MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2006, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds and (ii) manufacturing of precision metal stamping and plastic injection components and lathing products. A review of the Group's operations for the six months ended 30 June 2006 is as follows:

METAL DIVISION

During the six months ended 30 June 2006, the turnover of the Group's metal division increased by 31% to approximately HK$257,094,000 as compared to that of approximately HK$196,591,000 for the six months ended 30 June 2005. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment manufacturers including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother. Sales to Japanese customers accounted for approximately 89.0% of the total sales of the Group's metal division for the six months ended 30 June 2006 (For the six months ended 30 June 2005: 84.7%).

As a service provider to reputable manufacturers with international renowned brand names, management believes that the Group's business is strongly influenced by the characteristics of its major customer group. Management believes that the key characteristics of Japanese and international manufacturers, which are currently the Group's major customer group, include (i) a strong emphasis on product quality, in particular for office automation equipment, such as copiers and fax machines, whose components require high precision standards to ensure the effective functioning of the equipment; (ii) emphasis on production efficiency to minimise production lead time and just-in-time inventory management and (iii) a strong involvement in the production process of its suppliers to ensure product quality and frequent mutual communications with a view to improving the production efficiency of its suppliers. To meet the requirements of its customers, the Group has adopted stringent production management systems since the early stage of its establishment, which includes the implementation of the Japanese 7S management framework (Strategy; Structure; Systems; Style; Staff; Super-ordinate goals and Skills) and the RoHS management system (Restriction of the use of certain hazardous substances in electrical and electronic equipment). Further, to manufacture components with high precision standards for its customers, the Group has invested in high quality equipment and a substantial portion of the Group's production machinery are first-tier equipment produced by international renowned brand names such as Aida, Sodick, Agie, Nomura and Mitsubishi. The Group also maintains a strong quality control team with a headcount of 225 employees as at 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

METAL DIVISION *(Continued)*

Such investment in quality and production management has proven to be beneficial to the Group. During the six months ended 30 June 2006, the sales of the Group's metal division to most of its major Japanese customers increased significantly. Apart from Japanese customers, the remaining 11.0% of sales of the Group's metal division was derived from reputable Hong Kong or international companies during the six months ended 30 June 2006. To broaden its customer base, the Group will continue to source new customers. However, the Group will 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

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

During the six months ended 30 June 2005, the Group's plastic production line was operated on a trial basis in the Group's Shenzhen Production Plant. Turnover for the six months ended 30 June 2005 amounted to approximately HK$3,173,000 which was mainly derived from trial production for the Group's existing Japanese customers. As the plastic division was only operated on a trial basis with a view to test-running its production, it recorded a loss of approximately HK$3,215,000 during the six months ended 30 June 2005.

The Group's plastic division has gradually established its foothold in the market during the six months ended 30 June 2006. Turnover of the Group's plastic division for the six months ended 30 June 2006 increased by 740% to approximately HK$26,651,000, of which approximately 71.3% was derived from Japanese customers. Operating profit of the Group's plastic division was approximately HK$3,039,000 for the six months ended 30 June 2006.

HUMAN RESOURCES

As at 30 June 2006, the total number of employees of the Group was 2,821, representing a growth of 21.8% as compared to 2,316 employees as at 31 December 2005. The increase in headcount was primarily due to the continuous expansion of the Group during the six months ended 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

