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

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

Stock Code 股份代號 : 838

2008
Annual Report
二零零八年年報

Contents

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 for the manufacture of office automation equipment including photocopiers and printers. The Group is also in the progress of developing new businesses from other sectors such as the automobile, medical equipment and home appliance industries.

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. The Group operates two production facilities in Shenzhen and one production facility in Suzhou. Further, another production facility is currently under construction in Zhongshan. Looking ahead, the Group will continue to upgrade its product quality and production management with a view to providing outstanding manufacturing services to customers while maintaining the Group's profitability at the same time.

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 10 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 Shenzhen (Shiyan) production plant with a construction area of approximately 21,000 sq.m. was completed. The Group's production lines were moved to the Group's Shenzhen (Shiyan) production plant in the same year.
2003	The second factory building of the Group's Shenzhen (Shiyan) production plant 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 accredited 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).

Corporate Milestone

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 and "Certificate of Green Activity" by Canon. EVA Limited was granted with "Very Valuable Vendor (Improvement) Award" (VVV獎－進步獎) 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 production line was established and located in the second factory building of the Group's Shenzhen (Shiyan) production plant for trial production.
2005	EVA Precision Industrial Holdings Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited EVA Limited was granted with "Very Valuable Vendor (2004 Best Assistance) Award" (VVV獎－二零零四年最佳協力獎) and "Very Valuable Vendor (Improvement) Award" (VVV獎－進步獎) by Canon and "Acclamation Certificate" (表彰狀) by Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. was granted with an approval certificate for chemical substances management (CMS) standard by Ricoh. EVA Precision Industrial Holdings Limited was granted with a gratitude trophy by Fuji Xerox. The construction of the third factory building of the Group's Shenzhen (Shiyan) production plant was completed and thereafter the Group's plastic production line was moved to the third factory building of the Group's Shenzhen (Shiyan) production plant 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 granted with the "Shenzhen Most Respected and Influential Enterprise Award" (深圳最受尊敬(最具影響力)企業獎) 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 Very Valuable Vendor Award" (VVV獎－二零零六年華南地區品質準優秀獎) and "Very Valuable Vendor (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 was admitted to "the Database of Outstanding Enterprises in China" (中國優秀企業數據庫) by Chinese Enterprise Union (中國企業聯合會). 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 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.

Corporate Milestone

Year	Event
2007	EVA Limited and Yihe Precision Hardware (Shenzhen) Co., Ltd. received "Encouragement Award"(鼓勵獎), "2006 Supplier Special Improvement Award" (二零零六年供應商特別改善獎) and "Environment Friendly Corporate Certificate" (環保企業証書) from Fuji Xerox. EVA Limited received "2007 Second Round Southern China Quality Very Valuable Vendor Award" (VVV獎－二零零七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"(環保系統証書) from Konica Minolta. EVA Precision Industrial Holdings Limited was accredited as "2007 China's Manufacturing Top 500" (二零零七年中國制造500强) 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's 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.

Year	Event
2008	The Group's mould development centre in Shenzhen commenced commercial operations in the fourth quarter of 2008. EVA Precision Industrial Holdings Limited was accredited as one of the "Top 50 Listed Companies with Highest Investment Value in Guangdong Province" (廣東最具投資價值上市公司50強) and "Top 100 Manufacturing Enterprises in Guangdong Province" (廣東省製造企業100強) by Guangdong Enterprises Confederation (廣東省企業聯合會) and Guangdong Entrepreneur Confederation (廣東省企業家協會). EVA Precision Industrial (Suzhou) Limited was accredited as an "Outstanding and Advanced Enterprise" (先進單位) by Suzhou Mould Industry Association (蘇州市模具行業協會). EVA Precision Industrial Holdings Limited and EVA Limited received the certificates of honour for donation from Shenzhen Machinery Association（深圳市機械行業協會）and the Hong Kong Mould and Die Technology Association (香港模具科技協會) for their donations and efforts dedicated to the recovery work of the Sichuan Wenchuan Earthquake Mr. Zhang Hwo Jie, chairman of the Group, was granted with the "Young Industrialist Award of Hong Kong" (香港青年工業家獎) by the Federation of Hong Kong Industries (香港工業總會).
2009	EVA Plastic Mould Products (HK) Limited and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. received "Golden Quality Award" (品質金獎) from Konica Minolta. Yihe Precision Hardware (Shenzhen) Co., Ltd. received a gratitude certificate (感謝狀) from Canon. EVA Precision Industrial Holdings Limited was accredited as an "Outstanding Enterprise in China Machinery Industry" (中國機械工業優秀企業) and the "Most Influential Brand Name in China Machinery Industry" (中國機械工業最具影響力的品牌) by China Machinery Industry Federation (中國機械工業聯合會).

