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)

Stock Code 股份代號 : 838

Interim Report 中期報告 2010

Contents

Corporate Information

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 Tak Ho

COMPANY SECRETARY

Mr. Wong Hoi Chu Francis *FCCA CPA*

AUTHORISED REPRESENTATIVES

Mr. Zhang Hwo Jie
Mr. Wong Hoi Chu Francis *FCCA CPA*

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REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Hong Kong

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited
KBC Bank Hong Kong Branch

Mainland China

Shenzhen Development Bank

LEGAL ADVISOR

Jones Day

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484, HSBC House
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STOCK CODE

838

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2010

	Note	Unaudited 30 June 2010 HK$'000	As restated (Note 3a) 31 December 2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**949,377**	948,843
Leasehold land and land use rights	5	**51,242**	51,703
Prepayments, deposits and other receivables	6	**29,039**	6,350
Other assets		**1,607**	1,607
		1,031,265	1,008,503
Current assets			
Inventories		**120,652**	96,266
Trade receivables	7	**340,015**	205,870
Prepayments, deposits and other receivables	6	**27,519**	18,924
Pledged bank deposits		**–**	1,136
Cash and cash equivalents		**241,848**	224,427
		730,034	546,623
Current liabilities			
Trade payables	8	**229,729**	170,713
Accruals and other payables		**63,641**	72,279
Bank borrowings	9	**177,761**	220,125
Finance lease liabilities	10	**37,294**	41,877
Current income tax liabilities		**27,904**	16,894
		536,329	521,888
Net current assets		**193,705**	24,735
Total assets less current liabilities		**1,224,970**	1,033,238

Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2010

	Note	**Unaudited 30 June 2010 HK$'000**	As restated 31 December 2009 HK$'000
Non-current liabilities			
Bank borrowings	9	**82,825**	85,362
Finance lease liabilities	10	**28,349**	45,931
Deferred taxation		**5,130**	5,129
		116,304	136,422
Net assets		**1,108,666**	896,816
EQUITY			
Capital and reserves			
Share capital	11	**66,239**	61,802
Reserves	13	**1,033,346**	835,014
		1,099,585	896,816
Non-controlling interests		**9,081**	–
Total equity		**1,108,666**	896,816

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

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2010

	Note	Unaudited Six months ended 30 June 2010 HK$'000	2009 HK$'000
Revenue	4	**820,573**	493,407
Cost of goods sold	14	**(565,031)**	(397,980)
Gross profit		**255,542**	95,427
Other gains		**3,390**	–
Selling and distribution expenses	14	**(31,917)**	(21,399)
General and administrative expenses	14	**(63,202)**	(48,807)
Operating profit		**163,813**	25,221
Finance income	15	**603**	1,085
Finance costs	15	**(2,573)**	(7,331)
Profit before income tax		**161,843**	18,975
Income tax expense	16	**(21,161)**	(3,601)
Profit for the period		**140,682**	15,374
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**140,682**	15,374
Profit attributable to:			
– Equity holders of the Company		**140,181**	15,374
– Non-controlling interests		**501**	–
		140,682	15,374
Total comprehensive income attributable to:			
– Equity holders of the Company		**140,181**	15,374
– Non-controlling interests		**501**	–
		140,682	15,374
Earnings per share, expressed in HK cents per share	17		
– basic		**HK21.9 cents**	HK2.3 cents
– diluted		**HK20.4 cents**	HK2.2 cents
Dividend	18	**49,055**	5,318

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

Condensed Consolidated Interim Statement of Changes in Equity

		Unaudited			
		Attributable to equity holders of the Company			
	Note	Share capital HK$'000	Reserves HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2010		61,802	835,014	–	896,816
Comprehensive income					
Profit for the period/total recognised income		–	140,181	501	140,682
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	140,181	501	140,682
Transactions with owners					
Employee share option scheme:					
– value of employee services		–	294	–	294
– proceeds from share issued		4,437	62,168	–	66,605
Dividend paid		–	(5,351)	–	(5,351)
Issuance of warrants		–	1,040	–	1,040
Non-controlling interest arising on business combination	19	–	–	8,580	8,580
		4,437	58,151	8,580	71,168
Balance at 30 June 2010		66,239	1,033,346	9,081	1,108,666

Condensed Consolidated Interim Statement of Changes in Equity (Continued)

	Note	Unaudited			
		Attributable to equity holders of the Company			
		Share capital	Reserves	Non-controlling interests	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009		69,813	897,243	–	967,056
Comprehensive income					
Profit for the period/total recognised income		–	15,374	–	15,374
Other comprehensive income		–	–	–	–
Total comprehensive income for the period		–	15,374	–	15,374
Transactions with owners					
Repurchase of shares		(4,712)	(24,842)	–	(29,554)
Employee share option scheme:					
– value of employee services		–	1,833	–	1,833
– proceeds from share issued		65	162	–	227
Dividend paid		–	(14,381)	–	(14,381)
		(4,647)	(37,228)	–	(41,875)
Balance at 30 June 2009		65,166	875,389	–	940,555

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2010

	Note	Unaudited Six months ended 30 June 2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Cash generated from operations		**90,135**	112,262
Interest received		**603**	1,085
Interest paid		**(2,239)**	(7,294)
Income tax paid		**(10,150)**	(5,986)
Net cash generated from operating activities		**78,349**	100,067
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	19	**(4,928)**	–
Purchases of property, plant and equipment		**(26,563)**	(22,624)
Prepayments for land use rights and property, plant and equipment		**(25,696)**	(12,180)
Proceeds from sales of property, plant and equipment		**85**	–
Net cash used in investing activities		**(57,102)**	(34,804)
Cash flows from financing activities			
Proceeds from bank borrowings		**60,171**	100,000
Repayments of bank borrowings		**(105,262)**	(76,826)
Repayments of capital element of finance lease liabilities		**(22,165)**	(26,367)
Decrease in pledged bank deposits		**1,136**	–
Repurchase of shares	11	**–**	(29,554)
Proceeds from exercise of share options		**66,605**	227
Dividends paid		**(5,351)**	(14,381)
Proceeds from issuance of warrants		**1,040**	–
Net cash used in financing activities		**(3,826)**	(46,901)
Net increase in cash and cash equivalents		**17,421**	18,362
Cash and cash equivalents at beginning of period		**224,427**	251,828
Cash and cash equivalents at end of period		**241,848**	270,190

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

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the design and fabrication of metal stamping and plastic injection moulds, and manufacturing of metal stamping and plastic injection 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, and was approved for issue on 16 August 2010.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim financial reporting'. It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2009, as described in the annual financial statements of the Group for that year.

Taxes on income in the interim period are accrued using the tax rates that would be applicable to expected total annual earnings.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31 'Interest in joint ventures' are 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.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'Consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The amendment does not have a material impact on the Group's financial statements.