HUMAN RESOURCES *(Continued)*

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. 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, in particular in a business environment where shortage of labour exists. Various employee activities have been organized to inspire the team spirit of the Group's staff, which include the organization of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers have participated. Substantial resources have also been 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 manufacturers with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international steel and plastic resin producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a small portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2006, approximately 43%, 54% and 3% (For the six months ended 30 June 2005: 66%, 31% and 3%) of the Group's sales and approximately 35%, 53% and 12% (For the six months ended 30 June 2005: 35%, 56% and 9%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Management is aware of the potential foreign currency risk that may arise from the continuous appreciation of Renminbi by the PRC government. Although only a small portion of the Group's purchases are denominated in Renminbi currently, the Group has taken actions to manage its foreign currency exposure. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings have been denominated in Hong Kong dollars instead of Renminbi. As at 30 June 2006, deposits denominated in Renminbi amounting to RMB26,500,000 (equivalent to approximately HK$25,716,000) were pledged for obtaining Hong Kong dollar loans of an equivalent amount, which effectively acted as a hedge against the appreciation of Renminbi. Management will evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimize the Group's exposure whenever necessary.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2006		2005	
	HK$'000	**%**	HK$'000	%
By Business Segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**25,967**	**9.2%**	24,806	12.4%
Manufacturing of metal stamping components and lathing products	**223,756**	**78.9%**	166,055	83.1%
Others *(Note 1)*	**7,371**	**2.6%**	5,730	2.9%
	257,094		196,591	
Plastic division				
Design and fabrication of plastic injection moulds	**5,781**	**2.0%**	2,548	1.3%
Manufacturing of plastic injection components	**20,870**	**7.3%**	625	0.3%
	26,651		3,173	
Total	**283,745**		199,764	
Segment results				
Metal division	**46,822**		41,758	
Plastic division	**3,039**		(3,215)	
Operating profit	**49,861**		38,543	
Finance costs	**(4,016)**		(3,661)	
Income tax expenses	**(4,645)**		(3,512)	
Unallocated expenses	**(781)**		(486)	
Profit attributable to equity holders of the Company	**40,419**		30,884	

Note 1: Others mainly represent sales of scrap materials

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Turnover

Metal division

The increase in turnover of the Group's metal division by 31% from approximately HK$196,591,000 for the six months ended 30 June 2005 to approximately HK$257,094,000 for the six months ended 30 June 2006 was primarily driven by the increase in revenue generated from manufacturing of metal stamping and lathing products. With the continuous development of the Group's production management and its reputation among prominent international manufacturers, the Group experienced an increase in sale orders from its existing customers during the six months ended 30 June 2006. Those customers which previously provided sale orders to the Group on a trial basis also started to provide large scale orders to the Group, which contributed to the significant increase in revenue generated from manufacturing of metal stamping and lathing products during the year ended 30 June 2006.

Plastic division

Under the existing business model of the Group, a majority of the Group's customers required the Group to design and manufacture the moulds prior to the mass production of components. As such, a majority of customer orders received by the Group's plastic division at its initial stage of operations during the year ended 31 December 2005 were related to mould production. During the six months ended 30 June 2005 and the year ended 31 December 2005, the percentages of revenue from production of moulds to total turnover of the Group's plastic division were approximately 80% and 53%, respectively, as compared to the percentages of approximately 13% and 13% respectively for the Group's metal division. The moulds produced by the Group's plastic division during the year ended 31 December 2005 have been consigned in the Group's production plant for the manufacture of plastic injection components in subsequent years.

The moulds produced by the Group's plastic division in the past have resulted in a significant increase in sales of plastic injection components during the six months ended 30 June 2006. During the six months ended 30 June 2006, revenue from sales of plastic injection components increased to approximately HK$20,870,000 as compared to that of approximately HK$625,000 for the six months ended 30 June 2005. At the same time, revenue from sales of plastic injection moulds increased from approximately HK$2,548,000 for the six months ended 30 June 2005 to approximately HK$5,781,000 for the six months ended 30 June 2006 and the moulds produced during the six months ended 30 June 2006 will primarily be used for the production of plastic injection components in the future. The continued increase in sales of plastic injection moulds during the six months ended 30 June 2006 will provide continuing momentum for the growth of the Group's plastic division in future years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Gross profit