Financial Highlights

OPERATING RESULTS		2008	2007	2006	2005	2004
Turnover	HK$'000	**1,084,982**	952,030	691,240	485,023	296,860
Earnings before interest and taxation *(EBIT)*	HK$'000	**109,477**	173,013	128,763	98,974	75,417
Earnings before interest, taxation, depreciation and amortisation *(EBITDA)*	HK$'000	**170,249**	223,076	160,344	119,352	89,320
Profit attributable to equity holders of the Company	HK$'000	**82,578**	153,856	108,649	83,215	65,763
FINANCIAL POSITION						
Net cash generated from operating activities	HK$'000	**139,562**	141,403	87,322	75,772	52,356
Net current assets (liabilities)	HK$'000	**199,458**	253,870	30,746	4,673	(33,040)
Shareholders' equity	HK$'000	**967,056**	930,719	498,596	306,892	110,757
PER SHARE DATA						
Earnings per share – Basic (Note 1)	HK cents	**11.5**	22.5	18.5	17.6	16.9
– Diluted (Note 2)	HK cents	**11.5**	21.9	18.5	N/A	N/A
OTHER KEY STATISTICS						
Earnings before interest, taxation, depreciation and amortisation *(EBITDA)* margin	(%)	**15.7**	23.4	23.2	24.6	30.1
Net profit margin	(%)	**7.6**	16.2	15.7	17.2	22.2
Return on shareholders' equity	(%)	**8.5**	16.5	21.8	27.1	59.4
Net debt-to-equity ratio (Note 3)	(%)	**23.6**	Net cash	26.9	29.3	138.8

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) 716,479,000 ordinary shares in issue during the year ended 31 December 2008; (ii) 685,190,000 ordinary shares in issue during the year ended 31 December 2007; (iii) 587,288,000 ordinary shares in issue during the year ended 31 December 2006; (iv) 473,699,000 ordinary shares in issue during the year ended 31 December 2005; and (v) 390,000,000 ordinary shares deemed to be in issue during the year ended 31 December 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 year.

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, 702,687,000 ordinary shares and 718,997,000 ordinary shares respectively for the years ended 31 December 2006, 2007 and 2008 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 and finance lease liabilities less cash and bank balances divided by shareholders' equity.

Corporate Information

Executive directors

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

Independent non-executive directors and audit committee

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

Remuneration committee

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Stock code

838

Principal bankers

Hong Kong

DBS Bank (Hong Kong) Limited
Bank of China
(Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Bank of Tokyo-Mitsubishi
UFJ, Ltd.
Sumitomo Mitsui Finance and
Leasing (Hong Kong) Limited
Industrial and Commercial Bank
of China (Asia) Limited
Orix Asia Limited
Dah Sing Bank, Limited
CITIC Ka Wah Bank Limited
Standard Chartered Bank
(Hong Kong) Limited

Mainland China

Agricultural Bank of China
Industrial and Commercial Bank
of China
Shenzhen Development Bank

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

Website

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

Business review

Zhang Hwo Jie
Chairman

On behalf of the Board of Directors (the "Board"), 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 2008. During the year under review, the Group's turnover amounted to approximately HK$1,084,982,000, representing an increase of 14.0% as compared with the previous year. Profit attributable to equity holders of the Company was approximately HK$82,578,000, and a final dividend of HK2.2 cents per ordinary share will be proposed. Together with the payment of an interim dividend of HK2 cents per ordinary share, the full year dividend for 2008 will amount to HK$28,796,000.

