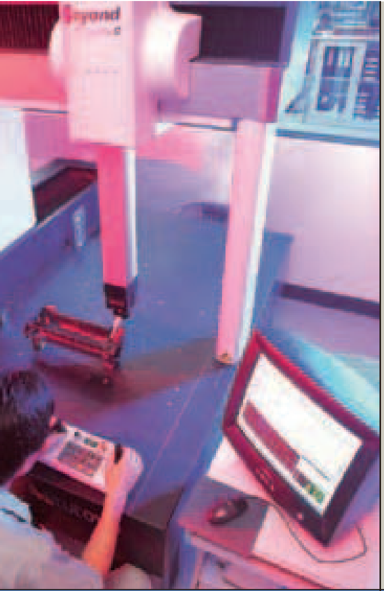
EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

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

2007 Annual Report
二零零七年年報

Stock Code 股份代號 : 838



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Group Profile

EVA Precision Industrial Holdings Limited (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 Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and its subsidiaries (together the "Group") is principally engaged in the design and fabrication of precision metal stamping and plastic injection moulds, manufacturing of metal stamping and plastic injection components and the provision of assembly services in the PRC. The Group's customers comprise Hong Kong or PRC affiliates of internationally renowned office automation equipment and consumer electronic product brand owners which include, among others, Toshiba, Konica Minolta, Kyocera Mita, Canon, Ricoh, Fuji Xerox, Epson and Brother.

The Group is positioned as a vertically-integrated precision metal and plastic mould and component manufacturing service provider based in the PRC. The Group's existing services include mainly (i) design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components by using tailor-made metal stamping and plastic injection moulds; (iii) lathing of metal components, such as rivets and shafts; and (iv) where necessary, assembly of precision metal and plastic components manufactured by the Group into semi-finished products. The precision metal stamping and plastic injection components manufactured by the Group are mainly used in the manufacture of office automation equipment including photocopiers and printers as well as other products such as automobiles.

The Group started its business in 1993. With its dedication to product quality and production management, the Group was able to grow steadily and became a listed company on the Main Board of The Stock Exchange of Hong Kong Limited on 11 May 2005. Looking ahead, the Group will continue to enhance its production capacity with a view to meeting increasing customers' needs while maintaining the Group's persistent excellent product quality.

Year	Event
1993	The Group started its business through the establishment of EVA Limited, a subsidiary of the Group, in Hong Kong. The Group established its first production plant in Shenzhen, the PRC in the same year. The Group started its business as a metal stamping mould manufacturer and its business was later extended to the manufacture of metal stamping components.
2002	Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group, was accredited as one of the "300 Enterprises with Highest Growth Potential in Shenzhen" (深圳市300家最具成長性企業) and "Shenzhen Top Ten Industry Practitioner" (深圳行業10強企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). The first factory building of the Group's current industrial park in Shenzhen with a construction area of approximately 21,000 sq.m. was completed. The Group's production lines were moved to the Group's current industrial park in Shenzhen in the same year.
2003	The second factory building of the Group's current industrial park in Shenzhen with a construction area of approximately 19,000 sq.m. was completed. Yihe Precision Hardware (Shenzhen) Co., Ltd. was awarded with the ISO9001:2000 certification in respect of quality management system and ISO14001:1996 certification in respect of environmental management system by the BSI Group. It was also acredited as: – "Hi-Tech Enterprise in Shenzhen" (深圳市高新技術企業) by Shenzhen Science and Technology Bureau (深圳市科學技術局); – "Reliable and Credible Enterprise" (守合同重信用企業) by Shenzhen Bureau of Industry and Commerce Administration (深圳市工商行政管理局); – "Quality Assurance Honourable Enterprise in the PRC (Brand)" (中國質量承諾誠信經營企業(品牌)) by Quality Assurance Centre for PRC Light Industry Products (中國中輕產品質量保障中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).

Year	Event
2004	Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with the "Excellent Supplier Award" (優秀供應商獎) and "Acclamation Certificate" (表彰狀) by Toshiba, "Very Valuable Vendor (Improvement) Award" (VVV獎－進步獎) and "Certificate of Green Activity" by Canon. The Group expanded into plastic mould and component manufacturing business through the establishment of EVA Plastic Mould Products (HK) Limited in Hong Kong and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. in Shenzhen. The first production line of the Group's plastic division was established and located in the second factory building of the Group's industrial park in Shenzhen for trial production.
2005	EVA Precision Industrial Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with "Very Valuable Vendor (2004 Best Assistance) Award" (VVV獎－2004最佳協力獎) by Canon, "Acclamation Certificate" (表彰狀) by Konica Minolta, an approval certificate for chemical substances management (CMS) standard by Ricoh and a gratitude trophy by Fuji Xerox. The construction of the third factory building of the Group's industrial park in Shenzhen was completed and thereafter the Group's plastic production line was moved to the third factory building of the Group's industrial park in Shenzhen and commenced commercial production. The Group started to establish a new production plant in Suzhou through the establishment of EVA Precision Industrial (Suzhou) Limited. Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited "Shenzhen Most Respected and Influential Enterprise" (深圳最受尊敬(最具影響力)企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).

Year	Event
2006	The construction of phase one of the Group's new production plant in Suzhou was completed and commenced production. EVA Limited received "2006 First Round Southern China Quality VVV (Very Valuable Vendor) Award" (VVV獎– 2006年華南地區品質準優秀獎) and "VVV (Remarkable Effort) Award" (VVV獎－敢鬪獎) from Canon. EVA Precision Industrial Holdings Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received an approval certificate for chemical substances management (CMS) standard from Epson. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and Okuno Precision Metal Co., Limited received an approval certificate for chemical substances management (CMS) standard from Ricoh. Yihe Precision Hardware (Shenzhen) Co., Ltd. received "High and New Technology Project" (高新技術項目) accreditation from Shenzhen Technology and Information Bureau (深圳市科技和信息局) and was accredited as "Enterprise with Highest Growth Potential in Human Resources" (深圳市最具人材成長價值企業) by Shenzhen Human Resources Exchange Services Centre (深圳市人材交流服務中心) and Shenzhen Enterprises Evaluation Association (深圳市企業評價協會). EVA Precision Industrial Holdings Limited was accredited as "Enterprise with Highest Growth Potential in China" (中國最具成長性企業) by Chinese Enterprise Union (中國企業聯合會) and Chinese Entrepreneur Union (中國企業家協會), "Most Creative Enterprise in China" (中國最具創新力企業) by China Marketing Association (中國市場學會) and China Enterprises News Society (中國企業報社) and "Shenzhen Top 100 Enterprise" (深圳百強企業) by Shenzhen Enterprises Association (深圳市企業聯合會) and Shenzhen Commercial Press (深圳商報). EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO 9001: 2000 integrated certification from the BSI Group. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was awarded with TS16949:2002 certification in respect of the production of automobile parts by the BSI Group.

Year	Event
2007	EVA Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "Encouragement Award"(鼓勵獎), "2006 Supplier Special Improvement Award" (2006年供應商特別改善獎) and "Environment Friendly Corporate Certificate" (環保企業證書) from Fuji Xerox.
	EVA Limited received "2007 Second Round Southern China Quality VVV (Very Valuable Vendor) Award" (VVV獎-2007年華南地區品質準優秀獎) from Canon.
	Yihe Precision Hardware (Shenzhen) Co., Ltd. received "P-DOAZ (Part-Defect on Arrival Zero) Award" (零部件零缺陷獎) and "Environmental Collaboration Program Certificate" (環保系統證書) from Konica Minolta.
	EVA Precision Industrial Holdings Limited was accredited as "2007 China's Manufacturing Top 500" (2007年中國製造500強) by World Company Competitiveness Laboratory (世界競爭力實驗室), China Industrial and Economic Academy (中國工業經濟研究院) and World Production Review China Editorial Office (全球製造評論中文版編輯部).
	EVA Precision Industrial Holdings Limited received "Corporate Citizen – Responsibility for Society Award" (企業公民－責任獻社會獎) from China Social Welfare Association – China Committee of Corporate Citizenship (中國社會工作協會企業公民委員會).
	EVA Precision Industrial Holdings Limited received "Best Under a Billion Award" from Forbes (Asia) magazine.
	Yihe Precision Hardware (Shenzhen) Co., Ltd. was accredited as "Shenzhen Most Influential Enterprise" (深圳最具影響力企業) by Shenzhen Enterprises Evaluation Association (深圳市企業評價協會).
	EVA Precision Industrial Holdings Limited and its subsidiaries – Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., Okuno Precision Metal Co., Limited and EVA Precision Industrial (Suzhou) Limited jointly obtained ISO 14001: 2004 integrated certification from the BSI Group.

OPERATING RESULTS		**2007**	2006	2005	2004	2003
Turnover	HK$'000	**952,030**	691,240	485,023	296,860	167,729
Earnings before interest and taxation (EBIT)	HK$'000	**173,013**	128,763	98,974	75,417	32,948
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	HK$'000	**223,076**	160,344	119,352	89,320	41,620
Profit attributable to equity holders of the Company	HK$'000	**153,856**	108,649	83,215	65,763	30,166
FINANCIAL POSITION						
Net cash generated from operating activities	HK$'000	**141,403**	87,322	75,772	52,356	44,335
Net current assets (liabilities)	HK$'000	**253,870**	30,746	4,673	(33,040)	(46,277)
Shareholders' equity	HK$'000	**930,719**	498,596	306,892	110,757	77,158
PER SHARE DATA						
Earnings per share – Basic (Note 1)	HK cents	**22.5**	18.5	17.6	16.9	7.7
– Diluted (Note 2)	HK cents	**21.9**	18.5	N/A	N/A	N/A
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation (EBITDA) margin	(%)	**23.4**	23.2	24.6	30.1	24.8
Net profit margin	(%)	**16.2**	15.7	17.2	22.2	18.0
Return on shareholders' equity	(%)	**16.5**	21.8	27.1	59.4	39.1
Net debt-to-equity ratio (Note 3)	(%)	**Net cash**	26.9	29.3	138.8	73.1

Note 1:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of (i) 685,190,000 ordinary shares in issue during the year ended 31 December 2007; (ii) 587,288,000 ordinary shares in issue during the year ended 31 December 2006; (iii) 473,699,000 ordinary shares in issue during the year ended 31 December 2005; and (iv) 390,000,000 ordinary shares deemed to be in issue during the year ended 31 December 2003 and 2004 as if the share capital of the Company outstanding immediate after the capitalisation issue executed on 20 April 2005 in connection with the listing of the Company on The Stock Exchange of Hong Kong Limited had been in existence throughout the years.

Note 2:

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of 587,617,000 ordinary shares and 702,687,000 ordinary shares respectively for the years ended 31 December 2006 and 2007 adjusted to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. There are no potential dilutive ordinary shares before 2006.

Note 3:

Net debt-to-equity ratio is calculated based on the total balance of bank borrowings, finance lease liabilities and amount due to related parties less cash and bank balances divided by shareholders' equity.

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 and qualified accountant

Mr. Wong Hoi Chu Francis
FCCA CPA

Authorised representatives

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

Head office

Unit 8, 6th Floor
Greenfield Tower
Concordia Plaza
No. 1 Science Museum Road
Kowloon, Hong Kong

Registered office

Codan Trust Company
(Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Auditors

PricewaterhouseCoopers
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
Orix Asia Limited
Dah Sing Bank, Limited
CITIC Ka Wah Bank Limited

Mainland China

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

Legal advisor

Jones Day

Principal share register and transfer office

Bank of Bermuda (Cayman) Limited
P.O. Box 513GT, Strathvale House
North Church Street
George Town
Grand Cayman, Cayman Islands
British West Indies

Hong Kong branch share register and transfer office

Computershare Hong Kong
Investor Services Limited
Rooms 1712-1716, 17th floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Investor and media relation

CCG Elite Investor Relations
Limited

Website

www.eva-group.com
www.irasia.com/listco/hk/evaholdings

On behalf of the Board of Directors, I am pleased to present to you the annual report of EVA Precision Industrial Holdings Limited (the "Company" and together with its subsidiaries collectively referred to as the "Group") for the year ended 31 December 2007. During the year under review, the Group's turnover and profit achieved satisfactory growth. Turnover amounted to approximately HK$952,030,000, representing an increase of 37.7% as compared with the previous year. Profit attributable to equity holders of the Company grew by 41.6% over that of the previous year to reach approximately HK$153,856,000. Our continued commitment to offering premium and integrated services that exceed our customers' requirements and expectations was what underlined our success.

To share our satisfactory results with our supportive shareholders, a final dividend of HK3.4 cents per ordinary share will be proposed. The Group pledges to be mindful in striking a balance between meeting investors' expectation for financial returns and the prevailing financial situation of the Group. Together with the payment of an interim dividend of HK3 cents per ordinary share, the full year dividend for 2007 will amount to HK$46,127,000.


