



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

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 838



# 2009

Interim Report  
二零零九年中期報告





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## Corporate Information

### Executive Directors

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

### Independent non-executive directors and audit committee

Dr. Lui Sun Wing (*Chairman*)  
Mr. Choy Tak Ho  
Mr. Leung Tai Chiu

### Remuneration committee

Mr. Zhang Hwo Jie (*Chairman*)  
Dr. Lui Sun Wing  
Mr. Choy Tak Ho

### Company secretary

Mr. Wong Hoi Chu Francis *FCCA CPA*

### Authorised representatives

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

### Head office

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

### Registered office

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

### Auditor

PricewaterhouseCoopers  
Certified Public Accountants

### Principal bankers

#### Hong Kong

DBS Bank (Hong Kong) Limited  
Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Chong Hing Bank Limited  
Hang Seng Bank Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Sumitomo Mitsui Finance and Leasing (Hong Kong) Limited  
Industrial and Commercial Bank of China (Asia) Limited  
Orix Asia Limited  
Dah Sing Bank, Limited  
CITIC Ka Wah Bank Limited  
Standard Chartered Bank (Hong Kong) Limited

#### Mainland China

Agricultural Bank of China  
Industrial and Commercial Bank of China  
Shenzhen Development Bank  
China Merchants Bank

### Legal advisor

Jones Day

### Principal share register and transfer office

HSBC Trustee (Cayman) Limited  
P.O. Box 484, HSBC House  
68 West Bay Road  
Grand Cayman, KY1-1106  
Cayman Islands

### Hong Kong branch share registrar and transfer office

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

### Website

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

### Stock code

838

## Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2009

	Note	<b>Unaudited 30 June 2009 HK\$'000</b>	Audited 31 December 2008 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	5	<b>937,757</b>	931,106
Leasehold land and land use rights	5	<b>58,499</b>	58,934
Prepayments	6	<b>12,646</b>	21,916
Other assets		<b>1,607</b>	1,607
		<b>1,010,509</b>	1,013,563
<b>Current assets</b>			
Inventories		<b>113,884</b>	179,204
Trade receivables	7	<b>171,332</b>	203,232
Prepayments and deposits		<b>11,762</b>	9,894
Pledged bank deposits		<b>1,134</b>	1,134
Cash and cash equivalents		<b>270,190</b>	251,828
		<b>568,302</b>	645,292
<b>Current liabilities</b>			
Trade payables	8	<b>111,636</b>	158,214
Accruals and other payables		<b>27,396</b>	31,801
Bank borrowings	9	<b>257,563</b>	189,463
Finance lease liabilities	10	<b>47,690</b>	50,968
Current income tax liabilities		<b>13,003</b>	15,388
		<b>457,288</b>	445,834
<b>Net current assets</b>			
		<b>111,014</b>	199,458
<b>Total assets less current liabilities</b>			
		<b>1,121,523</b>	1,213,021
<b>Non-current liabilities</b>			
Bank borrowings	9	<b>110,196</b>	155,122
Finance lease liabilities	10	<b>65,643</b>	85,714
Deferred taxation		<b>5,129</b>	5,129
		<b>180,968</b>	245,965
<b>Net assets</b>			
		<b>940,555</b>	967,056
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	11	<b>65,166</b>	69,813
Reserves	13	<b>875,389</b>	897,243
<b>Total equity</b>			
		<b>940,555</b>	967,056

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

## Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2009

		<b>Unaudited Six months ended 30 June</b>	
	Note	<b>2009 HK\$'000</b>	2008 HK\$'000
<b>Revenue</b>	4	<b>493,407</b>	526,007
Cost of goods sold	14	<b>(397,980)</b>	(378,631)
<b>Gross profit</b>		<b>95,427</b>	147,376
Other gains		–	4
Selling and distribution expenses	14	<b>(21,399)</b>	(26,442)
General and administrative expenses	14	<b>(48,807)</b>	(56,519)
<b>Operating profit</b>		<b>25,221</b>	64,419
Finance income	15	<b>1,085</b>	472
Finance costs	15	<b>(7,331)</b>	(5,017)
<b>Profit before income tax</b>		<b>18,975</b>	59,874
Income tax expense	16	<b>(3,601)</b>	(12,075)
<b>Profit for the period</b>		<b>15,374</b>	47,799
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year</b>		<b>15,374</b>	47,799
<b>Earnings per share, expressed in HK cents per share</b>			
– basic	17	<b>HK2.3 cents</b>	HK6.6 cents
– diluted		<b>HK2.2 cents</b>	HK6.5 cents
Dividend	18	<b>5,318</b>	14,236

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

## Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2009

	<b>Share capital</b>	<b>Unaudited Reserves</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2009	69,813	897,243	967,056
Profit for the period/total recognised income	–	15,374	15,374
Repurchase of shares	(4,712)	(24,842)	(29,554)
Employee share option scheme:			
– value of employee services	–	1,833	1,833
– proceeds from share issued	65	162	227
Dividend paid	–	(14,381)	(14,381)
	<u>(4,647)</u>	<u>(37,228)</u>	<u>(41,875)</u>
Balance at 30 June 2009	<u>65,166</u>	<u>875,389</u>	<u>940,555</u>
Balance at 1 January 2008	72,124	858,595	930,719
Profit for the period/total recognised income	–	47,799	47,799
Employee share option scheme:			
– value of employee services	–	3,481	3,481
– proceeds from share issued	41	669	710
Dividend paid	–	(24,524)	(24,524)
	<u>41</u>	<u>(20,374)</u>	<u>(20,333)</u>
Balance at 30 June 2008	<u>72,165</u>	<u>886,020</u>	<u>958,185</u>

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

## Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2009

		<b>Unaudited Six months ended 30 June</b>	
	Note	<b>2009 HK\$'000</b>	2008 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		<b>112,262</b>	39,244
Interest received		<b>1,085</b>	472
Interest paid		<b>(7,294)</b>	(5,048)
Income tax paid		<b>(5,986)</b>	(4,742)
Net cash generated from operating activities		<b>100,067</b>	29,926
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(22,624)</b>	(83,035)
Prepayments for land use rights and property, plant and equipment		<b>(12,180)</b>	(47,469)
Proceeds from sale of property, plant and equipment		<b>–</b>	420
Net cash used in investing activities		<b>(34,804)</b>	(130,084)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		<b>100,000</b>	217,156
Repayments of bank borrowings		<b>(76,826)</b>	(71,993)
Repayments of capital element of finance lease liabilities		<b>(26,367)</b>	(20,249)
Decrease in pledged bank deposits		<b>–</b>	7,300
Repurchase of shares	11	<b>(29,554)</b>	–
Proceeds from exercise of share options		<b>227</b>	710
Dividends paid		<b>(14,381)</b>	(24,524)
Net cash (used in)/generated from financing activities		<b>(46,901)</b>	108,400
<b>Net increase in cash and cash equivalents</b>		<b>18,362</b>	8,242
Cash and cash equivalents at beginning of period		<b>251,828</b>	133,729
<b>Cash and cash equivalents at end of period</b>		<b>270,190</b>	141,971

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

# Notes to the Condensed Consolidated Interim Financial Information

## 1 General information

EVA Precision Industrial Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in the design and fabrication of metal stamping and plastic injection moulds, and manufacturing of metal stamping and plastic injection components and lathing components.

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. It was approved for issue by the Board of Directors on 1 September 2009.

## 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards.



### 3 Accounting policies

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2008, as described in the annual financial statements of the Group for that year.

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2009:

- HKAS 1 (Revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement: statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKAS 23 (Revised), 'Borrowing costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group's current accounting policy complies with the revised requirements of HKAS 23 (Revised). As such, the adoption has no material impact on the Group's financial statements.
- HKFRS 2 (Amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has applied HKFRS 2 (Amendment) from 1 January 2009, but there is no material impact on the Group's financial statements.

### 3 Accounting policies (continued)

The following new standards and amendments existing standards are mandatory for the first time for the financial year beginning 1 January 2009: (continued)

- HKFRS 7 (Amendment), 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.
- HKFRS 8, 'Operating segments', which replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors and senior management.

