EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

2008
Interim Report
二零零八年中期報告

Stock Code 股份代號 : 838

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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 AND AUDIT COMMITTEE

Dr. Lui Sun Wing *(Chairman)*
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

REMUNERATION COMMITTEE

Mr. Zhang Hwo Jie *(Chairman)*
Dr. Lui Sun Wing
Mr. Choy Tai Ho

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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AUDITOR

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Certified Public Accountants

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
BNP Paribas Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
Orix Asia Limited
Dah Sing Bank, Limited
CITIC Ka Wah Bank Limited

Mainland China

Agricultural Bank of China
Industrial and Commercial Bank of China
Shenzhen Development Bank Co., Ltd.

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Elite Investor Relations Limited

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- Turnover increased 23.4% to approximately HK$526,007,000, which was primarily driven by an increase in component orders. As all components are basically produced from mould previously manufactured by the Group, component orders increased during the six months ended 30 June 2008 as there was a significant increase in the number of moulds previously manufactured by the Group during the year ended 31 December 2007.

- Net profit amounted to approximately HK$47,799,000 (For the six months ended 30 June 2007: HK$69,282,000).

- Basic earnings per share decreased 39% to approximately HK6.6 cents (For the six months ended 30 June 2007: HK10.8 cents).

- Net cash generated from operating activities and total net cash inflow (including proceeds from new borrowings) for the period decreased 54.6% and 94.6% to approximately HK$29,926,000 and HK$8,242,000 respectively (For the six months ended 30 June 2007: HK$65,943,000 and HK$153,150,000 respectively).

- Proposed interim dividends amounting to approximately HK$14,236,000, representing HK2 cents per shares (For the six months ended 30 June 2007: HK3 cents per share)

- Capacity expansion on its halfway:

  – Capital expenditure incurred during the six months ended 30 June 2008 amounted to approximately HK$223,238,000.

  – Mould development centre completed to expand mould production capacity, as all components are basically made from moulds and mould production volume has a crucial impact on future component orders.

  – Commitments for capital expenditure contracts signed but not yet incurred as at 30 June 2008 amounted to approximately HK$175,824,000, which are payable by the Group after 30 June 2008.

  – Number of employees increased from 3,596 employees as at 30 June 2007 to 4,490 employees as at 30 June 2008.

- Debt-to-equity ratio as at 30 June 2008 was approximately 34%.

- Bank borrowings as at 30 June 2008, which were subject to certain covenants with banks with respect to profitability and liquidity ratios and primarily repayable by installments within one to four years, increased by approximately 244% as compared to those as at 31 December 2007 to finance the continuing operations of the Group.

Condensed Consolidated Interim Balance Sheet

	Note	Unaudited 30 June 2008 HK$'000	Audited 31 December 2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**790,839**	595,456
Leasehold land and land use rights	5	**79,878**	80,314
Prepayments	6	**48,115**	60,195
Other assets		**1,607**	1,607
		920,439	737,572
Current assets			
Inventories		**197,486**	154,198
Trade receivables	7	**211,319**	209,525
Prepayments and deposits		**17,341**	11,775
Pledged bank deposits		**1,137**	8,437
Cash and cash equivalents		**141,971**	133,729
		569,254	517,664
Current liabilities			
Trade payables	8	**160,612**	153,730
Accruals and other payables		**27,476**	39,622
Bank borrowings	9	**96,225**	32,052
Finance lease liabilities	10	**41,890**	24,607
Current income tax liabilities		**18,875**	13,783
		345,078	263,794
Net current assets		**224,176**	253,870
Total assets less current liabilities		**1,144,615**	991,442
Non-current liabilities			
Bank borrowings	9	**108,435**	27,445
Finance lease liabilities	10	**75,754**	33,278
Deferred taxation		**2,241**	–
		186,430	60,723
Net assets		**958,185**	930,719
EQUITY			
Capital and reserves			
Share capital	11	**72,165**	72,124
Reserves	13	**886,020**	858,595
Total equity		**958,185**	930,719

The notes are an integral part of this condensed interim financial information.

		Unaudited Six months ended 30 June	
	Note	**2008** **HK$'000**	2007 HK$'000
Revenue	4	**526,007**	426,196
Cost of goods sold	15	**(378,631)**	(287,254)
Gross profit		**147,376**	138,942
Other gains	14	**1,277**	1,014
Selling and distribution expenses	15	**(26,442)**	(21,871)
General and administrative expenses	15	**(57,792)**	(38,759)
Operating profit		**64,419**	79,326
Finance income	16	**472**	791
Finance costs	16	**(5,017)**	(5,320)
Profit before income tax		**59,874**	74,797
Income tax expense	17	**(12,075)**	(5,515)
Profit for the period		**47,799**	69,282
Earnings per share expressed in HK cents per share	18		
– basic		**HK6.6 cents**	HK10.8 cents
– diluted		**HK6.5 cents**	HK10.7 cents
Dividend	19	**14,236**	21,600

The notes are an integral part of this condensed interim financial information.

Condensed Consolidated Interim Statement Of Changes In Equity

	Note	Unaudited Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 January 2008		72,124	858,595	930,719
Profit for the period/total recognised income		–	47,799	47,799
Employee share option scheme:				
– value of employee services		–	3,481	3,481
– proceeds from shares issued		41	669	710
Dividend paid		–	(24,524)	(24,524)
		41	(20,374)	(20,333)
Balance at 30 June 2008		72,165	886,020	958,185
Balance at 1 January 2007		60,000	438,596	498,596
Profit for the period/total recognised income		–	69,282	69,282
Employee share option scheme:				
– value of employee services		–	4,200	4,200
Issue of shares	11(a) & 13	12,000	309,600	321,600
Share issuance costs		–	(11,422)	(11,422)
Dividend paid		–	(21,600)	(21,600)
		12,000	280,778	292,778
Balance at 30 June 2007		72,000	788,656	860,656

The notes are an integral part of this condensed interim financial information.