Business development

Year 2007 was a year of achievement and investment for us and noteworthy advances were made. Spotting vast potential in the Yangtze River Delta region where more and more of the Group's existing customers or targeted customers have established or are about to establish production bases, the Group had established a new production plant in Suzhou (phase one) which commenced commercial operations in the second half of 2006. The new Suzhou production plant (phase one) had delivered encouraging results during the year ended 31 December 2007, with turnover and net profit amounted to approximately HK$113,417,000 and HK$12,766,000 respectively as compared to the turnover and net loss of approximately HK$21,371,000 and HK$2,951,000 respectively for the year ended 31 December 2006. Inspired by the encouraging performance of phase one of the Group's Suzhou production plant, the Group had commenced the construction of phase two of the Suzhou production plant with a planned construction area of approximately 59,000 square metres by end of 2007, which is targeted for completion in the first half of 2009. The expansion of the Group's Suzhou production plant will enable the Group to strengthen relationship with existing customers with production bases in the Yangtze River Delta region and forge new business relationships.

All of the metal stamping and plastic injection components produced by the Group are principally made from moulds. Under the current business model of the Group, the Group's customers normally require the Group to design and manufacture the relevant moulds before the placement of orders for metal stamping and plastic injection components. The completed moulds are then consigned in the Group's production plants for the subsequent mass production of components. Accordingly, the manufacturing capability and quality standards of moulds are the crucial determinants for securing large-scale orders from customers for the subsequent production of metal stamping and plastic injection components. With a view to increasing the Group's production capacity of moulds, the Group had constructed a new mould research and development centre in Shenzhen. Construction of the new mould research and development centre had been completed in early 2008 and is currently under trial production stage. With an expanded mould production capability, the Group will not only be able to obtain more orders under its existing business model but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers who retain production plants in overseas countries.

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 constructing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a planned construction area of approximately 33,000 square metres had commenced in 2007 and is expected to be completed by end of 2008. The establishment of a new production plant in Zhongshan which is in the proximity of the Group's existing and targeted customers located in the western bank of the Pearl River Delta region will not only reduce transportation costs, but can also strengthen the Group's relationship with its existing customers and enable the Group to develop new business relationships which will finally translate into larger business volume for the Group.

Prospects

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

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

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

Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2008

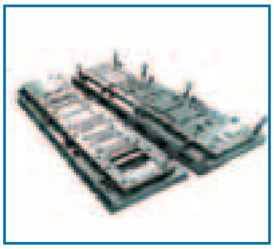
Business review

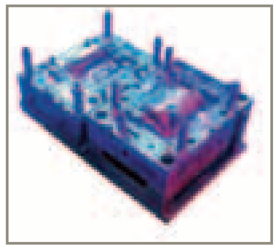
During the year ended 31 December 2007, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. A review of the Group's operations for the year ended 31 December 2007 is as follows:

Metal division

During the year ended 31 December 2007, the turnover of the Group's metal division increased by 24.6% to approximately HK$766,373,000 as compared to that of approximately HK$615,002,000 for the year ended 31 December 2006. During the year, 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 83.6% of the Group's total sales for the year ended 31 December 2007 (For the year ended 31 December 2006: 82.6%).

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 381 employees and other engineers and technicians of 695 employees as at 31 December 2007.

Such investment in quality and production management has proven to be beneficial to the Group. During the year ended 31 December 2007, the sales of the Group's metal division to most of its major Japanese customers increased significantly. Apart from Japanese customers, the remaining 16.4% of sales of the Group was derived from reputable Hong Kong or international companies during the year ended 31 December 2007. 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 a 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 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 year ended 31 December 2007, the Group's plastic division continued to strengthen its foothold in the market. Turnover of the Group's plastic division for the year ended 31 December 2007 amounted to approximately HK$185,657,000, representing an increase of approximately 143.5% as compared to that for the year ended 31 December 2006. Operating profit of the Group's plastic division was approximately HK$31,590,000 for the year ended 31 December 2007, as compared to an operating profit of approximately HK$12,876,000 for the year ended 31 December 2006.

Human resources

As at 31 December 2007, the total number of employees of the Group was 3,961 employees, representing a growth of 32.4% as compared to 2,991 employees as at 31 December 2006. The increase in headcount was primarily due to the continuous expansion of the Group during the year ended 31 December 2007.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success, in particular in a business environment where shortage of labour exists. Various employee activities were organised to inspire the team spirit of the Group's staff, which includes the organization 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. The Group also provides all-round trainings to employees (including junior engineers) to upgrade their know-how to cope with fast-changing technology.

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 steel, 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. During the year ended 31 December 2007, approximately 37%, 57% and 6% (For the year ended 31 December 2006: 42%, 54% and 4%) of the Group's sales and approximately 24%, 64% and 12% (For the year ended 31 December 2006: 29%, 58% and 13%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Management is aware of the potential foreign currency risk that may arise from the continuous appreciation of Renminbi by the PRC government. Although only a small portion of the Group's purchases are denominated in Renminbi currently, the Group had taken actions to manage its foreign currency exposure. In particular, despite the Group's substantial business operations in Mainland China, all of the Group's borrowings 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:

	2007 HK$'000	2007 %	2006 HK$'000	2006 %
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**83,463**	**8.8%**	72,476	10.5%
Manufacturing of metal stamping components	**600,763**	**63.1%**	481,088	69.6%
Manufacturing of lathing components	**55,025**	**5.8%**	45,530	6.6%
Others *(Note 1)*	**27,122**	**2.8%**	15,908	2.3%
	766,373		615,002	
Plastic division				
Design and fabrication of plastic injection moulds	**33,319**	**3.5%**	14,833	2.1%
Manufacturing of plastic injection components	**151,150**	**15.9%**	61,363	8.9%
Others *(Note 1)*	**1,188**	**0.1%**	42	–
	185,657		76,238	
Total	**952,030**		691,240	
Segment results				
Metal division	**140,105**		116,032	
Plastic division	**31,590**		12,876	
Operating profit	**171,695**		128,908	
Unallocated income/(expenses)	**1,318**		(145)	
Finance income	**1,488**		1,094	
Finance costs	**(7,521)**		(9,646)	
Income tax expenses	**(13,124)**		(11,562)	
Profit attributable to equity holders of the Company	**153,856**		108,649	

Note 1: Others mainly represent sales of scrap materials

Turnover

Metal division

Turnover of the Group's metal division increased by approximately 24.6% from approximately HK$615,002,000 for the year ended 31 December 2006 to approximately HK$766,373,000 for the year ended 31 December 2007. With the continuous development of the Group's production management and its reputation among prominent international manufacturers, the Group's metal division continued to experience an increase in sale orders from existing customers during the year ended 31 December 2007.

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. As such, management believes that the Group's plastic division is in a strong position to deliver continuing business growth. During the year ended 31 December 2007, turnover of the Group's plastic division amounted to approximately HK$185,657,000, representing an increase of approximately 143.5% as compared to that of approximately HK$76,238,000 for the year ended 31 December 2006.

Gross profit

The Group achieved a gross profit of approximately HK$302,657,000 for the year ended 31 December 2007, representing an increase of approximately 36.9% as compared to that for the year ended 31 December 2006. Gross profit margin for the year ended 31 December 2007 was approximately 31.8%, which decreased slightly as compared to that of approximately 32.0% for the year ended 31 December 2006. During the year ended 31 December 2007, the proportion of the Group's revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover was diluted slightly from approximately 12.6% for the year ended 31 December 2006 to approximately 12.3% for the year ended 31 December 2007 despite an increase in its amount by approximately 33.8% from approximately HK$87,309,000 to approximately HK$116,782,000 during the same period, which was caused by an even higher revenue growth rate of the other products of the Group. Since the design and fabrication of moulds was historically the Group's higher margin business, the dilution in the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover had resulted in a slight reduction in the Group's overall gross profit margin for the year ended 31 December 2007.

Segment results

For the year ended 31 December 2007, segment result of the Group's metal division amounted to approximately HK$140,105,000, representing a 20.7% increase as compared to that of approximately HK$116,032,000 for the year ended 31 December 2006. This increase was primarily brought by the surge of turnover of the Group's metal division during the year. The operating profit margin of the Group's metal division for the year ended 31 December 2007 was approximately 18.3%, which decreased slightly as compared to that of approximately 18.9% for the year ended 31 December 2006. The decrease in operating profit margin of the Group's metal division was mainly caused by (i) the slight dilution of the Group's overall gross profit margin as a result of the reduction in the proportion of revenue from design and fabrication of moulds to total turnover as described above and (ii) increase in expenses relating to employee share options, which were mainly issued to employees of the Group's metal division, from approximately HK$3,188,000 for the year ended 31 December 2006 to approximately HK$9,186,000 for the year ended 31 December 2007.

Segment result of the Group's plastic division for the year ended 31 December 2007 was approximately HK$31,590,000, which increased by approximately 145.3% as compared to that of approximately HK$12,876,000 for the year ended 31 December 2006. Operating profit margin of the Group's plastic division for the year ended 31 December 2007 was approximately 17.0%, which was comparable to that for the year ended 31 December 2006.

Finance costs

The Group's finance costs for the year ended 31 December 2007 amounted to approximately HK$7,521,000, which decreased by approximately 22.0% as compared to that of approximately HK$9,646,000 for the year ended 31 December 2006. During the year ended 31 December 2007, the Group executed a share placement which generated a net proceed of approximately HK$310,178,000. At the same time, the Group's internally generated cash flow continued to improve as a result of the expansion of the Group's business scale. Therefore, the Group had become less reliant on borrowings and financial costs decreased during the year ended 31 December 2007.

Income tax expenses

During the year ended 31 December 2007, income tax expenses amounted to approximately HK$13,124,000. Effective tax rate (defined as the percentage of income tax expenses as compared to profit before income tax) for the year ended 31 December 2007 was approximately 7.9%, which decreased as compared to that of approximately 9.6% for the year ended 31 December 2006. During the year ended 31 December 2007, Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited, the principal subsidiaries for the Group's plastic business and operations in Suzhou respectively, were exempted from PRC enterprise income tax. Since the profit recorded by Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision

Industrial (Suzhou) Limited during the year ended 31 December 2007 increased significantly as a result of the improvement in the performance of the Group's plastic division and Suzhou operations, the Group's overall effective tax rate was diluted from approximately 9.6% for year ended 31 December 2006 to approximately 7.9% for the year ended 31 December 2007.

Profit attributable to equity holders of the Company

During the year ended 31 December 2007, profit attributable to equity holders of the Company amounted to approximately HK$153,856,000, which increased by approximately 41.6% as compared to approximately HK$108,649,000 for the year ended 31 December 2006. Net profit margin of the Group for the year ended 31 December 2007 was approximately 16.2%, which increased as compared to that of 15.7% for the year ended 31 December 2006. The increase in net profit margin of the Group was primarily attributable to (i) economy of scale caused by the continuing expansion of the Group during the year ended 31 December 2007; and (ii) the reduction of overall effective tax rate of the Group for the year ended 31 December 2007.

By geographical location

	2007 HK$'000	2006 HK$'000
Turnover		
Shenzhen operations	**838,613**	669,869
Suzhou operations	**113,417**	21,371
	952,030	691,240
Profit attributable to equity holders of the Company		
Shenzhen operations	**141,090**	111,600
Suzhou operations	**12,766**	(2,951)
	153,856	108,649

As indicated on the above, a substantial portion of the Group's turnover for the year ended 31 December 2007 was still derived from the Group's Shenzhen production plant since the Group's new Suzhou production plant only commenced commercial operations in late 2006 and therefore the Suzhou production plant was still under initial development stage during the year ended 31 December 2007. However, the Suzhou production plant was still able to contribute turnover of approximately HK$113,417,000 and net profit of approximately HK$12,766,000 during the year ended 31 December 2007, representing approximately 11.9% and 8.3% of the Group's total turnover and net profit respectively during the year.

Liquidity, financial resources and ratios

For the year ended 31 December 2007, the Group recorded net cash generated from operating activities amounting to approximately HK$141,403,000, representing an increase of approximately 61.9% as compared to that of approximately HK$87,322,000 for the year ended 31 December 2006. The increase in net cash generated from operating activities was primarily caused by the increase in the turnover and profit of the Group during the year ended 31 December 2007. Net cash used in investing activities, which was primarily related to the purchases of fixed assets, amounted to approximately HK$223,533,000 for the year ended 31 December 2007 and increased by approximately 27.2% as compared to that of approximately HK$175,742,000 for the year ended 31 December 2006 due to the continuous expansion of the Group's scale of operations. In addition, the Group recorded an increase in net cash generated from financing activities from approximately HK$108,381,000 for the year ended 31 December 2006 to approximately HK$159,869,000 for the year ended 31 December 2007, which was primarily caused by the receipt of the net proceeds from the Group's share placement in April 2007.

Bank loans as at 31 December 2007 were denominated in Hong Kong dollars with fixed or 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 31 December 2007 are as follows:

	31 December 2007	31 December 2006
Inventory turnover days *(Note 1)*	**87**	78
Debtors' turnover days *(Note 2)*	**80**	81
Creditors' turnover days *(Note 3)*	**86**	87
Current ratio *(Note 4)*	**1.96**	1.09
Net debt-to-equity ratio *(Note 5)*	**Net cash**	0.27

Note:

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the 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 year.