The following amendments and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group:

- HKAS 32 (Amendment), 'Financial instruments: presentation'.
- HK(IFRIC)-Int 9 (Amendment), 'Reassessment of embedded derivatives' and HKAS 39 (Amendment), 'Financial Instruments: Recognition and measurement'.
- HK(IFRIC)-Int 13, 'Customer loyalty programmes'.
- HK(IFRIC)-Int 15, 'Agreements for the construction of real estate'.
- HK(IFRIC)-Int 16, 'Hedges of a net investment in a foreign operation'.

## Notes to the Condensed Consolidated Interim Financial Information

### 3 Accounting policies (continued)

The following amendments to existing standards have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective for accounting period starting from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) from 1 January 2010.
- HKFRS 3 (Revised), 'Business combinations' (effective for accounting period starting from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

The following amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2009 and not relevant for the Group's operations:

- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' on eligible hedged items (effective for accounting period starting from 1 July 2009).
- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective for accounting period starting from 1 July 2009).
- HK(IFRIC) – Int 17, 'Distributions of non-cash assets to owners' (effective for accounting period starting from 1 July 2009).
- HK(IFRIC) – Int 18, 'Transfers of assets from customers' (effective for transfers on or after 1 July 2009).

## Notes to the Condensed Consolidated Interim Financial Information

### 3 Accounting policies (continued)

Apart from the above, the Hong Kong Institute of Certified Public Accountants has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. These amendments are primarily effective for annual periods beginning on or after 1 July 2009, with earlier application permitted. The Group does not expect adoption of these amendments to have a significant effect on the consolidated financial statements.

### 4 Revenue and segment information

#### (a) Revenue

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Revenue		
Design and fabrication of metal stamping moulds	46,172	15,920
Manufacturing of metal stamping components	218,170	300,132
Manufacturing of lathing components	29,030	43,434
Design and fabrication of plastic injection moulds	36,614	18,645
Manufacturing of plastic injection components	154,221	131,479
Others <sup>1</sup>	9,200	16,397
	<b>493,407</b>	<b>526,007</b>

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

### 4 Revenue and segment information (continued)

#### (b) Segment information

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

At 30 June 2009, the Group is organised into two main business segments:

- (i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components ("Metal stamping"); and
- (ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components ("Plastic injection").

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

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

For the six months ended 30 June 2009, revenue of approximately HK\$122,344,000, HK\$67,640,000 and HK\$64,406,000 (for the six months ended 30 June 2008: HK\$120,770,000, HK\$65,666,000 and HK\$58,028,000) are derived from the top three customers (individually over 10% of total revenue). The revenue is attributable to both the metal and plastic division.



## Notes to the Condensed Consolidated Interim Financial Information

### 4 Revenue and segment information (continued)

#### (b) Segment information (continued)

The segment results and other segment items are as follows:

	Six months ended 30 June					
	2009			2008		
	Metal stamping HK\$'000	Plastic injection HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Total HK\$'000
Total gross segment sales	<b>316,027</b>	<b>193,695</b>	<b>509,722</b>	394,814	153,733	548,547
Inter-segment sales	<b>(14,629)</b>	<b>(1,686)</b>	<b>(16,315)</b>	(20,690)	(1,850)	(22,540)
Sales	<b><u>301,398</u></b>	<b><u>192,009</u></b>	<b><u>493,407</u></b>	<u>374,124</u>	<u>151,883</u>	<u>526,007</u>
Segment results	<b><u>9,754</u></b>	<b><u>15,825</u></b>	<b><u>25,579</u></b>	<u>44,692</u>	<u>19,727</u>	64,419
Unallocated expenses			<b>(358)</b>			–
Finance income			<b>1,085</b>			472
Finance costs			<b>(7,331)</b>			(5,017)
Profit before income tax			<b>18,975</b>			59,874
Income tax expense			<b>(3,601)</b>			(12,075)
Profit for the period			<b><u>15,374</u></b>			<u>47,799</u>
Depreciation	<b><u>28,189</u></b>	<b><u>11,508</u></b>	<b><u>39,697</u></b>	<u>19,710</u>	<u>7,680</u>	<u>27,390</u>
Amortisation	<b><u>371</u></b>	<b><u>64</u></b>	<b><u>435</u></b>	<u>352</u>	<u>84</u>	<u>436</u>

Unallocated expenses represented corporate expenses.

## Notes to the Condensed Consolidated Interim Financial Information

### 4 Revenue and segment information (continued)

#### (b) Segment information (continued)

The segment assets and liabilities are as follows:

	As at 30 June 2009				As at 31 December 2008			
	Metal stamping HK\$'000	Plastic injection HK\$'000	Unallocated HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Assets</b>	<b>1,126,375</b>	<b>451,522</b>	<b>914</b>	<b>1,578,811</b>	1,161,936	496,515	404	1,658,855
<b>Liabilities</b>	<b>100,376</b>	<b>38,267</b>	<b>499,613</b>	<b>638,256</b>	144,154	45,724	501,921	691,799
<b>Capital expenditure</b>	<b>38,913</b>	<b>8,086</b>	<b>-</b>	<b>46,999</b>	229,334	166,682	-	396,016

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

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities, income tax liabilities and deferred taxation.

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

## Notes to the Condensed Consolidated Interim Financial Information

### 5 Capital expenditure

	<b>Property, plant and equipment</b>	<b>Leasehold land and land use rights</b>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Six months ended 30 June 2009		
Opening net book amount at 1 January 2009	931,106	58,934
Additions	46,999	–
Disposal	(651)	–
Depreciation/amortisation charge (Note 14)	<u>(39,697)</u>	<u>(435)</u>
Closing net book amount at 30 June 2009	<u><u>937,757</u></u>	<u><u>58,499</u></u>
Six months ended 30 June 2008		
Opening net book amount at 1 January 2008	595,456	80,314
Additions	223,238	–
Disposal	(465)	–
Depreciation/amortisation charge (Note 14)	<u>(27,390)</u>	<u>(436)</u>
Closing net book amount at 30 June 2008	<u><u>790,839</u></u>	<u><u>79,878</u></u>

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

## Notes to the Condensed Consolidated Interim Financial Information

### 6 Prepayments

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Prepayments for purchase of property, plant and equipment	<b>12,180</b>	21,360
Others	<b>466</b>	556
	<b>12,646</b>	21,916

### 7 Trade receivables

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>160,553</b>	176,453
91 to 180 days	<b>9,602</b>	20,152
181 to 365 days	<b>2,365</b>	7,815
	<b>172,520</b>	204,420
Less: Provision for impairment of trade receivables	<b>(1,188)</b>	(1,188)
	<b>171,332</b>	203,232

The management closely monitors the subsequent settlement of customers and does not grant long credit periods to the counterparties. In this regard, the directors consider that the Group's credit risk is significantly reduced. Other than the top three customers, there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30 June 2009, the Group recorded no provision for its trade receivables (For the six months ended 30 June 2008: HK\$3,873,000).

## Notes to the Condensed Consolidated Interim Financial Information

### 8 Trade payables

The aging analysis of trade payables is as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
0 to 90 days	<b>100,167</b>	146,800
91 to 180 days	<b>10,150</b>	10,416
181 to 365 days	<b>1,319</b>	998
	<b>111,636</b>	158,214

The carrying amounts of trade payables approximate their fair values and have a maturity period within 90 days.

### 9 Bank borrowings

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Current</b>		
Short-term bank loans	<b>150,000</b>	90,000
Trust receipts bank loans	–	10,226
Long-term bank loans, current portion	<b>107,143</b>	88,817
Mortgage loan, current portion	<b>420</b>	420
	<b>257,563</b>	189,463
<b>Non-current</b>		
Long-term bank loans, non-current portion	<b>106,187</b>	150,903
Mortgage loan, non-current portion	<b>4,009</b>	4,219
	<b>110,196</b>	155,122
	<b>367,759</b>	344,585



## Notes to the Condensed Consolidated Interim Financial Information

### 9 Bank borrowings (continued)

The maturity of bank borrowings is as follows:

	<b>As at</b>	
	<b>30 June 2009</b>	31 December 2008
	<b>HK\$'000</b>	HK\$'000
Within 5 years	<b>365,431</b>	342,046
Over 5 years	<b>2,328</b>	2,539
	<b><u>367,759</u></b>	<u>344,585</u>

Bank borrowings are denominated in Hong Kong dollars and United States dollars. The carrying amounts of bank borrowings approximate their fair values.