3 ACCOUNTING POLICIES (CONTINUED)

(a) New and amended standards adopted by the Group (Continued)

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

  The accounting for land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term. The amendment does not have a material impact to the Group's statement of comprehensive income.

  The effect of the adoption of this amendment to the Group's statement of financial position is as below:

	30 June 2010	31 December 2009
Increase in property, plant and equipment	**6,201,000**	6,286,000
Decrease in leasehold land and land use rights	**(6,201,000)**	(6,286,000)

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (CONTINUED)

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

		Effective for accounting periods beginning on or after
HK(IFRIC)-Int 17	'Distributions of non-cash assets to owners'	1 July 2009
HK(IFRIC)-Int 18	'Transfers of assets from customers'	1 July 2009
HKFRS 1 (Amendments)	'Additional exemptions for first-time adopters'	1 January 2010
HKAS 39 (Amendments)	'Eligible hedged items'	1 July 2009
HKFRS 2 (Amendments)	'Group cash-settled share-based payment transaction'	1 January 2010

First improvements to HKFRS (2008) were issued in October 2008 by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

Second improvements to HKFRS (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

Notes to the Condensed Consolidated Interim Financial Information

3 ACCOUNTING POLICIES (CONTINUED)

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9	'Financial instruments'	1 January 2013
HKAS 24 (Revised)	'Related party disclosures'	1 January 2011
HKAS 32 (Amendments)	'Classification of rights issues"	1 February 2010
HK(IFRIC) Int – 14	'Prepayments of a minimum funding requirement'	1 January 2011
HK(IFRIC) Int – 19	'Extinguishing financial liabilities with equity instruments'	1 July 2010
HKFRS 1 (Amendments)	'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'	1 July 2010

Third improvements to HKFRS (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011.

The directors anticipate that the adoption of the above standards, amendments and interpretations to existing standards in Note 3.1(b) and (c) will not result in a significant impact on the results and financial position of the Group. The Group plans to adopt these standards, amendments and interpretations to existing standards when they become effective.

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Revenue		
Design and fabrication of metal stamping moulds	**77,789**	46,172
Manufacturing of metal stamping components	**384,142**	218,170
Manufacturing of lathing components	**45,982**	29,030
Design and fabrication of plastic injection moulds	**60,888**	36,614
Manufacturing of plastic injection components	**235,151**	154,221
Others[1]	**16,621**	9,200
	820,573	493,407

1 Others mainly represent sales of scrap materials.

(b) Segment information

The chief operating decision-maker has been identified as collectively the executive directors and senior management. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. They consider the business from a product perspective.

At 30 June 2010, 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").

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The chief operating decision-maker assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax. Information provided to the chief operating decision-maker is measured in a manner consistent with that in the consolidated financial statements.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

The segment results and other segment items are as follows:

	Six months ended 30 June 2010			(Restated) Six months ended 30 June 2009		
	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	**534,067**	**302,003**	**836,070**	316,027	193,695	509,722
Inter-segment sales	**(11,744)**	**(3,753)**	**(15,497)**	(14,629)	(1,686)	(16,315)
Sales	**522,323**	**298,250**	**820,573**	301,398	192,009	493,407
Segment results	**99,537**	**64,682**	**164,219**	9,754	15,825	25,579
Unallocated expenses			**(406)**			(358)
Finance income			**603**			1,085
Finance costs			**(2,573)**			(7,331)
Profit before income tax			**161,843**			18,975
Income tax expense			**(21,161)**			(3,601)
Profit for the period			**140,682**			15,374
Depreciation	**32,393**	**10,536**	**42,929**	28,274	11,508	39,782
Amortisation	**219**	**242**	**461**	286	64	350

Notes to the Condensed Consolidated Interim Financial Information

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

	As at 30 June 2010				As at 31 December 2009			
	Metal stamping HK$'000	**Plastic injection HK$'000**	**Unallocated HK$'000**	**Total HK$'000**	Metal stamping HK$'000	Plastic injection HK$'000	Unallocated HK$'000	Total HK$'000
Assets	**1,324,589**	**436,498**	**212**	**1,761,299**	1,164,601	381,291	9,234	1,555,126
Liabilities	**190,667**	**80,121**	**381,845**	**652,633**	155,203	51,905	451,202	658,310
Capital expenditure	**26,241**	**7,026**	**10,216**	**43,483**	75,859	17,083	–	92,942

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, current income tax liabilities, deferred taxation and certain accruals and other payables related to neither segments.

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 30 June 2010 as follows:

	Assets HK$'000	**Liabilities HK$'000**
Segment assets/liabilities	**1,761,087**	**270,788**
Unallocated:		
Cash and cash equivalents	**212**	**–**
Current income tax liabilities	**–**	**27,904**
Deferred taxation	**–**	**5,130**
Current borrowings	**–**	**177,761**
Non-current borrowings	**–**	**82,825**
Current finance lease liabilities	**–**	**37,294**
Non-current finance lease liabilities	**–**	**28,349**
Accruals and other payables	**–**	**22,582**
Total	**1,761,299**	**652,633**

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2009 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	1,545,892	207,108
Unallocated:		
Cash and cash equivalents	7,251	–
Prepayments, deposits and other receivables	1,983	–
Current income tax liabilities	–	16,894
Deferred taxation	–	5,129
Current borrowings	–	220,125
Non-current borrowings	–	85,362
Current finance lease liabilities	–	41,877
Non-current finance lease liabilities	–	45,931
Accruals and other payables	–	35,884
Total	1,555,126	658,310

Notes to the Condensed Consolidated Interim Financial Information

5 CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Leasehold land and land use rights HK$'000
Six months ended 30 June 2010		
Opening net book amount at 1 January 2010, as restated	**948,843**	**51,703**
Acquisition of a subsidiary (Note 19)	**10,946**	**–**
Additions	**32,537**	**–**
Disposal	**(20)**	**–**
Depreciation/amortisation charge (Note 14)	**(42,929)**	**(461)**
Closing net book amount at 30 June 2010	**949,377**	**51,242**
Six months ended 30 June 2009		
Opening net book amount at 1 January 2009, as restated	937,562	52,478
Additions	46,999	–
Disposal	(651)	–
Depreciation/amortisation charge, as restated (Note 14)	(39,782)	(350)
Closing net book amount at 30 June 2009, as restated	944,128	52,128

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.

Notes to the Condensed Consolidated Interim Financial Information

6 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Non-current		
Prepayments for purchases of property, plant and equipment	**25,696**	5,974
Others	**3,343**	376
	29,039	6,350
Current		
Prepayments for purchases of raw materials	**2,553**	2,140
Others	**24,966**	16,784
	27,519	18,924

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 2010 HK$'000	As at 31 December 2009 HK$'000
0 to 90 days	**327,550**	198,347
91 to 180 days	**12,182**	7,435
181 to 365 days	**1,471**	1,276
	341,203	207,058
Less: Provision for impairment of trade receivables	**(1,188)**	(1,188)
	340,015	205,870

Notes to the Condensed Consolidated Interim Financial Information

7 TRADE RECEIVABLES (CONTINUED)

The top five customers and the largest customer accounted for 41.8% (2009: 53.0%) and 13.8% (2009: 19.0%) of the trade receivables balance as at 30 June 2010, respectively. Other than these major customers, 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 2010, the Group recorded no provision for its trade receivables (31 December 2009: Nil).