	Note	Unaudited Six months ended 30 June 2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations		**39,244**	74,528
Interest received		**472**	791
Interest paid		**(5,048)**	(5,236)
Income tax paid		**(4,742)**	(4,140)
Net cash generated from operating activities		**29,926**	65,943
Cash flows from investing activities			
Purchase of property, plant and equipment		**(83,035)**	(35,340)
Purchase of land use rights		**–**	(24,196)
Prepayments for land use rights and property, plant and equipment		**(47,469)**	(50,445)
Proceeds from sale of property, plant and equipment		**420**	–
Purchase of financial assets at fair value through profit or loss		**–**	(2,675)
Net cash used in investing activities		**(130,084)**	(112,656)
Cash flows from financing activities			
Proceeds from bank borrowings		**217,156**	236,574
Repayments of bank borrowings		**(71,993)**	(332,773)
Repayments of capital element of finance lease liabilities		**(20,249)**	(18,679)
Decrease in pledged bank deposits		**7,300**	26,163
Issue of shares	11(a)	**–**	321,600
Share issuance costs		**–**	(11,422)
Proceeds from exercise of share options		**710**	–
Dividends paid		**(24,524)**	(21,600)
Net cash generated from financing activities		**108,400**	199,863
Net increase in cash and cash equivalents		**8,242**	153,150
Cash and cash equivalents at beginning of period		**133,729**	55,990
Cash and cash equivalents at end of period		**141,971**	209,140

The notes are an integral part to this condensed 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 components and lathing components.

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. It was approved for issue by the Board of Directors on 18 September 2008.

2 Basis of preparation

The Group is principally engaged in the design and fabrication of metal stamping and plastic injection moulds, and manufacturing of metal stamping and plastic injection components and lathing components.

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

This condensed consolidated interim financial information for the six months ended 30 June 2008 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 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards. This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. It was approved for issue by the Board of Directors on 18 September 2008.

3 Accounting policies

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2007, as described in the annual financial statements of the Group for that year.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group:

- HK(IFRIC) – Int 11, "HKFRS 2 – Group and treasury share transactions";
- HK(IFRIC) – Int 12, "Service concession arrangements"; and
- HK(IFRIC) – Int 14, "HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction"

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in details.

- HKAS 23 (revised), "Borrowing costs", effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

- HKFRS 2 (amendment) "Share-based payment", effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's share options schemes.

- HKFRS 3 (revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding consolidation on the Group.

- HKAS 1 (revised), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

3 Accounting policies (Continued)

- HKAS 32 and HKAS 1 (amendments), "Puttable financial instruments and obligations arising on liquidation", effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group does not have any puttable instruments.

- HK(IFRIC) – Int 13, "Customer loyalty programmes", effective for annual periods beginning on or after 1 July 2008. This is not relevant to the Group as the Group does not have such programmes.

- HK(IFRIC) – Int 15, "Agreements for the Construction of Real Estate", effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group as the Group is not involved in construction of real estate.

- HK(IFRIC) – Int 16, "Hedges of a Net Investment in a Foreign Operation", effective for annual periods beginning on or after 1 October 2008. This is not relevant to the Group as the Group does not have such hedges.

4 Revenue and segment information

(a) Revenue

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Revenue		
Design and fabrication of metal stamping moulds	**15,920**	44,544
Manufacturing of metal stamping components	**300,132**	273,877
Manufacturing of lathing components	**43,434**	28,099
Design and fabrication of plastic injection moulds	**18,645**	16,505
Manufacturing of plastic injection components	**131,479**	50,482
Others*	**16,397**	12,689
	526,007	426,196

* Others mainly represent sales of scrap materials.

4 Revenue and segment information (Continued)

(b) Primary reporting format – business segments

At 30 June 2008, the Group is organised into two main business segments:

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

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

The segment results and other segment items are as follows:

	Six months ended 30 June					
	2008			2007		
	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	**394,814**	**153,733**	**548,547**	362,123	67,785	429,908
Inter-segment sales	**(20,690)**	**(1,850)**	**(22,540)**	(3,130)	(582)	(3,712)
Sales	**374,124**	**151,883**	**526,007**	358,993	67,203	426,196
Segment results	**44,692**	**19,727**	**64,419**	64,579	13,898	78,477
Unallocated income			**–**			849
Finance income			**472**			791
Finance costs			**(5,017)**			(5,320)
Profit before income tax			**59,874**			74,797
Income tax expense			**(12,075)**			(5,515)
Profit for the period			**47,799**			69,282
Depreciation	**19,710**	**7,680**	**27,390**	18,433	5,557	23,990
Amortisation	**352**	**84**	**436**	483	39	522

4 Sales and segment information (Continued)

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

The segment assets and liabilities are as follows:

	As at 30 June 2008				As at 31 December 2007			
	Metal stamping	Plastic injection	Un-allocated	Total	Metal stamping	Plastic injection	Un-allocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	1,144,070	342,262	3,361	1,489,693	960,671	291,715	2,850	1,255,236
Liabilities	92,774	64,679	374,055	531,508	155,138	38,147	131,232	324,517
Capital expenditure	193,098	30,140	–	223,238	182,261	42,850	–	225,111

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 bank borrowings, finance lease liabilities and income tax liabilities.

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

(c) Secondary reporting format – geographical segments

Analysis of the Group's sales 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.

5 Capital expenditure

	Property, plant and equipment HK$'000	Leasehold land and land use rights HK$'000
Six months ended 30 June 2008		
Opening net book amount at 1 January 2008	595,456	80,314
Additions	223,238	–
Disposal	(465)	–
Depreciation/amortisation charge (Note 15)	(27,390)	(436)
Closing net book amount at 30 June 2008	790,839	79,878
Six months ended 30 June 2007		
Opening net book amount at 1 January 2007	476,794	24,160
Additions	33,856	27,123
Depreciation/amortisation charge (Note 15)	(23,990)	(522)
Closing net book amount at 30 June 2007	486,660	50,761

Certain leasehold land and buildings were secured for the Group's borrowings. Certain property, plant and equipment were secured for the Group's borrowings and finance lease liabilities.

6 Prepayments

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Prepayments for purchase of property, plant and equipment	**47,469**	60,195
Others	**646**	–
	48,115	60,195

7 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 2008 HK$'000	As at 31 December 2007 HK$'000
0 to 90 days	**176,687**	184,087
91 to 180 days	**30,067**	23,313
181 to 365 days	**9,626**	3,313
	216,380	210,713
Less: Provision for impairment of trade receivables	**(5,061)**	(1,188)
	211,319	209,525

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers. The carrying amounts of trade receivables approximate their fair values.

During the six months ended 30 June 2008, the Group recorded provision for its trade receivables of HK$3,873,000 (2007: Nil).

8 Trade payables

The aging analysis of trade payables is as follows:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
0 to 90 days	**148,550**	141,287
91 to 180 days	**11,478**	12,122
181 to 365 days	**584**	321
	160,612	153,730

The carrying amounts of trade payables approximate their fair values and have a maturity period within 90 days.