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

	<b>Short-term bank loans</b>		<b>Trust receipts bank loans</b>		<b>Long-term bank loans</b>		<b>Mortgage loan</b>	
	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008	<b>2009</b>	2008
Hong Kong dollars	<b>3.5%</b>	4.9%	<b>1.7%</b>	–	<b>2.8%</b>	4.0%	<b>2.4%</b>	2.8%
United States dollars	<b>–</b>	–	<b>1.7%</b>	3.7%	<b>–</b>	–	<b>–</b>	–

As at 30 June 2009, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book amounts of HK\$6,371,000 and HK\$69,316,000, respectively (2008: HK\$7,962,000 and HK\$75,407,000, respectively) and corporate guarantees provided by the Company.

## Notes to the Condensed Consolidated Interim Financial Information

### 10 Finance lease liabilities

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

	<b>As at</b>	
	<b>30 June 2009</b>	31 December 2008
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>51,115</b>	55,498
In the second year	<b>39,003</b>	43,674
In the third to fifth year	<b>28,835</b>	45,671
	<b>118,953</b>	144,843
Less: Future finance charges on finance leases	<b>(5,620)</b>	(8,161)
Present value of finance lease liabilities	<b>113,333</b>	136,682

The present value of finance lease liabilities is as follows:

	<b>As at</b>	
	<b>30 June 2009</b>	31 December 2008
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>47,690</b>	50,968
In the second year	<b>37,294</b>	41,202
In the third to fifth year	<b>28,349</b>	44,512
Total finance lease liabilities	<b>113,333</b>	136,682
Less: Amount included in current liabilities	<b>(47,690)</b>	(50,968)
	<b>65,643</b>	85,714

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

## Notes to the Condensed Consolidated Interim Financial Information

### 10 Finance lease liabilities (continued)

As at 30 June 2009, the effective interest rate of the Group's finance lease liabilities was 3.4% per annum (2008: 4.0% per annum).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. The net book amounts of the leased assets are approximately HK\$212,958,000 (2008: HK\$232,945,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK\$52,204,000 (2008: HK\$45,204,000).

### 11 Share capital

	Note	<b>Number of ordinary shares</b> (thousand)	<b>Nominal value</b> HK\$'000
<b>Authorised:</b>			
Shares of HK\$0.1 each			
At 31 December 2008 and 30 June 2009		<u>1,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>			
At 1 January 2008		721,240	72,124
Issue of shares pursuant to			
– share option scheme	(a)	410	41
Repurchase of shares	(b)	<u>(23,522)</u>	<u>(2,352)</u>
At 31 December 2008		698,128	69,813
Issue of shares pursuant to			
– share option schemes	(c)	650	65
Repurchase of shares	(d)	<u>(47,116)</u>	<u>(4,712)</u>
At 30 June 2009		<u>651,662</u>	<u>65,166</u>

## Notes to the Condensed Consolidated Interim Financial Information

### 11 Share capital (continued)

Notes:

- (a) During 2008, 410,000 new ordinary shares of HK\$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price ranging from HK\$1.70 to HK\$1.71 per share.
- (b) During 2008, the Company repurchased a total of 23,522,000 of its own shares On The Stock Exchange of Hong Kong Limited at a price ranging from HK\$0.31 to HK\$1.70 per share for a total consideration of approximately HK\$19,771,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 16 May 2008. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK\$0.10 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
July 2008	4,470,000	1.70	1.37	6,998
August 2008	5,390,000	1.43	1.20	7,380
October 2008	3,754,000	0.465	0.31	1,592
November 2008	7,742,000	0.34	0.31	2,518
December 2008	2,166,000	0.60	0.55	1,283
	<u>23,522,000</u>			<u>19,771</u>

- (c) During 2009, 650,000 new ordinary shares of HK\$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price of HK\$0.35 per share.

## Notes to the Condensed Consolidated Interim Financial Information

### 11 Share capital (continued)

Notes: (continued)

- (d) During 2009, the Company repurchased a total of 47,116,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price ranging from HK\$0.50 to HK\$0.85 per share for a total consideration of approximately HK\$29,554,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held in 2008 and 2009. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

<b>Month of repurchase</b>	<b>Number of shares of HK\$0.10 each</b>	<b>Highest price per share</b>	<b>Lowest price per share</b>	<b>Aggregate consideration paid</b>
		HK\$	HK\$	HK\$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
April 2009	3,836,000	0.65	0.60	2,454
May 2009	4,804,000	0.80	0.75	3,721
June 2009	2,020,000	0.85	0.82	1,695
	<u>47,116,000</u>			<u>29,554</u>



### 12 Share option scheme

In 2005, the Company has adopted a share option scheme (“Share Option Scheme”). Under the Share Option Scheme, the Company’s directors may, at their sole discretion, grant to any employee of the Group the right to take up options to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

On 18 May 2007, the shareholders of the Company approved the refreshment of the 10% limit under the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 72,000,000 shares, representing 10% of the shares of the Company in issue as at 18 May 2007.

During the six months ended 30 June 2009, no options (2008: 71,880,000 options with exercise prices of HK\$2.10 and HK\$0.35 per share) were granted to the Company’s directors and employees. During the six months ended 30 June 2009, 650,000 share options were exercised (2008: 410,000 share options). A total of 11,750,000 options lapsed during the six months ended 30 June 2009 (2008: A total of 3,140,000 options lapsed). Share options outstanding at 30 June 2009 have the following expiry dates and exercise prices:

<b>Expiry date</b>	<b>Exercise price</b> HK\$ per share	<b>Share options</b> ‘000
22 June 2010	1.70	22,980
11 August 2010	1.71	490
2 February 2011	1.96	11,220
2 February 2012	2.10	4,370
19 November 2018	0.35	65,960

## Notes to the Condensed Consolidated Interim Financial Information

### 13 Reserves

	Share premium HK\$'000	Capital reserve (i) HK\$'000	Statutory reserves (ii) HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2009	458,456	(735)	40,571	2,352	23,158	373,441	897,243
Profit for the period	-	-	-	-	-	15,374	15,374
Premium on repurchase of shares	(24,842)	-	-	-	-	-	(24,842)
Capital redemption reserve arising from repurchase of shares	-	-	-	4,712	-	(4,712)	-
Employee share option scheme							
– value of employee services	-	-	-	-	1,833	-	1,833
– proceeds from shares issued	162	-	-	-	-	-	162
Dividend paid	-	-	-	-	-	(14,381)	(14,381)
Balance at 30 June 2009	<u>433,776</u>	<u>(735)</u>	<u>40,571</u>	<u>7,064</u>	<u>24,991</u>	<u>369,722</u>	<u>875,389</u>
Balance at 1 January 2008	475,083	(735)	34,517	-	11,950	337,780	858,595
Profit for the period	-	-	-	-	-	47,799	47,799
Employee share option scheme							
– value of employee services	-	-	-	-	3,481	-	3,481
– proceeds from shares issued	669	-	-	-	-	-	669
Dividend paid	-	-	-	-	-	(24,524)	(24,524)
Balance at 30 June 2008	<u>475,752</u>	<u>(735)</u>	<u>34,517</u>	<u>-</u>	<u>15,431</u>	<u>361,055</u>	<u>886,020</u>
Profit for the period	-	-	-	-	-	34,779	34,779
Premium on repurchase of shares	(17,419)	-	-	-	-	-	(17,419)
Capital redemption reserve arising from repurchase of shares	-	-	-	2,352	-	(2,352)	-
Employee share option scheme							
– value of employee services	-	-	-	-	8,098	-	8,098
Transfer to retained earnings upon lapse of share options	-	-	-	-	(248)	248	-
Transfer to share premium upon exercise of share options	123	-	-	-	(123)	-	-
Dividends paid	-	-	-	-	-	(14,235)	(14,235)
Transfer to statutory reserves	-	-	6,054	-	-	(6,054)	-
Balance at 31 December 2008	<u>458,456</u>	<u>(735)</u>	<u>40,571</u>	<u>2,352</u>	<u>23,158</u>	<u>373,441</u>	<u>897,243</u>

### 13 Reserves (Continued)

Notes:

- (i) Capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.
- (ii) In accordance with the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reach 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval by 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 2009, no transfer of statutory reserves has 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 will be made at the end of the year in accordance with the articles of association of these Mainland China subsidiaries.

