

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 products.

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 Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

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").

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. It was approved for issue by the Board of Directors on 14 September 2006.

2 BASIS OF PRESENTATION

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.

The Reorganisation has been accounted for using merger accounting and, accordingly, the condensed consolidated interim financial information for the six months ended 30 June 2005 present the results of the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the period.

3 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2006 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 2005.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

4 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2005, as described in the Group's annual financial statements for that year.

The following new standards, amendments to standards and interpretations are mandatory for the year ending 31 December 2006. These new standards, amendments to standards and interpretations are not relevant to the Group or will not result in material changes to the Group's accounting policies.

- Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures"
- Amendment to HKAS 39 (Amendment), "The fair value option"
- Amendment to HKAS 21 (Amendment), "Net investment in a foreign operation"
- Amendment to HKAS 39 (Amendment), "Cash flow hedge accounting of forecast intragroup transactions"
- Amendment to HKAS 39 and HKFRS 4 (Amendment), "Financial guarantee contracts"
- HKFRS 6, "Exploration for and evaluation of mineral resources"
- HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease"
- HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"
- HK(IFRIC)-Int 6, "Liabilities arising from participating in a specific market – waste electrical and electronic equipment"

There has been no early adoption of the following new standards, amendments to standards and 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 Company's accounting policies.

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKFRS 29"
- HK(IFRIC)-Int 8, "Scope of HKFRS 2"
- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives"
- HKFRS 7, "Financial instruments: Disclosures"

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Continued)

5 SALES AND SEGMENT INFORMATION

(a) Sales

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Sales		
Design and fabrication of metal stamping moulds	25,967	24,806
Manufacturing of metal stamping and lathing products	223,756	166,055
Design and fabrication of plastic injection moulds	5,781	2,548
Manufacturing of plastic injection products	20,870	625
Others *	7,371	5,730
	<u>283,745</u>	<u>199,764</u>

*: Others mainly represent sales of scrap materials.

(b) Primary reporting format – business segments

At 30 June 2006, the Group is organised into two main business segments:

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

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

5 SALES AND SEGMENT INFORMATION *(Continued)*

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

The segment results and other segment items are as follows:

	Six months ended 30 June					
	2006			2005		
	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	258,210	26,897	285,107	196,591	3,173	199,764
Inter-segment sales	(1,116)	(246)	(1,362)	–	–	–
Sales	257,094	26,651	283,745	196,591	3,173	199,764
Segment results	46,822	3,039	49,861	41,758	(3,215)	38,543
Unallocated expenses			(781)			(486)
Finance costs			(4,016)			(3,661)
Profit before income tax			45,064			34,396
Income tax expense			(4,645)			(3,512)
Profit for the period			40,419			30,884
Depreciation	11,959	1,349	13,308	9,309	205	9,514
Amortisation	253	26	279	226	–	226

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

5 SALES AND SEGMENT INFORMATION (Continued)

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

The segment assets and liabilities are as follows:

	As at 30 June 2006				As at 31 December 2005			
	Metal stamping HK\$'000	Plastic injection HK\$'000	Un-allocated HK\$'000	Total HK\$'000	Metal stamping HK\$'000	Plastic injection HK\$'000	Un-allocated HK\$'000	Total HK\$'000
Assets	621,948	103,109	-	725,057	576,518	76,549	-	653,067
Liabilities	245,544	31,761	8,422	285,727	301,799	33,002	11,374	346,175
Capital expenditure	110,625	16,231	-	126,856	77,611	32,027	-	109,638

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 income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights, including additions resulting from acquisitions through business combinations.

(c) Secondary reporting format – geographical segments

Analysis of the Group's sales by geographical segment is determined based on destination of shipments/delivery of goods. Analysis of the Group's segment assets and capital expenditure is determined based on the location where the assets are located.

No geographical segment analysis on the Group's sales, assets and capital expenditure is presented as substantially all of the Group's sales are derived from Mainland China/Hong Kong, and substantially all of the Group's assets were located in Mainland China/Hong Kong.