The Group achieved a gross profit of approximately HK$90,750,000 for the six months ended 30 June 2006, representing an increase of 39.9% as compared to that for the six months ended 30 June 2005. Gross profit margin for the six months ended 30 June 2006 was approximately 32.0%, which decreased slightly as compared to that of 32.5% for the six months ended 30 June 2005. The decrease in gross profit margin was primarily because the Group's revenue from the manufacture of metal stamping and plastic injection components and lathing products increased by 46.8% and its proportion to total turnover increased from approximately 83.4% for the six months ended 30 June 2005 to approximately 86.2% for the six months ended 30 June 2006. At the same time, with the significant increase in revenue from the manufacture of metal stamping and plastic injection components and lathing products, the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover was diluted from 13.7% for the six months ended 30 June 2005 to 11.2% for the six months ended 30 June 2006 although its amount increased by approximately 16.1% from approximately HK$27,354,000 for the six months ended 30 June 2005 to approximately HK$31,748,000 for the six months ended 30 June 2006. Since the gross profit margin from the manufacture of components and lathing products is generally lower than that from design and fabrication of moulds, the increase in revenue from the manufacture of metal stamping and plastic injection components and lathing products had diluted the Group's overall gross profit margin slightly for the six months ended 30 June 2006.

Segment results

For the six months ended 30 June 2006, segment result of the Group's metal division amounted to approximately HK$46,822,000, representing a 12.1% increase as compared to that of approximately HK$41,758,000 for the six months ended 30 June 2005. Segment result of the Group's plastic division for the six months ended 30 June 2006 amounted to approximately HK$3,039,000, as compared to a loss of approximately HK$3,215,000 for the six months ended 30 June 2005. The increase in the Group's segment results was primarily brought by the surge of turnover of the Group during the period.

Finance costs

Finance costs increased by approximately 9.7% from approximately HK$3,661,000 for the six months ended 30 June 2005 to approximately HK$4,016,000 for the six months ended 30 June 2006. The increase in finance costs was primarily attributable to the continued increase in interest rates during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Income tax expenses

During the six months ended 30 June 2006, income tax expenses amounted to approximately HK$4,645,000. Effective tax rate (defined as the percentage of income tax expenses as compared to profit before income tax) for the six months ended 30 June 2006 was approximately 10.3%, which was in line with the effective tax rate of approximately 10.2% for the six months ended 30 June 2005.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2006, profit attributable to equity holders of the Company amounted to approximately HK$40,419,000, which increased by approximately 30.9% as compared to approximately HK$30,884,000 for the six months ended 30 June 2005. Net profit margin of the Group for the six months ended 30 June 2006 was approximately 14.2%, which decreased as compared to that of 15.5% for the six months ended 30 June 2005. Despite a relatively stable gross profit margin during the six months ended 30 June 2006, net profit margin of the Group decreased because (i) with a view to capturing the business opportunities offered by the continuous expansion of Japanese and other international manufacturers in the Yangtze River Delta Region, the Group has established its new Suzhou Production Plant during the six months ended 30 June 2006. An initial loss of approximately HK$3,419,000 was incurred by the Group's new Suzhou Production Plant during its construction period, which lowered the Group's overall net profit margin and (ii) with the continuous development of the Group's production management and its reputation among customers, management believes that the Group is poised to achieve further growth in revenue in the future. As such, apart from the establishment of the new Suzhou Production Plant, the Group has been expanding its scale of operations of its existing Shenzhen Production Plant which included the establishment of new production lines and the recruitment and training of additional production and management personnel with a view to accommodating the expected surge in sale orders in the coming years. The expansion of the Group's scale of operations had increased the Group's overhead and operating expenses, which are semi-fixed in nature, and consequently lowered the Group's overall net profit margin during the six months ended 30 June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

	Six months ended 30 June	
	2006	2005
	HK$'000	HK$'000
By Provinces		
Turnover		
Shenzhen Operations	**283,745**	199,764
Suzhou Operations	**–**	–
	283,745	199,764
Profit attributable to equity holders of the Company		
Shenzhen Operations	**43,838**	30,884
Suzhou Operations	**(3,419)**	–
	40,419	30,884

