

Chairman's Statement

On behalf of the Board of Directors (the "Directors"), I am pleased to present to you the annual report of EVA Precision Industrial Holdings Limited (the "Company" and together with its subsidiaries collectively referred to as the "Group") for the year ended 31 December 2006. During the year under review, the Group's turnover and profit achieved satisfactory growth. Turnover amounted to approximately HK\$691,240,000, representing an increase of 42.5% as compared with the previous year. Profit attributable to equity holders of the Company grew by 30.6% over that of the previous year to reach approximately HK\$108,649,000. Our continued commitment to offering premium and integrated services that exceed our customers' requirements and expectations was what underlined our success.

To share our satisfactory results with our supportive shareholders, a final dividend of HK3 cents per ordinary share will be proposed. The Group pledges to be mindful in striking a balance between meeting investors' expectation for financial returns and the prevailing financial situation of the Group. Together with the payment of an interim dividend of HK2 cents per ordinary share, the full year dividend for 2006 will amount to HK\$30,000,000.

BUSINESS DEVELOPMENT

Year 2006 was a year of achievement and investment for us and noteworthy advances were made. Spotting vast potential in the Yangtze River Delta region where more and more of the Group's existing customers or targeted customers have established or are about to establish production bases, the Group had established a new production plant in Suzhou



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during the year ended 31 December 2006 to capture the mushrooming business opportunities in the region. The Group believes that, supported by its enlarged production capacities in Shenzhen and Suzhou, it will be able to expand business coverage in Southern and Eastern China and achieve greater economies of scale. The Group's strategic move to Suzhou will also enable the Group to strengthen relationship with existing customers with production bases in the Yangtze River Delta region and forge new business relationships.

All of the metal stamping and plastic injection components produced by the Group are principally made from moulds. Under the current business model of the Group, the Group's customers normally require the Group to design and manufacture the relevant moulds before the placement of orders for metal stamping and plastic injection components. The completed moulds are then consigned in the Group's production plants for the subsequent mass production of components. Accordingly, the manufacturing capability and quality standards of moulds are the crucial determinants for securing large-scale 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 is in the process of constructing a mould research and development centre in Shenzhen with a construction ceremony held on 19 September 2006. The new mould research and development centre is expected to be completed in the latter half of 2007. 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.

PROSPECTS

Over the past few years, the Group continued to benefit from the outsourcing of production processes from Japanese office automation equipment manufacturers. With a faster change in business technologies and demand from end users, it is crucial for the office automation equipment manufacturers which are the Group's customers to grasp the market trend more accurately to ensure that their products will be well accepted in the market. To ensure that latest market information can be obtained before product launch, it is important for our customers to minimise production lead time and therefore the Japanese office automation equipment manufacturers are outsourcing more of their manufacturing processes to outside production service providers. However, there are two critical factors influencing our customers' decision in selecting an appropriate production service provider. First, the production service provider should possess comprehensive technical capabilities and strong production capacity so that it can handle any last minute changes in product design and specifications within a reasonable lead time. Secondly, the production service provider should possess a wide customer base instead of solely relying on single customer so that any last minute change in product design and specifications will not seriously affect its operations, since it takes substantial time for our customers to nurture an appropriate production service provider which is experienced in handling the specific technical requirements for office automation equipment and therefore any disruption in its operations will in turn seriously affect the smooth launch of the customers' products and their product development plans in the future.

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With the Group's continued expansion in production capacity covering both metal stamping and plastic injection moulds and components and a widespread customer base covering substantially all of the office automation equipment manufacturers in the world, management believes that the Group is in good position to continue benefiting from the outsourcing trend by Japanese office automation equipment manufacturers. In the future, the Group will also offer integrated assembly services to complete its "one-stop" business model.

At the same time as we celebrate the Group's achievements during the year, on behalf of the Board of Directors, I also want to take this opportunity to express sincere thanks to all our shareholders, customers, business partners and employees for their unwavering support, which has made the Group's continuous success possible. We promise to dedicate our best to providing customers with services and products of the highest quality, thereby maximising the returns to our shareholders.

Zhang Hwo Jie

Chairman

Hong Kong, 3 April 2007