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

6 CAPITAL EXPENDITURE

	Property, plant and equipment	Leasehold land and land use rights
	HK\$'000	HK\$'000
Six months ended 30 June 2006		
Opening net book amount at 1 January 2006	298,064	17,232
Additions	126,856	–
Depreciation/amortisation charge (Note 16)	(13,308)	(279)
	<u> </u>	<u> </u>
Closing net book amount at 30 June 2006	<u><u>411,612</u></u>	<u><u>16,953</u></u>
Six months ended 30 June 2005		
Opening net book amount at 1 January 2005	208,445	17,788
Additions	26,554	–
Disposals	(91)	–
Depreciation/amortisation charge (Note 16)	(9,514)	(226)
	<u> </u>	<u> </u>
Closing net book amount at 30 June 2005	<u><u>225,394</u></u>	<u><u>17,562</u></u>

7 PREPAYMENTS

	As at	
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Prepayments for purchase of		
– Land use rights	14,233	13,791
– Property, plant and equipment	26,284	11,406
	<u> </u>	<u> </u>
	<u>40,517</u>	<u>25,197</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

8 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:

	As at	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 to 90 days	98,551	95,093
91 to 180 days	6,201	2,483
181 to 365 days	3,632	188
Over 365 days	—	309
	<u>108,384</u>	<u>98,073</u>
Less: Provision for impairment of trade receivables	<u>(1,188)</u>	<u>(1,188)</u>
	<u>107,196</u>	<u>96,885</u>

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 2006.

During the six months ended 30 June 2006, the Group did not record any impairment loss on its trade receivables (2005: Nil).

9 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000
0 to 90 days	77,279	71,915
91 to 180 days	2,827	3,646
181 to 365 days	26	94
	<u>80,132</u>	<u>75,655</u>

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

10 BANK BORROWINGS

	As at	
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Current		
Short-term bank loans	100,000	63,800
Trust receipts bank loans	—	31,095
Mortgage loan, current portion	371	367
	<u>100,371</u>	<u>95,262</u>
Non-current		
Long-term bank loans, non-current portion	—	75,000
Mortgage loan, non-current portion	5,353	5,540
	<u>5,353</u>	<u>80,540</u>
	<u>105,724</u>	<u>175,802</u>

The maturity of bank borrowings is as follows:

	As at	
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Within 5 years	100,000	169,895
Over 5 years	5,724	5,907
	<u>105,724</u>	<u>175,802</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

10 BANK BORROWINGS (Continued)

The effective interest rates of the Group's bank borrowings at the balance sheet dates were as follows:

	Short-term bank loans		Trust receipts bank loans		Long-term bank loans		Mortgage loan	
	2006	2005	2006	2005	2006	2005	2006	2005
Hong Kong dollars	5.4%	4.4%	–	6.0%	–	4.2%	5.5%	3.5%

As at 30 June 2006, bank borrowings were secured by pledged bank deposits of approximately HK\$25,716,000 (2005: HK\$111,131,000), and pledge of leasehold land and buildings located in Hong Kong with a net book value of approximately HK\$6,992,000 and HK\$1,829,000, respectively.

11 FINANCE LEASE LIABILITIES

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

	As at	
	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Within one year	33,289	30,089
In the second year	19,388	22,118
In the third to fifth year	16,689	12,870
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	69,366	65,077
Less: Future finance charges on finance leases	(4,724)	(3,786)
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Present value of finance lease liabilities	64,642	61,291

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

11 FINANCE LEASE LIABILITIES *(Continued)*

The present value of finance lease liabilities is as follows:

	As at	
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Within one year	30,690	27,904
In the second year	17,996	21,043
In the third to fifth year	15,956	12,344
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Total finance lease liabilities	64,642	61,291
Less: Amount included in current liabilities	(30,690)	(27,904)
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	33,952	33,387
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Finance lease liabilities are denominated in Hong Kong dollars. The carrying amounts of finance lease liabilities approximate their fair values.

As at 30 June 2006, the effective interest rate of the Group's finance lease liabilities was 6.5% (2005: 5.0%).