3. Calculation of creditors' turnover is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the year.

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

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

Inventory turnover days

Inventory turnover days for the year ended 31 December 2007 increased to approximately 87 days as compared to that of approximately 78 days for the year ended 31 December 2006. The increase in inventory turnover days for the year ended 31 December 2007 was primarily due to the accumulation of inventories as at 31 December 2007 to cope with the expected increase in the Group's turnover in 2008.

Debtors' and creditors' turnover days

During the year ended 31 December 2007, the Group's debtors' and creditors' turnover days were approximately 80 days and 86 days respectively, which were comparable to those for the year ended 31 December 2006.

Current ratio and net debt-to-equity ratio

During the year ended 31 December 2007, the Group received net proceeds from share placement amounting to approximately HK$310,178,000 which improved the Group's equity base. Coupled with the continuous inflow of cash from operations, the Group's current ratio improved and changed from approximately 1.09 as at 31 December 2006 to approximately 1.96 as at 31 December 2007. The Group was also in net cash position as at 31 December 2007.

Charges on the Group's assets

As at 31 December 2007, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$8,437,000 which were pledged in favour of contractors of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong with net book value of approximately HK$8,221,000 for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$101,612,000 for securing finance lease liabilities.

Outlook

During the year ended 31 December 2007, the Group 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 had established a new production plant in Suzhou (phase one) which commenced commercial operations in late 2006 and was under initial development stage during the year ended 31 December 2007. The Group's Suzhou production plant primarily focuses on serving various Japanese and other multi-national manufacturers located in the Yangtze River Delta region, which are the target customers of the Group taking into account (i) their credibility; (ii) the potential scale of their future sale orders and (iii) the higher profitability which is likely to be obtained by serving multi-national manufacturers than small scale local manufacturers owing to more stringent quality and production requirements of Japanese and multi-national manufacturers. Taking into account the concentration of multi-national manufacturers in the Yangtze River Delta region, management sees great potential in this market and expects the Suzhou production plant to provide strong momentum for the continuous growth of the Group in the future. During the year ended 31 December 2007, the Suzhou production plant (phase one) had delivered encouraging results with turnover and net profit amounting to approximately HK$113,417,000 and HK$12,766,000 as compared to the turnover and net loss of approximately HK$21,371,000 and HK$2,951,000 for the year ended 31 December 2006 respectively. Inspired by the encouraging performance of phase one of the Group's Suzhou production plant, the Group had commenced the construction of phase two of the Suzhou production plant with a planned construction area of approximately 59,000 square metres by end of 2007, which is targeted for completion in the first half of 2009. The expansion of the Group's Suzhou production plant will enable the Group to strengthen relationship with existing customers with production bases in the Yangtze River Delta region and at the same time forge new business relationships.

With a view to transforming itself to a fully integrated one-stop service provider, the Group had also continued to develop its plastic division during the year ended 31 December 2007. The Group decided to expand its plastic business because, while part of the office automation equipment is made of metal components, plastic components account for the remaining portion. With the continuous development of the Group's plastic division, turnover generated by the Group's plastic division during the year ended

31 December 2007 increased by approximately 143.5% to approximately HK$185,657,000, as compared to the turnover of approximately HK$76,238,000 for the year ended 31 December 2006.

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, in particular under the current trend that the Group's customers will update their product models on a more frequent basis and accordingly require their suppliers to complete the relevant moulds within a shorter period of time. With a view to increasing the Group's production capacity of moulds, the Group had constructed a new mould research and development centre in Shenzhen. Construction of the new mould research and development centre was completed in early 2008 and is currently under trial production stage. With an expanded mould production capability, the Group will not only be able to obtain more orders under its existing business model but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers who retain production plants in overseas countries.

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 constructing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a planned construction area of approximately 33,000 square metres had commenced in 2007 and is expected to be completed by end of 2008. The establishment of a new production plant in Zhongshan which is in the proximity of the Group's existing and targeted customers located in the western bank of the Pearl River Delta region will not only reduce transportation costs, but can also strengthen the Group's relationship with its existing customers and enable the Group to develop new business relationships 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 brand owners engaging in the production of office automation equipment which includes photocopiers, 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 manufacturers 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 manufacturers 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.

Share placement

On 18 April 2007, Prosper Empire Limited entered into a placing agreement pursuant to which Prosper Empire Limited agreed to place 120,000,000 existing ordinary shares with an aggregate nominal value of HK$12,000,000 owned by Prosper Empire Limited at a price of HK$2.68 per share to not less than six independent investors. The placing price represented (i) a discount of approximately 9.76% to the closing price of HK$2.97 per share as quoted on The Stock Exchange of Hong Kong Limited on 17 April 2007, being the last full trading day before the date of the placing agreement; (ii) a discount of approximately 8.22% to the closing price of HK$2.92 per share as quoted on The Stock Exchange of Hong Kong Limited for the last five consecutive trading days up to and including 17 April 2007 and (iii) a premium of approximately 222.89% over net asset value per share of approximately HK$0.83 as at 31 December 2006 as shown in the audited consolidated balance sheet of the Group as at 31 December 2006. On the same day, Prosper Empire Limited entered into a subscription agreement with the Company for the subscription of 120,000,000 new ordinary shares with an aggregate nominal value of HK$12,000,000 at HK$2.68 which is equivalent to the placing price. The net subscription price, after deducting the costs of the relevant transactions, amounted to approximately HK$2.58 per share. The placing shares represented approximately 20% of the then existing issued share capital of the Company and approximately 16.67% of the Company issued share capital as enlarged by the subscription and the consequent issuance of 120,000,000 new shares. The relevant transactions are completed in April 2007 and the net proceeds of approximately HK$310,178,000 were received by the Company in April 2007.

The net proceeds of approximately HK$310,178,000 will be applied by the Group as to (i) HK$180,000,000 to the setting up of the Group's new mould research and development centre in Shenzhen, the PRC, which had been completed in early 2008 and is currently under trial production stage and (ii) HK$130,178,000 to the establishment of a new production plant in Zhongshan, the PRC and phase two of the Group's production base in Suzhou, the PRC, which are expected to be completed in late 2008 and the first half of 2009, respectively. As at 31 December 2007, approximately HK$101,113,000 and HK$14,912,000 of the net proceeds had been utilised for payment relating to (i) the setting up of the new mould research and development centre in Shenzhen and (ii) the establishment of a new production plant in Zhongshan and phase two of the Group's production base in Suzhou, respectively. The remaining balances of approximately HK$100,000,000 and approximately HK$94,153,000 are placed on short-term deposits for future uses and tentatively used for repayment of short-term bank borrowings with a view to reducing the finance costs of the Group, respectively. However, in respect of the short-term bank borrowings which were tentatively repaid using the net proceeds from share placement, the Group continues to retain the relevant bank facilities and therefore such bank borrowings can be redrawn at any time to finance the planned capital expenditure of the Group.

Executive directors

Mr. ZHANG HWO Jie, aged 45, is the chairman of the Group. He is responsible for the overall strategic planning and marketing development of the Group. Prior to the establishment of the Group, Mr. Zhang had worked for a PRC joint venture company engaging in civil engineering projects. He started his first business in 1983 by acting as a contractor for civil engineering projects of the local government. In 1993, Mr. Zhang established EVA Limited and thereafter Mr. Zhang acquired extensive experience in customer relationship development and corporate management. He has over 10 years of experience in marketing, strategic planning and corporate management in the metal and moulding industry. Mr. Zhang Hwo Jie is one of the founders of the Group in 1993. Mr. Zhang was appointed as a director on 27 July 2004.

Mr. ZHANG Jian Hua, aged 34, is the vice-chairman of the Group. He is responsible for the overall supervision of day-to-day operations of the Group. Mr. Zhang graduated from the University of Shenzhen (深圳大學) with a diploma in finance and taxation. Prior to joining the Group, he operated his own business in the civil engineering industry where he obtained substantial experience in business development and management. He is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Yaohua. Mr. Zhang was appointed as a director on 14 September 2005.

Mr. ZHANG Yaohua, aged 35, is the chief executive officer of the Group. He is responsible for the operation and management of the Group. He joined the Group in 1993 and was one of the co-founders of the Group. Mr. Zhang has over 10 years of operational management experience in the industry of precision metal mould and component manufacturing. He is presently the vice president of the Shenzhen Machinery Association (深圳市機械行業協會). Mr. Zhang has obtained the international chief human resource officer qualification from the Hong Kong International Enterprise Management Institute in September 2003 and was accredited as one of the outstanding personalities in machinery industry by the Shenzhen Machinery Association (深圳市機械行業協會) in 2004. Further, Mr. Zhang was accredited as a "Creative and Outstanding Person of China Enterprises" (中國企業創新優秀人物) by China Marketing Association (中國市場學會) and China Enterprises News Society (中國企業報社) in July 2006. He was also accredited as a "Certified International Organisation Planning Consultant" (註冊國際企業規劃專家) by the American Certification Institute (美國認証協會), China Human Resources Expert Science and Economic Consultancy Centre (人事部中國專家科技經濟諮詢中心) and International Professional Qualification Certificate China Examination and Instruction Centre (國際職業資格証書中國考試指導中心). Mr. Zhang is a brother of Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua. Mr. Zhang was appointed as a director on 11 January 2005.

Mr. NOMO Kenshiro, aged 66, is the executive director and senior consultant of the Group. Mr. Nomo is responsible for advising on the Group's production and operational management, business development and strategic planning. He is also a director of EVA Precision Industrial (Suzhou) Limited, a subsidiary of the Group. Mr. Nomo has over 40 years of solid experience in manufacturing, sales and marketing, public relationship and corporate management. Prior to joining the Group in June 2003, he held several managerial positions of various departments in 深圳美陽注塑有限公司, a plastic mould and component manufacturer in the PRC, from 1991 to 2003. Mr. Nomo obtained a bachelor's degree in mechanical engineering from the Industrial Institution of Japan in 1963. Mr. Nomo was appointed as a director on 11 January 2005.

Independent non-executive directors

Dr. LUI Sun Wing, aged 57, is an independent non-executive director and the chairman of the Company's audit committee. Dr. Lui was a branch director of the Hong Kong Productivity Council for the period from December 1992 to June 2000. He then joined the Hong Kong Polytechnic University as a vice president in 2000, and is now responsible for partnership development. He is also the chief executive officer of the Institute for Enterprise of the Hong Kong Polytechnic University and the chief executive officer and the chairman of the board of directors of PolyU Technology & Consultancy Co., Limited. Dr. Lui is also a director of Advance New Technology Limited, a non-executive director of Eco-Tek Holdings Limited and independent non-executive directors of Leeport (Holdings) Limited, Hang Fung Gold Technology Limited and Smart Union Group (Holdings) Limited. Dr. Lui was appointed as a director on 11 January 2005.

Mr. CHOY Tak Ho, aged 79, is an independent non-executive director. Mr. Choy has 40 years of experience in international trading business in Hong Kong. He is the president of Union International (H.K.) Co., Ltd., the founding chairman of Hong Kong Kwun Tong Industries and Commerce Association Limited and the honorary president of the Chinese Manufacturers' Association of Hong Kong Limited. He is also a member of National Committee of the 8th and 9th Chinese People's Political Consultation Conference, the honorary director of China Overseas Friendship Association, a member of the 6th, 7th and 8th executive committee of All China Federation of Industry and Commerce, the 4th honorary president of Guangdong Chamber of Foreign Investors, the honorary vice president of Pui Ching Commercial College, the charter president of Hong Kong and Overseas Chinese Association of Commerce Ltd., the honorary permanent president of Hong Kong Commerce Industrial Associations and the honorary life chairman of Chinese General Chamber of Commerce Hong Kong. He currently also serves as the independent non-executive director of Sino Golf Holdings Limited, Oriental Explorer Holdings Limited and Multifield International Holding Limited. He was appointed as a director on 11 January 2005.

Mr. Leung Tai Chiu, aged 61, is an independent non-executive director. Mr. Leung is a Fellow of Institute of Chartered Accountants in England and Wales. He obtained his professional qualification in the United Kingdom in 1975 and has worked in the auditing profession for over 30 years, 20 years of which as a partner. Mr. Leung retired from PricewaterhouseCoopers effective from 1 May 2005. Mr. Leung is also an independent non-executive director of Kingboard Laminates Holdings Limited. He was appointed as a director on 5 June 2006.

Senior management

Mr. WONG Hoi Chu Francis aged 35, is the chief financial officer and company secretary of the Group. Mr. Wong is responsible for the accounting, taxation and financial affairs of the Group. Mr. Wong has over ten years of experience in the field of auditing, accounting and taxation. He is a member of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. Prior to joining the Group in September 2004, he served as a senior manager of a major international accounting firm. Mr. Wong holds a bachelor's degree in business management from the Hong Kong University of Science and Technology.