## Notes to the Condensed Consolidated Interim Financial Information

### 14 Comprehensive income statement items by nature

Comprehensive income statement items included in cost of goods sold, selling and distribution expenses and general and administrative expenses are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Raw materials and consumables used	<b>306,725</b>	288,523
Production overhead costs (excluding labour and depreciation expenses)	<b>19,717</b>	26,300
Staff costs, including directors' emoluments and share option costs	<b>63,940</b>	74,448
Depreciation of property, plant and equipment	<b>39,697</b>	27,390
Amortisation of leasehold land and land use rights	<b>435</b>	436
Loss on disposal of property, plant and equipment	<b>651</b>	45
Write-downs of inventories to net realisable value	<b>4,189</b>	1,160
Provision for doubtful debts	–	3,873
Net exchange loss/(gain)	<b>255</b>	(2,539)

### 15 Finance income/costs

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Finance income		
Interest income from bank deposits	<b>1,085</b>	472
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	<b>5,145</b>	2,840
Bank borrowings not wholly repayable within five years	<b>65</b>	61
Finance lease liabilities	<b>2,121</b>	2,116
	<b>7,331</b>	5,017

## Notes to the Condensed Consolidated Interim Financial Information

### 16 Income tax expense

	Six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Current taxation		
– Hong Kong profits tax	2,103	3,753
– Mainland China corporate income tax	1,498	6,081
Deferred taxation		
– Mainland China withholding income tax	–	2,241
	<b>3,601</b>	<b>12,075</b>

#### (i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2009 (2008: 16.5%).

#### (ii) Mainland China corporate income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at a rate of 20% and 25%, respectively, for the six months ended 30 June 2009 (2008: 18%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from corporate 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 corporate income tax for the next three years. The first profitable year after offsetting prior year tax losses of Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited was 2003, 2006 and 2007, respectively. Yihe Precision Hardware (Shenzhen) Co., Ltd. had the above tax benefit expired in 2008. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2006 and June 2007, respectively, and had no taxable profits during the six months ended 30 June 2009.

Under the new Corporate Income Tax Law of Mainland China, dividend distribution out of profit of foreign invested enterprises earned after January 2008 will be subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for certain jurisdiction of foreign investor with tax treaty arrangement.

## Notes to the Condensed Consolidated Interim Financial Information

### 16 Income tax expense (Continued)

#### (iii) Overseas income taxes

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

### 17 Earnings per share

#### Basic

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Profit for the period (HK\$'000)	<b>15,374</b>	47,799
Weighted average number of ordinary shares in issue ('000)	<b>669,614</b>	721,297
Basic earnings per share (HK cents per share)	<b>2.3</b>	6.6

#### Diluted

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Profit for the period (HK\$'000)	<b>15,374</b>	47,799
Weighted average number of ordinary shares in issue ('000)	<b>669,614</b>	721,297
– adjustment for share options ('000)	<b>28,625</b>	10,765
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>698,239</b>	732,062
Diluted earnings per share (HK cents per share)	<b>2.2</b>	6.5

## Notes to the Condensed Consolidated Interim Financial Information

### 18 Dividend

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Proposed interim dividend of HK0.82 cents (2008: HK2.0 cents) per ordinary share	<b>5,318</b>	14,236

### 19 Capital commitments

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

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Contracted but not provided for		
– Construction of buildings	<b>43,093</b>	57,470
– Purchase of plant and machinery	<b>1,216</b>	9,373
	<b>44,309</b>	66,843

### 20 Related-party transactions

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

The Group is controlled by Prosper Empire Limited (incorporated in the British Virgin Islands), which owns 55% (2008: 54%) of the Company's shares as at 30 June 2009. The ultimate parent company of the Group is Prosper Empire Limited.

The following transactions were carried out with related parties:

- (a) The Hong Kong Inland Revenue Department (the "HKIRD") advised EVA Limited, a wholly owned subsidiary of the Group, that it was conducting a tax audit to re-examine the offshore claim lodged by EVA Limited and its related companies. In this connection, EVA Limited and EVA Holdings Limited, wholly owned subsidiaries of the Group, proposed a settlement in July 2005 and further made a reply to provide supporting documents to the HKIRD in June 2006 in respect of their tax liabilities for the years of assessment 1998/1999 to 2003/2004. As at 31 December 2008, EVA Limited, on voluntary basis, placed a deposit of HK\$1,000,000 to the HKIRD. The deposit has been offset with tax reserves certificate payment during the six months ended 30 June 2009. During the six months ended 30 June 2009, EVA Limited and EVA Holdings Limited also paid by way of purchasing further tax reserve certificates of approximately HK\$1,846,000 and HK\$711,000, respectively (year ended 31 December 2008: HK\$2,874,000 and HK\$126,000, respectively), in respect of estimated tax charged by the HKIRD for tax assessment year 2002/03 (2008: for tax assessment year 2001/02). Total sum incurred before 2009 had been indemnified and reimbursed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors and beneficial shareholders of the Company as in accordance with the deed of the indemnity dated 28 April 2005 in connection with group reorganisation in contemplation with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. Starting from 1 January 2009, the Group has paid such sum by its account in accordance with the fact that indemnity from shareholders is obliged only when final determination of such tax liability has been made by HKIRD.



## Notes to the Condensed Consolidated Interim Financial Information

### 20 Related-party transactions (Continued)

(b) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and bonus	<b>4,174</b>	4,169
Share-based payments	<b>576</b>	990
Retirement benefits – defined contribution plan	<b>38</b>	37
	<b>4,788</b>	5,196

### 21 Event after the date of the statement of financial position

After 30 June 2009, the Company repurchased a total of 4,022,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price ranging from HK\$0.76 to HK\$0.80 per share for a total consideration of approximately HK\$3,155,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 10 June 2009. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

<b>Month of repurchase</b>	<b>Number of shares of HK\$0.10 each</b>	<b>Highest price per share HK\$</b>	<b>Lowest price per share HK\$</b>	<b>Aggregate consideration paid HK\$'000</b>
July 2009	4,022,000	0.80	0.76	3,155

## Management Discussion and Analysis

### Business review

During the six months ended 30 June 2009, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) manufacturing of lathing components. A review of the Group's operations for the six months ended 30 June 2009 is as follows:

### Metal division

During the six months ended 30 June 2009, the turnover of the Group's metal division decreased by 19.4% to approximately HK\$301,398,000 as compared to that of approximately HK\$374,124,000 for the six months ended 30 June 2008. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Epson and Brother and sales to Japanese customers accounted for approximately 86.6% of the Group's total sales for the six months ended 30 June 2009 (For the six months ended 30 June 2008: 84.7%).

During the period, the global economic situation was adversely affected by the aftermath of the financial tsunami. The Group's principal customers, which are the Japanese office automation equipment brand owners whose products are sold around the world, were inevitably affected by the economic downturn. As such, turnover of the Group's metal division decreased by approximately 19.4% during the six months ended 30 June 2009, as compared to a growth of approximately 4.2% for the six months ended 30 June 2008. Apart from Japanese customers, the remaining 13.4% of sales of the Group's metal division was derived from reputable Hong Kong or international companies during the six months ended 30 June 2009. To broaden its customer base and for the purpose of compensating for the downturn of revenue from Japanese office automation equipment brand owners, 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.

### Plastic division

Despite the financial tsunami, revenue of the Group's plastic division continued to increase since the plastic division is a relatively new division with a relatively low revenue base as compared to the Group's metal division. Turnover of the Group's plastic division for the six months ended 30 June 2009 was approximately HK\$192,009,000, representing an increase of approximately 26.4% as compared to that for the six months ended 30 June 2008.