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 amount of the leased assets is approximately HK\$117,985,000 (2005: HK\$106,116,000).

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

12 SHARE CAPITAL

	Note	Number of shares	Nominal value HK\$'000
Authorised:			
At 1 January 2005		1,000	100
Increase in authorised share capital	(i)	999,000	99,900
		<u>1,000,000</u>	<u>100,000</u>
At 31 December 2005 and 30 June 2006		<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:			
At 1 January 2005	(ii)	390,000	2,000
Issue of shares	(iv)	130,000	13,000
Capitalisation of share premium account	(iii)	–	37,000
		<u>520,000</u>	<u>52,000</u>
At 31 December 2005		520,000	52,000
Issue of shares	(v)	80,000	8,000
		<u>600,000</u>	<u>60,000</u>
At 30 June 2006		<u>600,000</u>	<u>60,000</u>

Notes:

- (i) 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.
- (ii) The share capital of the Company as at 1 January 2005 is presented as if the number of shares outstanding immediately after the share exchange in connection with the Reorganisation and the related subsequent capitalisation issue had been in existence throughout the year.
- (iii) 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 12(iv) below.
- (iv) 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 HK\$143,000,000.
- (v) On 28 February 2006, the Company issued 80,000,000 ordinary shares of HK\$0.1 each at HK\$1.38 per share by way of a placement, and raised gross proceeds of HK\$110,400,000.

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

13 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 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 the Listing, unless the Company obtains further approval from the shareholders.

In June 2006, 30,250,000 share options were granted to the Company's directors and employees at the then quoted market share price of HK\$1.70 per share. No option was exercised, forfeited or lapsed from the date of grant to 30 June 2006. Share options outstanding at 30 June 2006 are exercisable at HK\$1.70 per share and will expire on 22 June 2010.

The fair value of options granted during the period determined using the Black-Scholes valuation model was HK\$12,923,000. The significant inputs into the model were share price of HK\$1.70 at the grant date, exercise price shown above, standard deviation of expected share price returns of 30%, expected life of options of 1.5 to 3.5 years, expected dividend paid out rate of nil, and annual risk-free interest rate of 4.5%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 RESERVES

	Share premium HK\$'000	Capital reserve (i) HK\$'000	Statutory reserves (ii) HK\$'000	Share options equity reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2006	75,080	(735)	13,657	–	166,890	254,892
Profit for the period	–	–	–	–	40,419	40,419
Employee share option scheme – value of employee services	–	–	–	152	–	152
Issue of shares	102,400	–	–	–	–	102,400
Share issuance costs	(2,933)	–	–	–	–	(2,933)
Dividend paid	–	–	–	–	(15,600)	(15,600)
Balance at 30 June 2006	<u>174,547</u>	<u>(735)</u>	<u>13,657</u>	<u>152</u>	<u>191,709</u>	<u>379,330</u>
Balance at 1 January 2005	(4,338)	335	7,010	–	105,922	108,929
Profit for the period	–	–	–	–	30,884	30,884
Deemed disposals of subsidiaries	–	(1,070)	–	–	–	(1,070)
Issue of shares	130,000	–	–	–	–	130,000
Capitalisation of share premium account	(37,000)	–	–	–	–	(37,000)
Share issuance costs	(13,582)	–	–	–	–	(13,582)
Balance at 30 June 2005	<u>75,080</u>	<u>(735)</u>	<u>7,010</u>	<u>–</u>	<u>136,806</u>	<u>218,161</u>
Profit for the period	–	–	–	–	52,331	52,331
Dividend paid	–	–	–	–	(15,600)	(15,600)
Transfer to statutory reserves	–	–	6,647	–	(6,647)	–
Balance at 31 December 2005	<u>75,080</u>	<u>(735)</u>	<u>13,657</u>	<u>–</u>	<u>166,890</u>	<u>254,892</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

14 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 (see Note 2) 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 2006, 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.

