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

Interim Report 2005
二零零五年中期報告

To become the Leader
in the Precision Metal and
Plastic Moulding and Components
Manufacturing Industry

成為精密沖壓及注塑工業的領導者

CONTENTS

CORPORATE INFORMATION

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

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Dr. Lui Sun Wing
Mr. Choy Tak Ho
Mr. Chan Wai Dune

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Dr. Lui Sun Wing
Mr. Choy Tak Ho

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STOCK CODE
838

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2005 Unaudited HK$'000	As at 31 December 2004 Restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*7*	**225,394**	208,445
Leasehold land and land use rights	*7*	**17,562**	17,788
Prepayments		**12,545**	2,420
Negative goodwill	*8*	**–**	(172)
		255,501	228,481
Current assets			
Inventories		**41,030**	35,347
Trade receivables	*9*	**89,690**	80,286
Prepayments, deposits and other receivables		**7,483**	3,893
Due from related parties		**–**	4,588
Pledged bank deposits		**24,993**	–
Cash and cash equivalents		**51,327**	18,987
		214,523	143,101
Current liabilities			
Trade payables	*10*	**(69,023)**	(62,544)
Accruals and other payables		**(11,670)**	(14,870)
Bank borrowings, current portion	*11*	**(47,340)**	(61,530)
Finance lease obligations, current portion	*12*	**(25,775)**	(26,502)
Current income tax liabilities		**(9,013)**	(10,695)
		(162,821)	(176,141)
Net current assets/(liabilities)		**51,702**	(33,040)
Total assets less current liabilities		**307,203**	195,441
Non-current liabilities			
Bank borrowings, non-current portion	*11*	**(5,725)**	(50,756)
Finance lease obligations, non-current portion	*12*	**(31,317)**	(33,928)
		(37,042)	(84,684)
Net assets		**270,161**	110,757
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*13*	**52,000**	2,000
Reserves	*15*	**218,161**	108,757
Total equity		**270,161**	110,757

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Sales	6	**199,764**	124,593
Cost of goods sold		**(134,892)**	(76,267)
Gross profit		**64,872**	48,326
Other gains – net	16	**28**	18
Selling and distribution expenses		**(9,984)**	(5,545)
General and administrative expenses		**(16,859)**	(11,823)
Operating profit		**38,057**	30,976
Finance costs	18	**(3,661)**	(1,361)
Profit before income tax		**34,396**	29,615
Income tax expense	19	**(3,512)**	(2,388)
Profit for the period		**30,884**	27,227
Attributable to:			
Equity holders of the Company		**30,884**	26,997
Minority interest		**–**	230
		30,884	27,227
Basic earnings per share for profit attributable to the equity holders of the Company during the period (HK cents per share)	20	**7.2**	6.9
Dividends	21	**15,600**	8,181

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited		
	Share capital and reserves	Minority interest	Total
	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004, as previously reported as equity	77,158	–	77,158
Balance at 1 January 2004, as previously separately reported as minority interest	–	5,101	5,101
Balance at 1 January 2004, as restated	77,158	5,101	82,259
Profit for the period	26,997	230	27,227
Issue of shares by subsidiaries before the Reorganisation *(see Note 1)*	560	–	560
Acquisition of additional interest in a subsidiary before the Reorganisation *(see Note 1)*	150	(352)	(202)
Dividend paid to a minority shareholder	–	(2,591)	(2,591)
Disposal of a subsidiary	–	(2,388)	(2,388)
Share issuance costs	(1,633)	–	(1,633)
Balance at 30 June 2004	103,232	–	103,232
Representing:–			
– Proposed interim dividend	5,590		
– Others	97,642		
	103,232		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

		Unaudited		
		Share capital and reserves	**Minority interest**	**Total**
	Note	HK$'000	HK$'000	HK$'000
Balance at 1 January 2005, as previously reported as equity		110,757	–	110,757
Opening adjustment for the adoption for HKFRS 3	*3(a)(ii)*	172	–	172
Balance at 1 January 2005, as restated		110,929	–	110,929
Profit for the period		30,884	–	30,884
Deemed disposals of subsidiaries	*24*	(1,070)	–	(1,070)
Issue of shares	*13(vi)*	143,000	–	143,000
Share issuance costs		(13,582)	–	(13,582)
Balance at 30 June 2005		270,161	–	270,161
Representing:–				
– Proposed interim dividend		15,600		
– Others		254,561		
		270,161		

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Net cash generated from operating activities	**27,378**	13,181
Net cash used in investing activities	**(24,443)**	(8,822)
Net cash generated from financing activities	**29,405**	3,066
Net increase in cash and cash equivalents	**32,340**	7,425
Cash and cash equivalents at 1 January	**18,987**	10,319
Cash and cash equivalents at 30 June	**51,327**	17,744
Analysis of cash and cash equivalents		
Bank balances and cash	**51,327**	17,744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 COMPANY BACKGROUND AND GROUP REORGANISATION

EVA Precision Industrial Holdings Limited ("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 Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005 ("the Listing").

On 20 April 2005, the Company acquired the entire issued share capital of EVA Metal Mould Products Limited ("EVA Metal BVI"), EVA Mould Design & Manufacturing Limited ("EVA Design BVI") and EVA Plastic Mould Products Limited ("EVA Plastic BVI"), companies incorporated in the British Virgin Islands, through share exchanges ("the Reorganisation") and consequently became the holding company of its subsidiaries (collectively "the Group").

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

This condensed consolidated financial information should be read in conjunction with the Accountants' Report contained in the Company's prospectus dated 29 April 2005 issued in connection with the placing and public offer of shares of the Company on The Stock Exchange of Hong Kong Limited ("the Prospectus").

The Reorganisation (see Note 1) has been accounted for using merger accounting by treating the Company and its subsidiaries as a continuing group, in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the HKICPA. On this basis, the consolidated accounts of the Group as at and for the six months ended 30 June 2005 have been prepared as if the structure of the Group resulting from the Reorganisation had been in existence throughout the period. Comparative figures as at 31 December 2004 and for the six months ended 30 June 2004 have been prepared on the same basis.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the aforementioned Accountants' Report except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 3 below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

3 CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27 and 33 had no material effect on the Group's policies

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect of adopting new HKFRS *(Continued)*

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were stated at cost less accumulated depreciation and accumulated impairment.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for negative goodwill. Until 31 December 2004, negative goodwill was recognised in the profit and loss account over a period of ten years. In accordance with the provisions of HKFRS 3, the Group ceased amortisation of negative goodwill from 1 January 2005, and derecognised the carrying amount of negative goodwill at 1 January 2005, with a corresponding adjustment to the opening balance of retained earnings.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKFRS 3 – prospectively after the adoption date.