Mr. CHEN Hong Bin, aged 40, is the general manager of Shenzhen EVA Mould Manufacturing Limited and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., subsidiaries of the Group. Mr. Chen is responsible for the general operation and management of Shenzhen EVA Mould Manufacturing Limited. Mr. Chen has over 15 years of experience in manufacturing and operational management. Prior to joining the Group in July 2002, he served as the factory manager of the metal and plastic factory of ART Precision Industrial Ltd. (深圳藝晶五金實業有限公司). Mr. Chen holds a bachelor's degree in business and administration from the University of Shenzhen (深圳大學). Mr. Chen is also a director of Shenzhen EVA Mould Manufacturing Limited, Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., subsidiaries of the Group.

Mr. HU Xiao Feng, aged 38, is the general manager of Yihe Precision Hardware (Shenzhen) Co., Ltd., a subsidiary of the Group. Mr. Li is responsible for the general operation and management of Yihe Precision Hardware (Shenzhen) Co., Ltd. Mr. Hu joined the Group in December 2004. Prior to joining the Group, Mr. Hu had 10 years of experience in the metal stamping industry, specializing in the office automation equipment sector. Mr. Hu has extensive knowledge in various aspects of the manufacturing industry which include production operations, quality control and logistic management. Mr. Hu holds a high diploma in business administration from Peking University (北京大學) and has obtained a professional management qualification certificate from the Hong Kong Human Resource Accreditation Centre.

Mr. SONG Lei, aged 34, is the general manager of EVA Precision Industrial (Suzhou) Limited. Mr. Song is responsible for the overall operation and management of EVA Precision Industrial (Suzhou) Limited. Mr. Song joined the Group in 1997. He had previously taken up various positions inside the Group which included ERP system manager, human resources manager and sales manager and was appointed as the general manager of EVA Precision Industrial (Suzhou) Limited in December 2007. Mr. Song has over 10 years of marketing, corporate planning and management experience in the metal and moulding industry and have extensive knowledge in production operations, quality control and logistic management. Mr. Song holds a bachelor degree in Computer and Applications from Fushun Petroleum Institute (now renamed as Liaoning Shihua University).

Mr. LIU You Wan, aged 35, is the deputy general manager of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. Mr. Liu is responsible for the overall management and operations of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. Mr. Liu joined the Group and was appointed to his current position in December 2007. Prior to joining the Group, he had accumulated over 13 years of quality control, technology, marketing and production management experience in the plastic and moulding industry, specialising in the office automation equipment sector. Mr. Liu has extensive knowledge in production operations, quality and logistic management. Mr. Liu holds a professional diploma in mechanical and electrical applications from Jiangxi Hailian University and has obtained a professional management certificate from the Ministry of Labour and Social Security of the People's Republic of China.

The Group has strong intention to comply with the provisions 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 (the "Listing Rules"). The Company has its own code of conduct regarding corporate governance which is not less stringent than the provisions of the Code on Corporate Governance Practices of the Listing Rules and the Company also has a policy of seeking to comply with established best practice in the field of corporate governance.

The Board of Directors

The Group is controlled by its Board of Directors. Accountable to the shareholders, the Board is collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the implementation of internal control procedures and the ensuring of compliance with relevant statutory requirements and other rules and regulations. The Board of Directors reviews the performance of the operating divisions on a regular basis and also exercises a number of reserved powers, including:

- formulating long-term strategy;
- approving public announcements including the interim and annual financial statements;
- setting dividend policy;
- approving major acquisitions, divestments and capital experience;
- reviewing the Group's systems of financial control and risk management;
- approving appointments to the Board of Directors and the company secretary; and
- approving material borrowings and treasury policy.

The Board consists of seven directors including four executive directors and three independent non-executive directors:

Executive directors

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

Independent non-executive directors

Dr. Lui Sun Wing
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua are brothers. Save as aforesaid, the Board members have no financial, business, family or other material relationships with each other. A balanced board composition is formed to ensure strong independence exists across the Board and currently more than one-third of its members comprises independent non-executive directors. The biographical information of directors are set out on page 27 to page 30 under the section headed "Directors and Senior Management Profile" of the annual report.

The Group has arranged appropriate insurance cover in respect of relevant actions against its directors with the details and coverage of this insurance being reviewed each year.

Independent non-executive directors

The independent non-executive directors are persons of high caliber, with extensive experience in the field of accounting, financial management and trading and manufacturing businesses. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The Group has received from each of the independent non-executive directors an annual confirmation of his independence as required under the Listing Rules. As such, the Group considers all independent non-executive directors to be independent.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years and is also subject to retirement by rotation in the annual general meeting of the Company.

Chairman and Chief Executive Officer

To ensure the a balance of power and authority, the role of the Chairman and Chief Executive Officer is segregated. The Chairman of the Board is Mr. Zhang Hwo Jie and the Chief Executive Offier is Mr. Zhang Yaohua. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are brothers. However, there is a clear distinction between the Chairman's responsibility for overall strategic planning and management of the Board of Directors and the Chief Executive Officer's responsibility for the supervision of day-to-day operations of the Group's business.

Directors' responsibilities for the financial statements

The directors acknowledged their responsibilities for the preparation of financial statements of the Group to ensure that these financial statements give a true and fair view of the state of affairs of the Group, its results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2007, the Board had selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The directors are also responsible for ensuring that proper accounting records of the Group which disclose the Group's financial position are kept at all times and taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in the preparation of the financial statements. The Board has also reviewed and discussed the effectiveness of system of internal control of the Group for the year ended 31 December 2007.

Board meeting

During the year ended 31 December 2007, the Board held nine meetings.

Name of directors	Number of attendance
Mr. Zhang Hwo Jie	9/9
Mr. Zhang Jian Hua	9/9
Mr. Zhang Yaohua	9/9
Mr. Nomo Kenshiro	9/9
Dr. Lui Sun Wing	9/9
Mr. Choy Tak Ho	9/9
Mr. Leung Tai Chiu	9/9

Board minutes are kept by the company secretary and are open for inspection by the directors. Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the company secretary and has the liberty to seek external professional advice if so required.

Audit committee

The Company has set up an audit committee on 20 April 2005 in accordance with the requirements of the Code on Corporate Governance Practices for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman.

The audit committee is mainly responsible for making recommendations to the Board of Directors on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of external auditors and other matters relating to the resignation or dismissal of external auditors. The audit committee also reviews the interim and annual reports and financial statements of the Group and oversees the Group's financial report system and internal control procedures.

The terms of reference of the audit committee, which are aligned with the provision set out in the Code on Corporate Governance Practices, are available on the Company's website www.irasia.com/listco/hk/evaholdings.

The audit committee held two meeting during the year ended 31 December 2007 and had attended to the following matters:

– discuss with external auditors with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules and other financial reporting requirements; and

– discuss the internal controls, risk management and financial reporting matters relating to the annual financial statements for the year ended 31 December 2006 and the interim financial statements for the six months ended 30 June 2007 before recommending the financial statements to the Board for approval.

The external auditors of the Group also attended the meeting. Individual attendance of each audit committee member at the meeting is as follows:

Name of audit committee member	**Attendance**
Dr. Lui Sun Wing	2/2
Mr. Choy Tak Ho	2/2
Mr. Leung Tai Chiu	2/2

The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2007.

Nomination and remuneration of directors

In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. Furthermore, as the full Board is responsible for the selection and approval of candidate for the appointment of director to the Board, the Group therefore has not established a nomination committee at present.

The Group had established a remuneration committee which comprises two independent non-executive directors, namely Dr. Lui Sun Wing and Mr. Choy Tak Ho and the chairman and executive director Mr. Zhang Hwo Jie on 22 June 2005. Mr. Zhang Hwo Jie is the chairman of the remuneration committee. The remuneration committee has rights and duties consistent with those set out in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee is principally responsible for formulating the Group's policy and structure for all remuneration of the directors and senior management and for providing advice and recommendations to the Board of Directors. The terms of reference of the remuneration committee are available on the Company's website www.irasia.com/listco/hk/evaholdings.

During the year ended 31 December 2007, the remuneration committee held two meetings with all members presented at the meetings. The remuneration committee reviewed and discussed the remuneration package of the directors and senior management members which is determined by reference to the prevailing market conditions, the business development of the Group and the responsibilities of individual directors and senior management members. Details of the remuneration to directors and senior management members for the year ended 31 December 2007 are set out in Notes 21 and 29 to the consolidated financial statements.

The Company had conditionally adopted a share option scheme on 20 April 2005 which became unconditional on 11 May 2005. The purpose of the share option scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. The eligible participants of the share option scheme include any executive, non-executive and independent non-executive directors of the Company. Further details in respect of the Group's share option scheme are set out in the sub-section headed "Share options" under the section headed "Report of the Directors" of the annual report.

Auditors' remuneration

During the year ended 31 December 2007, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditors, amounted to HK$1,750,000. The audit fee was approved by the audit committee. The statement made by the auditors in respect of their reporting responsibilities are set out on page 51 to page 52 of this annual report.

During the year ended 31 December 2007, the total remuneration for permissible non-audit services provided by the external auditors (including any entity under common control, ownership or management with the auditors) amounted to HK$372,000. The non-audit services mainly comprised tax compliance and tax advisory services of approximately HK$52,000 and agreed-upon procedures on review of interim consolidated financial statements of approximately HK$320,000. The audit committee had been briefed in respect of the non-audit services and related fees and was satisfied that such services did not (in terms of the nature of services and the amount of fees charged) affect the independence of external auditors.

The re-appointment of PricewaterhouseCoopers as auditors of the Company has been recommended by the audit committee and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standard set out in the Model Code during the year ended 31 December 2007 and up to the date of this report.

Compliance with the Code on Corporate Governance Practices

The Company and the directors confirm, to the best of their knowledge, that the Company has compiled with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2007.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2008

The directors of the Company are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2007.

Principal activities

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

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2007 is set out in Note 5 to the consolidated financial statements.

Major customers and suppliers

The percentage of purchases and sales for the year ended 31 December 2007 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	17.7%
Five largest suppliers combined	41.2%
Sales	
The largest customer	22.2%
Five largest customers combined	59.0%

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

Results

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 55.

Dividends

The Board recommends the payment of a final dividend of HK3.4 cents per ordinary share, totaling approximately HK$24,522,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held 16 May 2008, the final dividend will be payable on or about 23 May 2008. Including the interim dividend of HK$21,605,000 paid on 17 September 2007 in respect of the six months ended 30 June 2007, the total dividends declared for the year ended 31 December 2007 will be HK$46,127,000.

Property, plant and equipment

Details of the movements in property, plant and equipment during the year ended 31 December 2007 are set out in Note 6 to the consolidated financial statements.

In preparation for the listing of the Group, certain of the leasehold land, land use rights and buildings of the Group with cost of approximately HK$84,736,000 had been valued. The valuation of such leasehold land, land use rights and buildings amounted to HK$121,100,000 as at 28 February 2005, the valuation date. The leasehold land, land use rights and buildings had not been stated at valuation in the consolidated financial statements of the Group. In the consolidated financial statements of the Group, the up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or, where there is impairment, the impairment is expensed in the income statement. Buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Should the leasehold land, land use rights and buildings be stated at valuation, the additional depreciation and amortisation that would be charged to the income statement for the year ended 31 December 2007 amounted to approximately HK$1,479,000.

Borrowings and interest capitalised

Details of borrowings are set out in Note 15 and Note 16 to the consolidated financial statements. Interest and other borrowing costs capitalised by the Group during the year ended 31 December 2007 are set out in Note 22 to the consolidated financial statements.

Reserves

Details of movements in reserves during the year ended 31 December 2007 are set out in Note 18 to the consolidated financial statements.

Donations

The donations made by the Group during the year ended 31 December 2007 amounted to approximately HK$27,000.

Share capital

Details of the movements in share capital of the Company are set out in Note 17 to the consolidated financial statements.

Distributable reserves

Distributable reserves of the Company at 31 December 2007 amounted to HK$488,411,000 (2006: HK$198,823,000).

Pension schemes

Details of the Group's pension schemes are set out in Note 21 to the consolidated financial statements.

Five year financial summary

A five year financial summary of the Group is set out on page 120.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2007.

Directors and directors' service contracts

The directors of the Company during the year ended 31 December 2007 and up to the date of this report were:

Executive directors

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

Independent non-executive directors

Dr. Lui Sun Wing
Mr. Choy Tak Ho
Mr. Leung Tai Chiu

In accordance with the Company's articles of association, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Directors' interest in contracts

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

Directors' interest in competing business

During the year ended 31 December 2007 and up to the date of this report, none of the directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

Connected transactions

The following connected transaction, which also constitutes related party transaction set out in Note 29 to the consolidated financial statements, was entered into during the year ended 31 December 2007:

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 54.07% 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 approximately HK$142,000 and HK$23,000 respectively during the year ended 31 December 2007 in respect of the estimated tax charged by the HKIRD for the assessment year 2000/2001. In addition, a service fee of approximately HK$89,000 was also paid in connection with the related tax advisory service. The total sum of approximately HK$254,000 had been indemnified and reimbursed by the Indemnifiers in accordance with the above-mentioned deed of tax indemnity during the year ended 31 December 2007.

