets	**399,408**	341,413

The change in accounting policies affected the following items in the statement of financial position on 1 January 2019, whereby leasehold land and land use rights decreased by HK$238,778,000, property, plant and equipment decreased by HK$18,451,000, right-of-use assets increased by HK$341,413,000, finance lease liabilities decreased by HK$2,482,000 and lease liabilities increased by HK$86,666,000. There was no impact on retained earnings on 1 January 2019.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

(i) Impact on segment disclosures and earnings per share

Segment results, segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Increase in segment results	**Increase in segment assets**	**Increase in segment liabilities**
	HK$'000	HK$'000	HK$'000
Metal stamping	540	39,422	39,848
Plastic injection	546	39,819	40,248
Total	1,086	79,241	80,096

Earnings per share decreased by approximately HK0.1 cent per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(a) *Adjustments recognised on the adoption of HKFRS 16* (Continued)

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 "Determining whether an Arrangement contains a Lease".

(b) *The Group's leasing activities and how these are accounted for*

The Group leases various properties, plant and machineries. Rental contracts are typically made for fixed periods of 2 to 11 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but certain lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable (if any);
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3 ACCOUNTING POLICIES (CONTINUED)

3.1 Changes in accounting policies (Continued)

(b) The Group's leasing activities and how these are accounted for (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 expense. 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 annual financial statements for the year ended 31 December 2018, except for the impact from the changes in accounting policies as disclosed in Note 3.1.

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 2018.

There have been no changes in any risk management policies since 31 December 2018 except for liquidity risk which is disclosed in note (b) below.

(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. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 30 June 2019					
Bank borrowings	**1,255,758**	**281,662**	**442,993**	**–**	**1,980,413**
Lease liabilities	**18,581**	**18,660**	**32,620**	**46,507**	**116,368**
Interest payables	**44,856**	**30,208**	**23,488**	**8,926**	**107,478**
Trade payables	**823,501**	**–**	**–**	**–**	**823,501**
Other payables	**138,678**	**–**	**–**	**–**	**138,678**
At 31 December 2018					
Bank borrowings	1,348,580	250,180	347,073	–	1,945,833
Finance lease liabilities	2,482	–	–	–	2,482
Interest payables	35,560	19,949	5,904	–	61,413
Trade payables	838,136	–	–	–	838,136
Other payables	135,524	–	–	–	135,524

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**110,044**	101,104
Manufacturing of metal stamping components	**685,654**	746,826
Manufacturing of lathing components	**43,469**	48,557
Design and fabrication of plastic injection moulds	**37,829**	31,851
Manufacturing of plastic injection components	**885,062**	781,995
Others (Note)	**20,531**	14,361
	1,782,589	1,724,694

The Group derives all revenue from the sales of goods at a point in time.

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.

At 30 June 2019, 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 profit 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.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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 2019				Six months ended 30 June 2018			
	Metal stamping HK$'000	**Plastic injection HK$'000**	**Microcredit HK$'000**	**Total HK$'000**	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Total HK$'000
Total gross segment revenue	**1,041,547**	**1,051,914**	**-**	**2,093,461**	1,064,136	921,421	–	1,985,557
Inter-segment revenue	**(185,840)**	**(125,032)**	**-**	**(310,872)**	(157,227)	(103,636)	–	(260,863)
Revenue	**855,707**	**926,882**	**-**	**1,782,589**	906,909	817,785	–	1,724,694
Segment results	**31,126**	**40,298**	**(4,138)**	**67,286**	35,424	34,734	1,208	71,366
Unallocated expenses				**(3,786)**				(4,569)
Finance income				**13,241**				5,826
Finance costs				**(35,619)**				(22,074)
Profit before income tax				**41,122**				50,549
Income tax expense				**(6,064)**				(4,462)
Profit for the period				**35,058**				46,087
Share of gain/(loss) of associates	**(163)**	**-**	**(4,138)**	**(4,301)**	(594)	–	1,208	614
Depreciation	**75,830**	**35,122**	**-**	**110,952**	82,726	30,852	–	113,578
Amortisation	**-**	**-**	**-**	**-**	2,389	461	–	2,850

For the periods ended 30 June 2018 and 2019, unallocated expenses represent corporate expenses.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	As at 30 June 2019					As at 31 December 2018				
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000
Assets	3,779,609	2,027,080	55,867	12,161	5,874,717	4,349,705	1,291,384	49,400	17,458	5,707,947
Liabilities	739,342	504,278	-	2,014,322	3,257,942	613,267	523,721	-	1,982,456	3,119,444

The segment capital expenditure is as follows:

	Six months ended 30 June 2019					Six months ended 30 June 2018				
	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000	Metal stamping HK$'000	Plastic injection HK$'000	Microcredit HK$'000	Unallocated HK$'000	Total HK$'000
Capital expenditure	114,667	49,010	-	-	163,677	94,560	46,247	-	-	140,807

Segment assets consist primarily of certain property, plant and equipment, investment property under development, right-of-use assets, goodwill, investments in associates, prepayments, deposits, certain other receivables, financial assets at fair value through other comprehensive income ("FVOCI"), inventories, trade receivables and cash and cash equivalent.

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 and investment property under development.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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 2019				Six months ended 30 June 2018			
	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	**1,654,195**	**125,684**	**2,710**	**1,782,589**	1,649,239	75,455	–	1,724,694

Non-current assets by geographical region

	As at 30 June 2019				As at 31 December 2018			
	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
Total segment non-current assets	**2,318,438**	**257,163**	**235,439**	**2,811,040**	2,295,019	247,718	145,086	2,687,823
Total segment assets	**5,205,308**	**409,976**	**259,433**	**5,874,717**	5,069,204	419,045	219,698	5,707,947

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 30 June 2019 as follows:

	Assets HK$'000	**Liabilities HK$'000**
Segment assets/liabilities	**5,862,556**	**1,243,620**
Unallocated:		
Cash and cash equivalents	**9,801**	**–**
Other receivables	**2,360**	**–**
Current income tax liabilities	**–**	**8,824**
Deferred taxation	**–**	**22,898**
Bank borrowings	**–**	**1,980,413**
Accruals and other payables	**–**	**2,187**
Total	**5,874,717**	**3,257,942**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2018 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	5,690,489	1,136,988
Unallocated:		
Cash and cash equivalents	15,029	–
Other receivables	2,429	–
Current income tax liabilities	–	10,842
Deferred taxation	–	23,210
Bank borrowings	–	1,945,833
Accruals and other payables	–	2,571
Total	5,707,947	3,119,444

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 2019, the aggregated revenue from the top three customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$684,565,000 (For the six months ended 30 June 2018: Top three customers; HK$651,255,000).