(i) The adoption of revised HKAS 17 resulted in:

	As at	
	30 June 2005 HK$'000	31 December 2004 HK$'000
Decrease in property, plant and equipment	**17,562**	17,788
Increase in leasehold land and land use rights	**17,562**	17,788

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect of adopting new HKFRS *(Continued)*

(ii) The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in:

	As at 30 June 2005 HK$'000
Decrease in negative goodwill	**172**
Increase in retained earnings	**172**

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards or Interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 3	Emission Rights
HKFRS-Int 4	Determining whether an Arrangement contains A Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) New accounting policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30 June 2005 are the same as those set out in Note 2 to aforementioned Accountants' Report except for the following:

(i) Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New accounting policies *(Continued)*

(ii) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New accounting policies *(Continued)*

(iii) Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(iv) Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of acquisition. Negative goodwill is recognised immediately in income.

(v) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(vi) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(vii) Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New accounting policies *(Continued)*

(viii) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost–recovery basis as conditions warrant.

4 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 interest rate risk), credit risk and liquidity risk.

(i) Foreign exchange risk

The Group mainly operates in Mainland China/Hong Kong. Most of the Group's transactions, assets and liabilities are dominated in Hong Kong dollar or Chinese Renminbi. Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

Foreign exchange risk also arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular review and monitoring its foreign exchange exposures.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

4 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of the changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk. Finance lease obligations at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's bank borrowings and finance lease obligations have been disclosed in Notes 11 and 12, respectively, to the condensed consolidated financial information.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers. The Group has also policies that limit the amount of credit exposure to any financial institution.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

(b) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Write-downs of inventories to net realisable value

The Group write down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the years/periods in which such estimate has been changed.

(c) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(d) Impairment of assets

The Group tests annually whether assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined on the value-in-use calculations. These calculations require use of estimates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

6 SALES AND SEGMENT INFORMATION

(a) Sales

The Group is principally engaged in the design and fabrication of metal stamping and plastic injection moulds, and manufacturing of metal stamping and plastic injection products. The Group's sales are analysed as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**24,806**	25,906
Manufacturing of metal stamping and lathing products	**166,055**	92,969
Design and fabrication of plastic injection moulds	**2,548**	–
Manufacturing of plastic injection products	**625**	–
Others	**5,730**	5,718
	199,764	124,593

(b) Primary reporting format – business segments

The Group is organised into two main business segments:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

6 SALES AND SEGMENT INFORMATION *(Continued)*

(b) Primary reporting format – business segments *(Continued)*

The segment results and other segment items for the six months ended 30 June 2005 are as follows:

	Six months ended 30 June					
	2005			2004		
	Metal stamping segment HK$'000	**Plastic segment HK$'000**	**Total HK$'000**	Metal stamping segment HK$'000	Plastic segment HK$'000	Total HK$'000
Sales	**196,591**	**3,173**	**199,764**	124,593	–	124,593
Operating profit/(loss)	**41,272**	**(3,215)**	**38,057**	30,976	–	30,976
Finance costs			**(3,661)**			(1,361)
Profit before income tax			**34,396**			29,615
Income tax expense			**(3,512)**			(2,388)
Profit for the period			**30,884**			27,227
Depreciation	**9,309**	**205**	**9,514**	5,839	–	5,839
Amortisation	**226**	**–**	**226**	108	–	108
Capital expenditure	**24,371**	**2,183**	**26,554**	29,127	–	29,127

There are no sales or other transactions between business segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

6 SALES AND SEGMENT INFORMATION *(Continued)*

(b) Primary reporting format – business segments *(Continued)*

The segment assets and liabilities as at 30 June 2005 and 31 December 2004 are as follows:

	As at 30 June 2005				As at 31 December 2004			
	Metal stamping segment HK$'000	**Plastic segment HK$'000**	**Un-allocated HK$'000**	**Total HK$'000**	Metal stamping segment HK$'000	Plastic segment HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	**434,925**	**35,099**	**–**	**470,024**	348,015	23,567	–	371,582
Liabilities	**173,395**	**17,455**	**9,013**	**199,863**	245,948	4,182	10,695	260,825

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, inventories, trade and other receivables and operating cash.

Segment liabilities comprise operating liabilities but exclude current income tax liabilities.

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

(c) Secondary reporting format – geographical segments

Analysis of the Group's sales and segment results by geographical segment is determined based on destination of shipments/delivery of goods. Substantially all of the Group's sales and segment results were derived from Mainland China/Hong Kong.

No segment analysis of assets, liabilities, capital expenditure, depreciation and amortisation is presented as substantially all of the Group's assets and liabilities were located in Mainland China/Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

7 CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Leasehold land and land use rights HK$'000
Opening net book amount as at 1 January 2004	126,008	10,451
Additions	29,127	–
Disposals	(1,481)	–
Disposal of a subsidiary	(183)	–
Depreciation/amortisation charge *(Note 17)*	(5,839)	(108)
Closing net book amount as at 30 June 2004	147,632	10,343
Additions	68,875	7,539
Disposals	(18)	–
Depreciation/amortisation charge	(8,044)	(94)
Closing net book amount as at 31 December 2004	208,445	17,788
Opening net book amount as at 1 January 2005	208,445	17,788
Additions	26,554	–
Disposals	(91)	–
Depreciation/amortisation charge *(Note 17)*	(9,514)	(226)
Closing net book amount as at 30 June 2005	225,394	17,562

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

8 GOODWILL/(NEGATIVE GOODWILL)

Movements were:

	Goodwill	Negative goodwill	Total
	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004	–	(194)	(194)
Acquisition of additional interests in subsidiaries	86	(172)	(86)
Amortisation *(Note 17)*	(12)	13	1
Disposal of a subsidiary	(74)	–	(74)
Balance at 30 June 2004	–	(353)	(353)
Amortisation	–	181	181
Balance at 31 December 2004	–	(172)	(172)
Opening adjustment for the adoption of HKFRS 3 *(Note 3(a)(ii))*	–	172	172
Balance at 1 January 2005, as restated	–	–	–
Balance at 30 June 2005	–	–	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

9 TRADE RECEIVABLES

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

	As at	
	30 June 2005 HK'000	31 December 2004 HK'000
0 to 90 days	**82,103**	74,303
91 to 180 days	**6,332**	3,340
181 to 365 days	**2,172**	3,757
Over 365 days	**271**	74
	90,878	81,474
Less: Provision for impairment of trade receivables	**(1,188)**	(1,188)
	89,690	80,286

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The net book value of trade receivables approximates its fair value as at 30 June 2005.

The Group has recognised a loss of approximately nil (2004: HK$796,000) for the impairment of its trade receivables during the six months ended 30 June 2005. The loss has been included in general and administrative expenses in the income statement.