## Management Discussion and Analysis

### Human resources

As at 30 June 2009, the total number of employees of the Group was 3,461 employees, representing a decrease of 22.9% as compared to 4,490 employees as at 30 June 2008. The decrease in headcount was primarily due to the Group's cost control effort following the financial tsunami.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success. Various employee activities were organised to inspire the team spirit of the Group's staff, which include the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

### Foreign currency exposure

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and United States dollars and only a portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2009, approximately 30%, 61% and 9% (For the six months ended 30 June 2008: 37%, 57% and 6%) of the Group's sales and approximately 15%, 68% and 17% (For the six months ended 30 June 2008: 20%, 64% and 16%) of the Group's purchases were denominated in Hong Kong dollars, United States dollars and Renminbi, respectively.

The Group's principal production facilities are located in Mainland China whilst its sale proceeds are primarily settled in Hong Kong dollars or United States dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates among United States dollars, Hong Kong dollars and Renminbi. Management has taken action to minimise the discrepancy in settlement currencies between its revenue and expenditure. In particular, despite the Group's substantial business operations in Mainland China, only a small portion of the Group's purchases are settled in Renminbi and all of the Group's borrowings were denominated in Hong Kong dollars and United States dollars instead of Renminbi currently. Management will continue to 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

### Financial review

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

	Six months ended 30 June			
	2009		2008	
	HK\$'000	%	HK\$'000	%
<b>By business segment</b>				
<b>Turnover</b>				
<i>Metal division</i>				
Design and fabrication of metal stamping moulds	<b>46,172</b>	<b>9.4%</b>	15,920	3.0%
Manufacturing of metal stamping components	<b>218,170</b>	<b>44.2%</b>	300,132	57.1%
Manufacturing of lathing components	<b>29,030</b>	<b>5.9%</b>	43,434	8.3%
Others (Note 1)	<b>8,026</b>	<b>1.6%</b>	14,638	2.8%
	<b><u>301,398</u></b>		<u>374,124</u>	
<i>Plastic division</i>				
Design and fabrication of plastic injection moulds	<b>36,614</b>	<b>7.4%</b>	18,645	3.5%
Manufacturing of plastic injection components	<b>154,221</b>	<b>31.3%</b>	131,479	25.0%
Others (Note 1)	<b>1,174</b>	<b>0.2%</b>	1,759	0.3%
	<b><u>192,009</u></b>		<u>151,883</u>	
Total	<b><u>493,407</u></b>		<u>526,007</u>	
<b>Segment results</b>				
Metal division	<b>9,754</b>		44,692	
Plastic division	<b>15,825</b>		19,727	
Operating profit	<b>25,579</b>		64,419	
Unallocated expenses	<b>(358)</b>		–	
Finance income	<b>1,085</b>		472	
Finance costs	<b>(7,331)</b>		(5,017)	
Income tax expense	<b>(3,601)</b>		(12,075)	
Profit attributable to equity holders of the Company	<b><u>15,374</u></b>		<u>47,799</u>	

Note 1: Others mainly represented sales of scrap materials

### Turnover

#### *Metal division*

Turnover of the Group's metal division decreased by approximately 19.4% from approximately HK\$374,124,000 for the six months ended 30 June 2008 to approximately HK\$301,398,000 for the six months ended 30 June 2009. The reduction was primarily caused by the decrease in sales orders from the Japanese office automation equipment brand owners following the financial tsunami.

#### *Plastic division*

A substantial portion of the components inside the office automation equipment are made from plastics. As such, with a view to reducing the additional production logistic costs and excess production lead time that arise from the current practices of outsourcing the production of metal and plastic components to different suppliers, it is a trend for major office automation equipment brand owners to shift more orders to comprehensive production service providers which are able to cover both metal and plastic components within the office automation equipment. Furthermore, the Group's plastic division is a relatively new division with a relatively low revenue base as compared to the metal division and has a high potential for growth. Therefore, despite the financial tsunami, turnover of the Group's plastic division continued to increase from approximately HK\$151,883,000 for the six months ended 30 June 2008 to approximately HK\$192,009,000 for the six months ended 30 June 2009.

### Gross profit

Prior to 2009, the Group had expanded its production facilities on a continuous basis with a view to capturing the opportunities arising from the trend of outsourcing by Japanese brand owners to non-Japanese suppliers. In particular, taking into account that all of the Group's components currently sold to the customers are basically made from moulds, the Group had completed the construction of a new mould development centre in the last quarter of 2008 for the purpose of expanding its business and, at the same time, the balance of its property, plant and equipment (excluding construction-in-progress which is not subject to depreciation) increased from approximately HK\$546,546,000 as at 30 June 2008 to approximately HK\$750,817,000 as at 30 June 2009. However, due to the outbreak of financial crisis, turnover of the Group did not increase as expected and its production capacity was under-utilised during the six months ended 30 June 2009. Coupled with (i) the additional overheads and other fixed costs associated with the expanded operations of the Group and (ii) the sharp fall in the selling prices of scrap materials since the financial tsunami which deteriorated the Group's profitability generated from sales of scrap materials, the gross profit margin of the Group reduced from approximately 28.0% for the six months ended 30 June 2008 to approximately 19.3% for the six months ended 30 June 2009.

### Segment results

For the six months ended 30 June 2009, segment result of the Group's metal division amounted to approximately HK\$9,754,000, representing a 78.2% decrease as compared to that of approximately HK\$44,692,000 for the six months ended 30 June 2008. During the six months ended 30 June 2009, turnover of the Group's metal division decreased by approximately 19.4% as the principal customers of the Group's metal division, which are the Japanese

## Management Discussion and Analysis

office automation equipment brand owners whose products are sold around the world, were adversely affected by the financial tsunami. However, at the same time, the Group's metal division had been expanding its operations prior to the financial tsunami and, in particular, the production capacity of the Group's metal division increased following the completion of the new mould development centre and the purchases of additional equipment prior to the financial tsunami. With an increased production capacity but a reduced turnover, the production capacity of the Group's metal division was under-utilised and, coupled with other additional fixed costs caused by an expanded operations, the operating profit margin of the Group's metal division decreased from approximately 11.9% for the six months ended 30 June 2008 to approximately 3.2% for the six months ended 30 June 2009.

Segment result of the Group's plastic division for the six months ended 30 June 2009 was approximately HK\$15,825,000, which decreased by approximately 19.8% as compared to that of approximately HK\$19,727,000 for the six months ended 30 June 2008. Operating profit margin of the Group's plastic division for the six months ended 30 June 2009 was approximately 8.2%, which decreased as compared to that of approximately 13.0% for the six months ended 30 June 2008. Since the Group's plastic division is a relatively new division with a relatively low revenue base as compared to the Group's metal division, its turnover continued to grow during the six months ended 30 June 2009. Therefore, although the Group also expanded the production capacity of its plastic division prior to the financial tsunami, the increase in turnover absorbed a portion of the expanded capacity and accordingly, the Group's plastic division was able to achieve a higher operating profit margin as compared to that of the metal division during the six months ended 30 June 2009.

### Finance costs

The Group's finance costs for the six months ended 30 June 2009 amounted to approximately HK\$7,331,000, which was higher than that for the six months ended 30 June 2008 due to the increase in the total balance of the Group's bank borrowings and finance lease liabilities as at 30 June 2009 as compared to that as at 30 June 2008.

### Income tax expense

During the six months ended 30 June 2009, income tax expense amounted to approximately HK\$3,601,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the six months ended 30 June 2009 was approximately 19.0%, which was comparable to that of approximately 20.2% for the six months ended 30 June 2008.

### Profit attributable to equity holders of the Company

During the six months ended 30 June 2009, profit attributable to equity holders of the Company amounted to approximately HK\$15,374,000, which decreased by approximately 67.8% as compared to approximately HK\$47,799,000 for the six months ended 30 June 2008. Net profit margin of the Group for the six months ended 30 June 2009 was approximately 3.1%, which decreased as compared to that of 9.1% for the six months ended 30 June 2008. The reduction in net profit margin of the Group was mainly caused by (i) under-utilisation of the Group's new and existing production facilities following the financial tsunami and other additional fixed overheads associated with an expanded operation as mentioned above and (ii) the increase in finance costs during the six months ended 30 June 2009.