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

Specific performance obligations of the controlling shareholders

On 25 May 2007, EVA Precision Industrial (Suzhou) Limited ("EVA Suzhou"), 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 commencing from the date of first utilization 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 duly executed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua (the "Zhang's Brothers") for the account of EVA Limited are required by the Bank.

Pursuant to the Suzhou Facilities Agreements and the letters of undertaking, 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 shall maintain to hold not less than 51% of the issued share capital of the Company.

Pursuant to the Suzhou Facilities Agreements and the letters of undertaking, a breach of any of the aforesaid obligations will constitute an event of default 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.

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

1. Purpose of the Share Option Scheme:

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

2. Participants of the Share Option Scheme:

a. full-time or part-time employees of the Group;

b. directors (including any executive, non-executive and independent non-executive directors) of the Group;

c. substantial shareholders of each member of the Group;

d. associates of directors or substantial shareholders of each member of the Group; and

e. trustees of any trust pre-approved by the Board, the beneficiary of which includes any of the above-mentioned persons.

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

The total number of shares available for issue under the Share Option Scheme must not exceed 72,000,000 shares, representing 9.98% of the issued share capital of the Company as at the date of this report, unless the Company obtains further approval from the shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

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

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

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

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

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

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

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

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

8. The basis of determining the exercise price:

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

9. The remaining life of the Share Option Scheme:

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

Details of the movements of the share options under the Share Option Scheme for the year ended 31 December 2007 were as follows:

	As at 1 January 2007	Granted on 16 February 2007	Exercised during the year	Lapsed during the year	As at 31 December 2007	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
						HK$	HK$	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	300,000	–	(60,000)	–	240,000	1.72	1.70	2.75
– 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	23,150,000	–	(1,130,000)	(970,000)	21,050,000	1.72	1.70	3.25
– Granted on 10 August 2006	950,000	–	(50,000)	(300,000)	600,000	1.68	1.71	3.64
– Granted on 16 February 2007	–	7,250,000	–	(250,000)	7,000,000	1.95	1.96	–
– Granted on 16 February 2007	–	9,600,000	–	–	9,600,000	1.95	1.96	–
	29,800,000	22,050,000	(1,240,000)	(1,520,000)	49,090,000			

The fair value of the options granted on 21 June 2006 and 10 August 2006 with outstanding balances as at 31 December 2007 of 26,690,000 options and 600,000 options were HK$11,416,000 and HK$247,000, respectively. The fair value of the options granted on 16 February 2007 with outstanding balances as at 31 December 2007 of 12,200,000 options and 9,600,000 options were HK$4,587,000 and HK$2,510,000, respectively. These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Exercise price	**Expected volatility**	**Expected life**	**Risk-free rate**	**Dividend paid-out rate**
	HK$				
Granted on 21 June 2006					
– 26,690,000 options outstanding as at 31 December 2007	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006					
– 600,000 options outstanding as at 31 December 2007	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007					
– 12,200,000 options outstanding as at 31 December 2007	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 31 December 2007	1.96	32.17%	1 year	4.002%	2.17%

The expected volatility is based on historical 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.

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 26,690,000 options granted on 21 June 2006 and outstanding as at 31 December 2007		
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 600,000 options granted on 10 August 2006 and outstanding as at 31 December 2007		
20%	13 August 2007	13 August 2007 to 11 August 2010
30%	11 August 2008	11 August 2008 to 11 August 2010
50%	11 August 2009	11 August 2009 to 11 August 2010
With respect to 12,200,000 options granted on 16 February 2007 and outstanding as at 31 December 2007		
20%	4 February 2008	4 February 2008 to 2 February 2011
30%	2 February 2009	2 February 2009 to 2 February 2011
50%	2 February 2010	2 February 2010 to 2 February 2011
With respect to 9,600,000 options granted on 16 February 2007 and outstanding as at 31 December 2007		
100%	4 February 2008	4 February 2008 to 2 February 2009

Disclosure of interests in the share capital of the Company and its associated corporation

As at 31 December 2007, 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 under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(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 31 December 2007
Mr. Zhang Hwo Jie	390,000,000 *(Note 2)*	6,586,000	–	2,500,000	399,086,000	55.33%
Mr. Zhang Jian Hua	–	8,830,000	–	2,700,000	11,530,000	1.60%
Mr. Zhang Yaohua	2,824,000 *(Note 3)*	4,566,000	400,000	2,700,000	10,490,000	1.45%
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	–	450,000	–	600,000	1,050,000	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 set out in the section headed "Share options" above.

2. Mr. Zhang Hwo Jie holds 36% of the entire issued capital of Prosper Empire Limited, which was interested in 54.07% of the entire issued capital of the Company as at 31 December 2007. 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 31 December 2007
Mr. Zhang Hwo Jie	Personal interests	36%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	31%

Substantial shareholders

As at 31 December 2007, 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 hold under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	390,000,000	–	390,000,000	54.07%
Ms. Shen Chan Jie Lin	Interest of spouse *(Note 1)*	396,586,000	2,500,000	399,086,000	55.33%

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 390,000,000 shares of the Company held by Prosper Empire Limited.

Purchases, sale and redemption of shares

The Company executed a share placement on 18 April 2007 which raised net proceeds of approximately HK$310,178,000 to provide the Group with additional funds for expansion. Save for the share placement, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's shares during the year ended 31 December 2007.

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, 13 May 2008 to Friday, 16 May 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 December 2007, 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 Friday, 9 May 2008.

Corporate governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 31 to page 36.

Audit committee

The Company has set up an audit committee, in accordance with the requirements of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2007.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2007 and up to the date of this report.

Auditors

The consolidated financial statements for the year ended 31 December 2007 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
EVA PRECISION INDUSTRIAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 119, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2008

Consolidated Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	6	**595,456**	476,794
Leasehold land and land use rights	7	**80,314**	24,160
Prepayments and deposits	11	**60,195**	19,300
Other assets		**1,607**	653
		737,572	520,907
Current assets			
Inventories	9	**154,198**	101,102
Trade receivables	10	**209,525**	152,542
Prepayments and deposits	11	**11,775**	14,816
Pledged bank deposits	12	**8,437**	33,245
Cash and cash equivalents	12	**133,729**	55,990
		517,664	357,695
Current liabilities			
Trade payables	13	**153,730**	112,515
Accruals and other payables	14	**39,622**	33,356
Bank borrowings	15	**32,052**	140,722
Finance lease liabilities	16	**24,607**	29,542
Current income tax liabilities		**13,783**	10,814
		263,794	326,949
Net current assets		**253,870**	30,746
Total assets less current liabilities		**991,442**	551,653
Non-current liabilities			
Bank borrowings	15	**27,445**	18,497
Finance lease liabilities	16	**33,278**	34,560
		60,723	53,057
Net assets		**930,719**	498,596
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**72,124**	60,000
Reserves	18		
– Proposed final dividend	26	**24,522**	18,000
– Others		**834,073**	420,596
Total equity		**930,719**	498,596

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

The accompanying notes are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Investments in and amounts due from subsidiaries	8	**679,102**	380,144
Current assets			
Prepayments and deposits	11	**187**	–
Cash and cash equivalents	12	**2,663**	31
		2,850	31
Current liabilities			
Accruals and other payables	14	**66**	1
Net current assets		**2,784**	30
Net assets		**681,886**	380,174
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**72,124**	60,000
Reserves	18		
– Proposed final dividend	26	**24,522**	18,000
– Others		**585,240**	302,174
Total equity		**681,886**	380,174

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

The accompanying notes are an integral part of these consolidated financial statements.

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	5	**952,030**	691,240
Cost of sales	20	**(649,373)**	(470,221)
Gross profit		**302,657**	221,019
Other income	19	**1,678**	10
Selling and marketing costs	20	**(55,481)**	(35,685)
General and administrative expenses	20	**(75,841)**	(56,581)
Operating profit		**173,013**	128,763
Finance income	22	**1,488**	1,094
Finance costs	22	**(7,521)**	(9,646)
Profit before income tax		**166,980**	120,211
Income tax expense	23	**(13,124)**	(11,562)
Profit for the year and attributable to equity holders of the Company		**153,856**	108,649
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	25	**22.5**	18.5
– diluted	25	**21.9**	18.5
Dividends	26	**46,127**	30,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Note	Attributable to equity holders of the Company Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 January 2007		60,000	438,596	498,596
Profit for the year/total recognised income		–	153,856	153,856
Issue of shares	17(b)	12,000	309,600	321,600
Share issuance costs		–	(11,422)	(11,422)
Employee share option scheme				
– value of employee services	17	–	9,186	9,186
– proceeds from shares issued	17(c)	124	1,984	2,108
Dividends paid		–	(43,205)	(43,205)
		12,124	266,143	278,267
Balance at 31 December 2007		72,124	858,595	930,719
Balance at 1 January 2006		52,000	254,892	306,892
Profit for the year/total recognised income		–	108,649	108,649
Issue of shares	17(a)	8,000	102,400	110,400
Share issuance costs		–	(2,933)	(2,933)
Employee share option scheme				
– value of employee services	17	–	3,188	3,188
Dividends paid		–	(27,600)	(27,600)
		8,000	75,055	83,055
Balance at 31 December 2006		60,000	438,596	498,596

The accompanying notes are an integral part of these consolidated financial statements.

For the year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	**157,457**	108,480
Interest received		**1,826**	940
Interest paid		**(7,725)**	(9,976)
Income tax paid		**(10,155)**	(12,122)
Net cash generated from operating activities		**141,403**	87,322
Cash flows from investing activities			
Purchase of property, plant and equipment		**(137,188)**	(174,151)
Prepayments for land use rights and property, plant and equipment		**(85,721)**	(1,591)
Proceeds from sale of property, plant and equipment	27	**330**	–
Purchase of other assets		**(954)**	–
Net cash used in investing activities		**(223,533)**	(175,742)
Cash flows from financing activities			
Proceeds from borrowings		**236,574**	379,755
Repayments of borrowings		**(336,296)**	(396,338)
Repayments of capital element of finance lease liabilities		**(34,298)**	(32,789)
Decrease in pledged bank deposits		**24,808**	77,886
Issue of shares	17	**321,600**	110,400
Share issuance costs		**(11,422)**	(2,933)
Proceeds from exercise of share options		**2,108**	–
Dividends paid		**(43,205)**	(27,600)
Net cash generated from financing activities		**159,869**	108,381
Net increase in cash and cash equivalents		**77,739**	19,961
Cash and cash equivalents at beginning of the year		**55,990**	36,029
Cash and cash equivalents at end of the year		**133,729**	55,990

The accompanying notes are an integral part of these consolidated financial statements.

1 General information

EVA Precision Industrial Holdings Limited ("the Company") and its subsidiaries (together, "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.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2008.

2 Summary of significant accounting policies

These consolidated financial statements comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards and interpretations effective in 2007:

- HKFRS 7, Financial instruments: Disclosures, and the complementary amendment to HKAS 1, Presentation of financial statements – Capital disclosures, introduces new disclosures relating to financial instruments and does not have a material impact on the classification and valuation of the Group's consolidated financial statements.

- HK(IFRIC) – Int 8, Scope of HKFRS 2, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have a material impact on the Group's consolidated financial statements.

- HK(IFRIC) – Int 10, Interim financial reporting and impairment, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have a material impact on the Group's consolidated financial statements.

Interpretations effective in 2007 but not relevant:

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies;

- HK(IFRIC) – Int 9, Re-assessment of embedded derivatives; and

- HK(IFRIC) – Int 11, HKFRS 2 – Group and treasury share transactions.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group:

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Revised), Borrowing costs (effective from 1 January 2009). HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009.

- HKFRS 8, Operating segments (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, Service concession arrangements (effective from 1 January 2008). HK(IFRIC) – Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) – Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

- HK(IFRIC) – Int 13, Customer loyalty programmes (effective from 1 July 2008). HK(IRFIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) – Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

- HK(IFRIC) – Int 14, HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) – Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies (Continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less accumulated impairment losses, if any (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

2 Summary of significant accounting policies (Continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(c) *Group companies* (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is written off. All other repairs and maintenance are charged in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less estimated residual values over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Construction-in-progress, representing buildings on which construction work has not been completed and machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and recognised in the income statement.