8 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at	
	30 June 2010 HK$'000	31 December 2009 HK$'000
0 to 90 days	**204,753**	157,005
91 to 180 days	**19,833**	12,999
181 to 365 days	**5,143**	709
	229,729	170,713

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

9 BANK BORROWINGS

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Current		
Short-term bank loans	**105,000**	150,000
Long-term bank loans, current portion	**72,341**	69,705
Mortgage loan, current portion	**420**	420
	177,761	220,125
Non-current		
Long-term bank loans, non-current portion	**79,236**	81,563
Mortgage loan, non-current portion	**3,589**	3,799
	82,825	85,362
	260,586	305,487

The maturity of bank borrowings is as follows:

	As at 30 June 2010 HK$'000	As at 31 December 2009 HK$'000
Within 5 years	**258,678**	303,369
Over 5 years	**1,908**	2,118
	260,586	305,487

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

Notes to the Condensed Consolidated Interim Financial Information

9 BANK BORROWINGS (CONTINUED)

The effective interest rates (per annum) of the Group's bank borrowings at the statement of financial position dates were as follows:

	Short-term bank loans		Long-term bank loans		Mortgage loan	
	2010	2009	**2010**	2009	**2010**	2009
Hong Kong dollars	**1.4%**	1.9%	**2.0%**	2.4%	**2.4%**	2.4%

As at 30 June 2010, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book amounts of HK$6,201,000 and HK$62,714,000 respectively (2009: HK$7,703,000 and HK$67,006,000, respectively) 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 2010 HK$'000	31 December 2009 HK$'000
Within one year	**39,003**	44,355
In the second year	**25,885**	33,717
In the third to fifth year	**2,950**	13,381
	67,838	91,453
Less: Future finance charges on finance leases	**(2,195)**	(3,645)
Present value of finance lease liabilities	**65,643**	87,808

10 FINANCE LEASE LIABILITIES (CONTINUED)

The present value of finance lease liabilities is as follows:

	As at	
	30 June 2010	31 December 2009
	HK$'000	HK$'000
Within one year	**37,294**	41,877
In the second year	**25,412**	32,684
In the third to fifth year	**2,937**	13,247
Total finance lease liabilities	**65,643**	87,808
Less: Amount included in current liabilities	**(37,294)**	(41,877)
	28,349	45,931

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

As at 30 June 2010, the effective interest rate of the Group's finance lease liabilities was 2.7% per annum (2009: 3.2% 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$183,248,000 (2009: HK$189,400,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$2,443,000 (2009: HK$3,826,000).

Notes to the Condensed Consolidated Interim Financial Information

11 SHARE CAPITAL

	Note	Number of shares (thousand)	Nominal value HK$'000
Authorised:			
Shares of HK$0.1 each			
At 31 December 2009 and 30 June 2010		1,000,000	1,000,000
Issued and fully paid:			
At 1 January 2009		698,128	69,813
Issue of shares pursuant to			
– share option scheme	(a)	19,979	1,998
Repurchase of shares	(b)	(100,086)	(10,009)
At 31 December 2009		618,021	61,802
Issue of shares pursuant to			
– share option schemes	(c)	44,370	4,437
At 30 June 2010		662,391	66,239

Notes:

(a) During 2009, 19,979,000 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 of HK$0.35 per share.

(b) During 2009, the Company repurchased a total of 100,086,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$0.50 to HK$1.36 per share for a total consideration of approximately HK$91,965,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 10 June 2009. 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.

11 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(b) (Continued)

Month of repurchase	Number of shares of HK$0.10 each	Highest price per share HK$	Lowest price per share HK$	Aggregate consideration paid HK$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
April 2009	3,836,000	0.65	0.60	2,454
May 2009	4,804,000	0.80	0.75	3,721
June 2009	2,020,000	0.85	0.82	1,695
	47,116,000			29,554
July 2009	4,022,000	0.80	0.76	3,155
September 2009	2,878,000	0.80	0.80	2,311
October 2009	1,336,000	0.90	0.80	1,160
November 2009	12,296,000	1.23	0.91	12,981
December 2009	32,438,000	1.36	1.25	42,804
	100,086,000			91,965

(c) During 2010, 44,370,200 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 exercise prices ranging from HK$0.35 to HK$2.10 per share.

Notes to the Condensed Consolidated Interim Financial Information

12 SHARE OPTION SCHEME

In 2005, the Company 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 whereby the directors were authorised to grant options to subscribe up to 72,000,000 shares, representing 10% of the shares of the Company in issue as at 18 May 2007. The Share Option Scheme was further refreshed at the annual general meeting of the Company held on 10 June 2009 whereby the directors were authorised to grant options to subscribe up to 65,166,200 shares, representing 10% of the issued share capital of the Company as at 10 June 2009.

During the six months ended 30 June 2010, no options (six months ended 30 June 2009: nil) were granted to the Company's directors and employees. During the six months ended 30 June 2010, 44,370,200 share options were exercised (31 December 2009: 19,979,000 share options). No options lapsed during the six months ended 30 June 2010 (31 December 2009: 13,070,000 options lapsed). Share options outstanding at 30 June 2010 have the following expiry dates and exercise prices:

Expiry date	Exercise price HK$ per share	Share options '000
2 February 2011	1.96	530
2 February 2012	2.10	2,341
19 November 2018	0.35	37,130
1 October 2019	0.82	1,960

Notes to the Condensed Consolidated Interim Financial Information

13 RESERVES

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Warrants reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2010	383,405	(735)	43,921	12,361	21,007	–	375,055	835,014
Profit for the period	–	–	–	–	–	–	140,181	140,181
Employee share option scheme								
– value of employee services	–	–	–	–	294	–	–	294
– proceeds from shares issued	62,168	–	–	–	–	–	–	62,168
Transfer to share premium upon exercise of share options	15,624	–	–	–	(15,624)	–	–	–
Dividend paid	–	–	–	–	–		(5,351)	(5,351)
Issuance of warrants	–	–	–	–	–	1,040	–	1,040
Balance at 30 June 2010	461,197	(735)	43,921	12,361	5,677	1,040	509,885	1,033,346
Balance at 1 January 2009	458,456	(735)	40,571	2,352	23,158	–	373,441	897,243
Profit for the period	–	–	–	–	–	–	15,374	15,374
Premium on repurchase of shares	(24,842)	–	–	–	–	–	–	(24,842)
Capital redemption reserve arising from repurchase of shares	–	–	–	4,712	–	–	(4,712)	–
Employee share option scheme								
– value of employee services	–	–	–	–	1,833	–	–	1,833
– proceeds from shares issued	162	–	–	–	–	–	–	162
Dividend paid	–	–	–	–	–	–	(14,381)	(14,381)
Balance at 30 June 2009	433,776	(735)	40,571	7,064	24,991	–	369,722	875,389