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### Liquidity, financial resources and ratios

For the six months ended 30 June 2009, the Group recorded net cash generated from operating activities amounting to approximately HK\$100,067,000, representing an increase of approximately 234.4% as compared to that of approximately HK\$29,926,000 for the six months ended 30 June 2008. The increase in net cash generated from operating activities was a result of the stringent cash flow management measures implemented by the Group following the financial tsunami. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK\$34,804,000 for the six months ended 30 June 2009, decreased by approximately 73.2% as compared to that of approximately HK\$130,084,000 for the six months ended 30 June 2008 due to the slowdown of the Group's expansion plan under economic downturn. In addition, the Group recorded net cash used in financing activities of approximately HK\$46,901,000 during the six months ended 30 June 2009, which was primarily caused by the gradual repayment of bank borrowings and share repurchases during the period.

Bank loans as at 30 June 2009 were denominated in Hong Kong dollars and United States dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2009 are as follows:

	30 June 2009	31 December 2008
Inventory turnover days (Note 1)	52	81
Debtors' turnover days (Note 2)	63	68
Creditors' turnover days (Note 3)	51	71
Current ratio (Note 4)	1.24	1.45
Net debt-to-equity ratio (Note 5)	0.22	0.24

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 period/year.
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 period/year.
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 period/year.
4. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.
5. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances divided by shareholders' equity.



## Management Discussion and Analysis

### Inventory 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 business scale. The Group's inventory turnover days for the six months ended 30 June 2009 was approximately 52 days, which decreased by 29 days as compared to that for the year ended 31 December 2008. The decrease was primarily driven by the stringent inventory control measures implemented by the Group under the economic downturn.

### Debtors' and creditors' turnover days

During the six months ended 30 June 2009, the Group's debtors' turnover days decreased from approximately 68 days for the year ended 31 December 2008 to approximately 63 days owing to the continuous improvement of the Group's cash flow management during the period. Creditors' turnover days for the six months ended 30 June 2009 reduced to approximately 51 days, which was primarily caused by the measures adopted by the Group to lower the level of inventories during the period and therefore reduced the amount payable to raw material suppliers during the six months ended 30 June 2009.

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

During the six months ended 30 June 2009, the Group increased its short-term bank borrowings with a view to providing working capital for the continuing operations of the Group. As such, the Group's current ratio reduced from approximately 1.45 as at 31 December 2008 to approximately 1.24 as at 30 June 2009. However, as the total borrowings of the Group (bank borrowings and finance lease liabilities) as at 30 June 2009 remained comparable to that as at 31 December 2008, the Group's net debt-to-equity ratio was 0.22 which was similar to that as at 31 December 2008.

### Charges on the Group's assets

As at 30 June 2009, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK\$1,134,000 which were pledged in favour of a contractor of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and equipment located in Suzhou with net book value of approximately HK\$6,371,000 and HK\$69,316,000, respectively, for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK\$212,958,000 for securing finance lease liabilities.



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### Dividend

The Board declared an interim dividend of HK0.82 cents per ordinary share, totaling HK\$5,318,000 for the six months ended 30 June 2009 to eligible shareholders whose names appear on the register of members of the Company on Thursday, 24 September 2009. The interim dividends will be payable in cash on or about Monday, 5 October 2009.

### Outlook

During the six months ended 30 June 2009, the Group was principally engaged in (i) design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) manufacturing of lathing components. The Group continued to focus on serving the office automation equipment market, with its revenue primarily derived from Japanese customers.

However, during the period under review, the global situation was adversely affected by the aftermath of the financial tsunami. The Group's principal customers, which are the Japanese office automation equipment brand owners whose products are sold around the world, were inevitably affected by the economic downturn which consequently had a negative impact on the performance of the Group. Under the current economic situation, the Group has taken strategies to maintain a stable development. During the period, the Group had implemented various cost and inventory control measures with a view to enhancing operating effectiveness. Particularly, despite the fall in net profit of the Group, the Group's net cash generated from operating activities for the six months ended 30 June 2009 amounted to approximately HK\$100,067,000, representing an increase of approximately 234.4% as compared to that for the six months ended 30 June 2008. Directed by a cautious mind and the commitment towards cost monitoring and inventory control, management believes that the Group can overcome the adversity and achieve satisfactory results in maintaining a leading position in its industry.

Prior to 2009, the Group had expanded its production facilities on a continuous basis with a view to capturing the opportunities arising from the trend of outsourcing by Japanese office automation equipment brand owners to non-Japanese suppliers. However, the global economic situation underwent unexpected changes since the last quarter of 2008 and the office automation equipment market was inevitably hit. Turnover of the Group reduced by approximately 6.2% to approximately HK\$493,407,000 during the six months ended 30 June 2009 and, coupled with the additions of production facilities prior to the financial tsunami, the Group's production capacity was under-utilised and its net profit fell by approximately 67.8% to approximately HK\$15,374,000 during the same period.

However, although the Group's production facilities are currently under-utilised, management believes that the new facilities added prior to the financial tsunami will still be beneficial to

## Management Discussion and Analysis

the Group's continuous development in the long run. In the last quarter of 2008, the Group's new mould development centre in Shenzhen commenced commercial production. The Group established the new mould development centre as part of the Group's plan to continue improving its production management and quality. Under the Group's existing business model, the Group's customers normally require the Group to design and manufacture the relevant moulds prior to the mass production of metal stamping and plastic injection components. Accordingly, the manufacturing capability and quality standards for the production of moulds are crucial determinants for securing an increase in sale orders from customers for the subsequent production of metal stamping and plastic injection components. Further, as all components are basically produced from moulds, the number of moulds manufactured by the Group has a significant impact on the Group's future component orders. Therefore, with an expanded mould production capability, the Group will not only be able to manufacture more moulds for future component orders but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers engaged not only in the office automation equipment industry, but also the automobile, home appliance and medical equipment industries. Although the production facilities of the Group's new mould development centre are under-utilised under the current market condition, management is still confident that the establishment of the mould development centre can strengthen the Group's position in the industry in the long run.

Under the just-in-time inventory management methodology adopted by a majority of the Group's Japanese customers, these Japanese customers will normally procure from suppliers located in the proximity of their manufacturing facilities for production and cost control purposes and therefore the Group's existing production plant located in Shiyan, Shenzhen derives substantially all of its revenue from the Southern China region. To capture the business opportunities arising from the outsourcing of production from the Group's existing and new customers located in the Eastern China region, the Group established a production plant in Suzhou in 2006. The development of the Group's Suzhou production plant is able to facilitate the Group to further penetrate into the office automation equipment market and explore new business opportunities by expanding the Group's geographical coverage. Taking into account the huge potentials for the Group's business in the Eastern China region, the Group commenced the construction of phase two of the Suzhou production plant with a planned construction area of approximately 59,000 square metres in 2007, with completion targeted by end of 2009. At the same time, since certain existing customers of the Group are located in the western bank of the Pearl River Delta region and with a view to developing new businesses in that area, the Group is also in the process of establishing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a construction area of approximately 33,000 square metres is expected to be completed by 2010. Management believes that the expanded production capabilities following the completion of phase two of the Group's Suzhou production plant and Zhongshan production plant will finally translate into higher market share and larger business volume for the Group in the long run, in particular when the economic situation starts to turn positive.

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Currently the Group is primarily serving as a mould and component supplier to reputable Japanese brand owners engaging in the production of office automation equipment which includes copiers and printers. Taking into account the outsourcing by Japanese brand owners 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, the Group's market share within the office automation equipment market is still relatively small at this stage. Management believes that there are still ample opportunities for the continuous expansion of the Group in this market, which is evidenced by the fact that the Group was still able to maintain a similar level of turnover for the six months ended 30 June 2009 as compared to that for the same period last year despite the contraction in the office automation equipment market following the financial tsunami. Therefore, in the near future, management will continue to focus a majority of its resources in the office automation equipment market and expects a substantial portion of its customer orders continues to come from office automation equipment brand owners. However, at the same time, the Group will continuously search for expansion opportunities in other industries including the automobile, home appliance and medical equipment markets and take necessary actions to explore into these new markets if appropriate.