During the year under review, the global economic situation underwent unexpected changes. As struck by the global financial tsunami, the worldwide economy tumbled. The Group's principal customers, which are the Japanese office automation equipment brand owners whose products are sold around the world, are inevitably affected by the economic downturn. As such, the Group's turnover only achieved a 14.0% growth during the year ended 31 December 2008, as compared to a growth of approximately 37.7% during the year ended 31 December 2007.

One of the Group's most significant milestones which occurred during the year ended 31 December 2008 was the establishment of the new mould development centre in Shenzhen. Since all components and products are basically made from moulds, an enhanced mould production capability following the establishment of the mould development centre will not only enable the Group to secure an increasing number of component orders from the office automation equipment market, but can also enable the Group to develop new businesses from other markets including the automobile, medical equipment and home appliance industries. As such, management believes that the establishment of the mould development centre will provide the momentum for the Group's future development in the long term. However, as the mould development centre was still under initial development stage during the year ended 31 December 2008, it incurred initial loss of approximately HK$9,816,000 which brought about more downward pressure on the Group's profitability during the year.

Business Development

Under the current economic situation, the Group has taken strategies to maintain a stable development. Fortunately, the Group has not fully explored all business opportunities relating to the office automation equipment market up to date and therefore there are still ample opportunities for the expansion of the Group in this market. As such, despite the possible shrinkage in global demand for office automation equipment in the near future, it is still possible for the Group to maintain a stable growth should it be able to expand its share in this market, particularly under the existing situation where a majority of the Group's Japanese customers are becoming more cost conscious and will probably outsource more production to non-Japanese suppliers.

Apart from the establishment of the mould development centre which is expected to strengthen the Group's market share in the office automation equipment industry through the enhancement of mould production capability, another strategy for strengthening the Group's share in this market is to expand geographically. Under the just-in-time inventory management methodology adopted by a majority of the Group's Japanese customers, these Japanese customers will normally procure from suppliers located in the proximity of their manufacturing facilities for production and cost control purposes and therefore the Group's Shenzhen (Shiyan) production plant derives substantially all of its revenue from the Southern China region. To capture the business opportunities arising from the outsourcing of production from the Group's existing and new customers located in the Eastern China region, the Group established a production plant in Suzhou in 2006. During the year ended 31 December 2008, the Group's Suzhou production plant continued to expand and its turnover and profit increased by approximately 59.9% and 61.2% to approximately HK$181,369,000 and HK$20,577,000 respectively. Taking into account the huge potentials for the Group's business in the Eastern China region, the construction of phase two of the Group's Suzhou production plant with a planned construction area of approximately 59,000 square metres is currently in progress, with completion targeted by end of 2009.

The Group's existing Shenzhen (Shiyan) 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 opportunities with 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 2010. 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 higher market share and larger business volume for the Group.

Prospects

Though the business environment is full of uncertainties, the Group will still adopt a cautious but optimistic attitude to face every challenge. The Group will concentrate on its core business continuously and seek for on-going development. The Group will continue to be well prepared by closely monitoring market changes and flexibly deploying its manpower in order to strengthen its market position and develop new sources of business. Further, with a view to maintaining a healthy cash flow in a tough business environment, the Group will put great effort on cost monitoring and inventory control in order to enhance operating effectiveness. Directed by a cautious mind and positive attitude, and armed with ample management and production experience, management believes that the Group can overcome the adversity and achieve satisfactory results in maintaining a leading position in its industry.

Taking this opportunity, on behalf of the Board, I would like to express sincere thanks to all 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 highest quality, thereby maximising the returns to our shareholders.

Zhang Hwo Jie
Chairman

Hong Kong, 15 April 2009

Business review

During the year ended 31 December 2008, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. A review of the Group's operations for the year ended 31 December 2008 is as follows:

Metal division

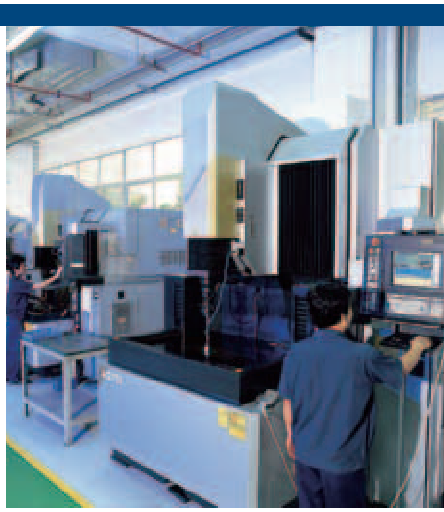
During the year ended 31 December 2008, the turnover of the Group's metal division increased by 3.1% to approximately HK$790,059,000 as compared to that of approximately HK$766,373,000 for the year ended 31 December 2007. During the year, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother and sales to Japanese customers accounted for approximately 86.4% of the Group's total sales for the year ended 31 December 2008 (For the year ended 31 December 2007: 83.6%).

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 385 employees and other engineers and technicians of 851 employees as at 31 December 2008.

Such investment in quality and production management has proven to be beneficial to the Group. Despite the outbreak of financial crisis, sales of the Group's metal division continued to increase moderately during the year ended 31 December 2008. Apart from Japanese customers, the remaining 13.6% of the Group's total sales was derived from reputable Hong Kong or international companies during the year ended 31 December 2008. To broaden its customer base, the Group will continue to source new customers. However, it is the policy of the Group to be selective in the sourcing of new customers and management will take into account a number of factors which include the pricing of products and credibility of potential customers in its decision making process.

Plastic division

During the year ended 31 December 2008, 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 2008 amounted to approximately HK$294,923,000, representing an increase of approximately 58.9% as compared to that for the year ended 31 December 2007.



Human resources

As at 31 December 2008, the total number of employees of the Group was 3,847, which was approximately the same as compared to 3,961 employees as at 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. Apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success. Various employee activities were organised to build the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

Foreign currency exposure

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a portion of its sales and purchases are denominated in Renminbi. During the year ended 31 December 2008, approximately 35%, 57% and 8% (For the year ended 31 December 2007: 37%, 57% and 6%) of the Group's sales and approximately 19%, 67% and 14% (For the year ended 31 December 2007: 24%, 64% and 12%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

The Group's principal production facilities are located in Mainland China whilst its sale proceeds are primarily settled in Hong Kong dollars or US dollars. As such, management is aware of the potential foreign currency risk that may arise from the fluctuation of exchange rates between US dollars, Hong Kong dollars and Renminbi. Management has taken action to minimise the discrepancy in settlement currencies between its revenue and expenditure. In particular, despite the Group's substantial business operations in Mainland China, only a small portion of the Group's purchases are settled in Renminbi and all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi currently. Management will continue to 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:

	2008 HK$'000	2008 %	2007 HK$'000	2007 %
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**59,574**	**5.5%**	83,463	8.8%
Manufacturing of metal stamping components	**617,788**	**56.9%**	600,763	63.1%
Manufacturing of lathing components	**82,392**	**7.6%**	55,025	5.8%
Others *(Note 1)*	**30,305**	**2.8%**	27,122	2.8%
	790,059		766,373	
Plastic division				
Design and fabrication of plastic injection moulds	**35,692**	**3.3%**	33,319	3.5%
Manufacturing of plastic injection components	**257,357**	**23.7%**	151,150	15.9%
Others *(Note 1)*	**1,874**	**0.2%**	1,188	0.1%
	294,923		185,657	
Total	**1,084,982**		952,030	
Segment results				
Metal division	**79,421**		140,105	
Plastic division	**30,570**		31,590	
Operating profit	**109,991**		171,695	
Unallocated (expenses) income	**(514)**		1,318	
Finance income	**2,022**		1,488	
Finance costs	**(9,884)**		(7,521)	
Income tax expenses	**(19,037)**		(13,124)	
Profit attributable to equity holders of the Company	**82,578**		153,856	

Note 1: Others mainly represented sales of scrap materials

Turnover

Metal division

Despite the outbreak of financial crisis, turnover of the Group's metal division continued to increase moderately by approximately 3.1% from approximately HK$766,373,000 for the year ended 31 December 2007 to approximately HK$790,059,000 for the year ended 31 December 2008. The continuous growth of the Group's metal division under tough economic environment was primarily caused by the on-going improvement in the Group's production management and its reputation among prominent international brand owners.