15 OTHER GAINS

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest income from bank deposits	651	26
Others	3	2
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	654	28
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

16 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Cost of inventories	151,185	108,344
Staff costs, including directors' emoluments and share option costs	37,455	20,843
Depreciation of property, plant and equipment	13,308	9,514
Loss on disposal of property, plant and equipment	–	91
Amortisation of leasehold land and land use rights	279	226
Write-downs of inventories to net realisable value	101	1,451
Net exchange (gains)/losses	(1,222)	236
	<u>4,016</u>	<u>3,661</u>

17 FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,853	2,009
Bank borrowings not wholly repayable with five years	120	74
Finance lease liabilities	2,043	1,578
	<u>4,016</u>	<u>3,661</u>

18 INCOME TAX EXPENSE

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	1,977	1,056
– Mainland China enterprise income tax	2,668	2,456
	<u>4,645</u>	<u>3,512</u>

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

18 INCOME TAX EXPENSE *(Continued)*

(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 months ended 30 June 2006 (2005: 17.5%).

(ii) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the six months ended 30 June 2006 (2005: 15%). 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 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 Yihe Precision Hardware (Shenzhen) Co., Ltd. was 2003. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited were established in July 2004 and August 2005, respectively, and had no profits subject to tax from their respective dates of incorporation to 30 June 2006.

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

19 EARNINGS PER SHARE

Basic

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	40,419	30,884
Weighted average number of ordinary shares in issue ('000)	574,365	426,630
Basic earnings per share (HK cents per share)	7.0	7.2

Diluted

	Six months ended 30 June	
	2006	2005
Profit attributable to equity holders of the Company (HK'000)	40,419	30,884
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	574,365	426,630
Adjustment for share options ('000)	546	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	574,911	426,630
Diluted earnings per share (HK cents per share)	7.0	N/A

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2005.

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

20 DIVIDENDS

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Proposed interim dividend of HK2.0 cents (2005: HK\$1.8 cents) per ordinary share	12,000	9,360
Proposed special dividend of HK\$1.2 cents per ordinary share	—	6,240
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	12,000	15,600
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At a meeting held on 14 September 2006, the directors proposed an interim dividend of HK2.0 cents per ordinary share for the six months ended 30 June 2006. These proposed dividends are not reflected as a dividend payable in this condensed consolidated financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

21 CAPITAL COMMITMENTS

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

	As at	
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Contracted but not provided for		
– Purchase of land use rights	8,436	—
– Construction of buildings	8,022	21,058
– Purchase of plant and machinery	10,355	105,053
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	26,813	126,111
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

22 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 65% (2005: 75%) of the Company's shares as at 30 June 2006. The ultimate parent of the Group is Prosper Empire Limited.

The following transactions were carried out with related parties:

- (a) During the year ended 31 December 2005, the Hong Kong Inland Revenue Department ("HKIRD") advised EVA Limited, a 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 the previous years. In this connection, EVA Limited and EVA Holdings Limited, subsidiaries of the Group, prepared a settlement proposal to the HKIRD in July 2005 in respect of tax liabilities and penalties for the years of assessment 1998/99 to 2003/04. EVA Limited also placed a deposit of HK\$1,000,000 with the HKIRD, which was borne by Mr. Zhang Hwo Jie, a director and substantial beneficial shareholder of the Company. The outcome of the tax audit has not been finalised up to the date of approval of these financial statements.

In March 2006, the HKIRD issued estimated assessments to EVA Limited and EVA Holdings Limited in respect of their potential income tax liabilities for revenue protection purposes for the year of assessment 1999/2000, which is subject to finalisation of the aforementioned tax audit. The two companies have objected to the estimated assessments as, in the opinion of the directors of the companies, these estimated assessments are excessive and incorrect. As this matter relates to tax of subsidiaries before the Reorganisation and certain directors/substantial shareholders of the Company have agreed to indemnify the Group for any additional tax liabilities in respect of periods prior to the Reorganisation, any additional tax liabilities would be settled and borne by the directors/substantial shareholders of the Company.

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

22 RELATED-PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Wages, salaries and allowances	3,322	2,298
Share-based payments	41	–
Retirement benefits – defined contribution	23	16
	<hr/>	<hr/>
	3,386	2,314
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