NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 COMPANY BACKGROUND AND GROUP REORGANISATION

EVA Precision Industrial Holdings Limited ("the Company") was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005 ("the Listing").

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

3 CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new HKFRS

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

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

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

– HKFRS 3 – prospectively after the adoption date.

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(b) New accounting policies

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

(i) Acquisition of subsidiaries and associates

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New accounting policies *(Continued)*

(ii) Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New accounting policies *(Continued)*

(iii) Property, plant and equipment

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

(iv) Negative goodwill

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

(v) Impairment of assets

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

(vi) Trade and other receivables

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

(vii) Share capital

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) New accounting policies *(Continued)*

(viii) Borrowings

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

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

(ix) Interest income

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(i) Foreign exchange risk

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Interest rate risk

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

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(b) Fair value estimation

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Useful lives of property, plant and equipment

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

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

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

(c) Provision for impairment of trade and other receivables

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

(d) Impairment of assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

6 SALES AND SEGMENT INFORMATION

(a) Sales

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

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

(b) Primary reporting format – business segments

The Group is organised into two main business segments:

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

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

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

6 SALES AND SEGMENT INFORMATION *(Continued)*

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

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

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

There are no sales or other transactions between business segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

6 SALES AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

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

(c) Secondary reporting format – geographical segments

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

7 CAPITAL EXPENDITURE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

8 GOODWILL/(NEGATIVE GOODWILL)

Movements were:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

9 TRADE RECEIVABLES

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

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

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

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

10 TRADE PAYABLES

The aging analysis of the trade payables is as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

11 BANK BORROWINGS

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

The maturity of bank borrowings is as follows:

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

The carrying amounts of bank borrowings approximate their fair values.

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

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

11 BANK BORROWINGS *(Continued)*

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

12 FINANCE LEASE OBLIGATIONS

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

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

The present value of finance lease obligations is as follows:

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

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

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

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

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

12 FINANCE LEASE OBLIGATIONS *(Continued)*

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

13 SHARE CAPITAL

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

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

13 SHARE CAPITAL *(Continued)*

Notes:

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

14 SHARE OPTION SCHEME

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

15 RESERVES

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

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

15 RESERVES *(Continued)*

Notes:

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

(ii) Accordingly to the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the accounts prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reach 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval by the resolutions of the corresponding subsidiaries' shareholders in general meetings, the corresponding subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to existing owners in proportion to their existing ownership structure.

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

16 OTHER GAINS – NET

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

17 EXPENSES BY NATURE

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

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

18 FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Continued)

19 INCOME TAX EXPENSE

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

(i) Hong Kong profits tax

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

(ii) Mainland China enterprise income tax

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

(iii) Overseas income taxes

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of (i) 426,630,000 ordinary shares in issue during the six months ended 30 June 2005; and (ii) 390,000,000 ordinary shares deemed to be in issue during the six months ended 30 June 2004 as if the share capital of the Company outstanding immediate after the share exchanges in connection with the Reorganisation *(See Note 1)* and the related subsequent capitalisation issue had been in existence throughout the period.

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

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

21 DIVIDENDS

Company

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

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

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

21 DIVIDENDS *(Continued)*

Subsidiaries

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

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

22 CONTINGENCIES

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

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

23 CAPITAL COMMITMENTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Continued)

24 BUSINESS COMBINATION

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

25 RELATED-PARTY TRANSACTIONS

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

Key management compensation

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

26 EVENTS AFTER THE BALANCE SHEET DATE

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