2.6 Leasehold land and land use rights

All land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired the right to use certain land in Mainland China. All land in Hong Kong is under operating leases with the government. The premiums paid for leasehold land and land use rights are treated as prepayments for operating leases and recorded as leasehold land and land use rights, which are amortised over the lease/land use right periods using the straight-line method.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade receivables' and 'prepayments and deposits' in the balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other income', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

2 Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets in impaired. Impairment testing of trade receivables is described in Note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2 Summary of significant accounting policies (Continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (Continued)

2.15 Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(b) *Pension obligations*

Group companies participate in several defined contribution plans. The plans are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employment costs when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2 Summary of significant accounting policies (Continued)

2.17 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received and receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 Summary of significant accounting policies (Continued)

2.19 Leases (as the lessee)

(a) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *Finance leases*

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.21 Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The group companies do not recognise liabilities for financial guarantees at inception, but perform liability adequacy tests at each reporting date by comparing respective net liabilities (if applicable) regarding the financial guarantees with the amounts that would be required if the financial guarantees were to result in a present legal or constructive obligation. If the respective liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

2 Summary of significant accounting policies (Continued)

2.22 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

(i) Market risk

Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi. Foreign exchange risk also arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary.

The following table details the Group's sensitivity of the Group's adjusted post-tax profit to a strengthening of the Group's major currency in which it transacts. The percentage movement applied to the currency is based on the average movements in the previous period. The analysis has been performed based on the movement occurring at the start of the reporting period.

	2007	2006
	HK$'000	HK$'000
Chinese Renminbi 6.8% (2006: 6.8%) change		
Adjusted post-tax profit	**726**	1,037

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) *Market risk* (Continued)

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Note 15 to the consolidated financial statements.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2007, 41.7% (2006: 21.3%) of the Group's gross borrowings were fixed for a period of at least one year. A 100 point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2007 would reduce or increase profit by approximately HK$33,000 (2006: increase or reduce by HK$1,571,000). There would be no material impact on equity.

(ii) *Credit risk*

The Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluations of its customers.

The Group considers its maximum exposure to credit risk to be as follows:

	2007	2006
	HK$'000	HK$'000
Trade receivables	**209,525**	152,542

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from business customers.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables (Note 10).

(iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
At 31 December 2007				
Bank borrowings	32,052	23,060	1,242	3,143
Finance lease liabilities	24,607	20,969	12,309	–
Interest payable	4,174	1,906	718	264
Trade payables	153,730	–	–	–
Accruals and other payables	39,622	–	–	–
At 31 December 2006				
Bank borrowings	140,722	7,052	7,878	3,567
Finance lease liabilities	29,542	17,455	17,105	–
Interest payable	3,757	2,192	1,202	345
Trade payables	112,515	–	–	–
Accruals and other payables	33,356	–	–	–
Company				
At 31 December 2007				
Accruals and other payables	66	–	–	–
At 31 December 2006				
Accruals and other payables	1	–	–	–

3 Financial risk management (Continued)

(b) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet).

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 **HK$'000**	2006 HK$'000
Total borrowings (Notes 15 and 16)	**117,382**	223,321
Total equity	**930,719**	498,596
Gearing ratio	**12.6%**	44.8%

4 Critical accounting estimates and judgements

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

4 Critical accounting estimates and judgements (Continued)

(d) Income taxes

The Group is subject to income taxes in Mainland China and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Segment information

(a) Revenue

	2007	2006
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**83,463**	72,476
Manufacturing of metal stamping components	**600,763**	481,088
Manufacturing of lathing components	**55,025**	45,530
Design and fabrication of plastic injection moulds	**33,319**	14,833
Manufacturing of plastic injection components	**151,150**	61,363
Others	**28,310**	15,950
	952,030	691,240

Others mainly represent sales of scrap materials.

(b) Primary reporting format – business segments

At 31 December 2007, the Group was organised into two main business segments:

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

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

5 Segment information (Continued)

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

The segment results and other segment items are as follows:

	2007			2006		
	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 revenue	**784,204**	**187,643**	**971,847**	617,926	76,837	694,763
Inter-segment revenue	**(17,831)**	**(1,986)**	**(19,817)**	(2,924)	(599)	(3,523)
Revenue	**766,373**	**185,657**	**952,030**	615,002	76,238	691,240
Segment results	**140,105**	**31,590**	**171,695**	116,032	12,876	128,908
Unallocated income/(expenses)			**1,318**			(145)
Finance income			**1,488**			1,094
Finance costs			**(7,521)**			(9,646)
Profit before income tax			**166,980**			120,211
Income tax expense			**(13,124)**			(11,562)
Profit for the year			**153,856**			108,649
Depreciation	**36,245**	**12,873**	**49,118**	27,242	3,779	31,021
Amortisation	**810**	**135**	**945**	560	–	560

Unallocated income/(expenses) represented corporate income/(expenses).

5 Segment information (Continued)

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

The segment assets and liabilities are as follows:

	As at 31 December 2007				As at 31 December 2006			
	Metal stamping HK$'000	**Plastic injection HK$'000**	**Un-allocated HK$'000**	**Total HK$'000**	Metal stamping HK$'000	Plastic injection HK$'000	Un-allocated HK$'000	Total HK$'000
Assets	**960,671**	**291,715**	**2,850**	**1,255,236**	729,435	149,135	32	878,602
Liabilities	**155,138**	**38,147**	**131,232**	**324,517**	163,605	8,027	208,374	380,006
Capital expenditure	**182,261**	**42,850**	**-**	**225,111**	176,894	40,345	–	217,239

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 and leasehold land and land use rights.

5 Segment information (Continued)

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2007 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	1,252,386	193,285
Unallocated:		
Cash and cash equivalents	2,663	–
Prepayments and deposits	187	–
Current income tax liabilities	–	13,783
Current borrowings	–	32,052
Non-current borrowings	–	27,445
Current finance lease liabilities	–	24,607
Non-current finance lease liabilities	–	33,278
Accruals and other payables	–	67
Total	1,255,236	324,517

5 Segment information (Continued)

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2006 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	878,570	171,632
Unallocated:		
Cash and cash equivalents	32	–
Current income tax liabilities	–	10,814
Current borrowings (excluding trust receipts bank loans)	–	114,959
Non-current borrowings	–	18,497
Current finance lease liabilities	–	29,542
Non-current finance lease liabilities	–	34,560
Accruals and other payables	–	2
Total	878,602	380,006

(c) Secondary reporting format – geographical segments

Analysis of the Group's revenue 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 of the Group's revenue, assets and capital expenditure is presented as substantially all of the Group's revenue is derived from Mainland China/Hong Kong, and substantially all of the Group's assets are located in Mainland China/Hong Kong.

6 Property, plant and equipment – Group

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction-in-progress HK$'000	Total HK$'000
At 1 January 2006						
Cost	81,962	209,821	10,161	8,431	41,637	352,012
Accumulated depreciation	(7,070)	(41,217)	(2,709)	(2,952)	–	(53,948)
Net book amount	74,892	168,604	7,452	5,479	41,637	298,064
Year ended 31 December 2006						
Opening net book amount	74,892	168,604	7,452	5,479	41,637	298,064
Additions	2,094	39,116	7,513	2,732	158,296	209,751
Transfers	33,635	159,198	–	–	(192,833)	–
Depreciation	(4,030)	(23,303)	(2,158)	(1,530)	–	(31,021)
Closing net book amount	106,591	343,615	12,807	6,681	7,100	476,794
At 31 December 2006						
Cost	117,691	408,135	17,674	11,163	7,100	561,763
Accumulated depreciation	(11,100)	(64,520)	(4,867)	(4,482)	–	(84,969)
Net book amount	106,591	343,615	12,807	6,681	7,100	476,794
Year ended 31 December 2007						
Opening net book amount	106,591	343,615	12,807	6,681	7,100	476,794
Additions	5,318	36,119	5,360	2,859	118,356	168,012
Transfers	7,836	12,822	–	–	(20,658)	–
Disposals	–	–	–	(232)	–	(232)
Depreciation	(5,851)	(37,894)	(3,399)	(1,974)	–	(49,118)
Closing net book amount	113,894	354,662	14,768	7,334	104,798	595,456
At 31 December 2007						
Cost	130,845	457,076	23,034	13,193	104,798	728,946
Accumulated depreciation	(16,951)	(102,414)	(8,266)	(5,859)	–	(133,490)
Net book amount	113,894	354,662	14,768	7,334	104,798	595,456

6 Property, plant and equipment – Group (Continued)

Plant and machinery and motor vehicles include the following net book amounts where the Group is a lessee under finance lease liabilities:

	2007 HK$'000	2006 HK$'000
Plant and machinery	**100,093**	126,677
Motor vehicles	**1,519**	2,082
	101,612	128,759

Depreciation expense is analysed as follows:

	2007 HK$'000	2006 HK$'000
Cost of sales	**39,397**	24,829
Selling and marketing costs	**940**	499
General and administrative expenses	**8,781**	5,693
	49,118	31,021

The Group's interests in buildings are analysed as follows:

	2007 HK$'000	2006 HK$'000
Buildings in Hong Kong, located on land with leases of between 10 and 50 years	**1,595**	1,784
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years	**112,299**	104,807
	113,894	106,591

Buildings with a carrying amount of HK$1,595,000 (2006: HK$1,784,000) were pledged as collateral for the Group's borrowings (Note 15).

6 Property, plant and equipment – Group (Continued)

Included in construction-in-progress is capitalised interest of approximately HK$3,575,000 (2006: included in non-current prepayment for land use rights and property, plant and equipment is capitalised interest of approximately HK$457,000).

Analysis of construction-in-progress is as follows:

	2007 HK$'000	2006 HK$'000
Construction costs of buildings	**66,875**	6,713
Cost of machinery	**37,923**	387
	104,798	7,100

7 Leasehold land and land use rights – Group

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**6,626**	6,820
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**73,688**	17,340
	80,314	24,160

Leasehold land with a carrying amount of HK$6,626,000 (2006: HK$6,820,000) was pledged as collateral for the Group's borrowings (Note 15).

7 Leasehold land and land use rights – Group (Continued)

Movements are:

	2007 HK$'000	2006 HK$'000
Beginning of the year	**24,160**	17,232
Additions	**57,099**	7,488
Amortisation	**(945)**	(560)
End of the year	**80,314**	24,160
Representing –		
Cost	**82,962**	25,863
Accumulated amortisation	**(2,648)**	(1,703)
Net book amount	**80,314**	24,160

8 Investments in and amounts due from subsidiaries – Company

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**123,351**	123,351
Amounts due from subsidiaries	**555,751**	256,793
	679,102	380,144

The amounts due from subsidiaries are unsecured, non-interest bearing and without pre-determined terms of repayments. The directors of the Company considered them as quasi-equity contributions.

8 Investments in and amounts due from subsidiaries – Company (Continued)

The following is a list of the principal subsidiaries at 31 December 2007:

Name	Place of incorporation/ operations and kind of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group (a)	Principal activities
EVA Metal Mould Products Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Mould Design & Manufacturing Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Plastic Mould Products Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Precision Industrial (Eastern China) Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Precision Industrial Zhongshan (BVI) Limited (a)	British Virgin Islands, limited liability company	US$1	100%	Investment holding
EVA Group Limited	Hong Kong, limited liability company	HK$15,000	100%	Investment holding
EVA Holdings Limited	Hong Kong, limited liability company	HK$10,000	100%	Trading of metal parts
EVA Limited	Hong Kong, limited liability company	HK$680,000	100%	Trading of metal parts
EVA Plastic Mould Products (HK) Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of plastic moulds
EVA Mould Design & Manufacturing (HK) Limited	Hong Kong, limited liability company	HK$1	100%	Design of metal parts and plastic moulds
Okuno Precision Metal Co., Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of metal moulds

8 Investments in and amounts due from subsidiaries – Company (Continued)

Name	Place of incorporation/ operations and kind of legal entity	Issued/ registered and fully paid up capital	Percentage of equity interest attributable to the Group (a)	Principal activities
Yihe Precision Hardware (Shenzhen) Co., Ltd. (億和精密金屬製品(深圳)有限公司) (b)	Mainland China, limited liability company	HK$181,880,000	100%	Manufacturing of metal moulds and parts
Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. (億和塑膠電子製品(深圳)有限公司) (b)	Mainland China, limited liability company	HK$120,560,300 (c)	100%	Manufacturing of plastic moulds and parts
EVA Precision Industrial (Suzhou) Limited (億和精密工業（蘇州）有限公司) (b)	Mainland China, limited liability company	HK$99,858,470 (c)	100%	Manufacturing of metal and plastic moulds and parts
EVA Precision Industrial (Zhongshan) Limited (億和精密工業(中山)有限公司) (b)	Mainland China, limited liability company	HK$12,000,000 (c)	100%	Manufacturing of metal and plastic moulds and parts
Shenzhen EVA Mould Manufacturing Limited (深圳億和模具製造有限公司)(b)	Mainland China, limited liability company	HK$95,162,623 (c)	100%	Manufacturing of metal and plastic moulds

8 Investments in and amounts due from subsidiaries – Company (Continued)

Notes:

(a) The shares of EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited, EVA Plastic Mould Products Limited, EVA Precision Industrial (Eastern China) Limited and EVA Precision Industrial Zhongshan (BVI) Limited are held directly by the Company. The interests in other subsidiaries are held indirectly.