### Connected transactions

The following transaction, which is also disclosed in Note 20 to the condensed consolidated interim financial information, was entered into with connected parties during the six months ended 30 June 2009:

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

As disclosed in the Company's Prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 55.47% shareholder of the Company as at 30 June 2009 and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua who are directors and beneficial shareholders of the Company (together the "Indemnifiers") under which each of the Indemnifiers has jointly and severally undertaken to indemnify the Group in connection with, inter alia, any taxation falling on any member of the Group (other than those established subsequent to the listing of the Company) resulting from any income, profits, gains, transactions, events, matters, things or businesses earned, accrued, received, entered into, carried on, or occurring on or before the listing date of the Company. This deed of tax indemnity was approved by the Board of Directors on 20 April 2005.

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The Hong Kong Inland Revenue Department (“HKIRD”) is currently in the possess of re-examining the tax position of EVA Limited and EVA Holdings Limited, wholly owned subsidiaries of the Company, in respect of the financial years prior to 31 December 2003. Up to date, the result of the re-examination has not been finalised by the HKIRD but, in this connection, EVA Limited and EVA Holdings Limited had paid, by way of purchasing tax reserve certificates, approximately HK\$1,846,000 and HK\$711,000 respectively during the six months ended 30 June 2009 in respect of the estimated tax charged by the HKIRD for the assessment year 2002/2003. The total sum of HK\$2,557,000 will be indemnified and reimbursed by the Indemnifiers in accordance with the above-mentioned deed of tax indemnity should the re-examination be completed and the final determination of such tax liabilities be made by the HKIRD.

The above transaction constitutes a connected transaction in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires disclosure in the interim report of the Company.

### **Specific performance obligations of the controlling shareholders**

On 25 May 2007, EVA Precision Industrial (Suzhou) Limited (“EVA Suzhou”), a wholly owned subsidiary of the Company, has entered into two loan facilities agreements (the “Suzhou Facilities Agreements”) with DBS Bank Ltd., Shanghai Branch (“DBS Shanghai”) for certain loan facilities. Pursuant to the Suzhou Facilities Agreements, DBS Shanghai agreed to make available to EVA Suzhou two loans for the amount of HK\$20,000,000 and HK\$60,000,000 respectively, amounting to a total amount of HK\$80,000,000 subject to the terms and conditions contained therein. The facilities are for a term of four years and repayable by quarterly installments commencing from the date of first utilisation of the loan facilities.

In addition, EVA Limited and EVA Plastic Mould Products (HK) Limited, subsidiaries of the Company, entered into a loan facilities agreement with DBS Bank (Hong Kong) Limited on 7 July 2005. The purposes of the loan facilities were to provide working capital and finance the expansion of EVA Limited and EVA Plastic Mould Products (HK) Limited. The terms and conditions of the loan facilities agreement were varied and supplemented by various supplemental agreements dated 3 October 2005, 7 November 2005, 24 January 2006 and 25 July 2006. On 19 March 2008, the parties entered into another supplemental agreement (the “Supplemental Agreement”). Pursuant to the Supplemental agreement, a loan facility amounting to HK\$20,000,000 was made available to EVA Limited with a repayment term of four years repayable by quarterly installments. The first installment is repayable one quarter after the date of advance of the loan. The loan drawn pursuant to the Supplemental Agreement would be deducted from the facility limit under the Suzhou Facilities Agreements. Under the Supplemental Agreement, a letter of undertaking duly executed by Mr. Zhang Hwo Jie and a letter of undertaking duly executed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua (together the “Letters of Undertaking”) for the account of EVA Limited are required by DBS Bank (Hong Kong) Limited.

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Further, EVA Limited entered into a loan facilities agreement (the “BOC Loan Agreement”) with Bank of China (Hong Kong) Limited on 26 June 2008. Pursuant to the BOC Loan Agreement, a term loan for an amount up to HK\$40,000,000 and a revolving loan for an amount up to HK\$40,000,000 were made available to EVA Limited. The term loan has a repayment term of four years from the date of drawdown and is repayable by twelve quarterly installments. The first installment is repayable to BOC fifteen months after the date of drawdown. The revolving loan has a repayment term of one year from the date of drawdown. Pursuant to the Suzhou Facilities Agreements, the Letters of Undertaking and the BOC Loan Agreement, the following specific performance obligations are imposed on the controlling shareholders of the Company:

- (i) Mr. Zhang Hwo Jie, the controlling shareholder of the Company, shall remain as the chairman of the Board of directors of the Company; and
- (ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 51% of the issued shares of the Company.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in the cancellation of all or any part of the commitments under the relevant facilities agreements and all borrowed amounts outstanding becoming immediately due and payable.

### Share options

The Company conditionally adopted a share option scheme (the “Share Option Scheme”) on 20 April 2005 which became unconditional on 11 May 2005. Details of the movements of the share options under the Share Option Scheme for the six months ended 30 June 2009 were as follows:

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	As at 1 January 2009	Exercised during the period	Cancelled during the period	As at 30 June 2009	Share price immediately before offer date HK\$	Exercise price HK\$	Weighted average closing price before exercise of options HK\$
<b>Executive directors</b>							
Mr. Zhang Hwo Jie							
- Granted on 21 June 2006	1,300,000	-	-	1,300,000	1.72	1.70	-
- Granted on 16 February 2007	1,200,000	-	-	1,200,000	1.95	1.96	-
- Granted on 10 December 2008	7,000,000	-	-	7,000,000	0.33	0.35	-
Mr. Zhang Jian Hua							
- Granted on 21 June 2006	1,300,000	-	-	1,300,000	1.72	1.70	-
- Granted on 16 February 2007	1,400,000	-	-	1,400,000	1.95	1.96	-
- Granted on 10 December 2008	7,000,000	-	-	7,000,000	0.33	0.35	-
Mr. Zhang Yaohua							
- Granted on 21 June 2006	1,300,000	-	-	1,300,000	1.72	1.70	-
- Granted on 16 February 2007	1,400,000	-	-	1,400,000	1.95	1.96	-
- Granted on 10 December 2008	7,000,000	-	-	7,000,000	0.33	0.35	-
Mr. Nomo Kenshiro							
- Granted on 21 June 2006	900,000	-	-	900,000	1.72	1.70	-
- Granted on 16 February 2007	300,000	-	-	300,000	1.95	1.96	-
- Granted on 10 December 2008	800,000	-	-	800,000	0.33	0.35	-
<b>Independent non-executive directors</b>							
Dr. Lui Sun Wing							
- Granted on 21 June 2006	240,000	-	-	240,000	1.72	1.70	-
- Granted on 16 February 2007	300,000	-	-	300,000	1.95	1.96	-
- Granted on 10 December 2008	1,000,000	-	-	1,000,000	0.33	0.35	-
Mr. Choy Tak Ho							
- Granted on 21 June 2006	300,000	-	-	300,000	1.72	1.70	-
- Granted on 16 February 2007	300,000	-	-	300,000	1.95	1.96	-
- Granted on 10 December 2008	1,000,000	-	-	1,000,000	0.33	0.35	-
Mr. Leung Tai Chiu							
- Granted on 21 June 2006	300,000	-	-	300,000	1.72	1.70	-
- Granted on 16 February 2007	300,000	-	-	300,000	1.95	1.96	-
- Granted on 10 December 2008	1,000,000	-	-	1,000,000	0.33	0.35	-
<b>Employees of the Group</b>							
In aggregate							
- Granted on 21 June 2006	18,870,000	-	(1,530,000)	17,340,000	1.72	1.70	-
- Granted on 10 August 2006	590,000	-	(100,000)	490,000	1.68	1.71	-
- Granted on 16 February 2007	6,120,000	-	(100,000)	6,020,000	1.95	1.96	-
- Granted on 16 February 2007	9,600,000	-	(9,600,000)	-	1.95	1.96	-
- Granted on 1 February 2008	4,490,000	-	(120,000)	4,370,000	2.10	2.10	-
- Granted on 10 December 2008	42,110,000	(650,000)	(300,000)	41,160,000	0.33	0.35	0.74
	<u>117,420,000</u>	<u>(650,000)</u>	<u>(11,750,000)</u>	<u>105,020,000</u>			