7 CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Investment property under development HK$'000	Leasehold land and land use rights HK$'000
Opening net book amount at 1 January 2019	**2,017,140**	**156,003**	**238,778**
Changes in accounting policies (Note 3.1)	**(18,451)**	**–**	**(238,778)**
Restated net book amount at 1 January 2019	**1,998,689**	**156,003**	**–**
Additions	**146,733**	**16,944**	**–**
Disposals	**(9,515)**	**–**	**–**
Depreciation/amortisation charge	**(100,158)**	**–**	**–**
Exchange difference	**(1,185)**	**(636)**	**–**
Closing net book amount at 30 June 2019	**2,034,564**	**172,311**	**–**
Opening net book amount at 1 January 2018	1,742,601	120,490	228,737
Additions	119,688	20,551	568
Disposals	(712)	–	–
Depreciation/amortisation charge	(113,578)	–	(2,850)
Exchange difference	12,954	2,698	2,442
Closing net book amount at 30 June 2018	1,760,953	143,739	228,897

7 CAPITAL EXPENDITURE (CONTINUED)

The fair value measurement information for the investment property under development in accordance with HKFRS 13 are given below.

	Significant unobservable inputs (Level 3)	
	30 June 2019	31 December 2018
	HK$'000	HK$'000
Investment property under development	**172,311**	156,003

Investment properties under development which have fair value measurement using significant unobservable inputs (Level 3).

Land and buildings with a net book amount of HK$5,176,000 (31 December 2018: HK$5,280,000 were pledged as collateral for the Group's borrowings (Note 15).

8 GOODWILL

	Goodwill
	HK$'000
At 1 January 2019 and 30 June 2019	**2,510**
At 1 January 2018 and 31 December 2018	2,510

9 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
At 1 January	**63,043**	65,441
Share of (loss)/profits	**(4,301)**	614
Exchange difference	**(2,482)**	2,730
At 30 June	**56,260**	68,785

The assets, liabilities and results of Shenzhen Jinggong Microcredit Limited, which are material to the Group, are shown below:

	Six months ended 30 June 2019
	HK$'000
Assets	**151,600**
Liabilities	**(11,932)**
Revenue	**12,345**
(Loss)	**(10,345)**
Percentage held	**40%**

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
Non-current		
Deposits for purchases of property, plant and equipment	**36,329**	100,896
Others	**3,595**	3,602
	39,924	104,498
Current		
Consideration receivables from disposal of subsidiaries (Note)	**4,829**	5,761
Prepayments for purchases of raw materials	**53,117**	56,943
VAT recoverable	**86,073**	84,187
Prepayment of utilities expenses	**558**	879
Receivables from employees and staff advances (Note)	**6,555**	7,121
Deposits placed with customs in Mainland China	**1,225**	3,838
Receivables from the then subsidiaries (Note)	**65,077**	79,865
Amount due from associates	**15,041**	3,168
Others	**12,612**	6,744
	245,087	248,506

Note: Consideration receivables from disposal of subsidiaries, receivables from employees and staff advances, and receivables from the then subsidiaries are unsecured, non-interest bearing and denominated in Renminbi ("RMB").

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**106,063**	105,851

The fair value of the equity securities was determined by reference to recent transaction prices in arm's length transactions or valuation determined by an independent firm of professional valuers. The fair values are within level 3 of the fair value hierarchy.

The financial assets at FVOCI are denominated in RMB.

Movement of the financial assets at FVOCI is as follows:

	Six months ended 30 June	
	2019 HK$'000	2018 HK$'000
At 1 January	**105,851**	98,972
Additions	**–**	14,693
Revaluation gain/(loss) transferred to other comprehensive income	**212**	(103)
At 30 June	**106,063**	113,562

12 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 180 days.

The aging of the trade receivables based on invoice date is as follows:

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
0 to 90 days	**748,433**	830,915
91 to 180 days	**172,266**	159,872
	920,699	990,787
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**919,511**	989,599

The top five customers and the largest customer accounted for 31.3% (31 December 2018: 30.2%) and 10.7% (31 December 2018: 9.7%), respectively, of the trade receivables balance as at 30 June 2019. 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 2019, no additional provision was recorded for its trade receivables (30 June 2018: nil).

13 TRADE PAYABLES

The aging of trade payables is based on invoice date as follows:

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
0 to 90 days	**538,731**	510,521
91 to 180 days	**284,770**	327,615
	823,501	838,136

14 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Payables for purchase of property, plant and equipment	**77,377**	70,658
Accrued wages, salaries and welfare	**66,472**	87,145
Payable for acquisition of subsidiaries	**26,144**	26,221
Accrued utilities expenses	**4,556**	3,927
Accrued operating expenses	**4,885**	3,852
Other payables	**35,158**	38,645
	214,592	230,448

15 BANK BORROWINGS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Current		
Short-term bank loans	**900,690**	983,000
Portion of long-term loans from banks due for repayment within one year	**354,840**	365,160
Mortgage loan, current portion	**228**	420
	1,255,758	1,348,580
Non-current		
Portion of long-term loans from banks due for repayment after one year	**724,655**	597,235
Mortgage loan, non-current portion	**–**	18
	724,655	597,253
Total bank borrowings	**1,980,413**	1,945,833

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

As at 31 December 2018 and 30 June 2019, all bank borrowings bore floating interest rates.

15 BANK BORROWINGS (CONTINUED)

The Group's bank borrowings are repayable as follows:

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
Within 1 year	**1,255,758**	1,348,580
Between 1 and 2 years	**281,662**	250,180
Between 2 and 5 years	**442,993**	347,073
	1,980,413	1,945,833

Bank borrowings were denominated in below currencies:

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
HK$	**1,974,723**	1,945,833
Renminbi	**5,690**	–
	1,980,413	1,945,833

As at 31 December 2018 and 30 June 2019, 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 2019	December 2018	**June 2019**	December 2018	**June 2019**	December 2018
HK$	**3.94%**	2.6%	**4.35%**	3.14%	**2.4%**	2.4%
Renminbi	**5.22%**	–	**–**	–	**–**	–

As at 30 June 2019, the Group has undrawn floating rate borrowing facilities of approximately HK$627,142,000 (31 December 2018: HK$571,519,000).

As at 30 June 2019, land and buildings with a carrying amount of HK$5,176,000 (31 December 2018: HK$5,280,000) were pledged as collateral for the Group's borrowings.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balances recognised in the condensed consolidated interim statement of financial position

Right-of-use assets

	Leasehold land and land use rights HK$'000	Land under finance lease HK$'000	Plant and machinery under finance lease HK$'000	Factory and office premises HK$'000	Total HK$'000
Balance at 1 January 2019	–	–	–	–	–
Changes in accounting policies (Note 3.1)	238,778	6,461	11,990	84,184	341,413
Restated balance at 1 January 2019	238,778	6,461	11,990	84,184	341,413
Additions	–	–	69,056	–	69,056
Depreciation (Note 22)	(3,003)	(262)	(2,586)	(4,943)	(10,794)
Exchange differences	(236)	–	(31)	–	(267)
Balance at 30 June 2019	235,539	6,199	78,429	79,241	399,408

Lease liabilities

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Current portion	**18,581**	–
Non-current portion	**97,787**	–
	116,368	–
Lease liabilities – Plant and machinery	**36,272**	–
Lease liabilities – Factory and office premises	**80,096**	–
	116,368	–

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Amounts recognised in the condensed consolidated interim income statement

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Depreciation of right-of-use assets	**10,794**	–
Unwinding of interests on lease liabilities	**2,239**	–
Operating lease rental for short-term and low-value leases	**322**	–

The total cash outflow of leases for the six months ended 30th June 2019 was approximately HK$41,915,000.