10 TRADE PAYABLES

The aging analysis of the trade payables is as follows:

	As at	
	30 June 2005 HK$'000	31 December 2004 HK$'000
0 to 90 days	**65,003**	59,897
91 to 180 days	**4,020**	2,077
181 to 365 days	**–**	570
	69,023	62,544

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

11 BANK BORROWINGS

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Current		
Short-term bank loans	**35,000**	24,147
Trust receipts bank loans	**11,977**	27,265
Long-term bank loans, current portion	**–**	9,759
Mortgage loan, current portion	**363**	359
	47,340	61,530
Non-current		
Long-term bank loans, non-current portion	**–**	44,849
Mortgage loan, non-current portion	**5,725**	5,907
	5,725	50,756
	53,065	112,286

The maturity of bank borrowings is as follows:

	As at 30 June 2005 HK$'000	As at 31 December 2004 HK$'000
Within 5 year	**46,977**	106,020
Over 5 years	**6,088**	6,266
	53,065	112,286

The carrying amounts of bank borrowings approximate their fair values.

As at 30 June 2005, the effective interest rate of the Group's bank borrowings ranges from 2.3% to 7.2% (2004: 1.8% to 7.2%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

11 BANK BORROWINGS *(Continued)*

The carrying amounts of the bank borrowings are denominated in the following currencies:

	As at	
	30 June 2005 HK$'000	31 December 2004 HK$'000
Hong Kong dollars	**53,065**	98,139
Chinese Renminbi	**–**	14,147
	53,065	112,286

The Group has undrawn floating rate borrowing facilities of approximately HK$136,207,000 (2004: HK$66,205,000) expiring within one year. The facilities expiring within one year are subject to review annually.

As at 30 June 2005, bank borrowings were secured by pledged bank deposits of approximately HK$24,993,000 (2004: nil), pledge of the Group's office premises located in Hong Kong with a net book value of approximately HK$9,309,000 (2004: 9,464,000) and corporate guarantees provided by the Company of approximately HK$27,188,000 (2004: HK$27,265,000) (see Note 22).

As at 31 December 2004, bank borrowings were secured by the following:

(i) pledge of the Group's office premises located in Hong Kong with a net book value of approximately HK$9,464,000;

(ii) joint personal guarantees totalling of HK$22,512,000 provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, substantial beneficial shareholders of the Company;

(iii) personal guarantee of HK$40,000,000 provided by Mr. Zhang Hwo Jie;

(iv) bank deposits totalling of HK$54,608,000 provided by Mr. Zhang Hwo Jie, Mr. Zhang Yao Hua and Mr. Zhang Jian Hua; and

(v) corporate guarantee of HK$10,000,000 provided by Shenzhen Heyixing Industrial Co., Ltd., a related company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

12 FINANCE LEASE OBLIGATIONS

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

	As at	
	30 June 2005 HK$'000	31 December 2004 HK$'000
Within one year	**27,553**	28,516
In the second year	**22,343**	20,245
In the third to fifth year	**9,970**	15,025
	59,866	63,786
Less: Future finance charges on finance leases	**(2,774)**	(3,356)
Present value of finance lease obligations	**57,092**	60,430

The present value of finance lease obligations is as follows:

	As at	
	30 June 2005 HK$'000	31 December 2004 HK$'000
Within one year	**25,775**	26,502
In the second year	**21,533**	19,256
In the third to fifth year	**9,784**	14,672
Total finance lease obligations	**57,092**	60,430
Less: Amount included in current liabilities	**(25,775)**	(26,502)
	31,317	33,928

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

As at 30 June 2005, the effective interest rate of the Group's finance lease obligations ranges from 3.4% to 11.2% (2004: 3.5% to 11.2%).

As at 30 June 2005, finance lease obligations were secured by the Group's machinery and motor vehicles with a total net book amount of approximately HK$101,813,000 and corporate guarantees provided by the Company to its subsidiaries of approximately HK$26,923,000 (see Note 22).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

12 FINANCE LEASE OBLIGATIONS *(Continued)*

As at 31 December 2004, finance lease obligations were secured by the Group's machinery and motor vehicles with a total net book amount of approximately HK$91,277,000, personal guarantees provided by Mr. Zhang Hwo Jie of approximately HK$21,761,000, joint personal guarantees provided by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua of approximately HK$4,324,000, joint personal guarantees provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua of approximately HK$2,161,000, guarantee provided by the Government of Hong Kong Special Administration Region of approximately HK$1,127,000 and corporate guarantees provided by the Company to its subsidiaries of approximately HK$13,921,000 (see Note 22).

13 SHARE CAPITAL

	Note	**Number of shares**	**Nominal value**
			HK$'000
Authorised:			
Upon incorporation on 12 July 2004	*(i)*	10,000,000	100
Share consolidation	*(ii)*	(9,000,000)	–
At 31 December 2004		1,000,000	100
Increase in authorised share capital	*(iii)*	999,000,000	99,900
At 30 June 2005		1,000,000,000	100,000
Issued and fully paid:			
Allotted and issued nil paid			
– on 12 July 2004	*(iv)*	1	–
– on 27 August 2004	*(iv)*	9	–
Share consolidation	*(ii)*	(9)	–
On acquisitions of EVA Metal BVI, EVA Design BVI and EVA Plastic BVI			
– nil paid share credited as fully paid	*(iv)*	–	–
– consideration shares issued	*(iv)*	20,000,000	2,000
Capitalisation Issue	*(v)*	369,999,999	–
At 31 December 2004	*(vii)*	390,000,000	2,000
New issue of shares	*(vi)*	130,000,000	13,000
Capitalisation of share premium account	*(v)*	–	37,000
At 30 June 2005		520,000,000	52,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

13 SHARE CAPITAL *(Continued)*

Notes:

(i) The Company was incorporated in the Cayman Islands on 12 July 2004 with an authorised capital of HK$100,000, divided into10,000,000 ordinary shares of HK$0.01 each.

(ii) Pursuant to a shareholder's resolution passed on 27 August 2004, every 10 ordinary shares of HK$0.01 each were consolidated into one ordinary share of HK$0.1 each. Consequently, the Company had an authorised share capital of 1,000,000 ordinary shares of HK$0.1 each, and an issued share capital of 1 ordinary share of HK$0.1 each.

(iii) Pursuant to a shareholder's resolution passed on 20 April 2005, the authorised share capital was increased from HK$100,000 to HK$100,000,000 by the creation of an additional 999,000,000 ordinary shares of HK$0.1 each.

(iv) On 12 July 2004 and 27 August 2004, 1 ordinary share and 9 ordinary shares of HK$0.01 each of the Company were allotted and issued as nil paid, respectively, which were consolidate into 1 ordinary share of HK$0.1 each through a share consolidation (see Note 13(ii)). On 20 April 2005, the Company:

(a) credited as fully paid at par value of HK$0.1, the 1 ordinary share of the Company then outstanding, which were allotted and issued as nil paid; and

(b) further allotted and issued 20,000,000 ordinary shares of the Company, credited as fully paid at par value of HK$0.1 each,

as consideration of and in exchange for the entire issued share capital of EVA Metal BVI, EVA Design BVI and EVA Plastic BVI in connection with the Reorganisation (see Note 1).