As indicated on the above, all of the Group's turnover for the six months ended 30 June 2006 was still derived from the Group's existing Shenzhen Production Plant since the new Suzhou Production Plant of the Group was only under testing stage during the period. Although the Group's new Suzhou Production Plant had not commenced commercial production during the six months ended 30 June 2006, it incurred initial set up costs of approximately HK$3,419,000. Excluding the initial set up costs incurred by the Group's new Suzhou Production Plant of approximately HK$3,419,000, profit generated by the Group's existing Shenzhen Production Plant for the six months ended 30 June 2006 increased by approximately 41.9% as compared to that for the six months ended 30 June 2005, which was generally in line with the increase in turnover of approximately 42.0% during the period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2006, the Group recorded net cash generated from operating activities amounting to approximately HK$42,151,000, representing an increase of approximately 54.0% as compared to that of approximately HK$27,378,000 for the six months ended 30 June 2005. The increase in net cash generated from operating activities was in line with increase in the turnover and profit of the Group during the six months ended 30 June 2006. Net cash used in investing activities, which was primarily related to the purchases of fixed assets, amounted to approximately HK$123,017,000 for the six months ended 30 June 2006 and increased by approximately 403.3% as compared to that of approximately HK$24,443,000 for the six months ended 30 June 2005. The significant increase in net cash used in investing activities was primarily caused by the establishment of production lines of the Group's new Suzhou Production Plant during the period, whose first phase investment amounted to approximately HK$156,000,000. In addition, the Group recorded an increase in net cash generated from financing activities from approximately HK$29,405,000 for the six months ended 30 June 2005 to approximately HK$91,396,000 for the six months ended 30 June 2006 which was primarily caused by the receipt of the net proceeds from the Group's share placement of approximately HK$107,467,000 during the period.

Bank loans as at 30 June 2006 were denominated in Hong Kong 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 2006 are as follows:

	30 June 2006	31 December 2005
Inventory turnover days (Note 1)	**64**	67
Debtors' turnover days (Note 2)	**68**	73
Creditors' turnover days (Note 3)	**75**	85
Current ratio (Note 4)	**1.04**	1.02
Net debt-to-equity ratio (Note 5)	**0.22**	0.29

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS *(Continued)*

Note:–

1. Calculation of inventory turnover days is based on the ending inventory divided by cost of goods sold and multiplied by the number of days during the 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 obligations less cash and bank balances and pledged bank deposits divided by shareholders' equity.

Inventory turnover days

Substantially all of the Group's Japanese customers have their own designated raw material suppliers. These Japanese customers generally require the Group to purchase raw materials from their designated suppliers for the manufacture of metal and plastic components and delivery and pricing of raw materials are negotiated based on three-way communications among the Group, its customers and suppliers. This practice enables the Group to manage its inventories in an efficient manner despite a continuous increase in its turnover and business scale. The Group's inventory turnover days for the six months ended 30 June 2006 was approximately 64 days, which decreased by 3 days as compared to that for the year ended 31 December 2005 owing to a continuous improvement of the Group's inventory management.

Debtors' and creditors' turnover days

During the six months ended 30 June 2006, the Group's debtors' and creditors' turnover days decreased from approximately 73 days and 85 days for the year ended 31 December 2005 to approximately 68 days and 75 days respectively owing to the continuous improvement of the Group's cash flow management during the period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS *(Continued)*

Current ratio and net debt-to-equity ratio

During the six months ended 30 June 2006, the Group received net proceeds from share placement amounting to approximately HK$107,467,000 which improved the Group's equity base during the period. Coupled with the continuous inflow of cash from operations, the Group's current ratio and net debt-to-equity ratio improved and changed from approximately 1.02 and 0.29 as at 31 December 2005 to approximately 1.04 and 0.22 as at 30 June 2006.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2006, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$25,716,000; (ii) pledge of leasehold land and buildings located in Hong Kong with net book value of approximately HK$6,992,000 and HK$1,829,000, respectively, and (iii) mortgage of equipment under finance lease obligations with net book value of HK$117,985,000. Such charges are used for securing the Group's bank borrowings and finance lease liabilities.