Notes to the Condensed Consolidated Interim Financial Information

13 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options equity reserve HK$'000	Warrants reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Profit for the period	–	–	–	–	–	–	16,145	16,145
Premium on repurchase of sales	(57,114)	–	–	–	–	–	–	(57,114)
Capital redemption reserve arising from repurchase of shares	–	–	–	5,297	–	–	(5,297)	–
Employee share option share								
– value of employee services	–	–	–	–	1,083	–	–	1,083
– proceed from shares issued	4,832	–	–	–	–	–		4,832
Transfer to retained earnings upon lapse of share options	–	–	–	–	(3,156)	–	3,156	–
Transfer to share premium upon exercise of share options	1,911	–	–	–	(1,911)	–	–	–
Dividend paid	–	–	–	–	–	–	(5,321)	(5,321)
Transfer to statutory reserve	–	–	3,350	–	–	–	(3,350)	–
Balance at 31 December 2009	383,405	(735)	43,921	12,361	21,007	–	375,055	835,014

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 2010, 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 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

Statement of comprehensive income 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 2010 HK$'000	(Restated) Six months ended 30 June 2009 HK$'000
Raw materials and consumables used	**429,084**	306,725
Production overhead costs (excluding labour and depreciation expenses)	**37,775**	19,717
Staff costs, including directors' emoluments and share option costs	**100,821**	63,940
Depreciation of property, plant and equipment	**42,929**	39,782
Amortisation of leasehold land and land use rights	**461**	350
(Gain)/loss on disposal of property, plant and equipment	**(65)**	651
(Reversal of)/provision for inventories to net realisable value	**(2,368)**	4,189
Net exchange losses/(gains)	**17**	(255)

15 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2010 HK$'000	2009 HK$'000
Finance income		
Interest income from bank deposits	**603**	1,085
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	**1,489**	5,145
Bank borrowings not wholly repayable within five years	**59**	65
Finance lease liabilities	**1,025**	2,121
	2,573	7,331

Notes to the Condensed Consolidated Interim Financial Information

16 INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Current taxation		
– Hong Kong profits tax	**5,168**	2,103
– Mainland China enterprise income tax	**15,993**	1,498
	21,161	3,601

(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 2010 (2009: 16.5%).

(ii) Mainland China corporate income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at a rate of 22% for the six months ended 30 June 2010 (2009: 20%). Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from corporate 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 corporate income tax for the next three years. The first profitable year after offsetting prior year tax losses of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited was 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Limited were established in August 2007 and June 2008, respectively, and Shenzhen EVA Mould Manufacturing Limited had taxable profits during the six months ended 30 June 2010 which its profits were offset to prior year tax losses. On 31 December 2009, Yihe Precision Hardware (Shenzhen) Co., Ltd, was recognised by the Chinese Government as a "National High and New Technology Enterprise" and was therefore subject to a preferential tax rate of 15% during the six month ended 30 June 2010.

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 10%, or at a reduced rate of 5% for certain jurisdiction of foreign investors with tax treaty arrangements.

(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.

17 EARNINGS PER SHARE

Basic

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**140,181**	15,374
Weighted average number of ordinary shares in issue ('000)	**639,846**	669,614
Basic earnings per share (HK cents per share)	**21.9**	2.3

Diluted

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**140,181**	15,374
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**639,846**	669,614
Adjustment for share options and warrants ('000)	**48,263**	28,574
Weighted average number of ordinary shares for diluted earnings per share ('000)	**688,109**	698,188
Diluted earnings per share (HK cents per share)	**20.4**	2.2

18 DIVIDEND

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Proposed interim dividend of HK6.5 cents (2009: HK0.82 cents) per ordinary share	**49,055**	5,318

Notes to the Condensed Consolidated Interim Financial Information

19 BUSINESS COMBINATIONS

In January 2010, the Group entered into agreements with an independent third party to acquire 51% of the share capital of two companies for a consideration of Renminbi 7,650,000 (equivalent to HK$8,700,000) and HK$5,100 respectively. The acquired companies are principally engaged in the design and fabrication of metal stamping moulds and the manufacturing of metal stamping components and their operations are mainly carried out in Mainland China. The acquired companies contributed revenue of approximately HK$13,828,000 and profit attributable to equity holders of the Company of approximately HK$531,000 for the six months ended 30 June 2010.

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	3,777
Trade receivables	13,210
Other receivables	342
Inventories	1,163
Property, plant and equipment	10,946
Trade payables	(10,331)
Other payables	(1,406)
Long-term bank borrowings	(190)
Net identifiable assets acquired	17,511
Non-controlling interests (49%)	(8,580)
Fair value of net assets attributable to the Group	8,931
Negative goodwill	(226)
	8,705
Cash and cash equivalents	(3,777)
Cash outflow on acquisition	4,928

20 CAPITAL COMMITMENTS

Capital expenditure at the statement of financial position date committed but not yet incurred is as follows:

	As at	
	30 June 2010 HK$'000	31 December 2009 HK$'000
Contracted but not provided for		
– Construction of buildings	**37,495**	44,284
– Purchase of motor vehicles	**–**	3,878
– Purchase of plant and machinery	**36,722**	8,317
	74,217	56,479

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 owns 51.4% (2009: 58.5%) of the Company's shares as at 30 June 2010. The ultimate parent company of the Group is Prosper Empire Limited.

The following transactions were carried out with related parties:

(a) In 2005, EVA Limited and EVA Holdings Limited (the "Companies"), wholly owned subsidiaries of the Group, proposed a settlement with The Hong Kong Inland Revenue Department (the "HKIRD") regarding the Companies' offshore claim queries raised by the HKIRD. There has been no response from the HKIRD to the Companies' proposal. However, up to 30 June 2010, the Companies had already paid approximately HK$8,068,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2003. The payments incurred before 2009 which amounted to approximately HK$3,188,000 had been indemnified by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors of the Company, pursuant to the deed of indemnity in connection with the listing of the Company's shares in 2005. The remaining balance of approximately HK$4,880,000 will also be indemnified by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua should the final determination of such tax liabilities be made by the HKIRD.

Notes to the Condensed Consolidated Interim Financial Information

21 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Wages, salaries and allowances	**4,143**	4,174
Share-based payments	**379**	576
Retirement benefits – defined contribution plan	**43**	38
	4,565	4,788

22 EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

On 9 July 2010, the Company, Prosper Empire Limited (the "Vendor") and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua (together the "Controlling Shareholders") and CLSA Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Placing Agent agreed to place up to an aggregate of 100,000,000 shares of the Company at a price of HK$3.60 ("Placing Price") to not less than six independent professional institutional investors and other investors. These shares consisted of 80,000,000 shares under top–up placing and 20,000,000 shares placed by the Vendor. On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for 80,000,000 new shares of the Company (the "Subscription Shares") at HK$3.60 which is equivalent to the Placing Price.