(v) On 20 April 2005, 369,999,999 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.1 each to the then existing shareholders of the Company by the capitalisation of HK$37,000,000 from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with the Listing as described in Note 13(vi) below.

(vi) On 11 May 2005, the Company issued 130,000,000 ordinary shares of HK$0.1 each at HK$1.1 per share in connection with the Listing, and raised gross proceeds of approximately HK$143,000,000.

(vii) The share capital of the Company as at 31 December 2004 was presented as if the number of shares outstanding immediately after the share exchange in connection with the Reorganisation (see Note 1) and the related subsequent capitalisation issue had been in existence throughout the year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

14 SHARE OPTION SCHEME

Pursuant to a written resolutions of the shareholders of the Company dated 20 April 2005, a share option scheme ("Share Option Scheme") was approved and adopted.

Under the Share Options Scheme, the Company's directors may, at their sole discretion, grant to any employee of the Group to take up options to subscribe for shares of the Company at the higher 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 Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 52,000,000 shares, representing 10% of the shares in issue upon completion of the share offer and the capitalisation issue of the shares of the Company, unless the Company obtains further approval from the shareholders.

As at 30 June 2005 and the date of approval of this interim report, no options had been granted under the Share Option Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

15 RESERVES

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
Balance at 1 January 2004		–	(375)	2,418	73,115	5,101	80,259
Profit for the period		–	–	–	26,997	230	27,227
Issue of shares by subsidiaries before the Reorganisation		–	560	–	–	–	560
Acquisition of additional interest in a subsidiary before the Reorganisation		–	150	–	–	(352)	(202)
Dividend paid to minority shareholder		–	–	–	–	(2,591)	(2,591)
Disposal of a subsidiary		–	–	–	–	(2,388)	(2,388)
Share issuance costs		(1,633)	–	–	–	–	(1,633)
Balance at 30 June 2004		(1,633)	335	2,418	100,112	–	101,232
Profit for the period		–	–	–	38,766	–	38,766
Dividends paid		–	–	–	(28,536)	–	(28,536)
Share issuance costs		(2,705)	–	–	–	–	(2,705)
Transfer to statutory reserves		–	–	4,592	(4,592)	–	–
Balance at 31 December 2004		(4,338)	335	7,010	105,750	–	108,757
Balance at 1 January 2005, as previously reported		(4,338)	335	7,010	105,750	–	108,757
Opening adjustment for the adoption of HKFRS 3	*3(a)(ii)*	–	–	–	172	–	172
Balance at 1 January 2005, as restated		(4,338)	335	7,010	105,922	–	108,929
Profit for the period		–	–	–	30,884	–	30,884
Deemed disposals of subsidiaries	*24*	–	(1,070)	–	–	–	(1,070)
Issue of shares	*13(vi)*	130,000	–	–	–	–	130,000
Capitalisation of share premium account	*13(v)*	(37,000)	–	–	–	–	(37,000)
Share issuance costs		(13,582)	–	–	–	–	(13,582)
Balance at 30 June 2005		75,080	(735)	7,010	136,806	–	218,161

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

15 RESERVES *(Continued)*

Notes:

(i) Capital reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Reorganisation (see Note 1) over the nominal value of the share capital of the Company issued in exchange therefor.

(ii) Accordingly to 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 accounts 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 the resolutions of the corresponding subsidiaries' shareholders in general meetings, the corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to existing owners in proportion to their existing ownership structure.

During the six months ended 30 June 2005, no transfer of statutory reserves have been made from the Group's profit for the period. The Mainland China subsidiaries of the Group, however, have retained sufficient funds for such purpose and these transfers shall be made at the end of the year in accordance with the articles of association of these Mainland China subsidiaries.

16 OTHER GAINS – NET

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interest income	**26**	12

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

17 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and distribution expenses and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Crediting –		
Amortisation of negative goodwill (included in general and administrative expenses)	**–**	13
Net exchange gains	**–**	37
Charging –		
Staff costs, including directors' emoluments	**20,843**	14,748
Depreciation of property, plant and equipment	**9,514**	5,839
Loss on disposal of property, plant and equipment	**91**	792
Amortisation of leasehold land and land use rights	**226**	108
Amortisation of goodwill (included in general and administrative expenses)	**–**	12
Loss on disposal of a subsidiary	**–**	74
Write-downs of inventories to net realisable value	**1,451**	998
Provision for impairment of trade receivables	**–**	539
Net exchange losses	**236**	–

18 FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	**2,009**	707
Bank borrowings not wholly repayable with five years	**74**	–
Finance lease obligations	**1,578**	654
	3,661	1,361

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

19 INCOME TAX EXPENSE

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,056**	1,569
– Mainland China enterprise income tax	**2,456**	144
Deferred taxation relating to the origination and reversal of temporary differences	**–**	675
	3,512	2,388

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the six month ended 30 June 2004 and 2005.

(ii) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the six months ended 30 June 2004 and 2005, Shenzhen Heyixing Industrial Co., Ltd., Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are fully exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in enterprise income tax for the next three years. The first profitable year after offsetting prior year tax losses of Shenzhen Heyixing Industrial Co., Ltd. and Yihe Precision Hardware (Shenzhen) Co., Ltd. were 2000 and 2003, respectively. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd was established in July 2004 and had no profit subject to such tax during the six months ended 30 June 2005.

(iii) Overseas income taxes

The Company was 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 were incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

20 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 (i) 426,630,000 ordinary shares in issue during the six months ended 30 June 2005; and (ii) 390,000,000 ordinary shares deemed to be in issue during the six months ended 30 June 2004 as if the share capital of the Company outstanding immediate after the share exchanges in connection with the Reorganisation *(See Note 1)* and the related subsequent capitalisation issue had been in existence throughout the period.

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**30,884**	26,997
Weighted average number of ordinary shares in issue (thousands)	**426,630**	390,000
Basic earnings per share (HK cents per share)	**7.2**	6.9

Diluted earnings per share for the six months ended 30 June 2004 and 2005 are not presented because there were no dilutive potential ordinary shares in existence during the period.

