

Report of the Directors

The directors of the Company are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design and fabrication of metal stamping and plastic injection moulds and the manufacture of metal stamping and plastic injection components.

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2006 is set out in Note 5 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2006 attributable to the Group's major suppliers and customers are as follows:

Purchases

The largest supplier	25.9%
Five largest suppliers combined	47.3%

Sales

The largest customer	14.9%
Five largest customers combined	46.2%

None of the directors, their associates, or any shareholders (which, to the knowledge of the directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's major suppliers or customers noted above.

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 49.

DIVIDENDS

The Board recommends the payment of a final dividend of HK3 cents per ordinary share, totaling approximately HK\$18,000,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held 18 May 2007, the final dividend will be payable on or about 25 May 2007. Including the interim dividend of HK\$12,000,000 paid on 20 October 2006 in respect of the six months ended 30 June 2006, the total dividends declared for the year ended 31 December 2006 will be HK\$30,000,000.

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FIXED ASSETS

Details of the movements in property, plant and equipment during the year ended 31 December 2006 are set out in Note 6 to the consolidated financial statements.

In preparation for the listing of the Group, certain of the leasehold land, land use right and buildings of the Group with cost of approximately HK\$84,736,000 had been valued. The valuation of such leasehold land, land use right and buildings amounted to HK\$121,100,000 as at 28 February 2005, the valuation date. The leasehold land, land use right and buildings had not been stated at valuation in the consolidated financial statements of the Group. In the consolidated financial statements of the Group, the up-front prepayments made for the leasehold land and land use right 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. Buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Should the leasehold land, land use right and buildings be stated at valuation, the additional depreciation and amortisation that would be charged to the income statement for the year ended 31 December 2006 amounted to approximately HK\$1,479,000.

BORROWINGS AND INTEREST CAPITALISED

Details of borrowings are set out in Note 15 and Note 16 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2006 are set out in Note 21 to the consolidated financial statements.

RESERVES

Details of movements in reserves during the year ended 31 December 2006 are set out in Note 18 to the consolidated financial statements.

DONATIONS

The donations made by the Group during the year ended 31 December 2006 amounted to approximately HK\$204,000.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 20 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

A five year financial summary of the Group is set out on pages 102.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2006.

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year ended 31 December 2006 and up to the date of this report were:

Executive Directors

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

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Choy Tak Ho
Mr. Leung Tai Chiu (appointed on 5 June 2006)
Mr. Chan Wai Dune (resigned on 5 June 2006)

In accordance with the Company's articles of association, Mr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS

Save as the directors' service contracts, no other contracts of significance in relation to the Company's business to which the Company, its subsidiaries or holding companies was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2006 and up to the date of this report, none of the directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

CONNECTED TRANSACTIONS

The following connected transaction, which also constitutes related party transaction set out in Note 29 to the consolidated financial statements, was entered into during the year ended 31 December 2006:

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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 approximately HK\$22,000 was placed by EVA Limited to the HKIRD during the year ended 31 December 2006 in respect of an estimated tax charged by the HKIRD for the assessment year 1999/2000. In addition, a service fee of approximately HK\$150,000 was also paid in connection with the related tax advisory service. The total sum of HK\$172,000 had been indemnified and reimbursed by the Indemnifiers to EVA Limited in accordance with the above-mentioned deed of tax indemnity during the year ended 31 December 2006.

The above transaction constitutes a connected transaction but is exempted from the reporting, announcement and independent shareholders' approval requirements in accordance with the Chapter 14A of the Listing Rules.

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 the second half of 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 (the "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,

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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 actively involve 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. The following is a summary of the Share Option Scheme disclosed in accordance with the Listing Rules:

1. Purpose of the Scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

2. Participants of the Scheme

- a. full-time or part-time employees of the Group;
- b. directors (including any executive, non-executive and independent non-executive directors) of the Group;
- c. substantial shareholders of each member of the Group;
- d. associates of directors or substantial shareholders of each member of the Group; and
- e. trustees of any trust pre-approved by the Board, the beneficiary of which includes any of the above-mentioned persons.

3. Total number of shares available for issue under the Share Option Scheme and the percentage of issued share capital as at the date of this report

The total number of shares available for issue under the Share Option Scheme must not exceed 52,000,000 shares, representing 8.67% of the issued share capital of the Company as at the date of this report, unless the Company obtains further approval from the shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

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4. Maximum entitlement of each participant under the Share Option Scheme

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each participant (including both exercised and outstanding options) in any twelve month period must not exceed 1% of the total number of the Company's shares in issue. Any further grant of options in excess of this limit must be subject to shareholders' approval in general meeting at which the relevant participant and his associates must abstain from voting.

5. The period within which shares must be taken up under an option

Commencing on the date of grant of an option and expiring at 10 years from that date.

6. The minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer may be accepted or deemed to have been accepted in respect of less than the number of shares for which it is offered provided that it is accepted in respect of a board lot for dealing in shares on The Stock Exchange of Hong Kong Limited or an integral multiple thereof. To the extent that the offer is not accepted within 21 days from the date of offer, it will be deemed to have been irrevocably declined and the offer will lapse.

8. The basis of determining the exercise price

The subscription price for the shares under the Share Option Scheme shall be determined by the Board in its absolute discretion and notified to the participant, provided that such price shall be at least the highest of (i) the closing price of shares as stated in the daily quotations of The Stock Exchange of Hong Kong Limited on the date of offer of an option which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations of The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding the date of offer; and (iii) the nominal value of a share.