9 Bank borrowings

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Current		
Short-term bank loans	**–**	25,000
Trust receipts bank loans	**27,021**	–
Long-term bank loans, current portion	**68,814**	6,667
Mortgage loan, current portion	**390**	385
	96,225	32,052
Non-current		
Long-term bank loans, non-current portion	**103,852**	22,666
Mortgage loan, non-current portion	**4,583**	4,779
	108,435	27,445
	204,660	59,497

9 Bank borrowings (Continued)

The maturity of bank borrowings is as follows:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Within 5 years	**202,123**	56,354
Over 5 years	**2,537**	3,143
	204,660	59,497

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

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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
Hong Kong dollars	**4.2%**	5.7%	**3.4%**	–	**4.0%**	5.9%	**3.0%**	4.8%

As at 30 June 2008, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong with net book amounts of approximately HK$8,092,000 (2007: HK$8,221,000), and pledges of equipment located in Suzhou with net book value of HK$91,060,000 (2007: Nil) and corporate guarantees provided by the Company.

10 Finance lease liabilities

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

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Within one year	**46,350**	27,401
In the second year	**38,894**	22,399
In the third to fifth year	**40,687**	12,755
	125,931	62,555
Less: Future finance charges on finance leases	**(8,287)**	(4,670)
Present value of finance lease liabilities	**117,644**	57,885

The present value of finance lease liabilities is as follows:

	As at 30 June 2008 HK$'000	As at 31 December 2007 HK$'000
Within one year	**41,890**	24,607
In the second year	**36,395**	20,969
In the third to fifth year	**39,359**	12,309
Total finance lease liabilities	**117,644**	57,885
Less: Amount included in current liabilities	**(41,890)**	(24,607)
	75,754	33,278

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

10 Finance lease liabilities (Continued)

As at 30 June 2008, the effective interest rate of the Group's finance lease liabilities was 4.8% per annum (2007: 6.1% per annum).

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 amounts of the leased assets are approximately HK$173,995,000 (2007: HK$101,612,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$39,526,000 (2007: HK$31,043,000).

11 Share capital

	Note	**Number of shares** (thousand)	**Nominal value** HK$'000
Authorised:			
Shares of HK$0.1 each			
At 31 December 2007 and 30 June 2008		1,000,000	100,000
Issued and fully paid:			
At 1 January 2007		600,000	60,000
Issue of shares pursuant to			
– a share placement	(a)	120,000	12,000
– share option scheme	(b)	1,240	124
At 31 December 2007		721,240	72,124
Issue of shares pursuant to			
– share option scheme	(c)	410	41
At 30 June 2008		721,650	72,165

Notes:

(a) On 18 April 2007, the Company issued 120,000,000 ordinary shares of HK$0.1 each at HK$2.68 per share by way of a placement, and raised gross proceeds of HK$321,600,000.

(b) During 2007, 1,240,000 new ordinary shares of HK$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price ranging from HK$1.70 to HK$1.71 per share.

(c) During the six months ended 30 June 2008, 410,000 new ordinary shares of HK$0.1 each were issued following the exercise of options under the share option scheme approved by the shareholders of the Company at an exercise price ranging from HK$1.70 to HK$1.71 per share.

12 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 highest 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 Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

On 18 May 2007, the shareholders of the Company approved the refreshment of the 10% limit under the Share Option Scheme. 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 Company must not, in aggregate, exceed 72,000,000 shares, representing 10% of the shares of the Company in issue as at 18 May 2007.

In February 2008, a total of 4,970,000 options (2007: 22,050,000 options) were granted to the Company's directors and employees with an exercise price of HK$2.10 per share (2007: HK$1.96 per share). During the six months ended 30 June 2008, 410,000 share options were exercised. A total of 1,240,000 options lapsed during the six months ended 30 June 2008 (2007: A total of 1,520,000 options lapsed). Share options outstanding at 30 June 2008 have the following expiry dates and exercise prices:

Expiry date	**Exercise price** HK$ per share	**Share options** '000
22 June 2010	1.70	25,560
11 August 2010	1.71	590
2 February 2009	1.96	9,600
2 February 2011	1.96	11,750
1 February 2011	2.10	4,910

12 Share option scheme (Continued)

The fair values of 4,970,000 options granted in February 2008 were approximately HK$2,480,000. The significant inputs into the model were the exercise price shown above, standard deviation of expected share price returns of 41.55%, expected life of options of 1.5 to 3.5 years, expected dividend paid out rate of 2.79%, and annual risk-free interest rate ranging from 1.487% to 1.797%.

13 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 2008	475,083	(735)	34,517	11,950	337,780	858,595
Profit for the period	–	–	–	–	47,799	47,799
Employee share option scheme						
– value of employee services	–	–	–	3,481	–	3,481
– proceeds from shares issued	669	–	–	–	–	669
Dividend paid	–	–	–	–	(24,524)	(24,524)
Balance at 30 June 2008	475,752	(735)	34,517	15,431	361,055	886,020
Balance at 1 January 2007	174,547	(735)	22,107	3,188	239,489	438,596
Profit for the period	–	–	–	–	69,282	69,282
Issue of shares	309,600	–	–	–	–	309,600
Share issuance costs	(11,422)	–	–	–	–	(11,422)
Employee share option scheme						
– value of employee services	–	–	–	4,200	–	4,200
Dividend paid	–	–	–	–	(21,600)	(21,600)
Balance at 30 June 2007	472,725	(735)	22,107	7,388	287,171	788,656
Profit for the period	–	–	–	–	84,574	84,574
Employee share option scheme						
– value of employee services	–	–	–	4,986	–	4,986
– proceeds from shares issued	1,984	–	–	–	–	1,984
Transfer to retained earnings upon lapse of share options	–	–	–	(50)	50	–
Transfer to share premium upon exercise of share options	374	–	–	(374)	–	–
Dividend paid	–	–	–	–	(21,605)	(21,605)
Transfer to statutory reserves	–	–	12,410	–	(12,410)	–
Balance at 31 December 2007	475,083	(735)	34,517	11,950	337,780	858,595

13 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 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 2008, 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.

14 Other gains

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Fair value gains on financial assets at fair value through profit or loss	**–**	1,010
Others	**1,277**	4
	1,277	1,014

15 Income statement items by nature

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

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Raw materials and consumables used	**288,523**	216,572
Production overhead costs (excluding labour and depreciation expenses)	**26,300**	20,447
Staff costs, including directors' emoluments and share option costs	**74,448**	55,057
Depreciation of property, plant and equipment	**27,390**	23,990
Amortisation of leasehold land and land use rights	**436**	522
Loss on disposal of property, plant and equipment	**45**	–
Write-downs of inventories to net realisable value	**1,160**	758
Provision for doubtful debts	**3,873**	–
Net exchange gains	**(1,266)**	(1,211)

16 Finance income/costs

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**472**	791
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	**2,840**	2,815
Bank borrowings not wholly repayable within five years	**61**	110
Finance lease liabilities	**2,116**	2,395
	5,017	5,320

17 Income tax expense

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**3,753**	2,324
– Mainland China enterprise income tax	**6,081**	3,191
Deferred taxation		
– Mainland China withholding income tax	**2,241**	–
	12,075	5,515

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2008 (2007: 17.5%).