Net proceeds received by the Company from the above-mentioned placing and subscription of the Company's shares amounted to approximately HK$276,074,000. These transactions were completed and the Subscription Shares were issued on 22 July 2010.

Management Discussion and Analysis

SIGNIFICANT EVENTS AND DEVELOPMENT

The first half of 2010 was another period of milestone events and achievements for the Group. Not only have we completely recovered from the trauma of the financial tsunami in 2008/2009, but our business fundamentals have improved by leaps and bounds.

In May 2010, the Group had reached a mutual understanding with one of the world renowned brand owners of office automation (OA) equipments in Japan for placement of significant orders worth approximately HK$3.6 billion in the following four years. The orders are related to the production of mechanical modules of new OA equipment models covering the relevant moulds, components and product assembly. Our key appeal to this customer was our ability to provide one-stop solution. Unlike our competitors which are specialised in only a single type of product, we are able to offer one-stop manufacturing from the development of the moulds, to producing both metal and plastic components and product assembly, thereby reducing the additional logistic costs and excess production lead time arising from the customer's current practice of outsourcing the production of moulds, components and product assembly to different suppliers. This unique business model, coupled with our ability to manufacture high quality moulds and components with dimensional accuracies comparable to the Japanese and the Germans, not only gives us a strong pricing power, but also provided strong incentives for this customer to redirect more businesses to us. More importantly, successfully obtaining these new orders is only the beginning for us as this will provide us with the necessary credentials for obtaining orders of similar size from other Japanese brand names, all of which are international business giants.

Large-scale production of moulds and components relating to the above-mentioned new orders will take place in the second half of 2010 and beyond, and therefore no revenue from these new orders were recorded during the six months ended 30 June 2010. Having said that, our turnover for the six months ended 30 June 2010 recorded a significant growth of 66.3% to approximately HK$820,573,000, thanks to the resurgence of orders from both international and domestic customers who continued to shift their focus to the China market. Particularly, it is worth noting that our revenue from manufacture of moulds actually went up to approximately HK$138,677,000, another historical high. Based on the Group's business model, the brand owners would normally require us to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in our production bases for future mass production of components and semi-finished products. In other words, the Group's mould revenue is the leading indicator of its future component revenue. The record level of mould revenue during the period is expected to lead to a continuing leap in the results of the Group in the second half of 2010 and beyond.

Management Discussion and Analysis

With the continuous development of China's economy, the Chinese consumers are now "moving up the consumption ladder". Chinese consumers are not only demanding more consumer products, but also higher quality products. Equipped with the credentials of serving Japanese customers which are well known for their demanding quality requirements, the Group is well positioned to partner with other international and domestic brand owners to capture the increasing demand for high-end and sophisticated products from Chinese consumers. To this end, we have already made significant progress in new product lines such as consumer electronics, automobile and medical equipment.

As part of the Group's strategic shift to focus on domestic consumption, the Group is in the process of constructing a new production base in Zhongshan, Guangdong Province, China, which is scheduled to be completed by end of 2010. Apart from better serving certain of the existing OA equipment and home appliance customers located in Zhongshan, Zhuhai and Shunde which include Canon and Midea, the primary purpose of establishing a new production base in Zhongshan is to facilitate the Group's penetration into the domestic automobile and home appliance markets on the western bank of the Pearl River Delta Region. Target customers of the new Zhongshan production base included Gree, Hisense-Kelon, Guangzhou Automobile Group and the new production facilities of Dongfeng-Nissan and FAW-Volkswagen located in Guangzhou and Foshan which are currently under construction. In addition, we have established a sales office in Chongqing in March 2010, which is intended to source orders from domestic automobile makers such as Changan Ford, Qingling Motors and Suzuki. In the years to come, the Group plans to set up sales offices in various other cities in China including Changchun, Tianjin and Huizhou (for high tech consumer electronics).

During the first half of 2010, the manufacturing sector in Southern China was clouded by the negative labour relations climate, which adversely affected a lot of local manufacturers. Unlike other traditional manufacturers in Southern China, we have been devoting substantial resources on creating a harmonious working environment since our establishment and received numerous accolades in this respect, which included "Corporate Citizen – Responsibility for Society Award" (企業公民－責任獻社會獎) from an organisation under the Ministry of Civil Affairs of the People's Republic of China in 2007 and "Employee Care Award" (關愛員工獎) from an organisation under the Ministry of Commerce of the People's Republic of China in 2009. We are particularly proud of the fact that we have close to 300 front line engineers who have share options, thus sharing the success of the Group. As such, the recent negative news flows in Southern China's labour market has also presented us with another huge opportunity. In order to avoid disruptions in the supply chain, brand owners are finding it necessary to shift their orders from small sized manufacturers to established companies with proven labor relations record such as ourselves.

Management Discussion and Analysis

During the period, we continued to devote substantial effort on maintaining a healthy balance sheet. This is evidenced by the fact that our inventory turnover days continued to decrease slightly to 39 days and our cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) was maintained at 40 days despite the significant growth in our turnover and business volume. Our conscious effort to tightly control the cash conversion cycle reduces our working capital requirements in preparation for the quantum leap in our turnover in the future. In addition, as part of our effort to strengthen our financial position, we executed a share placement in early July 2010 which raised net proceeds of approximately HK$276,074,000. With this placement of new shares, our balance sheet and capital base will be significantly strengthened. This will provide the necessary working capital for us to continue to solicit large size orders from brand owners similar to the one obtained in May 2010. Further, we intend to devote part of the placement proceeds to fund appropriate merger and acquisition opportunities in order to capitalise on the Chinese Government's policies of boosting domestic consumption, such as the Home Appliances Going to the Countryside Program and the Auto-stimulus Plan.

As always, the Group is committed to maximising shareholders' value. Since our listing in 2005, we have always been adhering to a dividend payout at 30% to 35% of net profit, and the first half of 2010 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement and sound financial management, whilst maximising returns to our shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2010		2009	
	HK$'000		HK$'000	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**77,789**	**9.5%**	46,172	9.4%
Manufacturing of metal stamping components	**384,142**	**46.8%**	218,170	44.2%
Manufacturing of lathing components	**45,982**	**5.6%**	29,030	5.9%
Others (Note 1)	**14,410**	**1.7%**	8,026	1.6%
	522,323		301,398	
Plastic division				
Design and fabrication of plastic injection moulds	**60,888**	**7.4%**	36,614	7.4%
Manufacturing of plastic injection components	**235,151**	**28.7%**	154,221	31.3%
Others (Note 1)	**2,211**	**0.3%**	1,174	0.2%
	298,250		192,009	
Total	**820,573**		493,407	
Segment results				
Metal division	**99,537**		9,754	
Plastic division	**64,682**		15,825	
Operating profit	**164,219**		25,579	
Unallocated expenses	**(406)**		(358)	
Finance income	**603**		1,085	
Finance costs	**(2,573)**		(7,331)	
Income tax expense	**(21,161)**		(3,601)	
Non-controlling interests	**(501)**		–	
Profit attributable to equity holders of the Company	**140,181**		15,374	

Note 1: Others mainly represented sales of scrap materials

Management Discussion and Analysis

Turnover

The Group recorded a significant increase in the revenue from design and fabrication of metal stamping and plastic injection moulds during the last financial year. These moulds had been consigned in the Group's production bases for the mass production of metal stamping and plastic injection components starting from early 2010. Accordingly, the Group's revenue from manufacturing of metal stamping and plastic injection components increased significantly by approximately 76.1% and 52.5% respectively during the six months ended 30 June 2010.