DIVIDEND

The Board declared an interim dividend of HK2.0 cents per ordinary shares, totaling HK$12,000,000 for the six months ended 30 June 2006 to eligible shareholders whose names appear on the register of members of the Company on 10 October 2006. The interim dividends will be payable in cash on or about 20 October 2006.

OUTLOOK

During the six months ended 30 June 2006, the Group had continued its plan to transform itself from a metal mould and component manufacturer to a fully integrated one-stop service provider. As part of the Group's expansion plan, the Group had established its new Suzhou Production Plant during the period with its factory building completed in January 2006 and production lines fully installed in May 2006. The Group's new Suzhou Production Plant has commenced commercial operations in August 2006.

OUTLOOK *(Continued)*

The Group's new Suzhou Production Plant will primarily focus on serving various Japanese and other multi-national manufacturers located in the Yangtze River Delta Region. These Japanese and multi-national manufacturers are the target customers of the Group taking into account (i) their credibility; (ii) the potential scale of their future sale orders and (iii) the higher profitability which is likely to be obtained by serving multi-national manufacturers rather than small scale local manufacturers, owing to more stringent quality and production requirements of multi-national manufacturers. Taking into account the concentration of multi-national manufacturers in the Yangtze River Delta Region, management sees great potential in this market and expect the new Suzhou Production Plant to provide strong momentum for the continuous growth of the Group in the future. However, management understand that a majority of multi-national manufacturers will be prudent in granting sale orders to new suppliers and trial periods are normally required for multi-national manufacturers to observe the production capability and quality standards of potential suppliers. As such, at its initial stage of operations, the Group's new Suzhou Production Plant will primarily focus on tapping potential business from the Group's existing customers with production plants located in the Yangtze River Delta Region which include Konica Minolta in Wuxi, Canon in Suzhou and Fuji Xerox and Ricoh in Shanghai, because the Group's reputation has already been strongly established among these existing Japanese customers. The Group's new Suzhou Production Plant will strive to expand and obtain business from other reputable multi-national manufacturers at a later stage. However, taking into account the strong production and technical capabilities of the Group which are evidenced by the Group's long-term business relationship with quality conscious Japanese customers, management is strongly confident that the new Suzhou Production Plant will be able to obtain significant businesses from various multi-national manufacturers in the future.

As part of the Group's plan to transform itself to a fully integrated one-stop service provider, the Group continued to expand the production capacity of its plastic division during the six months ended 30 June 2006. The Group decided to expand its plastic business because, while part of the office automation equipment manufactured by its customers is made from metal parts and components, plastic components account for the remaining portion. With the continuous expansion of the Group's plastic production lines, turnover generated by the Group's plastic division during the six months ended 30 June 2006 increased by 740% to approximately HK$26,651,000, of which approximately HK$5,781,000 was related to the production of plastic injection moulds and a majority of these moulds are currently consigned in the Group's production plants for the manufacture of plastic injection components in the future.

OUTLOOK *(Continued)*

Under the current business model of the Group, 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 large-scale sale orders from customers for the subsequent production of metal stamping and plastic injection components. With a view to increasing the Group's production capacity of moulds, the Group had planned to establish a mould research and development centre in Shenzhen. The construction of the mould research and development centre will commence in the latter half of 2006 with a construction commencement ceremony to be held on 19 September 2006. With an expanded mould production capability, the Group will not only be able to obtain more orders under its existing business model but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers who retain production plants in overseas countries.