(ii) Mainland China taxation

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 18% for the six months ended 30 June 2008 (2007: 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 periods 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., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited was 2003, 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Co., Ltd. were established in August 2006 and June 2007, respectively, and had no taxable profits during the period ended 30 June 2008. Under the new Corporate Income Tax Law of Mainland China, dividend distribution out of profit of foreign invested enterprises earned after January 2008 will be subject to corporate withholding income tax at a reduced rate of 5% for certain jurisdiction of foreign investor with tax treaty arrangement.

(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.

18 Earnings per share

Basic

	Six months ended 30 June 2008	2007
Profit for the period (HK$'000)	**47,799**	69,282
Weighted average number of ordinary shares in issue ('000)	**721,297**	642,431
Basic earnings per share (HK cents per share)	**6.6**	10.8

Diluted

	Six months ended 30 June 2008	2007
Profit for the period (HK$'000)	**47,799**	69,282
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**721,297**	642,431
Adjustment for share options ('000)	**10,765**	6,622
Weighted average number of ordinary shares for diluted earnings per share ('000)	**732,062**	649,053
Diluted earnings per share (HK cents per share)	**6.5**	10.7

19 Dividend

	Six months ended 30 June 2008	2007
Proposed interim dividend of HK 2.0 cents (2007: HK 3.0 cents) per ordinary share	**14,236**	21,600

20 Capital commitments

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

	As at	
	30 June 2008 HK$'000	31 December 2007 HK$'000
Contracted but not provided for		
– Construction of buildings	**112,523**	37,044
– Purchase of plant and machinery	**63,301**	137,687
	175,824	174,731

21 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 owned 49.89% (2007: 54.07%) of the Company's shares as at 30 June 2008. The ultimate parent company of the Group is Prosper Empire Limited.

The following transactions were carried out with related parties:

(a) The Hong Kong Inland Revenue Department (the "HKIRD") advised EVA Limited, a wholly owned 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 this connection, EVA Limited and EVA Holdings Limited, wholly owned subsidiaries of the Group, proposed a settlement in July 2005 and further made a reply to provide supporting documents to the HKIRD in June 2006 in respect of their tax liabilities for the years of assessment 1998/1999 to 2003/2004. As at 30 June 2008, EVA Limited, on voluntary basis, placed a deposit of HK$1,000,000 to the HKIRD (as at 31 December 2007: HK$1,000,000). During the six months ended 30 June 2008, EVA Limited and EVA Holdings Limited also paid by way of purchasing tax reserve certificates of approximately HK$2,874,000 and HK$126,000, respectively (year ended 31 December 2007: HK$142,000 and HK$23,000, respectively), in respect of estimated tax charged by the HKIRD for tax assessment year 2001/02. In addition, a service fee of approximately HK$30,000 was also paid in connection with the related tax advisory service. Total sum had been indemnified and reimbursed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors and beneficial shareholders of the Company as in accordance with the deed of the indemnity dated 28 April 2005 in connection with group reorganisation in contemplation with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

21 Related-party transactions (Continued)

(b) Key management compensation

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Wages, salaries and allowances	**4,169**	3,278
Share-based payments	**990**	1,078
Retirement benefits – defined contribution plan	**37**	27
	5,196	4,383

22 Event after balance sheet date

After 30 June 2008, the Company repurchased a total of 9,860,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price ranging from HK$1.20 to HK$1.70 per share for a total consideration, before expenses, of approximately HK$14,320,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 16 May 2008. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK$0.10 each	Highese price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
July 2008	4,470,000	1.70	1.37	6,966
August 2008	5,390,000	1.43	1.20	7,354

BUSINESS REVIEW

During the six months ended 30 June 2008, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. A review of the Group's operations for the six months ended 30 June 2008 is as follows:

METAL DIVISION

During the six months ended 30 June 2008, the turnover of the Group's metal division increased by 4.2% to approximately HK$374,124,000 as compared to that of approximately HK$358,993,000 for the six months ended 30 June 2007. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother. Sales to Japanese customers accounted for approximately 84.7% of the Group's total sales for the six months ended 30 June 2008 (For the six months ended 30 June 2007: 84.5%)

As a service provider to reputable international brand owners, 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 brand owners, 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, printers and multi functional peripherals 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 stringent requirements of its customers, the Group has been following the Japanese style of management 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). Further, to manufacture components with high precision standards for its customers, the Group had 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, Sumitomo and Mitsubishi. The Group also maintains a strong quality control team with a headcount of 333 employees and other engineers and technicians of 636 employees as at 30 June 2008.

Such investment in quality and production management has proven to be beneficial to the Group. During the six months ended 30 June 2008, the sales of the Group's metal division to most of its major Japanese customers continued to increase. Apart from Japanese customers, the remaining 15.3% of sales of the Group was derived from reputable Hong Kong or international companies during the six months ended 30 June 2008. To broaden its customer base, the Group will continue to source new customers. However, it is the policy of the Group to 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 development of plastic division is part of the Group's plan to transform itself from a metal mould and component manufacturer into a vertically integrated one-stop service provider because, while part of the office automation equipment manufactured by its customers are made of metal components, plastic components account for the remaining portion. Management believes that the continuing development of plastic business will not only provide the momentum for the Group's future growth, but also enable the Group to provide a more comprehensive service to its customers and reduce the costs of its customers in logistic and quality control aspects that arise from their current practices to outsource the production of metal and plastic components to different suppliers.

Management believes that the Group's plastic division is in a strong position to deliver continuing business growth because it is the trend for major office automation equipment brand owners to outsource more orders to comprehensive production service providers which are able to cover both metal and plastic components with a view to reducing the production logistic costs and production lead time. During the six months ended 30 June 2008, the Group's plastic division continued to strengthen its foothold in the market. Turnover of the Group's plastic division for the six months ended 30 June 2008 amounted to approximately HK$151,883,000, representing an increase of approximately 126% as compared to that for the six months ended 30 June 2007. Operating profit of the Group's plastic division was approximately HK$19,727,000 for the six months ended 30 June 2008, as compared to an operating profit of approximately HK$13,898,000 for the six months ended 30 June 2007.