At the same time, with a view to capturing the huge business opportunities arising from China's consumption boom, both our existing and new customers continued to develop new models primarily for sales in China. This was translated into a 67.5% increase in revenue from design and fabrication of metal stamping and plastic injection moulds to approximately HK$138,677,000 during the six months ended 30 June 2010. The moulds produced during the period will be used for the mass production of metal stamping and plastic injection components in the second half of 2010 and beyond.

Gross profit

The Group's profitability was adversely affected by the financial tsunami during the last financial year. As struck by the global de-stocking activities of manufacturers worldwide, the Group's production facilities were significantly under-utilised which resulted in a reduction in gross profit margin of the Group during the six months ended 30 June 2009.

During the six months ended 30 June 2010, the Group experienced a strong resurgence in order flows as both international and domestic brand owners continued to shift their focus to the China market. With an increased turnover, the utilisation rate of the Group's production facilities returned to a normal level which resulted in a rebound in the Group's gross profit margin. During the six months ended 30 June 2010, gross profit margin of the Group was approximately 31.1%, which was comparable to our normal level before the financial tsunami (i.e. before 2008 and 2009) during which the Group's gross profit margin was consistently above 30% over the years.

Segment results

For the six months ended 30 June 2010, segment results of the Group's metal and plastic division amounted to approximately HK$99,537,000 and HK$64,682,000 respectively, representing an operating profit margin of approximately 19.1% and 21.7% respectively. Since the profit margin from mould revenue is generally higher than that from component revenue, the operating profit margin of the Group's plastic division is slightly higher as its proportion of mould revenue to total divisional turnover is higher than that for the metal division.

Management Discussion and Analysis

Finance costs

The Group's finance costs for the six months ended 30 June 2010 decreased to approximately HK$2,573,000, which was primarily caused by the reduction in bank borrowings and finance lease liabilities as part of the Group's continuing effort on the improvement of its balance sheet position.

Income tax expense

During the six months ended 30 June 2010, income tax expense amounted to approximately HK$21,161,000. By end of 2009, one of the major subsidiaries of the Group was recognised by the Chinese government as a "National High and New Technology Enterprise", entitling it to a preferential tax rate of 15% commencing from 1 January 2010 (For the six months ended 30 June 2009: 20%). As such, the Group's overall 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 2010 reduced to approximately 13.1%.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2010, profit attributable to equity holders of the Company amounted to approximately HK$140,181,000, representing an increase of approximately 811.8% as compared to that for the six months ended 30 June 2009. The significant increase in net profit of the Group was primarily caused by the resurgence of orders flows from both existing and new customers targeting at the booming China's consumption market and the improvement in utilisation rate of our production facilities as described above. Net profit margin of the Group for the six months ended 30 June 2010 was approximately 17.1%, which was comparable to our normal level before the financial tsunami (i.e. before 2008 and 2009) during which the Group's net profit margin was consistently above 15% over the years.

OUTLOOK

Up to June 2010, the estimated market size for moulds and components in OA equipment market was more than HK$141 billion. However, its supplier base is fragmented and this market is still served by a huge number of Japanese suppliers, with each of them relatively small in size and specialising in a single type of product. The OA equipment industry is currently undergoing a supplier base consolidation process, which is clearly evidenced by the large new order equivalent to 3.5 times of our FY2009 revenue received by us in May 2010. In the years to come, with the continuing trend of supplier base consolidation in the OA equipment industry, we expect more orders of similar size coming from other brand owners in this industry.

China is gradually moving away from just an export-driven economy and is putting increasing emphasis on domestic consumption. So far, we have already made significant progress into new product lines such as consumer electronics, automobile and medical equipment, primarily targeting at the booming China's consumption market. Going forward, we expect an increasing demand from both international and domestic brand owners looking for expansion in the burgeoning China market, a trend which has been well reflected by our mould revenue reaching another historical high in the first half of 2010.

HUMAN RESOURCES

As at 30 June 2010, the total number of employees of the Group was 5,307 employees, representing an increase of approximately 53.3% as compared to 3,461 employees as at 30 June 2009. The increase in headcount was primarily due to the recruitment of additional engineers and production personnel to cope with the significant increase in turnover during the period.

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. Share option schemes were adopted to attract and retain talents to contribute to the Group. 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 2010, approximately 30%, 59% and 11% (For the six months ended 30 June 2009: 30%, 61% and 9%) of the Group's sales and approximately 20%, 68% and 12% (For the six months ended 30 June 2009: 15%, 68% and 17%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Although the settlement currencies between the Group's revenue and expenditure are basically matched, management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi. Management will continue to closely monitor the Group's foreign currency exposure to safeguard the Group from any potential risks that may arise from the fluctuation in exchange rates.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2010, the Group recorded net cash generated from operating activities amounting to approximately HK$78,349,000, representing a decrease of approximately 21.7% as compared to that of approximately HK$100,067,000 for the six months ended 30 June 2009. During the six months ended 30 June 2010, our turnover increased significantly to approximately HK$820,573,000 as compared to that of approximately HK$493,407,000 for the six months ended 30 June 2009. Accordingly, despite our successful effort in controlling our cash conversion cycle at 40 days which is comparable to that for the year ended 31 December 2009, the great leap in our turnover increased our working capital requirements and resulted in a reduction in our net operating cash flows for the period. Net cash used in investing activities, which was primarily related to the purchases of fixed assets and amounted to approximately HK$57,102,000 for six months ended 30 June 2010, increased by approximately 64.1% as compared to that of approximately HK$34,804,000 for the six months ended 30 June 2009 due to the prepayments made for the completion of the new production base located in Zhongshan, Guangdong Province, China. In addition, the Group recorded net cash used in financing activities of approximately HK$3,826,000 during the six months ended 30 June 2010. During the period, the Group received net proceeds from exercise of employee share options of approximately HK$66,605,000 but at the same time, the Group gradually repaid its borrowings as part of its continuous effort on strengthening its balance sheet. As such, net cash outflow from financing activities was recorded during the period.