21 DIVIDENDS

Company

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Proposed interim dividend of HK1.8 cents per ordinary share	**9,360**	–
Proposed special dividend of HK1.2 cents per ordinary share	**6,240**	–
	15,600	–

At a meeting held on 14 September 2005, the directors proposed an interim dividend of HK1.8 cents per ordinary share and a special dividend of HK1.2 cents per ordinary share. These proposed dividends are not reflected as a dividend payable in this interim report but will be reflected as an appropriation of retained earnings for the year ending 31 December 2005.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

21 DIVIDENDS *(Continued)*

Subsidiaries

The following dividends were paid by subsidiaries out of their retained earnings to their then shareholders before the Reorganisation:

	Six months ended 30 June 2004 attributable to	
	the Group	**the other shareholders**
	HK$'000	HK$'000
Shenzhen Heyixing Industrial Co., Ltd., final dividend	16,587	2,591
EVA Limited, proposed interim dividend	–	5,590
	16,587	8,181

22 CONTINGENCIES

As at 30 June 2005, the Company has given guarantees in respect of the banking facilities of its subsidiaries of HK$27,188,000 (2004: HK$27,265,000), and guarantees in respect of finance lease obligations of its subsidiaries of HK$26,923,000 (2004: HK$13,921,000).

The Company's directors and the Group's management anticipate that no material liabilities will arise from the above guarantees which arose in the ordinary course of business.

23 CAPITAL COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at	
	30 June 2005	31 December 2004
	HK$'000	HK$'000
Contracted but not provided for		
– Purchase of land use rights	**3,720**	–
– Construction of buildings	**124**	3,368
– Purchase of plant and machinery	**92,843**	9,732
	96,687	13,100

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

24 BUSINESS COMBINATION

Immediately prior to the Reorganisation, EVA-Miyagawa Company Limited and Offspin Technology Limited were deemed to be disposed and both companies are not included within the Group upon the Listing. The net asset values of the companies as at the date of disposal were approximately HK$1,070,000, which were recorded as a deduction from capital reserve of the Group.

25 RELATED-PARTY TRANSACTIONS

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

Key management compensation

	Six months ended 30 June	
	2005	2004
	HK$'000	HK$'000
Wages, salaries and allowances	**2,298**	840
Retirement benefits – defined contribution	**16**	10
	2,314	850

26 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 30 June 2005, a wholly-foreign owned enterprise, namely EVA Precision Industrial (Suzhou) Limited, was set up in Suzhou, Jiangsu Province, Mainland China for the purpose of setting up a new production plant in Suzhou, Jiangsu Province, Mainland China. The estimated total investment is HK$156 million. In addition, the Group entered into a memorandum of understanding for the acquisition of a piece of land in Suzhou, Jiangsu Province, Mainland China for approximately HK$7,488,000 on which the new production plant will be constructed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2005, the Group was principally engaged in (i) the design and fabrication of metal stamping and plastic injection moulds and (ii) manufacturing of metal stamping and plastic injection products and lathing of metal components. A review of the Group's operations for the six months ended 30 June 2005 by major business segment is as follows:

Metal Division

During the six months ended 30 June 2005, the overall turnover of the Group increased by 60% to approximately HK$199,764,000 as compared to that of approximately HK$124,593,000 for the six months ended 30 June 2004. The significant rise in the Group's overall turnover for the six months ended 30 June 2005 was mainly contributed by the continuous growth of the Group's long-established metal division, whose turnover increased by approximately HK$71,998,000, or 58% over that for the six months ended 30 June 2004. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment manufacturers including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji-Xerox, Ricoh, Epson and Brother and sales by metal division to Japanese customers accounted for approximately 84.7% of the Group's total sales for the six months ended 30 June 2005 (2004: 73.8%).

As a service provider to reputable manufacturers with international renowned brand names, management believes that the Group's business is strongly influenced by the characteristics of its major customer group. Management believes that the key characteristics of Japanese manufacturers, which are currently the Group's major customer group, include (i) a strong emphasis on product quality, in particular for office automation equipment such as copiers and fax machines whose components require high precision standards to ensure the effective functioning of the equipment; (ii) emphasis on production efficiency to minimise production lead time and just-in-time inventory management and (iii) a strong involvement in the production process of its suppliers to ensure product quality and frequent mutual communications with a view to improving the production efficiency of its suppliers. To meet the stringent requirements of its customers, the Group has been following the Japanese style of management since the early stage of its establishment, which includes the implementation of the Japanese 7S management framework (Strategy; Structure; Systems; Style; Staff; Super-ordinate goals and Skills). Further, to manufacture components with high precision standards for its customers, the Group had invested in high quality equipment and a substantial portion of the Group's production machinery are first-tier equipment produced by international renowned brand names such as Aida, Sodick, Agie, Panasonic and Nomura. The Group also maintains a strong quality control team with a headcount of 167 employees as at 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Metal Division *(Continued)*

Such investment in quality and production management has proven to be beneficial to the Group. During the six months ended 30 June 2005, the Group experienced an increase in sale orders from its existing customers. Those Japanese customers who only provided sale orders to the Group on a trial basis previously also increased their orders since late 2004 or early 2005, resulting in a significant surge in the turnover of the Group's metal division during the six months ended 30 June 2005.

To maintain its competitive advantage in product quality and management, the Group will continue to invest in first-tier machinery and equipment with an objective of increasing the production capacity of the metal division of its Shenzhen operations by 40% in 2006. A new production plant will also be established in the Yangtze Delta region of the PRC to serve the needs of our existing and target customers in that region, providing the Group with an estimated additional 40% increase in production capacity upon its establishment. With a view to strengthening the Group's production management, a new "Management by Object" methodology was also implemented during the six months ended 30 June 2005 and a launch ceremony was held and attended by all management members of the Group in March 2005. In line with the Group's business expansion, experienced engineers and skilful talents were recruited, which included two senior Japanese management members who formerly held management positions with certain of the Group's existing Japanese customers. Management believes that the Group will continue to benefit from the outsourcing trend of Japanese customers, provided that the Group is able to improve its product quality and management on a continuing basis.

Apart from Japanese customers, the remaining 15.3% of sales of the Group's metal division was derived from reputable Hong Kong or international companies during the six months ended 30 June 2005. To broaden its customer base, the Group will continue to source new customers. However, it is the policy of the Group to be selective in the sourcing of new customers and management will take into account a number of factors which include the pricing of products and credibility of potential customers in its decision making process.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Plastic Division

The plastic division with its first phase of production lines amounting to approximately HK$17,684,000 was established by the Group in late 2004. The Group decided to expand into plastic business because, while part of the office automation equipment manufactured by its customers are made of metal parts and components, plastic components account for the remaining portion. Management believes that the expansion into plastic business will not only provide the momentum for the Group's future growth, but also enable the Group to provide a more comprehensive service to its customers and reduce the costs of its customers in logistic and quality control aspects that arise from their current practices to outsource the production of metal and plastic components to different suppliers.