HUMAN RESOURCES

As at 30 June 2008, the total number of employees of the Group was 4,490 employees, representing a growth of 24.9% as compared to 3,596 employees as at 30 June 2007. The increase in headcount was primarily due to the continuous expansion of the Group.

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. Various employee activities were organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also 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 brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic 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 portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2008, approximately 37%, 57% and 6% (For the six months ended 30 June 2007: 36%, 56% and 8%) of the Group's sales and approximately 20%, 64% and 16% (For the six months ended 30 June 2007: 23%, 56% and 21%) 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. Although only a small portion of the Group's purchases are denominated in Renminbi currently, the Group had taken actions to manage its foreign currency exposure. In particular, despite the Group's substantial business operations in the Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi. Management will evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimise the Group's exposure whenever necessary.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2008	**%**	2007	%
	HK$'000		HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**15,920**	**3.0%**	44,544	10.5%
Manufacturing of metal stamping components	**300,132**	**57.1%**	273,877	64.3%
Manufacturing of lathing components	**43,434**	**8.3%**	28,099	6.6%
Others (Note 1)	**14,638**	**2.8%**	12,473	2.9%
	374,124		358,993	
Plastic division				
Design and fabrication of plastic injection moulds	**18,645**	**3.5%**	16,505	3.9%
Manufacturing of plastic injection components	**131,479**	**25.0%**	50,482	11.8%
Others (Note 1)	**1,759**	**0.3%**	216	–
	151,883		67,203	
Total	**526,007**		426,196	
Segment results				
Metal division	**44,692**		64,579	
Plastic division	**19,727**		13,898	
Operating profit	**64,419**		78,477	
Finance income	**472**		791	
Finance costs	**(5,017)**		(5,320)	
Income tax expense	**(12,075)**		(5,515)	
Unallocated income	**–**		849	
Profit attributable to equity holders of the Company	**47,799**		69,282	

Note 1: Others mainly represented sales of scrap materials

Turnover

Metal division

Turnover of the Group's metal division increased by approximately 4.2% from approximately HK$358,993,000 for the six months ended 30 June 2007 to approximately HK$374,124,000 for the six months ended 30 June 2008. 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 during the six months ended 30 June 2008.

Plastic division

A substantial portion of the components inside the office automation equipment are made from plastics. As such, with a view to reducing the additional production logistic costs and excess production lead time that arise from the current practices of outsourcing the production of metal and plastic components to different suppliers, it is a trend for major office automation equipment brand owners to shift more orders to comprehensive production service providers which are able to cover both metal and plastic components within the office automation equipment. As such, the turnover of the Group's plastic division increased significantly from approximately HK$67,203,000 for the six months ended 30 June 2007 to approximately HK$151,883,000 for the six months ended 30 June 2008.

Gross profit

The Group achieved a gross profit of approximately HK$147,376,000 for the six months ended 30 June 2008, representing an increase of approximately 6.1% as compared to that for the six months ended 30 June 2007. Gross profit margin for the six months ended 30 June 2008 was approximately 28.0%, which decreased as compared to that of approximately 32.6% for the six months ended 30 June 2007. The decrease in gross profit margin was primarily because the Group's revenue from the design and fabrication of metal stamping and plastic injection moulds decreased by approximately 43.4% from approximately HK$61,049,000 for the six months ended 30 June 2007 to approximately HK$34,565,000 for the six months ended 30 June 2008 and its proportion to total turnover decreased from approximately 14.4% for the six months ended 30 June 2007 to approximately 6.5% for the six months ended 30 June 2008. At the same time, with the decrease in revenue from the design and fabrication of metal stamping and plastic injection moulds, the proportion of revenue from manufacturing of metal stamping and plastic injection components and lathing components to total turnover increased from approximately 82.7% for the six months ended 30 June 2007 to approximately 90.4% for the six months ended 30 June 2008. Since the gross profit margin from the manufacture of components is lower than that from the design and fabrication of moulds, the decrease in the proportion of revenue from the design and fabrication of moulds to total turnover had resulted in a decrease in the Group's overall gross profit margin for the six months ended 30 June 2008.

Segment results

For the six months ended 30 June 2008, segment result of the Group's metal division amounted to approximately HK$44,692,000, representing a 30.8% decrease as compared to that of approximately HK$64,579,000 for the six months ended 30 June 2007. Operating profit margin of the Group's metal division for the six months ended 30 June 2008 was approximately 11.9%, which decreased as compared to that of approximately 18.0% for the six months ended 30 June 2007. The decrease in operating profit margin of the Group's metal division was mainly because (i) the proportion of revenue from the design and fabrication of metal stamping moulds to total turnover of the Group's metal division decreased from approximately 12.4% for the six months ended 30 June 2007 to approximately 4.3% for the six months ended 30 June 2008. As the gross profit margin from the design and fabrication of metal stamping moulds is higher than that from the manufacture of metal stamping and lathing components, the significant reduction in the proportion of revenue from design and fabrication of metal stamping moulds to total turnover of the Group's metal division had resulted in the decrease in its operating profit margin; (ii) the Group's mould development centre in Shenzhen had been newly completed during the six months ended 30 June 2008, resulting in an initial loss of approximately HK$1,842,000 which was primarily charged to the Group's metal division and (iii) during the six months ended 30 June 2008, the Group's scale and production capacity continued to grow and, in particular, the Group's headcount increased significantly from 3,596 employees as at 30 June 2007 to 4,490 employees as at 30 June 2008, which resulted in an increase in various operating costs during the period.

Segment result of the Group's plastic division for the six months ended 30 June 2008 was approximately HK$19,727,000, which increased by approximately 41.9% as compared to that of approximately HK$13,898,000 for the six months ended 30 June 2007. Operating profit margin of the Group's plastic division for the six months ended 30 June 2008 was approximately 13.0%, which decreased as compared to that of approximately 20.7% for the six months ended 30 June 2007. The reasons for the decrease in operating profit margin of the Group's plastic division were similar to those of the metal division, in particular that the proportion of revenue from design and fabrication of plastic injection moulds to total turnover of the Group's plastic division had decreased from approximately 24.6% for the six months ended 30 June 2007 to approximately 12.3% for the six months ended 30 June 2008, which diluted the overall profit margin of the Group's plastic division during the period.

Finance costs

The Group's finance costs for the six months ended 30 June 2008 amounted to approximately HK$5,017,000, which was comparable to that for the six months ended 30 June 2007.