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 place more orders with comprehensive production service providers which are able to cover both metal and plastic components within the office automation equipment. As such, the turnover of the Group's plastic division continued to increase significantly from approximately HK$185,657,000 for the year ended 31 December 2007 to approximately HK$294,923,000 for the year ended 31 December 2008.

Gross profit

The Group achieved a gross profit of approximately HK$273,376,000 for the year ended 31 December 2008, representing a decrease of approximately 9.7% as compared to that for the year ended 31 December 2007. Gross profit margin for year ended 31 December 2008 was approximately 25.2%, which decreased as compared to that of approximately 31.8% for the year ended 31 December 2007. The decrease in gross profit margin was primarily because (i) the Group's revenue from the design and fabrication of metal stamping and plastic injection moulds decreased by approximately 18.4% from approximately HK$116,782,000 for the year ended 31 December 2007 to approximately HK$95,266,000 for the year ended 31 December 2008 and its proportion to total turnover decreased from approximately 12.3% for the year ended 31 December 2007 to approximately 8.8% for the year ended 31 December 2008. At the same time, with the decrease in revenue from the design and fabrication of metal stamping and plastic injection moulds, the proportion of revenue from the manufacturing of metal stamping and plastic injection components and lathing components to total turnover increased from approximately 84.8% for the year ended 31 December 2007 to approximately 88.2% for the year ended 31 December 2008. Since the gross profit margin from the manufacture of components is lower than that from the design and fabrication of moulds, the decrease in the proportion of revenue from the design and fabrication of moulds to total turnover had resulted in a dilution in the Group's overall gross profit margin for the year ended 31 December 2008; (ii) taking into account the positive feedback from customers to the Group's production management and quality, management believes that the Group is poised to achieve further growth in revenue in the future. To establish a solid foundation for the Group's future growth, the Group has been expanding its scale of operations and in particular, the cost of the Group's plant and machinery increased from approximately HK$457,076,000 as at 31 December 2007 to approximately HK$630,421,000 as at 31 December 2008. Although the growth in the Group's turnover was less than expected due to the outbreak of financial crisis in 2008, the additional overhead and depreciation expenses caused by the expansion of the

Group's scale of operations were semi-fixed in nature and were charged to the Group's cost of sales during the year ended 31 December 2008 which resulted in a reduction of the Group's gross profit margin during the year; and (iii) the selling price of scrap materials fell sharply during the latter half of 2008, which deteriorated the Group's profitability generated from sales of scrap materials.

Segment results

For the year ended 31 December 2008, segment result of the Group's metal division amounted to approximately HK$79,421,000, representing a 43.3% decrease as compared to that of approximately HK$140,105,000 for the year ended 31 December 2007. The operating profit margin of the Group's metal division for the year ended 31 December 2008 was approximately 10.1%, which decreased as compared to that of approximately 18.3% for the year ended 31 December 2007. The decrease in operating profit margin of the Group's metal division was mainly because (i) the proportion of revenue from the design and fabrication of metal stamping moulds to total turnover of the Group's metal division decreased from approximately 10.9% for the year ended 31 December 2007 to approximately 7.5% for the year ended 31 December 2008. As the gross profit margin from the design and fabrication of metal stamping moulds is higher than that from the manufacture of metal stamping components, the reduction in the proportion of revenue from design and fabrication of metal stamping moulds to total turnover of the Group's metal division had resulted in the decrease in its operating profit margin; (ii) the Group's mould development centre in Shenzhen had been newly completed during the year ended 31 December 2008, resulting in an initial loss amounting to approximately HK$9,816,000 of which approximately HK$3,204,000 was charged to the Group's metal division and (iii) a general increase in various operating costs following the continuous expansion of the Group's scale and production capacity during the year ended 31 December 2008.