(b) Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronics Products (Shenzhen) Co, Ltd. are wholly foreign owned enterprises established in Shenzhen, Guangdong Province, Mainland China for a term of 20 years up to May 2021 and July 2024, respectively. EVA Precision Industrial (Suzhou) Limited is a wholly foreign owned enterprise established in Suzhou, Jiangsu Province, Mainland China for a term of 50 years up to August 2055. EVA Precision Industrial (Zhongshan) Limited is a wholly foreign owned enterprise established in Zhongshan, Guangdong Province, Mainland China for a term of 50 years up to August 2056. Shenzhen EVA Mould Manufacturing Co., Ltd. is a wholly owned enterprise established in Shenzhen, Guangdong Province, Mainland China for a term of 50 years up to June 2057.

(c) At 31 December 2007, the Group was committed to make capital contributions to the following subsidiaries:

Name of subsidiaries	Committed capital contribution HK$'000	Due date
EVA Precision Industrial (Suzhou) Limited	58,056	July 2008
Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd.	19,440	HK$4,440,000 in February 2009 and HK$15,000,000 in June 2009
Shenzhen EVA Mould Manufacturing Co., Ltd.	24,837	June 2009
EVA Precision Industrial (Zhongshan) Limited	68,000	August 2009
	170,333	

9 Inventories – Group

	2007	2006
	HK$'000	HK$'000
Raw materials	**40,725**	30,446
Work in progress	**61,274**	36,549
Finished goods	**56,248**	36,957
	158,247	103,952
Less: provision for impairment of inventories	**(4,049)**	(2,850)
Inventories – net	**154,198**	101,102

The cost of inventories recognised as expense and included in cost of sales amounted to HK$495,073,000 (2006: HK$367,930,000).

The Group has made an inventory provision of HK$1,199,000 for the year ended 31 December 2007 (2006: HK$513,000). Such provision has been included in cost of sales in the consolidated income statement.

10 Trade receivables – Group

	2007	2006
	HK$'000	HK$'000
Trade receivables	**210,713**	153,730
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**209,525**	152,542

10 Trade receivables – Group (Continued)

The credit period granted by the Group to its customers is generally around 30 to 90 days. The ageing analysis of the trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
0 to 90 days	**184,087**	130,743
91 to 180 days	**23,313**	20,195
181 to 365 days	**3,313**	2,792
	210,713	153,730

The top five customers and the largest customer accounted for 52.2% (2006: 41.3%) and 22.6% (2006: 12.2%) of the trade receivables balance as at 31 December 2007, 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 as at 31 December 2007.

The ageing analysis of trade receivables past due but not impaired is as follows:

	2007 HK$'000	2006 HK$'000
0 to 90 days	**33,670**	47,051
91 to 180 days	**536**	250
181 to 365 days	**639**	–
	34,845	47,301

10 Trade receivables – Group (Continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
Hong Kong ("HK") dollars	**78,180**	68,178
United States ("US") dollars	**129,107**	83,575
Chinese Renminbi	**3,426**	1,977
	210,713	153,730

There is no movement on the provision for impairment of trade receivables in the current year (2006: Nil).

11 Prepayments and deposits

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Non-current				
Prepayments for purchase of				
– land use rights	**–**	14,233	**–**	–
– property, plant and equipment	**60,195**	5,067	**–**	–
	60,195	19,300	**–**	–
Current				
Prepayments for purchase of raw materials	**1,946**	477	**–**	–
VAT recoverable	**3,421**	6,709	**–**	–
Interest receivable	**–**	338	**–**	–
Others	**6,408**	7,292	**187**	–
	11,775	14,816	**187**	–

12 Pledged bank deposits/cash and cash equivalents

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Pledged bank deposits	**8,437**	33,245	**–**	–
Short-term bank deposits	**–**	12,100	**–**	–
Cash at bank and on hand	**133,729**	43,890	**2,663**	31
	133,729	55,990	**2,663**	31
	142,166	89,235	**2,663**	31

No bank deposits was pledged as collaterals for the Group's borrowings (2006: HK$26,377,000) and HK$8,437,000 (2006: HK$6,868,000) were pledged in favour of contractors of construction work.

The effective interest rate on pledged bank deposits was 0.7% per annum (2006: 0.7% per annum). These deposits have an average maturity of 365 days (2006: 359 days).

In 2006, the effective interest rate on short-term bank deposits was 1.3% per annum. These deposits have an average maturity of 12 days. The effective interest rate on cash at bank was 0.7% per annum (2006: 1.9% per annum).

12 Pledged bank deposits/cash and cash equivalents (Continued)

Pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**76,565**	14,325	**2,604**	31
Chinese Renminbi	**27,529**	58,402	**–**	–
US dollars	**31,033**	15,968	**59**	–
Japanese yen	**7,039**	540	**–**	–
	142,166	89,235	**2,663**	31

13 Trade payables – Group

The ageing analysis of trade payables is as follows:

	2007	2006
	HK$'000	HK$'000
0 to 90 days	**141,287**	105,892
91 to 180 days	**12,122**	6,531
181 to 365 days	**321**	87
Over 365 days	**–**	5
	153,730	112,515

The amounts of trade payables have a maturity period within 90 days.

14 Accruals and other payables

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Payable for purchase of land use rights	**3,812**	11,300	**–**	–
Payable for construction of buildings and purchase of property, plant and equipment	**18,610**	8,417	**–**	–
Accrued wages, salaries and welfare	**11,891**	9,057	**–**	–
Accrued operating expenses	**4,487**	2,775	**–**	–
Other payables	**822**	1,807	**66**	1
	39,622	33,356	**66**	1

15 Bank borrowings – Group

	2007	2006
	HK$'000	HK$'000
Current		
Short-term bank loans	**25,000**	107,916
Trust receipts bank loans	**–**	25,763
Long-term bank loans, current portion	**6,667**	6,667
Mortgage loan, current portion	**385**	376
	32,052	140,722
Non-current		
Long-term bank loans, non-current portion	**22,666**	13,333
Mortgage loan, non-current portion	**4,779**	5,164
	27,445	18,497
Total bank borrowings	**59,497**	159,219

15 Bank borrowings – Group (Continued)

The Group's bank borrowings are repayable as follows:

	2007	2006
	HK$'000	HK$'000
Within 1 year	**32,052**	140,722
Between 1 and 2 years	**23,060**	7,052
Between 2 and 5 years	**1,242**	7,878
Wholly repayable within 5 years	**56,354**	155,652
Not wholly repayable within 5 years	**3,143**	3,567
	59,497	159,219

The carrying amounts of bank borrowings approximate their fair values.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2007	2006
	HK$'000	HK$'000
HK dollars	**59,497**	141,303
Chinese Renminbi	**–**	17,916
	59,497	159,219

15 Bank borrowings – Group (Continued)

The effective interest rates of the Group's bank borrowings at the balance sheet date were as follows:

	Short-term bank loans		Trust receipts bank loans		Long-term bank loans		Mortgage loan	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
HK dollars	**5.7%**	5.2%	**–**	5.3%	**5.9%**	5.6%	**4.8%**	5.3%
Chinese Renminbi	**–**	5.0%	**–**	–	**–**	–		–

The Group has undrawn floating rate borrowing facilities of approximately HK$373,791,000 (2006: HK$300,555,000). The facilities are subject to review annually.

As at 31 December 2007, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong with net book amounts of approximately HK$8,221,000 (2006: HK$8,604,000) and corporate guarantees provided by the Company.

16 Finance lease liabilities – Group

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

	2007 HK$'000	2006 HK$'000
Within one year	**27,401**	32,368
In the second year	**22,399**	19,051
In the third to fifth year	**12,755**	17,855
	62,555	69,274
Less: Future finance charges on finance leases	**(4,670)**	(5,172)
Present value of finance lease liabilities	**57,885**	64,102

16 Finance lease liabilities – Group (Continued)

The present value of finance lease liabilities is as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**24,607**	29,542
In the second year	**20,969**	17,455
In the third to fifth year	**12,309**	17,105
Total finance lease liabilities	**57,885**	64,102
Less: Amount included in current liabilities	**(24,607)**	(29,542)
	33,278	34,560

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

As at 31 December 2007, the effective interest rate of the Group's finance lease liabilities was 6.1% per annum (2006: 6.2% 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 amount of the leased assets is approximately HK$101,612,000 (2006: HK$128,759,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$31,043,000 (2006: HK$40,932,000).

17 Share capital

	Note	Number of ordinary shares (thousands)	Nominal value HK$'000
Authorised			
At 31 December 2006 and 2007		1,000,000	100,000
Issued and fully paid			
At 1 January 2006		520,000	52,000
Issue of shares	(a)	80,000	8,000
At 31 December 2006		600,000	60,000
Issue of shares pursuant to			
– a share placement	(b)	120,000	12,000
– share option scheme	(c)	1,240	124
At 31 December 2007		721,240	72,124

Notes:

(a) On 28 February 2006, the Company issued 80,000,000 ordinary shares of HK$0.1 each at HK$1.38 per share by way of a private placement, and raised gross proceeds of HK$110,400,000.

(b) 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 private placement, and raised gross proceeds of HK$321,600,000.

17 Share capital (Continued)

Notes: (Continued)

(c) During the year, 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.

Share options

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 director or employee of the Group options to subscribe for shares of the Company at the highest of (i) the closing price of the 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 Group must not, in aggregate, exceed 30% of the shares 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 2007, a total of 22,050,000 options (2006: 31,200,000 options) were granted to the Company's directors and employees with an exercise price of HK$1.96 per share (2006: price ranging from HK$1.70 to HK$1.71 per share). These options are vested according to a pre-determined schedule over three years. During the year, 1,240,000 share options were exercised. A total of 1,520,000 options were lapsed during the year ended 31 December 2007 (2006: A total of 1,400,000 options were lapsed). Share options outstanding at 31 December 2007 are exercisable at prices ranging from HK$1.70 to HK$1.96 per share and will expire during the period from June 2010 to February 2011.

17 Share capital (Continued)

Share options (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
At 1 January		**29,800**	–	–
Granted	**1.96**	**22,050**	1.70	30,250
Granted	**–**	**–**	1.71	950
Exercised	**1.70**	**(1,190)**	–	–
Exercised	**1.71**	**(50)**	–	–
Lapsed	**1.70**	**(970)**	1.70	(1,400)
Lapsed	**1.71**	**(300)**	–	–
Lapsed	**1.96**	**(250)**	–	–
At 31 December		**49,090**		29,800
Exercisable as at 31 December	**1.70**	**4,450**	–	–
	1.71	**80**	–	–

17 Share capital (Continued)

Share options (Continued)

Share options outstanding as at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price per share HK$	**2007 Number of options '000**	2006 Number of options '000
22 June 2010	1.70	**26,690**	28,850
11 August 2010	1.71	**600**	950
2 February 2011	1.96	**21,800**	–
		49,090	29,800

The fair values of 12,450,000 options and 9,600,000 options granted on 16 February 2007 determined using the Black-Scholes Valuation Model were approximately HK$4,675,000 and HK$2,510,000, respectively (2006: HK$13,313,000). The significant inputs into the model were the exercise price shown above, standard deviation of expected share price returns ranging 27.14% to 32.17% (2006: 30%), expected life of options of 1 to 3.5 years (2006: 1.5 to 3.5 years), expected dividend paid out rate of 2.17% (2006: 0%), and annual risk-free interest rate ranging from 4.002% to 4.072% (2006: 4.5%). The attributable amount charged to the consolidated income statement during the year ended 31 December 2007 was HK$9,186,000 (2006: HK$3,188,000).

18 Reserves

(a) Group

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2006		75,080	(735)	13,657	–	166,890	254,892
Profit for the year		–	–	–	–	108,649	108,649
Issue of shares		102,400	–	–	–	–	102,400
Share issurance costs		(2,933)	–	–	–	–	(2,933)
Employee share option scheme							
– value of employee services	17	–	–	–	3,188	–	3,188
Dividends paid		–	–	–	–	(27,600)	(27,600)
Transfer to statutory reserves		–	–	8,450	–	(8,450)	–
Balance at 31 December 2006		174,547	(735)	22,107	3,188	239,489	438,596
Balance at 1 January 2007		174,547	(735)	22,107	3,188	239,489	438,596
Profit for the year		–	–	–	–	153,856	153,856
Issue of shares		309,600	–	–	–	–	309,600
Share issuance costs		(11,422)	–	–	–	–	(11,422)
Employee share option scheme							
– value of employee services	17	–	–	–	9,186	–	9,186
– 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)	–	–
Dividends paid		–	–	–	–	(43,205)	(43,205)
Transfer to statutory reserves		–	–	12,410	–	(12,410)	–
Balance at 31 December 2007		475,083	(735)	34,517	11,950	337,780	858,595

18 Reserves (Continued)

(b) Company

	Note	Share premium HK$'000	Contributed surplus (i) HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2006		75,080	121,351	–	16,825	213,256
Profit for the year		–	–	–	31,863	31,863
Issue of shares		102,400	–	–	–	102,400
Share issuance costs		(2,933)	–	–	–	(2,933)
Employee share option scheme						
– value of employee services	17	–	–	3,188	–	3,188
Dividends paid		–	–	–	(27,600)	(27,600)
Balance at 31 December 2006		174,547	121,351	3,188	21,088	320,174
Balance at 1 January 2007		174,547	121,351	3,188	21,088	320,174
Profit for the year		–	–	–	23,445	23,445
Issue of shares		309,600	–	–	–	309,600
Share issuance costs		(11,422)	–	–	–	(11,422)
Employee share option scheme						
– value of employee services	17	–	–	9,186	–	9,186
– 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)	–	–
Dividends paid		–	–	–	(43,205)	(43,205)
Balance at 31 December 2007		475,083	121,351	11,950	1,378	609,762

18 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 a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

Contributed surplus of the Company represents the difference between the costs of investments in subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

The reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(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 reaches 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 of the corresponding subsidiaries' shareholders in general meetings, the subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.