(c) The Group's leasing activities

The Group leases various buildings, machineries and equipment. Rental contracts are typically made for fixed periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but certain lease liabilities are effectively guaranteed as the right to the leased assets revert to the lessors in the event of default. As at 30 June 2019, the net book amount of the secured right-of-use assets was approximately HK$78,429,000 (31 December 2018: HK$11,990,000).

17 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	As at	
	30 June 2019 HK$'000	31 December 2018 HK$'000
Deferred income tax liabilities:		
Deferred income tax liability to be recovered after more than 12 months	**22,274**	22,720
Deferred income tax liability to be recovered within 12 months	**624**	490
	22,898	23,210

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 2019	**18,081**	**5,129**	**23,210**
Credited to profit or loss	**(312)**	**–**	**(312)**
At 30 June 2019	**17,769**	**5,129**	**22,898**
At 1 January 2018	18,669	5,129	23,798
Credited to profit or loss	(312)	–	(312)
At 30 June 2018	18,357	5,129	23,486

18 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousand)	Share capital HK$'000
At 1 January 2019	**1,729,442**	**172,944**
Cancellation of shares	**(1,590)**	**(159)**
At 30 June 2019	**1,727,852**	**172,785**
At 1 January 2018	1,793,844	179,384
Cancellation of shares	(64,832)	(6,483)
At 30 June 2018	1,729,012	172,901

Notes:

(a) During the six months ended 30 June 2019, no ordinary shares were issued upon exercise of options under the share options scheme (For the six months ended 30 June 2018: nil).

(b) In December 2018 and January 2019, the Company repurchased a total of 1,590,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.66 to HK$0.81 per share for a total consideration, before expenses, of approximately HK$1,172,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 21 May 2018. The repurchased shares were cancelled during the six months ended 30 June 2019. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares, and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

(c) During the six months ended 30 June 2018, the Company repurchased a total of 64,832,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.17 to HK$1.25 per share for a total consideration, before expenses, of approximately HK$78,602,000.

19 SHARE OPTION SCHEME

In 2005, the Company adopted a share option scheme ("2005 Share Option Scheme"). Under the 2005 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.

In 2015, the Company adopted a share option scheme ("2015 Share Option Scheme"). Under the 2015 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 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.

19 SHARE OPTION SCHEME (CONTINUED)

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

	Six months ended 30 June			
	2019		2018	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
At 1 January		**137,550**		140,480
Exercised		**–**	–	–
At 30 June		**137,550**		140,480

Share options outstanding at 30 June 2019 and 30 June 2018 have the following expiry dates and exercise prices:

		Number of share options	
Expiry date	**Exercise price per share**	**As at 30 June 2019** '000	**As at 30 June 2018** '000
19 November 2018	HK$0.175	–	2,930
1 October 2019	HK$0.41	200	200
7 July 2021	HK$0.692	67,050	67,050
4 November 2024	HK$1.10	70,300	70,300
		137,550	140,480

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 RESERVES

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Exchange reserve HK$'000	FVOCI reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 31 December 2018	1,075,586	(735)	178,752	37,905	25,082	(88,330)	(5,944)	1,193,243	2,415,559
Profit for the period	-	-	-	-	-	-	-	35,058	35,058
Other comprehensive income/(loss)									
– Translation differences	-	-	-	-	-	(1,084)	-	-	(1,084)
– Revaluation gain on financial assets at FVOCI	-	-	-	-	-	-	212	-	212
Dividend paid	-	-	-	-	-	-	-	(10,885)	(10,885)
Employee share option scheme: value of employee services	-	-	-	-	6,143	-	-	-	6,143
Capital redemption reserve arising from repurchase of shares	-	-	-	159	-	-	-	(159)	-
Repurchase of shares	(1,013)	-	-	-	-	-	-	-	(1,013)
Balance at 30 June 2019	1,074,573	(735)	178,752	38,064	31,225	(89,414)	(5,732)	1,217,257	2,443,990

20 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve(i) HK$'000	Statutory reserves(ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Exchange reserve HK$'000	FVOCI reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2018	1,149,201	(735)	159,947	31,180	12,897	(29,498)	1,870	1,168,064	2,492,926
Profit for the period	–	–	–	–	–	–	–	46,087	46,087
Other comprehensive income/(loss)									
– Translation differences	–	–	–	–	–	23,520	–	–	23,520
– Revaluation loss on financial assets at FVOCI	–	–	–	–	–	–	(103)	–	(103)
Dividend paid	–	–	–	–	–	–	–	(17,242)	(17,242)
Reclass exchange reserve from FVOCI reserve	–	–	–	–	–	405	(405)	–	–
Employee share option scheme: value of employee services	–	–	–	–	6,181	–	–	–	6,181
Capital redemption reserve arising from repurchase of shares	–	–	–	6,483	–	–	–	(6,483)	–
Repurchase of shares	(72,119)	–	–	–	–	–	–	–	(72,119)
Balance at 30 June 2018	1,077,082	(735)	159,947	37,663	19,078	(5,573)	1,362	1,190,426	2,479,250

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 2019, no transfer of statutory reserves has been made from the Group's profit for the period (for the period ended 30 June 2018: 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.

21 OTHER INCOME AND OTHER LOSSES – NET

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Other income		
Government grants	**31,567**	17,301
Others	**1,183**	1,653
	32,750	18,954
Other losses – net		
(Losses)/gains on disposal of property, plant and equipment	**(415)**	120
Net exchange losses	**(7,200)**	(4,571)
	(7,615)	(4,451)

22 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Raw materials used	**904,708**	841,577
Production overhead costs (excluding labour and depreciation expenses)	**154,682**	145,989
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**383,582**	353,072
– Staff welfare	**33,852**	30,059
– Retirement benefit – defined contribution plans	**14,003**	24,136
– Share option granted	**6,144**	6,181
Depreciation		
– Property, plant and equipment	**100,158**	113,578
– Right-of-use assets	**10,794**	–
Amortisation of leasehold land and land use rights	**–**	2,850
Provision for inventory obsolescence	**3,363**	1,152

23 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**13,241**	5,826
Finance costs		
Interest expense on:		
Bank borrowings	**39,402**	27,817
Finance lease liabilities	**–**	89
Lease liabilities – Plant and machinery	**297**	–
Lease liabilities – Factory and office premises	**1,942**	–
	41,641	27,906
Less: interest expenses capitalised	**(6,022)**	(5,832)
	35,619	22,074

24 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**–**	–
– Mainland China enterprise income tax	**13,349**	12,758
Over-provision in prior years	**(6,973)**	(7,984)
Deferred income tax	**(312)**	(312)
	6,064	4,462

(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 2019 (2018: 16.5%).