During the six months ended 30 June 2005, the plastic production line was operated on a trial basis in the Group's No. 2 factory building in Shenzhen. It was relocated to the Group's No.3 factory building in Shenzhen, which was built to accommodate the Group's plastic division, on 18 July 2005. Prior to the relocation of the plastic production line to No. 3 factory building, the Group's plastic division was operated on a trial basis during which small scale orders were accepted for test-running the plastic production line and management members of the Group's plastic division devoted substantial effort in fine-tuning the production process and obtaining feedback from customers. As the plastic division was only operated on a trial basis with a view to test-running its production, it recorded a loss of approximately HK$3,215,000 during the six months ended 30 June 2005, which management considers to be part of the investment for the full-scale operation of the Group's plastic division in the future.

Nevertheless, the Group's existing customers had already indicated their support for the Group's expansion into plastic business during its trial production period. From May 2005 onwards, sales orders were received from Konica Minolta, Fuji-Xerox and Ricoh for the production of plastic moulds, which will be consigned in the Group's factory for future production of plastic components upon completion of the moulds.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Human Resources

As at 30 June 2005, the total number of employees of the Group was 1,831, representing a growth of 38% as compared to 1,325 employees as at 30 June 2004. The increase in headcount was primarily due to the overall expansion of the Group during the six months ended 30 June 2005.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Apart from the continuing recruitment of domestic talents, seasoned Japanese management with strong production management experience are also recruited. In July 2005, two seasoned Japanese managers with more than 30 years of management experience in Konica Minolta and Ricoh respectively joined the Group as senior management members to assist the Group in strengthening its production management and communications with its customers.

Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment is also important for attracting and retaining qualified staff for its future success, in particular in a business environment where shortage of labour exists. Various employee activities were organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees and, in return, the Group was awarded with an "Green Garden Community Honour Certificate (園林式、花園式(小區)榮譽證書)" granted by the Shenzhen Municipal Government in January 2005.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

Foreign Currency Exposure

A substantial portion of the Group's customers are reputable international manufacturers with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international steel and metal producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2005, approximately 66%, 31% and 3% (2004: 74%, 21% and 5%) of the Group's sales and approximately 35%, 56% and 9% (2004: 52%, 37% and 11%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Management is aware of the potential foreign currency risk that may arise from the recent change in the foreign exchange policy by the PRC government. Although only a small portion of the Group's sales and purchases are denominated in Renminbi currently, the Group had taken actions to manage its foreign currency exposure. During the six months ended 30 June 2005, management had refinanced the Group's Renminbi borrowings with Hong Kong dollar loans and accordingly, the percentage of Renminbi borrowings to the Group's total bank borrowings reduced from approximately 12.6% as at 31 December 2004 to nil as at 30 June 2005. As at 30 June 2005, a deposit denominated in Renminbi amounting to RMB26,500,000 was pledged for obtaining a Hong Kong dollar loan of an equivalent amount, which effectively acted as a hedge against the appreciation of Renminbi. Management will evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimise the Group's exposure whenever necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2005		2004	
	HK$'000	**%**	HK$'000	%
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**24,806**	**12.4%**	25,906	20.8%
Manufacturing of metal stamping and lathing products	**166,055**	**83.1%**	92,969	74.6%
Others *(Note 1)*	**5,730**	**2.9%**	5,718	4.6%
	196,591		124,593	
Plastic division				
Design and fabrication of plastic injection moulds	**2,548**	**1.3%**	–	
Manufacturing of plastic injection products	**625**	**0.3%**	–	
	3,173		–	
Total	**199,764**		124,593	
Segment results				
Metal division	**41,272**		30,976	
Plastic division	**(3,215)**		–	
Operating profit	**38,057**		30,976	
Finance costs	**(3,661)**		(1,361)	
Income tax expenses	**(3,512)**		(2,388)	
Minority interest	**–**		(230)	
Profit attributable to equity holders of the Company	**30,884**		26,997	

Note 1: Others mainly represented sales of scrap materials

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Turnover

Metal division

The increase in turnover of the Group's metal division by 58% from approximately HK$124,593,000 for the six months ended 30 June 2004 to approximately HK$196,591,000 for the six months ended 30 June 2005 was primarily driven by the increase in revenue generated from manufacturing of metal stamping and lathing products. With the continuous development of the Group's production management and its reputation among prominent international manufacturers, the Group experienced an increase in sale orders from its existing customers during the six months ended 30 June 2005. Those customers which only provided sale orders to the Group's on a trial basis previously also started to provide large scale orders to the Group, which contributed to the significant increase in revenue generated from manufacturing of metal stamping and lathing products during the six month ended 30 June 2005.

Plastic division

During the six months ended 30 June 2005, the Group's plastic division was operated on a trial basis and only small orders are accepted for the purpose of test-running the production process. Accordingly, revenue generated from the Group's plastic division only constituted approximately 1.6% of its total turnover for the six months ended 30 June 2005. The Group's revenue from design and fabrication of plastic injection moulds amounting to approximately HK$2,548,000 primarily represented sale orders received from the Group's existing customers from May 2005 onwards for production of plastic injection moulds which will be consigned in the Group's factories for the future production of plastic injection components.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Gross profit

The Group achieved a gross profit of approximately HK$64,872,000 for the six months ended 30 June 2005, representing an increase of 34.2% as compared to that for the six months ended 30 June 2004. Gross profit margin for the six months ended 30 June 2005 was approximately 32.5%, which decreased as compared to that of 38.8% for the six months ended 30 June 2004. The decrease in gross profit margin was primarily because (i) the Group's revenue from the manufacture of metal stamping and lathing products increased significantly and its proportion to total turnover increased from approximately 74.6% for the six months ended 30 June 2004 to approximately 83.1% for the six months ended 30 June 2005. At the same time, with the significant increase in revenue from the manufacture of metal stamping and lathing products, the proportion of revenue from design and fabrication of metal stamping moulds to total turnover was diluted from 20.8% for the six months ended 30 June 2004 to 12.4% for the six months ended 30 June 2005 although its amount remained comparable to that for the six months ended 30 June 2004. Since the gross profit margin from the manufacture of metal stamping and lathing products is generally lower than that from design and fabrication of metal stamping moulds, the significant increase in revenue from the manufacture of metal stamping and lathing products had diluted the Group's overall gross profit margin for the six months ended 30 June 2005 and (ii) with the continuous development of the Group's production management and its reputation among customers, management believes that the Group is poised to achieve further growth in revenue in the future. To establish a solid foundation for the Group's future growth, the Group has been expanding its scale of operations since the latter half of 2004 which included the establishment of new production lines and the recruitment and training of additional production and management personnel with a view to accommodating the expected surge in sale orders in the coming years. The expansion of the Group's scale of operations had increased the Group's production overhead costs, which are semi-fixed in nature, and consequently lowered the Group's overall gross profit margin during the six months ended 30 June 2005. Nevertheless, management considers the expansion of operating scale as a necessary step for achieving future growth and expects the effect of increased production overhead costs to be offset through economy of scale brought by the continuous increase in the Group's turnover in the future.