Income tax expense

During the six months ended 30 June 2008, income tax expense amounted to approximately HK$12,075,000. Effective tax rate (defined as the percentage of income tax expense as compared to profit before income tax) for the six months ended 30 June 2008 was approximately 20.2%, which increased as compared to that of approximately 7.4% for the six months ended 30 June 2007. During the six months ended 30 June 2007, Yihe Precision Hardware (Shenzhen) Co., Ltd, the principal subsidiary for the Group's metal business in Shenzhen, enjoyed a 50% reduction in enterprise income tax at a rate of 7.5%. However, the tax reduction period expired during the six months ended 30 June 2008 and accordingly Yihe Precision Hardware (Shenzhen) Co., Ltd. was subject to enterprise income tax at a rate of 18% during the period. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., the principal subsidiary for the Group's plastic business in Shenzhen, was exempted from PRC enterprise income tax during the six months ended 30 June 2007. The tax exemption period of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. expired during the six months ended 30 June 2008 and accordingly it was subject to enterprise income tax at a rate of 9% during the period. Further, in accordance with the new tax rules in Mainland China which became effective during the six months ended 30 June 2008, dividends to be paid by the Group's subsidiaries in Mainland China to their respective overseas holding companies would be subject to withholding tax at a rate of 5%. As such, the Group's overall effective tax rate increased from approximately 7.4% for the six months ended 30 June 2007 to approximately 20.2% for the six months ended 30 June 2008.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2008, profit attributable to equity holders of the Company amounted to approximately HK$47,799,000, which decreased by approximately 31.0% as compared to that of approximately HK$69,282,000 for the six months ended 30 June 2007. Net profit margin of the Group for the six months ended 30 June 2008 was approximately 9.1%, which decreased as compared to that of 16.3% for the six months ended 30 June 2007. The reduction in net profit margin of the Group was mainly caused by (i) the change in product mix of the Group and the decrease in the proportion of revenue from design and fabrication of moulds to total turnover which diluted the Group's overall gross profit margin; (ii) the initial loss incurred by the Group's new mould development centre; (iii) the increase in various operating costs following the continuing expansion of the Group's scale and production capacity during the six months ended 30 June 2008; and (iv) the increase in overall effective tax rate of the Group for the six months ended 30 June 2008.

By geographical location

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Turnover		
Shenzhen operations	**445,612**	380,032
Suzhou operations	**80,395**	46,164
	526,007	426,196
Profit attributable to equity holders of the Company		
Shenzhen operations	**38,120**	63,018
Suzhou operations	**9,679**	6,264
	47,799	69,282

As indicated on the above, a substantial portion of the Group's turnover for the six months ended 30 June 2008 was still derived from the Group's Shenzhen production plant since the operating history of Suzhou production plant was relatively short as compared to that of the Group's Shenzhen production plant. However, the Suzhou production plant was still able to contribute turnover of approximately HK$80,395,000 and net profit of approximately HK$9,679,000 during the six months ended 30 June 2008, representing approximately 15.3% and 20.2% of the Group's total turnover and net profit respectively during the period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2008, the Group recorded net cash generated from operating activities amounting to approximately HK$29,926,000, representing a decrease of approximately 54.6% as compared to that of approximately HK$65,943,000 for the six months ended 30 June 2007. The decrease in net cash generated from operating activities was primarily caused by the reduction in profit of the Group during the six months ended 30 June 2008 and the rise in raw material prices during the period, which resulted in a significant increase in the cost of inventories held by the Group as at 30 June 2008. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK$130,084,000 for six months ended 30 June 2008, increased by approximately 15.5% as compared to that of approximately HK$112,656,000 for the six months ended 30 June 2007 due to the continuous expansion of the Group's scale of operations. In addition, the Group recorded net cash generated from financing activities of approximately HK$108,400,000 during the six months ended 30 June 2008, which was primarily caused by an increase in borrowings during the period.

Bank borrowings as at 30 June 2008 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 2008 is as follows:

	30 June 2008	31 December 2007
Inventory turnover days (Note 1)	**95**	87
Debtors' turnover days (Note 2)	**74**	80
Creditors' turnover days (Note 3)	**78**	86
Current ratio (Note 4)	**1.65**	1.96
Debt-to-equity ratio (Note 5)	**0.34**	Net cash

Note:

1. Calculation of inventory turnover days is based on the ending inventories 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. Debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities 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 2008 was approximately 95 days, which increased by 8 days as compared to that for the year ended 31 December 2007. The increase was primarily driven by the continuous increase in raw material prices during the six months ended 30 June 2008, which resulted in a significant increase in the cost of inventories held by the Group as at 30 June 2008.

Debtors' and creditors' turnover days

During the six months ended 30 June 2008, the Group's debtors' turnover days decreased from approximately 80 days for the year ended 31 December 2007 to approximately 74 days owing to the continuous improvement of the Group's cash flow management during the period. Creditors' turnover days for the six months ended 30 June 2008 reduced to approximately 78 days, which was primarily caused by the shortened credit period granted by the suppliers during the period.

Current ratio and debt-to-equity ratio

During the six months ended 30 June 2008, the Group increased its short-term bank borrowings by approximately 200.2% with a view to providing liquidity for maintaining the continuing operations of the Group. As such, the Group's current ratio reduced from approximately 1.96 as at 31 December 2007 to approximately 1.65 as at 30 June 2008. Total borrowings of the Group (bank borrowings and finance lease liabilities) as at 30 June 2008 increased by approximately 174.6% to approximately HK$322,304,000 and accordingly the Group's debt-to-equity ratio increased to approximately 0.34 as at 30 June 2008.

After 30 June 2008, the Company repurchased a total of 9,860,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price ranging from HK$1.20 to HK$1.70 per share for a total consideration, before expenses, of approximately HK$14,320,000. As a result of the share repurchase, the shareholders' equity and cash balances of the Group reduced by approximately HK$14,320,000 (before relevant expenses) after 30 June 2008.

CAPITAL EXPENDITURE

Capital expenditure for the six months ended 30 June 2008 amounted to approximately HK$223,238,000 which was primarily related to the establishment of the Group's new mould development centre, a production plant specialising in the manufacture of moulds. The new mould development centre had been completed in early 2008 and is currently under trial production stage.

As at 30 June 2008, the Group had commitments for signed capital expenditure contracts amounting to approximately HK$175,824,000, which are payable by the Group after 30 June 2008. Since 2007, the Group has been constructing the Suzhou production plant (phase 2) and a new production plant in Zhongshan. As such, these commitments for signed capital expenditure contracts were primarily related to the construction fees payable to contractors for completing the remaining construction work for Suzhou production plant (phase 2) and the new production plant in Zhongshan. The Group will take effort to arrange for additional financing from the market with a view to fulfilling these commitments after 30 June 2008.