24 INCOME TAX EXPENSE (CONTINUED)

(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% (2018: 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, Zhongshan Digit Automotive Technology 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 2018 and 2019.

(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.

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

25 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	
	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**35,058**	46,087
Weighted average number of ordinary shares in issue ('000)	**1,728,026**	1,750,552
Basic earnings per share (HK cents per share)	**2.0**	2.6

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	
	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**35,058**	46,087
Weighted average number of ordinary shares in issue ('000)	**1,728,026**	1,750,552
Adjustment for share options ('000)	**7,849**	99,791
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,735,875**	1,850,343
Diluted earnings per share (HK cents per share)	**2.0**	2.5

26 DIVIDEND

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Proposed interim dividend of HK0.65 cent (2018: HK0.85 cent) per ordinary share	**11,230**	14,678

27 CAPITAL COMMITMENTS

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

	As at	
	30 June 2019	31 December 2018
	HK$'000	HK$'000
Contracted but not provided for		
– Construction of buildings	**64,831**	156,527
– Purchase of plant and machinery	**62,593**	106,940
	127,424	263,467

28 RELATED-PARTY TRANSACTIONS

Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owns 38.88% of the Company's shares as at 30 June 2019 (31 December 2018: 38.84%).

(a) Key management compensation

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Salaries and allowances	**15,580**	13,040
Share-based payment	**4,524**	4,555
Retirement benefits – defined contribution plan	**36**	36
	20,140	17,631

SIGNIFICANT EVENTS AND DEVELOPMENT

Throughout the first half of 2019, the trade dispute between the United States and China showed no sign of settlement and continued to create significant uncertainties over the global economic outlook. However, the Group's revenue for the same period recorded an increase, which was attributable to the Group's unique customer profile and sensible business strategies. Over the years, the Group has focused on serving internationally renowned office automation ("OA") equipment customers, which possess a worldwide production network and have established assembly plants in different countries around the world. Since 2018, these OA equipment customers have embarked on reorganising their internal production logistics whereby the production of those products that were carried out in China and targeted at the United States market were transferred to assembly plants in other countries such as those in Southeast Asia. At the same time, the production of those products that were carried out in other countries such as those in Southeast Asia and targeted at markets outside the United States were transferred to China. Through such reorganisation, the total production volume of these OA equipment customers in China, and consequently our sales to their China assembly plants, remained substantially unaffected by the United States-China trade dispute.

Since a few years ago, the Group has started building up production facilities in overseas countries, and had established industrial parks in Vietnam and Mexico in 2016 and 2019 respectively. Further, the Group's automobile business in China primarily targets at the Chinese automobile market, and therefore it is unlikely for this business to be significantly affected by the United States-China trade dispute as most of the cars manufactured in China are sold within China and are rarely sold to the United States. Accordingly, the Group's turnover continued to grow in spite of the uncertainties brought by the United States-China trade dispute.

In recent years, multi-national corporations have been increasing their production investments in Southeast Asia particularly in Vietnam, and the Group's OA equipment customers are no exception. To cope with the burgeoning production demand in Vietnam, the Group had completed the construction of phase two of its Vietnam industrial park in the first half of 2019. The new phase two of the Vietnam industrial park, which has a floor area of 46,000 square metres, has provided the Group with additional capacity to cope with the rapidly increasing orders from its customers, a majority of which are the OA equipment customers who have established assembly plants in Vietnam. During the period, the Group's revenue from its Vietnam industrial park increased rapidly, a trend which we expect to continue into the rest of 2019 and the years after. Apart from the OA equipment sector, the Group's Vietnam industrial park can also develop new customers in other high growth sectors such as the high-end consumer electronics sector in Vietnam at a later stage, as Vietnam is also well known as one of the global manufacturing hubs for high-end consumer electronics products.

MANAGEMENT DISCUSSION AND ANALYSIS

In China, we have seen an accelerating trend of outsourcing from the Group's OA equipment customers. At present, the Group's OA equipment customers operate large-scale assembly plants in China, which purchase moulds and components from outside suppliers such as the Group. The Group was informed by its major OA equipment customers that they have long-term plans to gradually scale down their own production lines in China with a view to focusing more resources on product design and market development. As the first step of such long-term plans, these customers will select supplier with proven track record such as the Group and concentrate more of their purchases on the selected supplier. The customers will also get the selected supplier highly involved in their product design processes with a view to nurturing a supplier which can take up more of their internal production in the long-term. To capture this new business opportunity, the Group has recruited additional engineers and product design experts who will work closely with the customers' product design departments in Japan. Given this new business direction of the customers, the Group expects to see voluminous new orders from the OA equipment sector which are driven by accelerated outsourcing in China in the years ahead.

During the period, the Group continued the construction of a new industrial park in Weihai, China. 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, and is scheduled for production by the end of 2019. The new Weihai industrial park is built at the invitation of Hewlett-Packard ("HP"), one of the largest corporations in the OA equipment sector, as HP has informed the Group that their production scale in Weihai will expand significantly in the future. To cope with the imminent demand from HP, the Group acquired an existing component manufacturer and rented a temporary factory in Weihai last year to serve HP before the self-constructed Weihai industrial park is completed. During the period, these existing production facilities in Weihai recorded a notable increase in revenue, which was driven by the increasing orders from HP. As the production demand from HP in Weihai is voluminous, the Group is confident that the new self-constructed Weihai industrial park can deliver robust sales performance upon completion. Apart from HP, the new Weihai industrial park can also be used for serving other OA equipment customers in the future, since these customers have a plan to accelerate production outsourcing in China and increasing sales orders are expected from them as mentioned above.

The Group also completed the construction of a new industrial park in San Luis Potosí, Mexico for its automobile business. The new Mexico industrial park, which has a land area of 83,000 square metres and phase one floor area of 17,000 square metres, has now started trial production. The new Mexico industrial park was built at the invitation of one of the Group's existing automobile customers, which is an international leader in the production of automobile seats, interiors and exhaust systems, for the purpose of serving their existing plants in Mexico. Potential for sales orders from this customer in Mexico is huge. 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, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp, have 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 see robust growth potential for the new Mexico industrial park.

In China, the automobile market underwent a slowdown during the six months ended 30 June 2019. With a view to driving business growth, the Group made conscious efforts to add more customers into its automobile customer base in China during the period. Particular attention was given to internationally renowned tier-one suppliers in the automobile industry which have production plants in China. 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. At present, reputable tier-one suppliers which have already become our customers in China include Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-tech. At the same time, businesses with automakers were not ignored. During the period, the Group has successfully become a qualified supplier of Tesla, and moulds were sold to Tesla's overseas production facilities during the period. The Group has a plan to deepen its business relationship with Tesla after the construction of Tesla Gigafactory in China is completed. At the same time, the Group continued to supply high quality automobile moulds and components to other reputable automakers in China such as Dongfeng, Changan and SAIC-GM-Wuling during the period. Going forward, the Group will continue to devote substantial efforts to broaden its automobile customer base.