Segment result of the Group's plastic division for the year ended 31 December 2008 was approximately HK$30,570,000, which decreased by approximately 3.2% as compared to that of approximately HK$31,590,000 for the year ended 31 December 2007. Operating profit margin of the Group's plastic division for the year ended 31 December 2008 was approximately 10.4%, which decreased as compared to that of approximately 17.0% for the year ended 31 December 2007. The reasons for the decrease in operating profit margin of the Group's plastic division were similar to that of the metal division, in particular that (i) the proportion of revenue from design and fabrication of plastic injection moulds to total turnover of the Group's plastic division had decreased from approximately 17.9% for the year ended 31 December 2007 to approximately 12.1% for the year ended 31 December 2008, which diluted the overall profit margin of the Group's plastic division and (ii) initial loss incurred by newly established mould development centre attributable to the Group's plastic division amounting to approximately HK$6,612,000.

Finance costs

The Group's finance costs for the year ended 31 December 2008 amounted to approximately HK$9,884,000, which increased by approximately 31.4% as compared to that for the year ended 31 December 2007 due to the increase in the Group's borrowings during the year ended 31 December 2008.

Income tax expenses

During the year ended 31 December 2008, income tax expenses amounted to approximately HK$19,037,000. Effective tax rate (defined as the percentage of income tax expenses as compared to profit before income tax) for the year ended 31 December 2008 was approximately 18.7%, which increased as compared to that of approximately 7.9% for the year ended 31 December 2007. During the year ended 31 December 2007, Yihe Precision Hardware (Shenzhen) Co., Ltd, the principal subsidiary for the Group's metal business in Shenzhen, enjoyed a 50% reduction in PRC enterprise income tax at a rate of 7.5%. However, the tax reduction period expired during the year ended 31 December 2008 and accordingly Yihe Precision Hardware (Shenzhen) Co., Ltd. was subject to enterprise income tax at a rate of 18% during the year. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., the principal subsidiary for the Group's plastic business in Shenzhen, was exempted from PRC enterprise income tax during the year ended 31 December 2007. The tax exemption period of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. expired during the year ended 31 December 2008 and accordingly it was subject to enterprise income tax at a rate of 9% during the year. Further, in accordance with the new tax rules in Mainland China which became effective during the year ended 31 December 2008, dividends to be paid by the Group's subsidiaries in Mainland China to their respective overseas holding companies would be subject to withholding tax at a rate of 5% to 10%. As such, the Group's overall effective tax rate increased from approximately 7.9% for the year ended 31 December 2007 to approximately 18.7% for the year ended 31 December 2008.

Profit attributable to equity holders of the Company

During the year ended 31 December 2008, profit attributable to equity holders of the Company amounted to approximately HK$82,578,000, which decreased by approximately 46.3% as compared to approximately HK$153,856,000 for the year ended 31 December 2007. Net profit margin of the Group for the year ended 31 December 2008 was approximately 7.6%, which decreased as compared to that of 16.2% for the year ended 31 December 2007. The reduction in net profit margin of the Group was mainly caused by (i) the change in product mix of the Group and the decrease in the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover which diluted the Group's overall gross profit margin; (ii) the initial loss incurred by the Group's new mould development centre; (iii) a general increase in various operating costs following the continuing expansion of the Group's scale and production capacity during the year ended 31 December 2008; and (iv) the increase in finance costs and overall effective tax rate of the Group for the year ended 31 December 2008.

By geographical location

	2008 HK$'000	2007 HK$'000
Turnover		
Shenzhen (Shiyan) production plant	**901,870**	838,613
Shenzhen mould development centre	**1,743**	–
Suzhou production plant	**181,369**	113,417
	1,084,982	952,030
Profit attributable to equity holders of the Company		
Shenzhen (Shiyan) production plant	**71,817**	141,090
Shenzhen mould development centre	**(9,816)**	–
Suzhou production plant	**20,577**	12,766
	82,578	153,856

As indicated on the above, a substantial portion of the Group's turnover for the year ended 31 December 2008 was still derived from the Group's Shenzhen (Shiyan) production plant since the operating history of Suzhou production plant was relatively short as compared to that of the Group's Shenzhen (Shiyan) production plant. However, the Suzhou production plant was still able to contribute turnover of approximately HK$181,369,000 and net profit of approximately HK20,577,000 during the year ended 31 December 2008, representing approximately 16.7% and 24.9% of the Group's total turnover and net profit respectively during the year.