Currently the Group is primarily serving as a mould and component supplier to reputable Japanese manufacturers engaging in the production of office automation equipment which includes copiers, fax machines and printers. Taking into account that (i) the Group previously focused on the production of metal stamping moulds and components with other business opportunities relating to the office automation equipment market which include the manufacture of relevant plastic injection components and moulds and the provision of assembly services to office automation equipment manufacturers remained relatively unexplored and (ii) outsourcing by Japanese manufacturers to non-Japanese suppliers is still fairly new, with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, management believes that there are still ample opportunities for the continuous expansion of the Group in the office automation equipment market. However, at the same time, the Group continuously searches for other growth opportunities and, as part of such exploration, the Group successfully passed the TS16949:2002 accreditation, an international quality accreditation for the manufacture of automobile parts, in 2006 and the Group has started to obtain small scale orders for the production of automobile parts on trial basis. However, taking into consideration that (i) there are still ample opportunities for the expansion of the Group in the existing office automation equipment market and (ii) the substantial time that may be required for the successful establishment of solid business relationship with other reputable manufacturers, 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 to continue to come from office automation equipment manufacturers in the near future.

OUTLOOK *(Continued)*

As described above, one of the key characteristics of the Group's existing Japanese customers is their strong emphasis on quality and production management. Accordingly, apart from the expansion of production capacity, the Group also devoted substantial resources in strengthening its product quality and management and, in return, the Group continued to receive accreditations from its customers in 2006 which included (i) 2005 Southern China Quality VVV (Very Valuable Vendor) Award from Canon in January 2006; (ii) 2006 First Round Southern China VVV (Very Valuable Vendor) Award from Canon in June 2006 and (iii) Chemical Substance Management System Certification from Epson in June 2006. Management believes that the Group's commitment to product quality and management, coupled with the investments made for providing more comprehensive services to its customers, will deepen its customer relationships which will in turn transform into economic benefits for the Group.

APPLICATION OF LISTING PROCEEDS

The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 10 May 2005. The net proceeds from listing amounted to approximately HK$125,080,000 and as at 14 September 2006, the Group had applied the listing proceeds as follows:

	Planned as per prospectus dated 29 April 2005 HK$	**Actual application as at 14 September 2006 HK$**
Purchases of machinery and equipment for the manufacture of plastic injection moulds and plastic injection components	32 million	**32 million**
Purchases of additional stamping machines for the manufacture of metal stamping moulds and metal stamping components	25 million	**25 million**
Establishment of a mould development centre	35 million	**11 million**
Repayment of bank loans	30 million	**30 million**
General working capital of the Group	3 million	**3 million**
	125 million	**101 million**

The unutilised proceeds from listing of approximately HK$24 million are related to the setting up of a mould research and development centre. The Company will continue to use the remaining HK$24 million for the setting up of a mould research and development centre as stated in the Prospectus. Such remaining proceeds are currently placed on short-term deposits.

CONNECTED TRANSACTIONS

The following connected transaction occurred during the six months ended 30 June 2006 which also constitutes related party transaction which are set out in Note 22 to the consolidated accounts

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 65% shareholder of the Company 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.

The Hong Kong Inland Revenue Department ("HKIRD") is currently in the process 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, a sum of HK$1,000,000 had been placed by EVA Limited to the Commissioner of Inland Revenue deposit account of the HKIRD during the year ended 31 December 2005 as deposits for any possible tax charge that may be imposed by the HKIRD in respect of the financial years prior to 31 December 2003. In addition, a service fee of approximately HK$671,000 was also paid in connection with the related tax advisory services during the year ended 31 December 2005.

The HKIRD continued its tax re-examination exercise during the six months ended 30 June 2006. In this connection, a service fee of approximately HK$151,000 was paid in respect of the related tax advisory services. The total sum of approximately HK$1,822,000 paid during the year ended 31 December 2005 and the six months ended 30 June 2006 had been indemnified and reimbursed by the Indemnifiers in accordance with the above-mentioned deed of tax indemnity prior to the date of this report.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