9. The remaining life of the Share Options Scheme

the Share Option Scheme is valid and effective for a period of 10 years. It commenced on 20 April 2005 and will expire on 19 April 2015.

On 21 June 2006, 10 August 2006 and 16 February 2007, options to subscribe for 30,250,000 shares, 950,000 shares and 22,050,000 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 year ended 31 December 2006 and up to the date of this report were as follows:

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	Granted on 21 June 2006	Granted on 10 August 2006	Lapsed during the year ended 31 December 2006	As at 31 December 2006	Granted on 16 February 2007	Lapsed during the period from 1 January 2007 up to the date of this report	As at the date of this report	Share price immediately before offer date HK\$	Exercise price HK\$
Executive directors									
Zhang Hwo Jie	1,300,000	-	-	1,300,000	-	-	1,300,000	1.72	1.70
	-	-	-	-	1,200,000	-	1,200,000	1.95	1.96
Zhang Jian Hua	1,300,000	-	-	1,300,000	-	-	1,300,000	1.72	1.70
	-	-	-	-	1,400,000	-	1,400,000	1.95	1.96
Zhang Yaohua	1,300,000	-	-	1,300,000	-	-	1,300,000	1.72	1.70
	-	-	-	-	1,400,000	-	1,400,000	1.95	1.96
Nomo Kenshiro	900,000	-	-	900,000	-	-	900,000	1.72	1.70
	-	-	-	-	300,000	-	300,000	1.95	1.96
Independent non-executive directors									
Lui Sun Wing	300,000	-	-	300,000	-	-	300,000	1.72	1.70
	-	-	-	-	300,000	-	300,000	1.95	1.96
Choy Tak Ho	300,000	-	-	300,000	-	-	300,000	1.72	1.70
	-	-	-	-	300,000	-	300,000	1.95	1.96
Leung Tai Chiu	300,000	-	-	300,000	-	-	300,000	1.72	1.70
	-	-	-	-	300,000	-	300,000	1.95	1.96
Employees of the Group									
In aggregate	24,550,000	-	(1,400,000)	23,150,000	-	(100,000)	23,050,000	1.72	1.70
	-	950,000	-	950,000	-	(150,000)	800,000	1.68	1.71
	-	-	-	-	7,250,000	-	7,250,000	1.95	1.96
	-	-	-	-	9,600,000	-	9,600,000	1.95	1.96
	<u>30,250,000</u>	<u>950,000</u>	<u>(1,400,000)</u>	<u>29,800,000</u>	<u>22,050,000</u>	<u>(250,000)</u>	<u>51,600,000</u>		

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The fair values of the options granted on 21 June 2006 and 10 August 2006 were approximately HK\$12,923,000 and HK\$391,000, respectively. The fair values of 12,450,000 options and 9,600,000 options on 16 February 2007 were approximately HK\$4,675,000 and HK\$2,510,000, respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price HK\$	Expected volatility	Expected life	Risk-free rate	Dividend paid out rate
Granted on 21 June 2006					
– 30,250,000 options	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006					
– 950,000 options	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007					
– 12,450,000 options	1.96	27.14% to 30.89%	1.5 to 3.5 years	4.046% to 4.072%	2.17%
– 9,600,000 options	1.96	32.17%	1 year	4.002%	2.17%

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 30,250,000 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 950,000 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
With respect to 12,450,000 options granted on 16 February 2007		
20%	4 February 2008	4 February 2008 to 2 February 2011
30%	2 February 2009	2 February 2009 to 2 February 2011
50%	2 February 2010	2 February 2010 to 2 February 2011
With respect to 9,600,000 options granted on 16 February 2007		
100%	4 February 2008	4 February 2008 to 2 February 2009

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

As at 31 December 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 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 set out in Appendix 10 to the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Personal interests in underlying shares held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 31 December 2006
Mr. Zhang Hwo Jie	390,000,000 (Note 2)	3,636,000	1,300,000	394,936,000	65.82%
Mr. Zhang Jian Hua	–	4,856,000	1,300,000	6,156,000	1.03%
Mr. Zhang Yaohua	–	4,632,000	1,300,000	5,932,000	0.99%
Mr. Nomo Kenshiro	–	–	900,000	900,000	0.15%
Mr. Lui Sun Wing	–	–	300,000	300,000	0.05%
Mr. Choy Tak Ho	–	–	300,000	300,000	0.05%
Mr. Leung Tai Chiu	–	–	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.
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 31 December 2006. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

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(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 31 December 2006
Mr. Zhang Hwo Jie	Personal interests	36%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	31%

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 are as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	390,000,000	–	65%
Ms. Shen Chan Jie Lin	Interest of spouse (<i>Note 1</i>)	393,636,000	1,300,000	65.82%

Note:

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

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Save for the placement of shares by the Company on 28 February 2006 as mentioned in the section headed "Management Discussion and Analysis" of this annual report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 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.

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CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 May 2007 to Friday, 18 May 2007, 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 final dividend for the year ended 31 December 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 register in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 14 May 2007.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 28 to page 33.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit 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 audited consolidated financial statements for the year ended 31 December 2006.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2006 and up to the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2006 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board

Zhang Hwo Jie

Chairman

Hong Kong, 3 April 2007