BANK BORROWINGS

As at 30 June 2008, bank borrowings amounted to approximately HK$204,660,000, representing an increase of approximately 244% as compared to those as at 31 December 2007. The increase in bank borrowings was primarily caused by the need to finance the continuing operations of the Group. Bank borrowings as at 30 June 2008 were subject to certain covenants with banks with respect to profitability and liquidity ratios and primarily repayable by installments within one to four years.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2008, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$1,137,000 which were pledged in favour of a contractor of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and equipment located in Suzhou with net book value of approximately HK$8,092,000 and HK$91,060,000, respectively, for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$173,995,000 for securing finance lease liabilities.

DIVIDEND

The Board declared an interim dividend of HK2 cents per ordinary share, totaling HK$14,236,000 for the six months ended 30 June 2008 to eligible shareholders whose names appear on the register of members of the Company on 9 October 2008. The interim dividends will be payable in cash on or about 20 October 2008.

OUTLOOK

During the six months ended 30 June 2008, the Group had continued its plan to transform itself from a metal mould and component manufacturers to a fully integrated one-stop service provider. As part of the Group's expansion plan, the Group's mould development centre was completed and under trial production stage during the six months ended 30 June 2008.

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. Further, as all components are basically produced from moulds, the number of moulds manufactured by the Group have a crucial impact on the Group's future component orders. With a view to increasing the Group's production capacity of moulds, the Group established the mould development centre. With an expanded mould production capability, the Group will not only be able to manufacture more moulds for future component orders 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.

During the six months ended 30 June 2008, the Group's Suzhou production plant continued to expand. The Group's Suzhou production plant primarily focused on serving various Japanese and other multi-national manufacturers located in the Yangtze River Delta Region. With the continuing expansion of the Group's Suzhou production plant, its turnover and profit increased by approximately 74.2% and 54.5% to approximately HK$80,395,000 and HK$9,679,000 respectively during the six months ended 30 June 2008.

Taking into account the huge potentials for the Group's business in the Yangtze River Delta region, the construction of phase two of the Group's Suzhou production plant with a construction area of approximately 59,000 square metres is currently in progress, with completion targeted for 2009.

The Group's existing Shenzhen production plant is located in the eastern bank of the Pearl River Delta region. With a view to better serving the Group's existing customers and developing businesses from new customers located in the western bank of the Pearl River Delta region, the Group is in the process of establishing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a construction area of approximately 33,000 square metres had commenced in 2007 and is expected to be completed by the first half of 2009. The establishment of a new production plant in Zhongshan which is in the proximity of the Group's customers located in the western bank of the Pearl River Delta region will not only reduce the transportation costs of the Group and its customers, but can also strengthen the Group's business relationship with its existing customers which will finally translate into larger business volume for the Group.

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, printers and multifunctional peripherals. Taking into account (i) the Group primarily focused on the production of metal stamping moulds and components previously 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 brand owners remained relatively unexplored and (ii) outsourcing by Japanese brand owners 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 growth opportunities in other industries including the automobile, home appliances and medical equipment markets. However, taking into consideration (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 reputable brand owners in other industries, 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 continues to come from office automation equipment brand owners in near future.

CONNECTED TRANSACTIONS

The following connected transaction, which also constitutes related party transaction as set out in Note 21 to the condensed consolidated interim financial information, was entered into during the six months ended 30 June 2008:

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 50.6% 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, EVA Limited and EVA Holdings Limited had paid, by way of purchasing tax reserve certificates, approximately HK$2,874,000 and HK$126,000 respectively during the six months ended 30 June 2008 in respect of the estimated tax charged by the HKIRD for the assessment year 2001/02. In addition, a service fee of approximately HK$30,000 was also paid in connection with the related tax advisory service. The total sum of approximately HK$3,030,000 had been indemnified and reimbursed by the Indemnifiers in accordance with the above-mentioned deed of tax indemnity during the six months ended 30 June 2008.

The above transaction constitutes a connected transaction but is exempted from the reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

On 25 May 2007, EVA Precision Industrial (Suzhou) Limited (the "Borrower"), a wholly owned subsidiary of the Company, has entered into two loan facilities agreements (the "Suzhou Facilities Agreements") with DBS Bank Ltd., Shanghai Branch ("DBS Shanghai") for certain loan facilities. Pursuant to the Suzhou Facilities Agreements, DBS Shanghai agreed to make available to EVA Suzhou two loans for the amount of HK$20,000,000 and HK$60,000,000 respectively, amounting to a total amount of

HK$80,000,000 subject to the terms and conditions contained therein. The facilities are for a term of four years and repayable by quarterly installments commencing from the date of first utilisation of the loan facilities.

In addition, EVA Limited and EVA Plastic Mould Products (HK) Limited, subsidiaries of the Company, entered into a loan facilities agreement with DBS Bank (Hong Kong) Limited on 7 July 2005. The purpose of the loan facilities were to provide working capital and finance the expansion of EVA Limited and EVA Plastic Mould Products (HK) Limited. The terms and conditions of the loan facilities agreement were varied and supplemented by various supplemental agreements dated 3 October 2005, 7 November 2005, 24 January 2006 and 25 July 2006. On 19 March 2008, the parties entered into another supplemental agreement (the "Supplemental Agreement").

Pursuant to the Supplemental Agreement, a loan facility amounting to HK$20,000,000 was made available to EVA Limited with a repayment term of four years repayable by quarterly installments. The first installment is repayable to the Bank one quarter after the date of advance of the loan. Under the Supplemental Agreement, a letter of undertaking duly executed by Mr. Zhang Hwo Jie and a letter of undertaking (the "Letter of Undertaking") duly executed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua for the account of EVA Limited are required by DBS Bank (Hong Kong) Limited.

Further, EVA Limited entered into a loan facilities agreement (the "BOC Loan Agreement") with Bank of China (Hong Kong) Limited ("BOC") on 26 June 2008. Pursuant to the BOC Loan Agreement, a term loan for an amount up to HK$40,000,000 and a revolving loan for an amount up to HK$40,000,000 were made available to EVA Limited. The term loan has a repayment term of four years from the date of drawdown and is repayable by twelve quarterly installments. The first installment is repayable to BOC fifteen months after the date of drawdown. The revolving loan has a repayment term of one year from the date of drawdown.