On 5 June 2006, the Group obtained a syndicated loan facility of HK$120,000,000 by entering into various loan facility agreements (the "Facility Agreements") with DBS Bank (Hong Kong) Limited and Hang Seng Bank Limited as the joint coordinating arrangers. The purpose of the syndicated loan facility is to finance the payment of land cost, factory construction costs and equipment purchase costs in connection with the establishment of a production plant located in Suzhou, Jiangsu province, the People's Republic of China, which had commenced commercial operations in August 2006. Pursuant to the Facility Agreements, the following specific performance obligations are imposed on the executive directors and controlling shareholders namely Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua ("Zhang's Brothers") throughout the life of the syndicated loan facility: (i) Zhang's Brothers shall at all times beneficially own, directly or indirectly, an aggregate of at least 51% of the issued share capital of the Company and remain as its largest shareholders and shall procure that such shareholdings shall remain unencumbered except to the extent required under the Facility Agreements; (ii) Zhang's Brothers shall at all times remain, directly or indirectly, the largest shareholders of EVA Precision Industrial (Suzhou) Limited, a subsidiary of the Company, and shall procure that such shareholdings shall remain unencumbered, except to the extent required under the Facility Agreements, in particular, the pledge of the entire share capital of EVA Precision Industrial (Suzhou) Limited and EVA Precision Industrial (Eastern China) Limited, its immediate holding company, to the relevant lenders pursuant to the Facility Agreements; (iii) Zhang's Brothers shall maintain management control over the Group and shall be actively involved in the business of the Group and (iv) Mr. Zhang Hwo Jie shall remain as the chairman of the Company.

A breach of the aforesaid obligations will constitute an event of default under the syndicated loan facility which may result in the cancellation of all or any part of the commitments under the syndicated loan facility 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. On 21 June 2006 and 10 August 2006, options to subscribe for 30,250,000 shares and 950,000 shares have been granted to the directors and eligible employees under the Share Option Scheme. Details of the movements of the share options under the Share Option Scheme for the six months ended 30 June 2006 and up to the date of this report were as follows:

	Granted on 21 June 2006	As at 30 June 2006	Granted on 10 August 2006	Lapsed during the period from 1 July 2006 up to the date of this report	As at the date of this report	Exercise price
						HK$
Executive directors						
Zhang Hwo Jie	1,300,000	1,300,000	–	–	1,300,000	1.70
Zhang Jian Hua	1,300,000	1,300,000	–	–	1,300,000	1.70
Zhang Yaohua	1,300,000	1,300,000	–	–	1,300,000	1.70
Nomo Kenshiro	900,000	900,000	–	–	900,000	1.70
Independent non-executive directors						
Lui Sun Wing	300,000	300,000	–	–	300,000	1.70
Choy Tak Ho	300,000	300,000	–	–	300,000	1.70
Leung Tai Chiu	300,000	300,000	–	–	300,000	1.70
Employees of the Group						
In aggregate	24,550,000	24,550,000	–	(1,100,000)	23,450,000	1.70
	–	–	950,000	–	950,000	1.71
	30,250,000	30,250,000	950,000	(1,100,000)	30,100,000	

The closing prices of the shares of the Company immediately before the dates on which the options were granted on 21 June 2006 and 10 August 2006 were HK$1.72 and HK$1.68 respectively.

The fair value of the options granted on 21 June 2006 and 10 August 2006 determined using the Black-Scholes valuation model were approximately HK$12,923,000 and HK$391,000, respectively. The significant inputs into the model were share prices of HK$1.70 and HK$1.69 as at the grant dates of 21 June 2006 and 10 August 2006 respectively, the exercise price shown above, the standard deviation of expected share price returns of 30%, the expected life of options of 1.5 to 3.5 years, the expected dividend paid out rate of nil, and the annual risk-free interest rate of 4.5%.

SHARE OPTIONS *(Continued)*

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

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 21 June 2006		
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
With respect to the options granted on 10 August 2006		
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

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

As at 30 June 2006, the interests and/or short positions of the directors or chief executive of the Company's in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

DISCLOSURE OF INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATION *(Continued)*