In recent years, the emergence of high technology industries in China creates a rapidly growing demand for highly sophisticated moulds and components. At the same time, the Chinese government has taken measures to nurture high quality local suppliers with a view to reducing the reliance on foreign suppliers for sophisticated moulds and components. This has created a lot of new business opportunities for the Group, as the Group is reputed for outstanding product quality and engineering expertise which are essential for producing high technology products. Therefore, the Group will also actively seek new manufacturing orders from the high technology sector in China.

Despite a lackluster economic environment brought by the United States-China trade dispute, the Group's turnover increased by 3.4% to HK$1,782,589,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period. Gross profit margin for the period decreased slightly to 23.4% (1H2018: 24.9%), as the newly completed Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margins at the initial stage of operations. During the period, the Group's new industrial park in Mexico incurred an initial loss of HK$9,150,000. In addition, there was a rise in market interest rates during the period, which resulted in an increase in finance costs to HK$35,619,000 (1H2018: HK$22,074,000). As a result, the Group's net profit decreased by 23.9% to HK$35,058,000.

During the period, the Group continued to devote substantial efforts on maintaining a healthy balance sheet. As at 30 June 2019, the Group's net debt-to-equity ratio was maintained at around the same level as last year, which was 23.9% (as at 31 December 2018: 23.6%) despite the capital expenditure used for the construction of the new Weihai industrial park. This was primarily because the Group was able to generate substantial cash flows through its business activities. Upon completion of the construction of the new Weihai industrial park, capital expenditure will slow down. Thereafter, the Group will use the cash flows generated from business activities to reduce its borrowing level, thereby improving the net debt-to-equity ratio and reducing the finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

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 potential 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 potential 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 policy at approximately 30% of net profit, and the first half of 2019 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 1,442,000 shares from the market during the six months ended 30 June 2019 and in July 2019. 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.

OUTLOOK

At present, the outcome of the United States-China trade dispute is still uncertain. Accordingly, the Group expects that the international political and economic environment will continue to be volatile. However, the Group remains confident about the development of China, and expects that the acceleration of production outsourcing in China by the OA equipment customers will bring about enormous business opportunities for the Group. At the same time, the Group will continue to devote substantial efforts to develop new customers with high potential in China's automobile and high technology sectors. The Group also made the right decision to expand into Vietnam and Mexico a few years ago, and therefore the Group can now benefit from the rapidly growing investments by multi-national corporations in these countries. Since July 2019, the market interest rates have started to show a downward trend, which will reduce the finance costs of the Group. Therefore, the Group is optimistic about its prospects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2019		2018	
	HK$'000		HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**110,044**	**6.2%**	101,104	5.9%
Manufacturing of metal stamping components	**685,654**	**38.5%**	746,826	43.3%
Manufacturing of lathing components	**43,469**	**2.4%**	48,557	2.8%
Others (Note 1)	**16,540**	**0.9%**	10,422	0.6%
	855,707		906,909	
Plastic division				
Design and fabrication of plastic injection moulds	**37,829**	**2.1%**	31,851	1.9%
Manufacturing of plastic injection components	**885,062**	**49.7%**	781,995	45.3%
Others (Note 1)	**3,991**	**0.2%**	3,939	0.2%
	926,882		817,785	
Total	**1,782,589**		1,724,694	
Segment results				
Metal division	**31,126**		35,424	
Plastic division	**40,298**		34,734	
Micro lending business	**(4,138)**		1,208	
Operating profit	**67,286**		71,366	
Unallocated expenses	**(3,786)**		(4,569)	
Finance income	**13,241**		5,826	
Finance costs	**(35,619)**		(22,074)	
Income tax expense	**(6,064)**		(4,462)	
Profit attributable to equity holders of the Company	**35,058**		46,087	

Note 1: Others mainly represented sales of scrap materials.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

During the period, the Group's turnover increased by 3.4% to HK$1,782,589,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period.

Gross profit

During the period, gross profit margin slightly decreased to 23.4% (1H2018: 24.9%). It was mainly because the Group's new industrial parks, namely, the new Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margins at the initial stage of operations.

Segment results

For the six months ended 30 June 2019, operating profit margin of the Group's metal division decreased slightly to 3.6% (1H2018: 3.9%). This was because the Group's new Mexico industrial park, which was included in metal division, incurred initial loss of HK$9,150,000 during the period. Operating profit margin of the plastic division was 4.3%, and was comparable to that for the same period last year (1H2018: 4.2%).

Operating loss from the micro lending business for the six months ended 30 June 2019 represented the Group's share of 40% of the loss 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 2019, 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$35,619,000, which was primarily because (i) market interest rates increased; and (ii) certain rental payments for factory and office premises of HK$1,942,000 (1H2018: nil) were deemed as interest expenses under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases" during the period.

Income tax expense

During the period, income tax expense amounted to HK$6,064,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the period was 14.7%, which increased as compared to that in the first half of 2018. It was because (i) tax refunds from the tax authorities in China decreased to HK$6,973,000 (1H2018: HK$7,984,000) during the period, and (ii) certain subsidiaries such as the Group's new Mexico industrial park, and the micro lending business incurred losses during the period. Such losses were not eligible for offsetting the taxable profits generated by other profitable companies within the Group.

Profit attributable to equity holders of the Company

During the period, profit attributable to equity holders of the Company decreased to HK$35,058,000, which was primarily caused by the reduction in operating profit and the increase in finance costs as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2019, the Group's net cash generated from operating activities increased to HK$204,181,000 (1H2018: HK$14,506,000), which was primarily due to the Group's efforts to control working capital requirements such as trade receivables and inventories. During the period, the Group's capital expenditure decreased and its short-term bank deposits with maturities of more than three months also decreased by HK$150,649,000. Therefore, the Group recorded net cash inflows from investing activities of HK$3,646,000 during the period (1H2018: net cash outflows of HK$559,797,000). Net increase in bank borrowings amounted to HK$34,580,000 for the period, which decreased significantly as compared to that of HK$592,540,000 in 1H2018. Therefore, the Group's net cash generated from financing activities decreased to HK$19,430,000 during the period (1H2018: HK$494,094,000).

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 30 June 2019 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), substantially all of the Group's borrowings as at 30 June 2019 were denominated in Hong Kong dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remains committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratio

	30 June 2019	31 December 2018
Inventory turnover days (Note 1 and 5)	**67**	56
Debtors' turnover days (Note 2 and 5)	**93**	99
Creditors' turnover days (Note 3 and 5)	**109**	106
Cash conversion cycle (Note 4 and 5)	**51**	49
Current ratio (Note 6 and 8)	**1.27**	1.21
Net debt-to-equity ratio (Note 7 and 8)	**23.9%**	23.6%

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Profitability ratio

	Six months ended 30 June	
	2019	2018
Net profit margin (Note 9 and 11)	**2.0%**	2.7%
Return on shareholders' equity (Note 10 and 11)	**1.3%**	1.7%

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. These ratios have a significant impact on the ability of the Group to generate cash flows from its operations. Therefore, they are selected as key financial performance indicators.