Bank loans as at 30 June 2010 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 2010 are as follows:

	30 June 2010	31 December 2009
Inventory turnover days (Note 1)	**39**	43
Debtors' turnover days (Note 2)	**75**	73
Creditors' turnover days (Note 3)	**74**	76
Cash conversion cycle (Note 4)	**40**	40
Current ratio (Note 5)	**1.36**	1.05
Net debt-to-equity ratio (Note 6)	**0.08**	0.19

Management Discussion and Analysis

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 days 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 days 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. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.

5. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.

6. Net debt–to–equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances divided by shareholders' equity.

Inventory turnover days

With a view to reducing the Group's working capital requirements for its on–going turnover growth, we continued to closely monitor our inventory control during the period. Accordingly, our inventory turnover days remained at a low level which was approximately 39 days, despite a significant increase in our turnover during the six months ended 30 June 2010.

Debtors' and creditors' turnover days

During the six months ended 30 June 2010, the Group's debtors' and creditors' turnover days were approximately 75 days and 74 days respectively, which were comparable to that for the year ended 31 December 2009.

Current ratio and net debt–to–equity ratio

During the six months ended 30 June 2010, the Group continued to record positive operating cash flows and gradually repaid its bank borrowings and finance lease liabilities. As such, the Group's current ratio and net debt–to–equity ratio improved to approximately 1.36 and 0.08 during the period, as compared to those of approximately 1.05 and 0.19 for the year ended 31 December 2009.

Management Discussion and Analysis

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2010, the charges on the Group's assets included (i) pledge of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book value of approximately HK$6,201,000 and HK$62,714,000 respectively for securing bank borrowings and (ii) mortgage of equipment under finance lease liabilities with net book value of HK$183,248,000 for securing finance lease liabilities.

DIVIDEND

The Board declared an interim dividend of HK6.5 cents per ordinary shares, totaling HK$49,055,000 for the six months ended 30 June 2010 to eligible shareholders whose names appear on the register of members of the Company on Friday, 3 September 2010. The interim dividends will be payable in cash on or about Friday, 10 September 2010.

CONNECTED TRANSACTIONS

The following transaction, which is also disclosed in Note 21 to the condensed consolidated interim financial information, was entered into with connected parties during the six months ended 30 June 2010:

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 51.4% shareholder of the Company as at 30 June 2010 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.

In 2005, EVA Limited and EVA Holdings Limited (the "Companies"), wholly owned subsidiaries of the Group, proposed a settlement with The Hong Kong Inland Revenue Department (the "HKIRD") regarding the Companies' offshore claim queries raised by the HKIRD. There has been no response from the HKIRD to the Companies' proposal. However, up to 30 June 2010, the Companies had already paid approximately HK$8,068,000, in the form of estimated tax assessments and tax reserve certificates, to the HKIRD in respect of the financial years prior to 31 December 2003. The payments incurred before 2009 which amounted to approximately HK$3,188,000 had been indemnified by the Indemnifiers. The remaining balance of approximately HK$4,880,000 will also be indemnified by the Indemnifiers should the final determination of such tax liabilities be made by the HKIRD.

The above transaction constitutes a connected transaction in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, which requires disclosure in the interim report of the Company.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

Some subsidiaries of the Company are parties to the loan agreements with DBS Bank (China) Limited, Shanghai Branch and DBS Bank (Hong Kong) Limited respectively in respect of the following banking facilities ("DBS Facilities Agreements"):

(i) a term loan facility up to HK$80,000,000 with a repayment term of four years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$35,000,000 as at 30 June 2010);

(ii) letters of credit, letters of credit (cargo receipt) and trust receipt loans in aggregate up to HK$60,000,000 (that was no outstanding balance as at 30 June 2010);

(iii) factoring facilities up to HK$30,000,000; and

(iv) finance lease facilities (the outstanding balance was approximately HK$15,197,000 as at 30 June 2010).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the DBS Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 35% of the issued shares of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua collectively shall remain as the single largest shareholder of the Company.

Management Discussion and Analysis

Further, a subsidiary of the Company is a party to the loan agreement with Bank of China (Hong Kong) Limited in respect of the following banking facilities ("BOC Facilities Agreement"):

(i) a term loan facility up to HK$40,000,000 with a repayment term of four years from the date of drawdown of the loan (the outstanding loan balance was approximately HK$29,875,000 as at 30 June 2010); and

(ii) a revolving loan for an amount up to HK$40,000,000 (the outstanding loan balance was HK$40,000,000 as at 30 June 2010).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the BOC Facilities Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 41% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors 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 during the six months ended 30 June 2010 were as follows:

Management Discussion and Analysis

	As at 1 January 2010	Exercised during the period	Cancelled during the period	As at 30 June 2010	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
					HK$	HK$	HK$
Executive directors							
Mr. Zhang Hwo Jie							
– Granted on 21 June 2006	1,300,000	(1,300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	1,200,000	(1,200,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	7,000,000	–	–	7,000,000	0.33	0.35	–
Mr. Zhang Jian Hua							
– Granted on 21 June 2006	1,300,000	(1,300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	1,400,000	(1,400,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	–	–	–	–	0.33	0.35	–
Mr. Zhang Yaohua							
– Granted on 21 June 2006	1,300,000	(1,300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	1,400,000	(1,400,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	7,000,000	–	–	7,000,000	0.33	0.35	–
Mr. Nomo Kenshiro							
– Granted on 21 June 2006	900,000	(900,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	2.40
– Granted on 10 December 2008	800,000	–	–	800,000	0.33	0.35	–
Independent non-executive directors							
Dr. Lui Sun Wing							
– Granted on 21 June 2006	240,000	(240,000)	–	–	1.72	1.70	3.44
– Granted on 16 February 2007	300,000	–	–	300,000	1.95	1.96	–
– Granted on 10 December 2008	1,000,000	–	–	1,000,000	0.33	0.35	–
Mr. Choy Tak Ho							
– Granted on 21 June 2006	300,000	(300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	2.44
– Granted on 10 December 2008	1,000,000	(1,000,000)	–	–	0.33	0.35	2.37
Mr. Leung Tai Chiu							
– Granted on 21 June 2006	300,000	(300,000)	–	–	1.72	1.70	2.40
– Granted on 16 February 2007	300,000	(300,000)	–	–	1.95	1.96	2.44
– Granted on 10 December 2008	1,000,000	(1,000,000)	–	–	0.33	0.35	3.24
Employees of the Group							
In aggregate							
– Granted on 21 June 2006	16,790,000	(16,790,000)	–	–	1.72	1.70	2.41
– Granted on 10 August 2006	490,000	(490,000)	–	–	1.68	1.71	2.42
– Granted on 16 February 2007	5,920,000	(5,690,000)	–	230,000	1.95	1.96	2.62
– Granted on 1 February 2008	4,100,000	(1,759,000)	–	2,341,000	2.10	2.10	3.45
– Granted on 10 December 2008	28,431,000	(7,101,200)	–	21,329,800	0.33	0.35	2.29
– Granted on 2 October 2009	1,960,000	–	–	1,960,000	0.81	0.82	–
	86,331,000	(44,370,200)	–	41,960,800			