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The fair value of the options granted on 21 June 2006 and 10 August 2006 with outstanding balances as at 30 June 2009 of 22,980,000 options and 490,000 options was approximately HK\$9,848,000 and HK\$202,000 respectively. The fair value of the options granted on 16 February 2007 with outstanding balances as at 30 June 2009 of 11,220,000 options was approximately HK\$4,236,000. The fair value of the options granted on 1 February 2008 and 10 December 2008 with outstanding balances as at 30 June 2009 of 4,370,000 options and 65,960,000 options was approximately HK\$2,181,000 and HK\$6,309,000 respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price HK\$	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
Granted on 21 June 2006 – 22,980,000 options outstanding as at 30 June 2009	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006 – 490,000 options outstanding as at 30 June 2009	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007 – 11,220,000 options outstanding as at 30 June 2009	1.96	27.14% to 30.89%	1.5 to 3.5 years	4.046% to 4.072%	2.17%
Granted on 1 February 2008 – 4,370,000 options outstanding as at 30 June 2009	2.10	41.55%	1.5 to 3.5 years	1.487% to 1.7965%	2.79%
Granted on 10 December 2008 – 65,960,000 options outstanding as at 30 June 2009	0.35	51.99%	3 years	0.922%	3.00%

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

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

<b>% of the options granted</b>	<b>Vesting date</b>	<b>Exercise period</b>
<b>With respect to 22,980,000 options granted on 21 June 2006 and outstanding as at 30 June 2009</b>		
20%	22 June 2007	22 June 2007 to 22 June 2010
30%	23 June 2008	23 June 2008 to 22 June 2010
50%	22 June 2009	22 June 2009 to 22 June 2010
<b>With respect to 490,000 options granted on 10 August 2006 and outstanding as at 30 June 2009</b>		
20%	13 August 2007	13 August 2007 to 11 August 2010
30%	11 August 2008	11 August 2008 to 11 August 2010
50%	11 August 2009	11 August 2009 to 11 August 2010
<b>With respect to 11,220,000 options granted on 1 February 2007 and outstanding as at 30 June 2009</b>		
20%	4 February 2008	4 February 2008 to 2 February 2011
30%	2 February 2009	2 February 2009 to 2 February 2011
50%	2 February 2010	2 February 2010 to 2 February 2011
<b>With respect to 4,370,000 options granted on 1 February 2008 and outstanding as at 30 June 2009</b>		
20%	2 February 2009	2 February 2009 to 2 February 2012
30%	2 February 2010	2 February 2010 to 2 February 2012
50%	2 February 2011	2 February 2011 to 2 February 2012
<b>With respect to 65,960,000 options granted on 10 December 2008 and outstanding as at 30 June 2009</b>		
100%	10 December 2008	10 December 2008 to 19 November 2018



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### Disclosure of interests in the share capital of the Company and its associated corporation

As at 30 June 2009, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

#### (i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 30 June 2009
Mr. Zhang Hwo Jie	361,500,000 (Note 2)	7,646,000	–	9,500,000	378,646,000	58.10%
Mr. Zhang Jian Hua	–	9,330,000	–	9,700,000	19,030,000	2.92%
Mr. Zhang Yaohua	2,824,000 (Note 3)	5,066,000	400,000	9,700,000	17,990,000	2.76%
Mr. Nomo Kenshiro	–	–	1,700,000	2,000,000	3,700,000	0.57%
Dr. Lui Sun Wing	–	–	–	1,540,000	1,540,000	0.24%
Mr. Choy Tak Ho	–	–	–	1,600,000	1,600,000	0.25%
Mr. Leung Tai Chiu	–	900,000	–	1,600,000	2,500,000	0.38%

#### Notes:

- These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share options" above.
- Mr. Zhang Hwo Jie holds 36% of the entire issued capital of Prosper Empire Limited, which was interested in 55.47% of the entire issued capital of the Company as at 30 June 2009. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

## Management Discussion and Analysis

- These shares are held under Billion Fortune Group Limited, a company incorporated in the British Virgin Islands and is 100% owned by Mr. Zhang Yaohua, a director of the Company.

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

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 30 June 2009
Mr. Zhang Hwo Jie	Personal interests	36%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	31%

### Substantial shareholders

As at 30 June 2009, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO are as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	361,500,000	–	361,500,000	55.47%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	369,146,000	9,500,000	378,646,000	58.10%

Note –

- Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 36% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 361,500,000 shares of the Company held by Prosper Empire Limited.

## Management Discussion and Analysis

### Purchases, sale and redemption of the shares

The Company repurchased its 47,116,000 listed shares on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2009. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the six months ended 30 June 2009 are summarised as follows:

Month of repurchase	Number of shares of HK\$0.10 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
April 2009	3,836,000	0.65	0.60	2,454
May 2009	4,804,000	0.80	0.75	3,721
June 2009	<u>2,020,000</u>	0.85	0.82	<u>1,695</u>
	<u>47,116,000</u>			<u>29,554</u>

Subsequent to 30 June 2009, the Company repurchased its 4,022,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 July 2009 to the date of this report. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 30 June 2009 are summarised as follows:

Month of repurchase	Number of shares of HK\$0.10 each	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid HK\$'000
July 2009	<u>4,022,000</u>	0.80	0.76	<u>3,155</u>

The repurchases of the Company's shares during the six months ended 30 June 2009 and in July 2009 were effected by the Directors pursuant to the general mandate approved by the shareholders at the annual general meetings of the Company held on 16 May 2008 and 10 June 2009, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save for disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2009.

## Management Discussion and Analysis

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated.

### Closure of register of members

The register of members of the Company will be closed from Monday, 21 September 2009 to Thursday, 24 September 2009, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 June 2009, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share register 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 4:30 p.m. on Friday, 18 September 2009.

### Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2009 and up to the date of this report.

### Corporate governance

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2009.

### Audit committee

The Company has set up an audit committee and has formulated its written terms of reference, in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The 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 including a review of the interim report for the six months ended 30 June 2009.

By order of the Board  
**Zhang Hwo Jie**  
Chairman

Hong Kong, 1 September 2009



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

**Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza**  
**No.1, Science Museum Road, Kowloon, Hong Kong**  
香港九龍科學館道1號康宏廣場南座6樓8室

Telephone 電話: 852-2620 6488  
Facsimile 傳真: 852-2191 9978  
Website 網站: [www.eva-group.com](http://www.eva-group.com)

**EVA Industrial Garden**  
**Tang Xing Road, Shi Yan Town**  
**Bao An District, Shenzhen**  
**Guangdong Province, the People's Republic of China**  
中國廣東省深圳市寶安區石岩鎮塘興路億和科技工業園

Telephone 電話: 0755-2762 9999  
Facsimile 傳真: 0755-2762 9180  
Postcode 郵編: 518108

**EVA Industrial Garden, 268 Ma Yun Road**  
**Suzhou National New and Hi-Tech Industrial Development Zone**  
**Jiangsu Province, the People's Republic of China**  
中國江蘇省蘇州高新區馬運路268號億和科技工業園

Telephone 電話: 0512-8917 9999  
Facsimile 傳真: 0512-8887 1281  
Postcode 郵編: 215129

**EVA Industrial Garden**  
**Nan Huan Road, Gong Ming Town**  
**Guang Ming New District, Shenzhen**  
**Guangdong Province, the People's Republic of China**  
中國廣東省深圳市光明新區公明街道南環路億和科技工業園

Telephone 電話: 0755-8172 9999  
Facsimile 傳真: 0755-2906 8899  
Postcode 郵編: 518106

**EVA Industrial Garden**  
**Shang San Gu, Sha Bian Village**  
**Torch Hi-Tech Industrial Development Zone, Zhongshan**  
**Guangdong Province, the People's Republic of China**  
中國廣東省中山市火炬開發區沙邊村上三攔億和科技工業園

Telephone 電話: 0760-8533 4999  
Facsimile 傳真: 0760-8528 0180  
Postcode 郵編: 528437