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

7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$80,096,000 as at 30 June 2019 (as at 31 December 2018: nil). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

8. These ratios reflect the Group's financial stability and its ability to pay its debts as they fall due. Therefore, they are selected as key financial performance indicators.

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

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

11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators. Ratios for the six months ended 30 June 2018 and 2019 were calculated using the half-year profit. Accordingly, these ratios are lower than the full-year ratios disclosed in the annual reports of the Group.

Inventory turnover days

The Group's inventory turnover days for the period was 67 days, which was higher than that for the year ended 31 December 2018. It was mainly because the Group's new industrial parks, namely, the new Mexico industrial park and phase two of the Vietnam industrial park, commenced operations during the period and had purchased inventories in preparation for the predicted increase in sales orders in the second half of 2019.

Debtors' and creditors' turnover days

Debtors' turnover days for the period improved to 93 days, which was primarily due to the Group's stringent credit control. Creditors' turnover days for the period increased to 109 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with longer credit periods during the period.

Current ratio and net debt-to-equity ratio

During the period, the Group obtained a long-term instalment loan to refinance certain of its short-term revolving loans. Accordingly, current liabilities as at 30 June 2019 decreased which resulted in a slight improvement in current ratio to 1.27 as at 30 June 2019. The Group's net debt-to-equity ratio as at 30 June 2019 was 23.9%, which was comparable to that as at 31 December 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. The Group adopts international best practices in the area of product quality management, and has been accredited with ISO9001 certification by the BSI Group since 2000. As at the date of this report, the Group was compliant with the latest version of the ISO9001 standards (i.e. the 2015 version). To strengthen our relationships with key customers, various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the period, the Group continued to implement various "Quality Control Circles" activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years, such as Fuji Xerox, Konica Minolta, Canon, Toshiba and Faurecia.

The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers. Our procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. When selecting suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing, market share assessment and recommendation from the customers. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

As at 30 June 2019, the Group's length of relationship with its five largest customers ranged from 2 years to more than 10 years, and the Group's length of relationship with its five largest suppliers was more than 10 years.

For the six months ended 30 June 2019, sales to the five largest customers represented 52.7% of the Group's total turnover. Accordingly, any change in these customers' businesses and financial conditions is likely to have an impact on the financial performance of the Group. To manage this risk, the Group performs credit evaluation of its customers to ensure that sales are made only to entities with viable businesses and sound financial background. Credit periods granted to the customers are closely monitored and approved by the appropriate level of management. At the same time, the Group identifies and develops new customers with high potentials in an effort to widen the customer base and reduce the reliance on existing key customers.

The foreign currency risks arising from dealings with customers and suppliers in foreign currencies are discussed in the section headed "Foreign Currency Exposure" of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

In conducting the business, the Group's objective is to minimise the adverse effects of its operations on the environment. In addition, in order to comply with the applicable environmental protection laws, the Group has established an environmental management system in its operations in accordance with ISO14001 international standards and obtained the latest version of ISO14001 certification (i.e. the 2015 version). The environmental management system is reviewed from time to time in order to reduce risks relating to environmental issues. The Group has complied with a number of environmental protection laws in connection with water pollutants, air pollutants, solid waste pollutants, as well as noise pollution generated from its manufacturing operations. During the six months ended 30 June 2019, there was no material breach of or non-compliance with the environmental laws and regulations by the Group that has a significant impact on its business and operations.

Other green initiatives and measures have also been adopted by the Group to control the use of energy and resources in the production, business operation and management activities so as to achieve economic benefit. Such initiatives include reducing wastes by setting up recycling centres at industrial parks, and reducing electricity, water and other resources consumption through practices such as small zone lighting, installing timer control systems on machinery, setting up resources conservation teams to monitor the use of resources and recycling of used papers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is subject to the laws and regulations in the countries in which it operates. Any failure to comply with laws and regulations could result in legal proceedings and expose us to civil or criminal liabilities. The long-term development of our business depends on a steady legal environment. Unanticipated changes in policies and regulatory practices may adversely affect our business. The Group will continue to ensure the highest compliance standard and engage independent legal services whenever necessary.

During the six months ended 30 June 2019, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on its business and operations.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2019, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	19.8%	6.4%
United States dollars	52.5%	57.2%
Renminbi	26.7%	36.4%
Other currencies	1.0%	–

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 72.3% of the Group's sales and 63.6% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) 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 denominated in other currencies 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 new customers increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing with them. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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. 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 8,635 employees as at 31 December 2018 to 8,916 employees as at 30 June 2019. This was primarily because the Group's new Mexico industrial park and phase two of the Vietnam industrial park commenced operations during the period.

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 2019, the average length of services of the Group's employees below and above manager grade was 2.53 years and 7.57 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, 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$5,176,000 for securing mortgage loan and (ii) mortgage of equipment under lease liabilities with net book amount of HK$78,429,000 for securing lease liabilities.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

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$200,000,000 with a repayment term of four years from the date of first drawdown of the loan (the outstanding loan balance was HK$68,000,000 as at 30 June 2019);

(ii) another term loan facility up to HK$200,000,000 with a repayment term of five years from the date of first drawdown (the outstanding loan balance was HK$200,000,000 as at 30 June 2019); 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 2019).

MANAGEMENT DISCUSSION AND ANALYSIS

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 35% of the issued share capital of the Company and shall remain as the largest shareholder 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 the date of drawdown of the loan (the outstanding loan balance was HK$42,000,000 as at 30 June 2019);

(ii) another term loan facility up to HK$200,000,000 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 2019);

(iii) another term loan facility up to HK$300,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$300,000,000 as at 30 June 2019);

(iv) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$30,000,000 as at 30 June 2019); and

(v) combined documentary credits in the amount of HK$25,000,000 (there was no outstanding balance as at 30 June 2019).

Under the HSB Facilities 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, and Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

The Company and a subsidiary of the Company are parties to loan agreements with MUFG Bank, Ltd. in respect of the following banking facilities ("MUFG Facilities Agreements"):

(i) a loan facility up to HK$250,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$31,250,000 as at 30 June 2019); and

(ii) another loan facility up to HK$125,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$85,938,000 as at 30 June 2019).

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

(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.

A subsidiary of the Company is also a party to loan agreements with The Hongkong and Shanghai Banking Corporation Limited in respect of the following facilities ("HSBC Facilities Agreements"):

(i) a 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$110,000,000 as at 30 June 2019);

(ii) revolving loan of HK$200,000,000 (the outstanding loan balance was HK$160,000,000 as at 30 June 2019); and

(iii) combined trade facilities of HK$100,000,000 (there was no outstanding balance as at 30 June 2019).