Segment results

For the six months ended 30 June 2005, segment result of the Group's metal division amounted to approximately HK$41,272,000, representing a 33.2% increase as compared to that of approximately HK$30,976,000 for the six months ended 30 June 2004. This increase was primarily brought by the surge of turnover of the Group's metal division during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Segment results *(Continued)*

During the six months ended 30 June 2005, the Group's plastic division was operated on a trial basis during which small orders were accepted primarily for test-running the production process. Since the Group's plastic division was not operated on full scale, it recorded an initial loss of approximately HK$3,215,000 which management considers as an investment for its full-scale operations in the future.

Finance costs

Prior to its initial public offering in May 2005, the Group's primarily relied on bank loans and finance lease arrangements to finance the expansion of its business. Since the Group has been expanding its scale of operations since the latter half of 2004, the balance of bank loans and finance lease obligations increased correspondingly which consequently resulted in an increase in the Group's finance costs by approximately HK$2,300,000 for the six months ended 30 June 2005.

Following its initial public offering in May 2005, the Group had utilised a portion of its listing proceeds and cash generated from operating activities for repayment of certain bank loans and finance lease obligations. Accordingly, the Group's total borrowings which include bank loans and finance lease obligations as at 30 June 2005 reduced by approximately 36.2% as compared to that as at 31 December 2004.

Income tax expenses

Yihe Precision Hardware (Shenzhen) Co., Ltd., the Group's principal subsidiary in the PRC, is subject to PRC enterprise income tax at a rate of 15%. However, it is fully exempted from PRC enterprise income tax for two years starting from its first year of profitable operations, followed by a 50% reduction in PRC enterprise income tax for the next three years. The tax exemption period of Yihe Precision Hardware (Shenzhen) Co., Ltd. ended on 31 December 2004 and it was subject to a tax rate of 7.5% during the six months ended 30 June 2005. Coupled with the increase in the Group's profit before taxation, the Group experienced an increase in income tax expenses during the six months ended 30 June 2005.

Profit attributable to equity holders of the Company

Despite an increase in finance and taxation expenses and the initial loss of the Group's plastic division, the profit attributable to equity holders of the Company increased by approximately 14.4% from approximately HK$26,997,000 for the six months ended 30 June 2004 to approximately HK$30,884,000 for the six months ended 30 June 2005, which was primarily attributable to the continuous increase in the Group's turnover during the period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

Following the Company's initial public offering on 11 May 2005, the Group received net proceeds of approximately HK$125,080,000 which are intended to be used to finance the future expansion of the Group's operations and repayment of loans. For the six months ended 30 June 2005, the Group recorded net cash generated from operating activities amounting to approximately HK$27,378,000, representing an increase of approximately 108% as compared to that of approximately HK$13,181,000 for the six months ended 30 June 2004. The increase in net cash generated from operating activities was in line with increase in the turnover and profit of the Group during the six months ended 30 June 2005. Net cash used for investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK$24,443,000 for the six months ended 30 June 2005, increased by approximately 177% as compared that of approximately HK$8,822,000 for the six months ended 30 June 2004 due to the reduction in the use of finance lease arrangement for the purchases of fixed assets. In addition, despite a reduction of the Group's borrowing level, the Group recorded an increase in net cash generated from financing activities from approximately HK$3,066,000 for the six months ended 30 June 2004 to approximately HK$29,405,000 for the six months ended 30 June 2005 owing to the receipt of the net proceeds from the Company's initial public offering.

Bank loans as at 30 June 2005 were denominated in Hong Kong dollars with fixed or floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2005 are as follows:

	For the six months ended 30 June 2005	For the year ended 31 December 2004
Inventory turnover days *(Note 1)*	**55**	71
Debtors' turnover days *(Note 2)*	**81**	99
Creditors' turnover days *(Note 3)*	**93**	126
Current ratio *(Note 4)*	**1.32**	0.81
Net gearing ratio *(Note 5)*	**0.13**	1.39

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS *(Continued)*

Note:–

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

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

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

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

5. Net gearing ratio is calculated based on the total balance of bank loans and finance lease obligations less cash and bank balances divided by shareholders' equity.

Inventory turnover days

Substantially all of the Group's Japanese customers have their own designated raw material suppliers. These Japanese customers generally require the Group to purchase raw materials from their designated suppliers for the manufacture of metal and plastic components and delivery and pricing of raw materials are negotiated based on three-way communications among the Group, its customers and suppliers. This practice enables the Group to manage its inventories in an efficient manner despite a continuous increase in its turnover and business scale. The Group's inventory turnover days for the six months ended 30 June 2005 was approximately 55 days, which decreased by 16 days as compared to that for the year ended 31 December 2004 owing to a continuous improvement of the Group's inventory management.

Debtors' and creditors' turnover days

During the six months ended 30 June 2005, the Group's debtors' and creditors' turnover days decreased from approximately 99 days and 126 days for the year ended 31 December 2004 to approximately 81 days and 93 days respectively owing to the continuous improvement of the Group's cash flow management during the period.

Current ratio and net gearing ratio

During the six months ended 30 June 2005, the Group received net proceeds from initial public offering amounting to approximately HK$125,080,000. A portion of the Group's bank loans were also repaid with a view to strengthening the Group's financial position. Coupled with the continuous inflow of cash from operations, the Group's current ratio and net gearing ratio improved and changed from approximately 0.81 and 1.39 as at 31 December 2004 to approximately 1.32 and 0.13 as at 30 June 2005.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2005, bank deposits of approximately HK$24,993,000, the Group's office premises located in Hong Kong with a net book value of approximately HK$9,309,000 and property, plant and equipment with a total net book value of approximately HK$101,813,000 were pledged as securities for the Group's borrowing facilities and finance lease obligations.

DIVIDEND

The Board declared an interim dividend of HK1.8 cents per share and a special dividend of HK1.2 cents per share, totalling HK3 cents per share for the six months ended 30 June 2005 to eligible shareholders whose names appear on the Registrar of member of the Company on 10 October 2005. The interim and special dividends will be payable in cash on or about 20 October 2005.

OUTLOOK

Management sees great potential in both the global and regional markets taking into account (i) the global and the PRC mould markets grew by 7.2% and 20.3% in 2004, respectively; (ii) in 2004, only 50% of the demand for high quality and high precision mould products in the PRC had been met by domestic production, with the remaining portion being satisfied by imported moulds, indicating a strong potential for the growth in demand for domestically-produced high precision moulds in the PRC; (iii) the PRC is expected to become a more visible and key electronics production base in Asia Pacific, sharing 42% of the region's electronic equipment production by 2007; and (iv) outsourcing by Japanese manufacturers to non-Japanese suppliers is still fairly new with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, whose operating costs are generally higher than those of the domestic companies. Taking into account the above factors, management believes that the Group is poised to achieve future growth as a result of the expansion in mould and electronic equipment markets in the PRC as well as market share gains.