During the year ended 31 December 2008, the Group's Shenzhen mould development centre was established. Turnover generated by the newly established Shenzhen mould development centre during its initial development stage was minimal and amounted to approximately HK$1,743,000. Initial loss incurred by the Shenzhen mould development centre during the year ended 31 December 2008 amounted to approximately HK$9,816,000, representing approximately 11.9% of the Group's total net profit during the year.

Liquidity, financial resources and ratios

For the year ended 31 December 2008, the Group recorded net cash generated from operating activities amounting to approximately HK$139,562,000, which was comparable to that of approximately HK$141,403,000 for 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$204,399,000 due to the continuous expansion of the Group's scale of operations. In addition, the Group recorded net cash generated from financing activities of approximately HK$182,936,000 during the year ended 31 December 2008, which was primarily caused by an increase in borrowings during the year.

Bank loans as at 31 December 2008 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 31 December 2008 are as follows:

	31 December 2008	31 December 2007
Inventory turnover days *(Note 1)*	**81**	87
Debtors' turnover days *(Note 2)*	**68**	80
Creditors' turnover days *(Note 3)*	**71**	86
Current ratio *(Note 4)*	**1.45**	1.96
Net debt-to-equity ratio *(Note 5)*	**0.24**	Net cash

Note –

1. Calculation of inventory turnover days is based on the ending inventory 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

Substantially all of the Group's Japanese customers have their own designated raw material suppliers. These Japanese customers generally require the Group to purchase raw materials from their designated suppliers for the manufacture of metal and plastic components and delivery and pricing of raw materials are negotiated based on three-way communications among the Group, its customers and suppliers. This practice enables the Group to manage its inventories in an efficient manner despite a continuous increase in its turnover and business scale. The Group's inventory turnover days for the year ended 31 December 2008 was approximately 81 days, which decreased by 6 days as compared to that for the year ended 31 December 2007. The decrease was primarily driven by the improvement in the Group's inventory management during the year.

Debtors' and creditors' turnover days

During the year ended 31 December 2008, the Group's debtors' turnover days decreased from approximately 80 days for the year ended 31 December 2007 to approximately 68 days owing to the continuous improvement of the Group's cash flow management during the year. Creditors' turnover days for the year ended 31 December 2008 reduced to approximately 71 days, which was primarily caused by the shortened credit period granted by the suppliers during the year.

Current ratio and net debt-to-equity ratio

During the year ended 31 December 2008, the Group increased its short-term bank borrowings by approximately 491.1% with a view to providing working capital for the continuing operations of the Group. As such, the Group's current ratio reduced from approximately 1.96 as at 31 December 2007 to approximately 1.45 as at 31 December 2008. Total borrowings of the Group (bank borrowings and finance lease liabilities) as at 31 December 2008 increased by approximately 310.0% to approximately HK$481,267,000 and accordingly the Group's net debt-to-equity ratio increased to approximately 0.24 as compared to a net cash position as at 31 December 2007.

Charges on the group's assets

As at 31 December 2008, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$1,134,000 which were pledged in favour of a contractor of construction work as deposits for construction costs; (ii) pledge of leasehold land and buildings located in Hong Kong and equipment located in Suzhou with net book value of approximately HK$7,962,000 and HK$75,407,000, respectively, for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$232,945,000 for securing finance lease liabilities.

Outlook

During the year ended 31 December 2008, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. The Group continued to focus on serving the office automation equipment market, with its revenue primarily derived from Japanese customers.

However, during the year under review, the global situation underwent unexpected change. The financial tsunami, as triggered off by the sub-prime mortgage crisis in the United States, has posed a negative influence on global economy. Looking back, the economic crises in the past, such as the Asian financial crisis and SARS, were only restricted to particular regions. However, the wave of this financial tsunami spread all over the world and the global financial and economic system came into crisis in succession. Although the Group did not invest in any derivatives and therefore was kept off from the adverse impact created by the global financial tsunami, the office automation equipment market was inevitably hit which was expected to have a negative impact on the Group's performance in near future.