Management Discussion and Analysis

The fair value of the options granted on 16 February 2007 with outstanding balances as at 30 June 2010 of 530,000 options was approximately HK$203,000. The fair value of the options granted on 1 February 2008 and 10 December 2008 with outstanding balances as at 30 June 2010 of 2,341,000 options and 37,129,800 options were approximately HK$1,168,000 and HK$3,551,000 respectively. The fair value of the options granted on 2 October 2009 with outstanding balance of 1,960,000 options as at 30 June 2010 was approximately HK$324,000. 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	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007	1.96	27.14% to 30.89%	1.5 to 3.5 years	4.046% to 4.072%	2.17%
Granted on 1 February 2008	2.10	41.55%	1.5 to 3.5 years	1.487% to 1.7965%	2.79%
Granted on 10 December 2008	0.35	51.99%	3 years	0.922%	3.00%
Granted on 2 October 2009	0.82	56.65%	1 year	0.16%	3.68%

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. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Management Discussion and Analysis

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

% of the options granted	Vesting date	Exercise period
With respect to the options granted on 21 June 2006 with exercise price of HK$1.70		
20%	22 June 2007	22 June 2007 to 22 June 2010
30%	23 June 2008	23 June 2008 to 22 June 2010
50%	22 June 2009	22 June 2009 to 22 June 2010
With respect to the options granted on 10 August 2006 with exercise price of HK$1.71		
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 the options granted on 16 February 2007 with exercise price of HK$1.96		
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 the options granted on 1 February 2008 with exercise price of HK$2.10		
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
With respect to the options granted on 10 December 2008 with exercise price of HK$0.35		
100%	10 December 2008	10 December 2008 to 19 November 2018
With respect to the options granted on 2 October 2009 with exercise price of HK$0.82		
100%	5 October 2009	5 October 2009 to 1 October 2019

Management Discussion and Analysis

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

As at 30 June 2010, the interests and/or short positions of the directors or chief executive of the Company's in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the registrar 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 held under equity derivatives (Note 1)	Total interests	Approximate percentage of interest in the Company as at 30 June 2010
Mr. Zhang Hwo Jie	340,740,000 (Note 2)	7,646,000	–	7,000,000	355,386,000	53.65%
Mr. Zhang Jian Hua	–	330,000	–	–	330,000	0.05%
Mr. Zhang Yaohua	2,824,000 (Note 3)	5,066,000	78,000	7,000,000	14,968,000	2.26%
Mr. Nomo Kenshiro	–	–	1,700,000	800,000	2,500,000	0.38%
Dr. Lui Sun Wing	–	–	–	1,300,000	1,300,000	0.20%
Mr. Choy Tak Ho	–	–	–	–	–	–
Mr. Leung Tai Chiu	–	1,900,000	–	–	1,900,000	0.29%

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 was interested in 51.4% of the entire issued capital of the Company as at 30 June 2010. 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 limited company incorporated in the British Virgin Islands and is 100% owned by Mr. Zhang Yaohua, a director of the Company.

(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 2010
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 2010, 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 registrar 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
Prosper Empire Limited	Beneficial owner	340,740,000	–	340,740,000	51.44%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	348,386,000	7,000,000	355,386,000	53.65%

Note:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 36% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 340,740,000 shares of the Company held by Prosper Empire Limited.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

On 22 March 2010, the Company entered into warrant subscription agreements with seven individual and corporate investors whereby the Company agreed to issue and the subscribers agreed to subscribe for 52,000,000 warrants at a warrant issue price of HK$0.02 per warrant. The warrants entitle the subscribers to subscribe for 52,000,000 new shares of the Company at an initial subscription price of HK$2.03 per new shares (subject to adjustment for subdivision and consolidation of shares) for a period of one year commencing from the date of issue of the warrants.

Management Discussion and Analysis

It is expected that all the proceeds from the warrant subscription, being HK$1,040,000, will be used for payment of the costs and expenses in connection with the warrant subscription. Assuming the full exercise of the subscription rights attaching to the warrants at the initial subscription price of HK$2.03 per new share, the total funds to be raised is approximately HK$105,560,000. It is intended that the funds so raised be applied as general working capital and as funds for future development of the Group.

No warrant was exercised during the six months ended 30 June 2010. Subsequent to 30 June 2010 and up to the date of this report, 11,000,000 warrants were exercised to subscribe for 11,000,000 new shares of the Company. The net proceeds of HK$22,330,000 have been applied as general working capital of the Group.

On 9 July 2010, the Company, Prosper Empire Limited (the "Vendor") and Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua (together the "Controlling Shareholders") and CLSA Limited (the "Placing Agent") entered into a placing agreement (the "Placing Agreement") pursuant to which the Placing Agent agreed to place up to an aggregate of 100,000,000 shares of the Company at a price of HK$3.60 ("Placing Price") to not less than six independent professional institutional investors and other investors. These shares consisted of 80,000,000 shares under top–up placing and 20,000,000 shares placed by the Vendor.

On the same day, the Vendor entered into a subscription agreement with the Company pursuant to which the Vendor agreed to subscribe for 80,000,000 new shares of the Company (the "Subscription Shares") at HK$3.60 which is equivalent to the Placing Price.

The placing shares represented approximately 15.1% of the then existing issued share capital of the Company and approximately 13.5% of the Company's issued share capital as enlarged by the issue of the Subscription Shares. Completion of the placing took place on 14 July 2010 and the Subscription Shares were issued on 22 July 2010.

Pursuant to the Placing Agreement, each of the Vendor and the Controlling Shareholders undertakes to the Placing Agent that they will not dispose of or enter into any arrangement to dispose of any of the Company's shares owned by them for the period commencing from the date of the Placing Agreement and ending three months from the completion of the placing (the "Lock-up Period") without the prior written consent of the Placing Agent. The Company and the Controlling Shareholders also undertakes to the Placing Agent that they will not and will not procure any of its subsidiaries or any members of the Group to issue or agree to issue any shares, warrants or other rights to subscribe for shares or to repurchase any securities of the Company during the Lock-up Period without the prior written consent of the Placing Agent (other than pursuant to options outstanding under the existing share option schemes, the warrants issued, any scrip dividend scheme or shares issued pursuant to the subscription agreement as described above).

The net proceeds of approximately HK$276,074,000 from the placing and subscription of shares will be applied by the Company for the continuing expansion of the existing business and potential acquisition opportunities. As at the date of this report, the proceeds were placed on interest-bearing short-term deposits for the intended future uses.

Save for disclosed above, 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 2010.

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 Tuesday, 31 August 2010 to Friday, 3 September 2010, both days inclusive, during which 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 2010, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 30 August 2010.

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 2010.

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 2010.

Management Discussion and Analysis

AUDIT COMMITTEE

The Company has set up an audit 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 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 interim report for the six months ended 30 June 2010.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 16 August 2010

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