(i) Long position in shares and underlying shares of the Company

Name of director	Capacity	Number of shares	Number of underlying shares held under equity derivatives (Note1)	Total interests	Approximate percentage of interest in the Company as at 30 June 2006
Mr. Zhang Hwo Jie	Interest in a controlled corporation/ Beneficial owner	390,000,000 (Note 2)	1,300,000	391,300,000	65.22%
Mr. Zhang Yaohua	Beneficial owner	–	1,300,000	1,300,000	0.22%
Mr. Zhang Jian Hua	Beneficial owner	2,950,000	1,300,000	4,250,000	0.71%
Mr. Nomo Kenshiro	Beneficial owner	–	900,000	900,000	0.15%
Mr. Choy Tak Ho	Beneficial owner	–	300,000	300,000	0.05%
Mr. Leung Tai Chiu	Beneficial owner	–	300,000	300,000	0.05%
Mr. Lui Sun Wing	Beneficial owner	–	300,000	300,000	0.05%

Notes:

1. *These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Options" above.*

DISCLOSURE OF INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATION *(Continued)*

(i) Long position in shares and underlying shares of the Company *(Continued)*

2. *Mr. Zhang Hwo Jie holds 36% of the entire issued capital of Prosper Empire Limited, which was interested in 65% of the entire issued capital of the Company as at 30 June 2006. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.*

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

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 30 June 2006
Mr. Zhang Hwo Jie	Beneficial owner	36%
Mr. Zhang Yaohua	Beneficial owner	33%
Mr. Zhang Jian Hua	Beneficial owner	31%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006 the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	390,000,000	65%
Ms. Shen Chan Jie Lin	Interest of spouse *(Note1)*	390,000,000	65%

Note:

1. *Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 36% of the issued share capital of Prosper Empire Limited. The interests of Prosper Empire Limited and Ms. Shen Chan Jie Lin in the 390,000,000 shares of the Company refer to the same parcel of shares.*

SHARE PLACEMENT

On 28 February 2006, Prosper Empire Limited entered into a placing agreement pursuant to which Prosper Empire Limited agreed to place 80,000,000 existing ordinary shares with an aggregate nominal value of HK$8,000,000 owned by Prosper Empire Limited at a price of HK$1.38 per share to not less than six independent investors. The placing price represented (i) a discount of approximately 7.38% to the closing price of HK$1.49 per share as quoted on The Stock Exchange of Hong Kong Limited on 23 February 2006, being the last trading day before the terms of the relevant transactions were fixed and (ii) a discount of approximately 7.63% to the average closing price of the shares of approximately HK$1.494 per share over the last five consecutive trading days up to and including 23 February 2006. On the same day, Prosper Empire Limited entered into a subscription agreement with the Company for the subscription of 80,000,000 new ordinary share with an aggregate nominal value of HK$8,000,000 at HK$1.38 which is equivalent to the placing price. The net subscription price, after deducting the costs of the relevant transactions, amounted to approximately HK$1.34 per share. The placing shares represented approximately 15.38% of the then existing issued share capital of the Company and approximately 13.33% of the Company issued share capital as enlarged by the subscription and the consequent issuance of 80,000,000 new shares. The relevant transactions are completed in March 2006 and the net proceeds of approximately HK$107,467,000 were received by the Company in March 2006.

The purpose of the share issue through the above-mentioned placing and subscription is to expand the production capacity of the Group and the net proceeds of HK$107,467,000 are intended to be utilised as to approximately HK$92,000,000 for the acquisition of new machineries and as to approximately HK$15,467,000 for general working capital purposes. Up to the date of this report, approximately HK$56,018,000 and HK$15,467,000 of the net proceeds had been utilised for the acquisition of new machineries and general working capital respectively, whilst the remaining balances are placed on short-term deposits for future uses.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Save for the placement of shares by the Company on 28 February 2006 as mentioned above, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares during the six months ended 30 June 2006.

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 5 October 2006 to 10 October 2006, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed interim dividend for the six months ended 30 June 2006, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 4 October 2006.

MODLE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the code of conduct regarding securities transactions by directors 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 standard set out in the Model Code regarding securities transactions by the Directors during the six months ended 30 June 2006 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 compiled with the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2006 and up to the date of this report.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the consolidated accounts for the six months ended 30 June 2006.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 14 September 2006