19 Other income

	2007 **HK$'000**	2006 HK$'000
Gain on disposals of financial assets at fair value through profit or loss	**1,467**	–
Others	**211**	10
	1,678	10

20 Expenses by nature

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	2007 HK$'000	2006 HK$'000
Depreciation (Note 6)		
– Owned assets	**39,574**	20,388
– Leased assets	**9,544**	10,633
	49,118	31,021
Employment expenses (Note 21)	**123,109**	84,209
Amortisation of leasehold land and land use rights (Note 7)	**945**	560
Auditors' remuneration	**2,070**	1,877
Gain on disposal of property, plant and equipment	**(98)**	–
Net exchange gains	**(7,064)**	(3,400)
Changes in inventories of finished goods and work in progress	**(44,016)**	(33,097)
Raw materials and consumables used	**539,089**	401,027
Provision for inventories	**1,199**	513
Packaging expenses	**33,277**	28,870
Others	**83,066**	50,907
	780,695	562,487

21 Employment expenses

	2007	2006
	HK$'000	HK$'000
Wages, salaries and bonus	**108,157**	77,788
Share options granted (Note 17)	**9,186**	3,188
Staff welfare	**1,211**	882
Retirement benefit – defined contribution plans (a)	**4,555**	2,351
	123,109	84,209

(a) Retirement benefit – defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China, which is a defined contribution plan. The Group and its employees contribute approximately 8% and 5%, respectively, of the employees' salary as specified by the local government, and the Group has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK$1,000 per month.

During the year ended 31 December 2007, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$4,555,000 (2006: HK$2,351,000). As at 31 December 2007, the Group was not entitled to any forfeited contributions to reduce its future contributions (2006: Nil).

21 Employment expenses (Continued)

(b) Directors' and senior management's emoluments

The remuneration of each director for the year ended 31 December 2007 is set out below:

Name of director	Fees	Salaries	Discretionary bonus	Share-based payments	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	1,560	400	454	12	2,426
Mr. Zhang Jian Hua	–	1,560	400	491	12	2,463
Mr. Zhang Yaohua	–	1,560	400	491	12	2,463
Mr. Nomo Kenshiro	–	576	100	218	–	894
Independent non-executive directors						
Dr. Lui Sun Wing	120	–	–	109	6	235
Mr. Choy Tak Ho	120	–	–	109	–	229
Mr. Leung Tai Chiu	120	–	–	109	6	235
	360	5,256	1,300	1,981	48	8,945

21 Employment expenses (Continued)

(b) Directors' and senior management's emoluments (Continued)

The remuneration of each director for the year ended 31 December 2006 is set out below:

Name of director	Fees	Salaries	Discretionary bonus	Share-based payments	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Mr. Zhang Hwo Jie	–	1,560	130	150	12	1,852
Mr. Zhang Jian Hua	–	1,560	130	150	12	1,852
Mr. Zhang Yaohua	–	1,560	130	150	–	1,840
Mr. Nomo Kenshiro	–	576	48	104	5	733
Independent non-executive directors						
Dr. Lui Sun Wing	120	–	–	35	6	161
Mr. Choy Tak Ho	120	–	–	35	–	155
Mr. Chan Wai Dune	52	–	–	–	3	55
Mr. Leung Tai Chiu	69	–	–	35	3	107
	361	5,256	438	659	41	6,755

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2006: Nil).

21 Employment expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2006: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2006: one) individual is as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries	**900**	900
Bonus	**130**	75
Share options granted	**336**	127
Retirement benefit – defined contribution plans	**12**	12
	1,378	1,114

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emolument bands		
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	1
	1	1

During the year, no emolument was paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

22 Finance income/costs

	2007 HK$'000	2006 HK$'000
Finance income		
Interest income on bank deposits	**1,488**	1,094
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**6,479**	5,629
Bank borrowings not wholly repayable within five years	**211**	242
Finance lease liabilities	**4,406**	4,232
	11,096	10,103
Less: amount capitalised	**(3,575)**	(457)
	7,521	9,646

The capitalisation rate was approximately 3.0% per annum (2006: 3.1% per annum), representing the weighted average rate of the costs of borrowings used to finance the related assets.

23 Income tax expense

	2007 HK$'000	2006 HK$'000
Current taxation		
– Hong Kong profits tax	**5,954**	5,348
– Mainland China enterprise income tax	**7,275**	6,111
(Over)/underprovision in prior years	**(105)**	103
	13,124	11,562

23 Income tax expense (Continued)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year (2006: 17.5%).

(b) Mainland China enterprise income tax

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 15% for the year ended 31 December 2007 (2006: 15%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., EVA Precision Industrial (Suzhou) Limited and Shenzhen EVA Mould Manufacturing Co., Ltd. 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 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 year ended 31 December 2007.

(c) 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 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 British Virgin Islands income tax.

23 Income tax expense (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits on the consolidated entities as follows:

	2007 HK$'000	2006 HK$'000
Profit before income tax	**166,980**	120,211
Tax calculated at domestic rates applicable to profits in the respective countries/ places of business	**26,043**	18,843
Tax exemption	**(11,853)**	(7,106)
Income not subject to tax	**(135)**	(422)
Expenses not deductible for tax purpose	**64**	53
Utilisation of previously unrecognised tax losses	**(917)**	(390)
Tax losses for which no deferred income tax asset was recognised	**27**	481
(Over)/underprovision in prior years	**(105)**	103
Tax charge	**13,124**	11,562

The weighted average applicable tax rate for the year ended 31 December 2007 was approximately 15.6% (2006: 15.7%).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$239,000 (2006: HK$1,129,000) in respect of losses amounting to HK$1,383,000 (2006: HK$6,983,000) that can be carried forward against future taxable income. Tax losses of HK$1,383,000 (2006: HK$3,342,000) can be carried forward indefinitely. In 2006, tax losses of HK$690,000 and HK$2,951,000 will expire in 2010 and 2011, respectively.

24 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$23,445,000 (2006: HK$31,863,000).

25 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Basic

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**153,856**	108,649
Weighted average number of ordinary shares in issue ('000)	**685,190**	587,288
Basic earnings per share (HK cents per share)	**22.5**	18.5

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

25 Earnings per share (Continued)

Diluted (Continued)

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**153,856**	108,649
Weighted average number of ordinary shares in issue ('000)	**685,190**	587,288
– adjustment for share options ('000)	**17,497**	329
Weighted average number of ordinary shares for diluted earnings per share ('000)	**702,687**	587,617
Diluted earnings per share (HK cents per share)	**21.9**	18.5

26 Dividends

	2007 HK$'000	2006 HK$'000
Interim dividend paid of HK3.0 cents (2006: HK2.0 cents) per ordinary share	**21,605**	12,000
Proposed final dividend of HK3.4 cents (2006: HK3.0 cents) per ordinary share	**24,522**	18,000
	46,127	30,000

A final dividend of HK3.4 cents per share, totalling approximately HK$24,522,000, is to be proposed at the upcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

27 Cash generated from operations

	2007 HK$'000	2006 HK$'000
Profit for the year	**153,856**	108,649
Adjustments for:		
– Income tax	**13,124**	11,562
– Depreciation	**49,118**	31,021
– Amortisation of leasehold land and land use rights	**945**	560
– Gain on disposal of property, plant and equipment	**(98)**	–
– Share-based payments	**9,186**	3,188
– Interest income	**(1,488)**	(1,094)
– Interest expense	**7,521**	9,646
Changes in working capital:		
– Inventories	**(53,096)**	(41,536)
– Trade receivables	**(56,983)**	(55,657)
– Prepayments and deposits	**(12,313)**	(6,352)
– Trade payables	**41,215**	36,860
– Accruals and other payables	**6,470**	11,633
Cash generated from operations	**157,457**	108,480

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2007 HK$'000	2006 HK$'000
Net book amount	**232**	–
Gain on disposal of property, plant and equipment	**98**	–
Proceeds from disposal of property, plant and equipment	**330**	–

27 Cash generated from operations (Continued)

Significant non-cash transactions

(i) During the year ended 31 December 2007, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total financed amount of approximately HK$28,081,000 (2006: HK$35,600,000).

(ii) The land use rights of the production plants located at Gong Ming and Zhongshan with a total amount of HK$12,273,000 are transferred from long-term prepayments to land use rights. The related construction cost of the production plant at Gong Ming of HK$2,743,000 is transferred from long-term prepayments to construction-in-progress.

28 Capital commitments – Group

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

	2007	2006
	HK$'000	HK$'000
Contracted but not provided for		
– Purchase of land use rights	**–**	7,277
– Construction of buildings	**37,044**	879
– Purchase of plant and machinery	**137,687**	12,477
	174,731	20,633

29 Related-party transactions

The Group is controlled by Prosper Empire Limited, which owns 54% of the Company's shares as at 31 December 2007. Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interest in Prosper Empire Limited.

(a) The following transactions were carried out with related parties:

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 31 December 2007, EVA Limited, on voluntary basis, placed a deposit of HK$1,000,000 to the HKIRD (2006: HK$1,000,000). EVA Limited and EVA Holdings Limited also made a total estimated tax payment of approximately HK$142,000 and HK$23,000, respectively (2006: HK$22,000 for EVA Limited) to the HKIRD during the year ended 31 December 2007, which was paid by Mr. Zhang Hwo Jie, a director and substantial beneficial shareholder of the Company, under a tax indemnity arrangement in connection with a group reorganisation in April 2005 in contemplation with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. The outcome of the tax audit has not been finalised up to the date of approval of these consolidated financial statements.

The HKIRD issued protective assessments to EVA Limited and EVA Holdings Limited in respect of the years of assessment 1998/1999, 1999/2000 and 2000/2001, which are subject to the aforementioned tax audit. The two companies have objected to the estimated assessments as, in the opinion of the directors of the companies, these estimated assessments are excessive.

This matter relates to tax liabilities of the Group's subsidiaries before a group reorganisation in April 2005 in contemplation with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited and certain directors/substantial shareholders of the Company have agreed to indemnify the Group for any additional tax liabilities in respect of periods prior to the reorganisation. In this connection, any additional tax liabilities would be settled and borne by the directors/substantial shareholders of the Company.

29 Related-party transactions (Continued)

(b) Key management compensation

	2007	2006
	HK$'000	HK$'000
Salaries and allowances	**8,061**	7,155
Share options granted	**2,343**	851
Retirement benefit – defined contribution plans	**69**	58
	10,473	8,064

30 Ultimate holding company

The directors consider Prosper Empire Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

Five Years Financial Summary

	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
RESULTS					
Revenue	**952,030**	691,240	485,023	296,860	167,729
Profit attributable to equity holders of the Company	**153,856**	108,649	83,215	65,763	30,166
FINANCIAL POSITION					
Non-current assets	**737,572**	520,907	416,146	228,481	136,265
Current assets	**517,664**	357,695	236,921	143,101	68,681
Current liabilities	**(263,794)**	(326,949)	(232,248)	(176,141)	(114,958)
Non-current liabilities	**(60,723)**	(53,057)	(113,927)	(84,684)	(7,729)
Net assets	**930,719**	498,596	306,892	110,757	82,259
Share capital	**72,124**	60,000	52,000	2,000	1,625
Reserves	**858,595**	438,596	254,892	108,757	75,533
Equity	**930,719**	498,596	306,892	110,757	77,158
Minority interests	**–**	–	–	–	5,101
	930,719	498,596	306,892	110,757	82,259

Basis of presentation

On 20 April 2005, the Company acquired the entire issued share capital of EVA Metal Mould Products Limited ("EVA Metal BVI"), EVA Mould Design & Manufacturing Limited ("EVA Design BVI") and EVA Plastic Mould Products Limited ("EVA Plastic BVI"), the then holding companies of other companies comprising the Group, through share exchanges (the "Reorganisation") and consequently became the holding company of its subsidiaries as set out in Note 8 to the consolidated financial statements, except for those subsidiaries which were incorporated subsequent to that date.

The Reorganisation has been accounted for using merger accounting and accordingly, the financial information for the years ended 31 December 2003, 2004 and 2005 as contained in "Five Years Financial Summary" had been prepared as if the structure of the Group resulting from the Reorganisation had been in existence throughout the years.

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