Management considers 2005 to be a year of investment. During the six months ended 30 June 2005, the Group had made investments to transform itself from a metal mould and component supplier to a comprehensive service provider covering metal and plastic moulds and components and related assembly services with a view to reducing the costs of the Group's customers in logistic and quality control aspects that arise from their current practices of outsourcing the production of metal and plastic components and related assembly services to different suppliers. As part of the Group's expansion plan, a new No. 3 factory building adjacent to the Group's existing plants in Shenzhen commenced operations on 18 July 2005. The new No. 3 factory building occupies a total construction area of approximately 18,000 sq.m. It will serve as the Group's production base for design and fabrication of plastic moulds, plastic components and assembly services with an estimated monthly production capacity of approximately 100 sets of plastic moulds and 7,500,000 units of plastic components. Management believes that the horizontal expansion into the plastic injection mould and component manufacturing business is critical to the Group's transformation into a comprehensive service provider and will also provide the Group with the momentum for growth in the coming years.

OUTLOOK *(Continued)*

The Group's Shenzhen plant is currently serving the production factories of its customers, which primarily comprises top-tier Japanese brand names for office automation equipment and consumer electronic products, located within the Pearl Delta Region. One of the major customers of the Group has recently indicated to the Group that it is constructing a new production plant in the Yangtze Delta region which would be in addition to their production base in the Pearl Delta Region and that this new plant would also require the same type of products and services currently provided by the Group in Shenzhen. Further, a number of other existing or target customers of the Group have either established or are about to establish their new production bases in the Yangtze Delta Region. These include Fuji-Xerox and Ricoh in Shanghai; Canon and Lexmark in Suzhou; Sharp in Changshu and Konica Minolta in Wuxi. To capture the business opportunities that have arisen from the expansion of business of its existing and target customers in the Yangtze Delta Region and deepening the Group's relationship with its existing customers, management resolved to establish a new production plant in Suzhou, the PRC. The first phase of the new Suzhou factory, which has a floor area of approximately 30,000 sq.m., is expected to commence production by end of 2005 or early 2006. Supported by the Group's Shenzhen and Suzhou factories, management believes that the Group will be able to enlarge its coverage of customers in Southern and Eastern China, whilst maximising economies of scale.

Currently, the Group generally produces moulds for its customers on the condition that these customers consign the moulds in the Group's production plants upon their completion for the production of metal and plastic components. This business model provides a stable income stream for the Group since the production cycles of moulds normally last for three to four years. However, at the same time, management also sees the potential in manufacturing and selling the moulds on stand alone basis taking into account (i) the growing demand for moulds in the PRC market and (ii) the demand for high precision moulds from the Group's existing customers for use in their factories located outside Hong Kong and the PRC. Accordingly, the Group earmarked approximately HK$35 million out of its proceeds from listing in May 2005 for establishing a mould development centre in Shenzhen with a view to maximising the production capacity for moulds and strengthening the Group's engineering and product development capability. Subsequent to the listing, the Group is currently in the process of establishing the mould development centre which is expected to commence operations in 2006.

OUTLOOK *(Continued)*

As described above, one of the key characteristics of the Group's existing Japanese customers is their strong emphasis on quality and production management. Accordingly, the Group devoted substantial resources in strengthening its product quality and management and, in return, accreditations were received from its customers during the six months ended 30 June 2005 which included (i) the "Best Assistance Award (最佳協力獎)" granted by Canon in January 2005; (ii) an "Acclamation Certificate (表彰狀)" granted by Konica Minolta in March 2005 and (iii) an approval certificate for chemical substances management (CMS) standard granted by Ricoh in January 2005. Management believes that the Group's commitment to product quality and management, coupled with the investments made for providing more comprehensive services to its customers, will deepen its customer relationships which will in turn transform into economic benefits for the Group.

APPLICATION OF LISTING PROCEEDS

The Company's shares were listed on the Hong Kong Stock Exchange on 11 May 2005. The net proceeds from listing amounted to approximately HK$125,080,000 and as at 14 September 2005, the Group had applied the listing proceeds as follows:

	Planned as per prospectus dated 29 April 2005	**Actual application as at 14 September 2005**
	HK$'000	HK$'000
Purchases of machinery and equipment for the manufacture of plastic injection moulds and plastic injection components	32,000	29,259
Purchases of additional stamping machines for the manufacture of metal stamping moulds and metal stamping components	25,000	13,365
Establishment of a mould development centre	35,000	6,190
Repayment of bank loans	30,000	30,000
General working capital of the Group	3,080	3,080
	125,080	81,894

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

As at 30 June 2005, the interests and/or short positions of the directors or chief executive of the Company's 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 ("the Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the registrar referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in shares

Name of director	Capacity	Number of shares	Approximate percentage of interest
Mr. Zhang Hwo Jie	Interest in a controlled corporation	390,000,000	75%

Note: Mr. Zhang Hwo Jie holds 36% of the entire issued capital of Prosper Empire Limited, which is interested in 75% of the entire issued capital of the Company. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

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

Name of director	Capacity	Approximate percentage of interest
Mr. Zhang Hwo Jie	Beneficial owner	36%
Mr. Zhang Yaohua	Beneficial owner	33%
Mr. Zhang Jian Hua	Beneficial owner	31%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the following persons, not being a director or chief executive of the Company, have an interest and/or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	**Capacity**	**Number of shares**	**Approximate percentage of interest**
Prosper Empire Limited	Beneficial owner	390,000,000	75%
Ms. Shen Chan Jie Lin	Interest of spouse *(Note 1)*	390,000,000	75%

Note:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 20 April 2005 which became unconditional on 11 May 2005. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies.

As at 30 June 2005, no option had been granted or agreed to be granted to any person under the Share Option Scheme.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 11 May 2005. Save for the above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares during the six months ended 30 June 2005. As at 30 June 2005, 520,000,000 shares were in issue.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 October 2005 to Monday, 10 October 2005, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed interim and special dividends for the six months ended 30 June 2005, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 4 October 2005.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

The Company and the Directors confirm, to the best of their knowledge, that the Company has compiled with the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") since the listing of the shares on the Main Board of the Stock Exchange on 11 May 2005.

The Company also 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 for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors since the listing of the Company's shares on the Main Board of the Stock Exchange on 11 May 2005.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management relating to the preparation of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Group had established a remuneration committee which comprises two independent non-executive directors, namely Dr. Lui Sun Wing and Mr. Choy Tak Ho and the chairman and executive director Mr. Zhang Hwo Jie on 22 June 2005. Mr. Zhang Hwo Jie is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the Directors and senior management and for providing advice and recommendations to the Board of Directors.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 14 September 2005

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