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

(i) short term advance facility on a revolving basis of up to US$7,000,000, or an equivalent amount in other currencies (there was no outstanding balance as at 30 June 2019); and

(ii) a term loan facility for an amount up to HK$100,000,000 with a repayment period of four years after drawdown (the outstanding loan balance was HK$92,308,000 as at 30 June 2019).

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

A subsidiary of the Company had also entered into a banking facility agreement with Chong Hing Bank Limited in respect of a revolving loan facility of HK$120,000,000 ("Chong Hing Facility Agreement"), and the outstanding loan balance was HK$15,000,000 as at 30 June 2019.

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

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

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

Further, a subsidiary of the Company had also entered into a banking facility agreement with China Construction Bank Corporation, Hong Kong Branch in respect of a revolving loan facility of HK$200,000,000 ("CCB Facility Agreement"), and the outstanding loan balance was HK$200,000,000 as at 30 June 2019.

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

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

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall remain as the largest shareholder with controlling power in 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 (the "2005 Share Option Scheme") which became unconditional on 11 May 2005. 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.

The share options which were previously issued under the 2005 Share Option Scheme and remain outstanding after the 2005 Share Option Scheme had expired will continue to be valid and exercisable during their respective prescribed exercisable periods. Movement in these share options during the six months ended 30 June 2019 and up to the date of this report is as follows:

	As at 1 January 2019 and 30 June 2019	Exercised on 15 July 2019	As at the date of this report	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
				HK$	HK$	HK$
Employees of the Group						
In aggregate						
– Granted on 2 October 2009	200,000	(200,000)	–	0.405	0.41	0.69

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

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 2 October 2009 with exercise price of HK$0.41		
100%	5 October 2009	5 October 2009 to 1 October 2019

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 on the annual general meeting of the Company that was held on the same day.

During the six months ended 30 June 2019 and up to the date of this report, there was no movement in the share options granted under the 2015 Share Option Scheme, and details of these share options as at 30 June 2019 and the date of this report are as follows:

	As at 1 January 2019, 30 June 2019 and the date of this report	Share price immediately before offer date	Exercise price
		HK$	HK$
Executive directors			
Mr. Zhang Hwo Jie			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Jian Hua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Mr. Zhang Yaohua			
– Granted on 8 July 2016	18,000,000	0.64	0.692
– Granted on 3 November 2017	17,000,000	1.08	1.10
Independent non-executive directors			
Mr. Choy Tak Ho			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Leung Tai Chiu			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10
Mr. Lam Hiu Lo			
– Granted on 8 July 2016	400,000	0.64	0.692
– Granted on 3 November 2017	400,000	1.08	1.10

	As at 1 January 2019, 30 June 2019 and the date of this report	Share price immediately before offer date	Exercise price
		HK$	HK$
Employees of the Group			
Mr. Zhang Hanming (Note 1)			
– Granted on 3 November 2017	600,000	1.08	1.10
Ms. Zhang Shen Monica Quian Yi (Note 2)			
– Granted on 3 November 2017	600,000	1.08	1.10
Others			
– Granted on 8 July 2016	11,850,000	0.64	0.692
– Granted on 3 November 2017	16,900,000	1.08	1.10
	137,350,000		

Notes:

1. Mr. Zhang Hanming is the father of the three executive directors, hence an associate (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of them. Mr. Zhang Hanming previously worked in the Chinese government for many years before his retirement, and is now a consultant of the Group in the areas of government regulations and communication.

2. Ms. Zhang Shen Monica Quian Yi is the daughter of the chairman of the Group, hence an associate (as defined in the Listing Rules) of him. Ms. Zhang Shen Monica Quian Yi is responsible for the overseas business development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

All options referred to the above are subject to vesting schedule and exercise period as follows:

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 8 July 2016 with exercise price of HK$0.692		
100%	2 January 2018	2 January 2018 to 7 July 2021
With respect to the options granted on 3 November 2017 with exercise price of HK$1.10		
100%	2 January 2020	2 January 2020 to 4 November 2024

(c) Valuation

The fair value of the options granted on 2 October 2009 under the 2005 Share Option Scheme with outstanding balances as at 30 June 2019 of 200,000 options was HK$17,000. The fair value of the options granted on 8 July 2016 and 3 November 2017 under the 2015 Share Option Scheme with outstanding balances as at 30 June 2019 of 67,050,000 options and 70,300,000 options were HK$10,236,000 and HK$26,594,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
	HK$				
Granted on 2 October 2009	0.41	56.65%	1 year	0.16%	3.68%
Granted on 8 July 2016	0.692	45.98%	3.24 years	0.52%	2.33%
Granted on 3 November 2017	1.10	46.52%	4.59 years	1.42%	1.89%

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.

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

As at 30 June 2019, 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 Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives	Total interests	Approximate percentage of interest in the Company as at 30 June 2019
				(Note 1)		
Mr. Zhang Hwo Jie	671,750,000 (Note 2)	15,692,000	–	35,000,000	722,442,000	41.81%
Mr. Zhang Jian Hua	–	664,000	–	35,000,000	35,664,000	2.06%
Mr. Zhang Yaohua	671,750,000 (Note 2)	18,164,000	156,000	35,000,000	725,070,000	41.96%
Mr. Choy Tak Ho	–	–	–	800,000	800,000	0.05%
Mr. Leung Tai Chiu	–	–	–	800,000	800,000	0.05%
Mr. Lam Hiu Lo	–	–	–	800,000	800,000	0.05%

Notes:

1. 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.

2. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua held 52.93% and 47.07% of the entire issued capital of Prosper Empire Limited respectively, and Prosper Empire Limited was interested in 38.88% of the entire issued capital of the Company as at 30 June 2019. Under the SFO, Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are both deemed to be interested in the shares held by Prosper Empire Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Long position in the 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 2019
Mr. Zhang Hwo Jie	Personal interests	52.93%
Mr. Zhang Yaohua	Personal interests	47.07%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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 were 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	38.88%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	687,442,000	35,000,000	722,442,000	41.81%
Ms. Jiang Lu	Interest of spouse (Note 2)	690,070,000	35,000,000	725,070,000	41.96%
Pandanus Associates Inc.	Interest of controlled corporation (Note 3(a))	122,536,000	–	122,536,000	7.09%
Pandanus Partners L.P.	Interest of controlled corporation (Note 3(b))	122,536,000	–	122,536,000	7.09%
FIL Limited	Interest of controlled corporation (Note 3(b))	122,536,000	–	122,536,000	7.09%
FIL Asia Holdings Pte Limited	Interest of controlled corporation (Note 3(b))	122,536,000	–	122,536,000	7.09%
FIL Investment Management (Hong Kong) Limited	Beneficial owner (Note 3(b))	122,536,000	–	122,536,000	7.09%
Invesco Asset Management Limited	Investment manager	86,614,000	–	86,614,000	5.01%

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 52.93% 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. Under the SFO, Ms. Jiang Lu is deemed to be interested in the shares held by Mr. Zhang Yaohua, who is interested in 47.07% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Jiang Lu included the 671,750,000 shares of the Company held by Prosper Empire Limited.