Pursuant to the Suzhou Facilities Agreements, the Letters of Undertaking and the BOC Loan Agreement, the following specific performance obligations are imposed on the controlling shareholders of the Company:

(i) Mr. Zhang Hwo Jie, the controlling shareholder of the Company, shall remain as the chairman of the Board of directors of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall continue to hold not less than 51% of the issued shares of the Company.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in the cancellation of all or any part of the commitments under the relevant facilities agreements 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. Details of the movements of the share options under the Share Option Scheme for the six months ended 30 June 2008 were as follows:

	As at 1 January 2008	Granted on 1 February 2008	Exercised during the six months ended 30 June 2008	Lapsed during the six months ended 30 June 2008	As at 30 June 2008	Share price immediately before offer date *HK$*	Exercise price *HK$*	Weighted average closing price before exercise of options *HK$*
Executive directors								
Zhang Hwo Jie								
– Granted on 21 June 2006	1,300,000	–	–	–	1,300,000	1.72	1.70	–
– Granted on 16 February 2007	1,200,000	–	–	–	1,200,000	1.95	1.96	–
Zhang Jian Hua								
– Granted on 21 June 2006	1,300,000	–	–	–	1,300,000	1.72	1.70	–
– Granted on 16 February 2007	1,400,000	–	–	–	1,400,000	1.95	1.96	–
Zhang Yaohua								
– Granted on 21 June 2006	1,300,000	–	–	–	1,300,000	1.72	1.70	–
– Granted on 16 February 2007	1,400,000	–	–	–	1,400,000	1.95	1.96	–
Nomo Kenshiro								
– Granted on 21 June 2006	900,000	–	–	–	900,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	300,000	1.95	1.96	–
Independent non-executive directors								
Lui Sun Wing								
– Granted on 21 June 2006	240,000	–	–	–	240,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	300,000	1.95	1.96	–
Choy Tak Ho								
– Granted on 21 June 2006	300,000	–	–	–	300,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	300,000	1.95	1.96	–
Leung Tai Chiu								
– Granted on 21 June 2006	300,000	–	–	–	300,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	300,000	1.95	1.96	–
Employees of the Group								
In aggregate								
– Granted on 21 June 2006	21,050,000	–	(350,000)	(780,000)	19,920,000	1.72	1.70	2.74
– Granted on 10 August 2006	600,000	–	(10,000)	–	590,000	1.68	1.71	2.75
– Granted on 16 February 2007	7,000,000	–	(50,000)	(400,000)	6,550,000	1.95	1.96	2.79
– Granted on 16 February 2007	9,600,000	–	–	–	9,600,000	1.95	1.96	–
– Granted on 1 February 2008	–	4,970,000	–	(60,000)	4,910,000	2.10	2.10	–
	49,090,000	4,970,000	(410,000)	(1,240,000)	52,410,000			

The fair value of the options granted on 21 June 2006 and 10 August 2006 with outstanding balances as at 30 June 2008 of 25,560,000 options and 590,000 options were approximately HK$10,939,000 and HK$243,000, respectively. The fair value of 11,750,000 options and 9,600,000 options granted on 16 February 2007 and outstanding as at 30 June 2008 were approximately HK$4,414,000 and HK$2,510,000, respectively. The fair value of 4,910,000 options granted on 1 February 2008 and outstanding as at 30 June 2008 were approximately HK$2,450,000. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	**Expected volatility**	**Expected life**	**Risk-free rate**	**Dividend paid-out rate**
	HK$				
Granted on 21 June 2006					
– 25,560,000 options outstanding as at 30 June 2008	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006					
– 590,000 options outstanding as at 30 June 2008	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007					
– 11,750,000 options outstanding as at 30 June 2008	1.96	27.14% to 30.89%	1.5 to 3.5 years	4.046% to 4.072%	2.17%
– 9,600,000 options outstanding as at 30 June 2008	1.96	32.17%	1 year	4.002%	2.17%
Granted on 1 February 2008					
– 4,910,000 options outstanding as at 30 June 2008	2.10	41.55%	1.5 to 3.5 years	1.487% to 1.7965%	2.79%

The expected volatility is based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. Dividend paid-out rate is based on historical dividend paid-out rate. Changes in these subjective input assumptions could affect the fair value estimate.

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 25,560,000 options granted on 21 June 2006 and outstanding as at 30 June 2008		
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 590,000 options granted on 10 August 2006 and outstanding as at 30 June 2008		
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 11,750,000 options granted on 16 February 2007 and outstanding as at 30 June 2008		
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 and outstanding as at 30 June 2008		
100%	4 February 2008	4 February 2008 to 2 February 2009
With respect to 4,910,000 options granted on 1 February 2008 and outstanding as at 30 June 2008		
20%	2 February 2009	2 February 2009 to 2 February 2012
30%	2 February 2010	2 February 2010 to 2 February 2012
50%	2 February 2011	2 February 2011 to 2 February 2012

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

As at 30 June 2008, the interests and/or short positions of the directors or chief executive of the Company 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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	Interest of spouse	Personal interests in underlying shares held under equity derivatives *(Note 1)*	Total interests	Approximate percentage of interest in the Company as at 30 June 2008
Mr. Zhang Hwo Jie	360,000,000 *(Note 2)*	7,646,000	–	2,500,000	370,146,000	51.29%
Mr. Zhang Jian Hua	–	9,330,000	–	2,700,000	12,030,000	1.67%
Mr. Zhang Yaohua	2,824,000 *(Note 3)*	5,066,000	400,000	2,700,000	10,990,000	1.52%
Mr. Nomo Kenshiro	–	–	1,700,000	1,200,000	2,900,000	0.40%
Dr. Lui Sun Wing	–	–	–	540,000	540,000	0.07%
Mr. Choy Tak Ho	–	–	–	600,000	600,000	0.08%
Mr. Leung Tai Chiu	–	470,000	–	600,000	1,070,000	0.15%

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 sent 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 is interested in 49.89% of the entire issued capital of the Company as at 30 June 2008. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

3. These shares are held under Billion Fortune Group Limited, a company incorporated in the British Virgin Islands, which is 100% owned by Mr. Zhang Yaohua.

(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 2008
Mr. Zhang Hwo Jie	Personal interests	36%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	31%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, 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	Total interests	Approximate percentage of interest in the Compnay as at 30 June 2008
Prosper Empire Limited	Beneficial owner	360,000,000	–	360,000,000	49.89%
Ms. Shen Chan Jie Lin	Interest of spouse *(Note 1)*	367,646,000	2,500,000	370,146,000	51.29%

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 disclosed by Ms. Shen Chan Jie Lin included the 360,000,000 shares of the Company held by Prosper Empire Limited.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2008.

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 Monday, 6 October 2008 to Thursday, 9 October 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed interim dividend for the six months ended 30 June 2008, 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 Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 October 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 standards set out in the Model Code during the six months ended 30 June 2008 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 complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2008.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 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 interim report for the six months ended 30 June 2008.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 18 September 2008

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