3. (a) The corporate substantial shareholder notice filed by Pandanus Associates Inc. indicated that it was deemed to be interested in 122,536,000 shares under the SFO by virtue of its interests held through Pandanus Partners L.P, its immediate wholly-owned subsidiary.

   (b) The corporate substantial shareholder notice filed by Pandanus Partners L.P. indicated that Pandanus Partners L.P. was interested in 38.10% of the issued share capital of FIL Limited. The same notice also indicated that FIL Investment Management (Hong Kong) Limited ("FIL (Hong Kong)") was wholly-owned by FIL Asia Holdings Pte Limited, which was in turn wholly-owned by FIL Limited. Accordingly, under the SFO, each of Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited is deemed to be interested in the 122,536,000 shares held by FIL (Hong Kong).

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2019, the Company repurchased its 1,052,000 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 2019 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 2019	1,052,000	0.81	0.71	808

In addition, the Company repurchased its 538,000 listed shares on The Stock Exchange of Hong Kong Limited in December 2018 at a price range from HK$0.66 per share (lowest price) to HK$0.68 per share (highest price). Aggregate consideration paid for such share repurchases was HK$363,000. These shares were cancelled on 3 January 2019. Together with the 1,052,000 listed shares which were repurchased and cancelled in January 2019, the total number of shares cancelled by the Company during the six months ended 30 June 2019 was 1,590,000 shares.

Subsequent to 30 June 2019, the Company repurchased its 390,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 July 2019 up to the date of this report. 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 2019 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 2019	390,000	0.68	0.66	264

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they uplifted 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 2019 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.

DIVIDEND

The Board declared an interim dividend of HK0.65 cent per ordinary share, totaling HK$11,230,000 for the six months ended 30 June 2019 to eligible shareholders whose names appear on the register of members of the Company on Friday, 13 September 2019. The interim dividend will be payable in cash on Monday, 23 September 2019.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Wednesday, 11 September 2019 to Friday, 13 September 2019, both days inclusive, during which period no share 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, 10 September 2019.

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 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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019.

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 2019.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 August 2019

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

Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza
No.1 Science Museum Road, Kowloon, Hong Kong
香港九龍科學館道1號康宏廣場南座6樓8室
Telephone 電話: 852-2620 6488
Facsimile 傳真: 852-2191 9978
Website 網站: www.eva-group.com

EVA Shenzhen (Shiyan) Electronic Industrial Park
No.11 Guo Tai Road, Tang Tou Community
Shi Yan Town, Bao An District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市寶安區石岩街道塘頭社區國泰路11號
億和深圳(石岩)電子產業園
Telephone 電話: 86-755 2762 9999
Facsimile 傳真: 86-755 2762 9181
Postcode 郵編: 518108

EVA Suzhou Electronic Industrial Park
No. 268 Ma Yun Road
Suzhou National New and Hi-Tech Industrial Development Zone
Jiangsu Province, the People's Republic of China
中國江蘇省蘇州市高新區馬運路268號
億和蘇州電子產業園
Telephone 電話: 86-512 8917 9999
Facsimile 傳真: 86-512 8887 1281
Postcode 郵編: 215129

EVA (Guangming) Precision Manufacturing Industrial Park
Nan Huan Road, Gong Ming Town
Guang Ming New District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明新區公明街道南環路
億和(光明)精密製造產業園
Telephone 電話: 86-755 8172 9999
Facsimile 傳真: 86-755 2906 8899
Postcode 郵編: 518106

Digit Zhongshan Automobile Industrial Park
No. 31 Torch Road
Torch Development Zone, Zhongshan
Guangdong Province, the People's Republic of China
中國廣東省中山市火炬開發區火炬路31號數碼模中山汽車產業園
Telephone 電話: 86-760 8996 9999
Facsimile 傳真: 86-760 8992 3300
Postcode 郵編: 528437

Digit Chongqing Automobile Industrial Park
No.1 Jianqiao Road
Jianqiao Industrial Zone A, Dadukou District
Chongqing, the People's Republic of China
中國重慶市大渡口區建橋工業園A區建橋大道1號數碼模重慶汽車產業園
Telephone 電話: 86-23 6155 4600
Facsimile 傳真: 86-23 6155 4617
Postcode 郵編: 400084

Digit Wuhan Automobile Industrial Park
No. 19 Changfu Industrial Park, Caidian Economic Development Zone
Wuhan, Hubei Province, the People's Republic of China
中國湖北省武漢市蔡甸經濟開發區常福工業園19號數碼模武漢汽車產業園
Telephone 電話: 86-27 8661 9999
Facsimile 傳真: 86-27 8661 9999-209
Postcode 郵編: 430120

EVA Shenzhen (Tianliao) Smart Device Industrial Park
Industrial District No. 9
Tian Liao Community, Gong Ming Administrative Centre
Guang Ming New District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明新區公明辦事處田寮社區第九工業區
億和深圳(田寮)智能終端產業園
Telephone 電話: 86-755 8172 5899
Facsimile 傳真: 86-755 8172 5699
Postcode 郵編: 518132

EVA Vietnam (Haiphong) Electronic Industrial Park
No.139 East-West Boulevard, VSIP Hai Phong Industrial Park
Lap Le Commune, Thuy Nguyen District
Hai Phong, Vietnam
越南海防市水源縣立禮社海防VSIP工業區東西大道139號
億和越南(海防)電子產業園
Telephone 電話: 84-31 8831 888
Facsimile 傳真: 84-31 8831 999
Postcode 郵編: 180000

EVA Weihai (Double Islands Bay) Electronic Industrial Park
No. 1396 He Xing Road
Weihai Torch High Technology Industrial Development Zone, Weihai
Shandong Province, the People's Republic of China
中國山東省威海市火炬高技術產業開發區和興路1396號
億和威海(雙島灣)電子產業園
Telephone 電話: 86-631 5718 099
Facsimile 傳真: 86-631 5718 066
Postcode 郵編: 264200

EVA Weihai (Intops) Electronic Industrial Park
No. 268-1 Ke Ji Road
Weihai Torch High Technology Industrial Development Zone, Weihai
Shandong Province, the People's Republic of China
中國山東省威海市火炬高技術產業開發區科技路268-1號
億和威海(因塔思)電子產業園
Postcode 郵編: 264200

Digit Mexico (SLP) Automobile Industrial Park
Avenue Munich 665-L2420, Parque Industrial Logistik
Villa de Reyes, San Luis Potosí, Mexico
墨西哥聖路易斯波托西州雷耶斯鎮Logistik工業園
慕尼黑大道665-L2420號數碼模墨西哥(SLP)汽車產業園
Postcode 郵編: 79526