Under the current economic situation, the Group has taken strategies to maintain a stable development. Fortunately, the Group has not fully explored all business opportunities relating to the office automation equipment market up to date and therefore there are still ample opportunities for the expansion of the Group in this market. Therefore, despite the possible shrinkage in global demand for office automation equipment in the near future, it is still possible for the Group to maintain a stable growth should it be able to expand its share in this market, particularly under the existing situation where a majority of the Group's Japanese customers are becoming more cost conscious and will probably outsource more production to non-Japanese suppliers.

As part of the Group's plan to continue improving its production management and quality with a view to strengthening its market share within the office automation equipment industry, the Group established a new mould development centre in Shenzhen during the year ended 31 December 2008. Under the Group's existing business model, 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 an increase in sale orders from customers for the subsequent production of metal stamping and plastic injection components. Further, as all components are basically produced from moulds, the number of moulds manufactured by the Group has a significant impact on the Group's future component orders. With a view to increasing the Group's production capacity of moulds, the Group established the mould development centre. With an expanded mould production capability, the Group will not only be able to manufacture more moulds for future component orders but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers engaged not only in the office automation equipment industry, but also the automobile, home appliance and medical equipment industry.

Another strategy for strengthening the Group's market share within the office automation equipment industry is to expand geographically. Under the just-in-time inventory management methodology adopted by a majority of the Group's Japanese customers, these Japanese customers will normally procure from suppliers located in the proximity of their manufacturing facilities for production and cost control purposes and therefore the Group's Shenzhen (Shiyan) production plant derives substantially all of its revenue from the Southern China region. To capture the business opportunities arising from the outsourcing of production from the Group's existing and new customers located in the Eastern China region, the Group established a production plant in Suzhou in 2006. The development of the Group's Suzhou production plant is able to facilitate the Group to further penetrate into the office automation equipment market and explore new business opportunities by expanding the Group's geographical coverage. During the year ended 31 December 2008, the Group's Suzhou production plant continued to expand. With the continuing expansion of the Group's Suzhou production plant, its turnover and profit increased by approximately 59.9% and 61.2% to approximately HK$181,369,000 and HK$20,577,000 respectively during the year ended 31 December 2008.

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

The Group's existing Shenzhen (Shiyan) production plant is located in the eastern bank of the Pearl River Delta region. With a view to strengthening the Group's foothold in the office automation equipment industry and at the same time developing businesses from new customers located in the western bank of the Pearl River Delta region, the Group is in the process of establishing a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan production plant with a construction area of approximately 33,000 square metres is currently in progress and is expected to be completed by 2010. The establishment of a new production plant in Zhongshan which is in the proximity of the Group's customers located in the western bank of the Pearl River Delta region will not only reduce the transportation costs of the Group and its customers, but can also strengthen the Group's business relationship with its existing customers which will finally translate into higher market share and 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 copiers and printers. Taking into account the 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, the Group's market share within the office automation equipment market is still relatively small at this stage and management believes that there are still ample opportunities for the continuous expansion of the Group in this market. Therefore, in the near future, 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. However, at the same time, the Group will continuously search for expansion opportunities in other industries including the automobile, home appliance and medical equipment markets and take necessary actions to explore into these new markets if appropriate.

Executive directors

Mr. ZHANG HWO Jie, aged 46, 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 15 years of experience in marketing, strategic planning and corporate management in manufacturing industry and was granted with the "Young Industrialist Award of Hong Kong" by the Federation of Hong Kong Industries in December 2008. 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 35, 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 37, 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 15 years of operational management experience in the industry of precision mould and component manufacturing. He is presently the vice president of the Shenzhen Machinery Association (深圳市機械行業協會) and the vice president of the Shenzhen Baoan Entrepreneur Confederation (深圳市寶安區企業家協會). 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 people 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 and an "Outstanding Entrepreneur in China Machinery Industry" (中國機械工業優秀企業家) by China Machinery Industry Fedaration (中國機械工業聯合會) in January 2009. 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 68, 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 58, 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 an independent non-executive directors of Leeport (Holdings) Limited. Dr. Lui was appointed as a director on 11 January 2005.

Mr. CHOY Tak Ho, aged 80, 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 62, 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 37, 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 10 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 and an Executive MBA degree from the Chinese University of Hong Kong.

Mr. CHEN Hong Bin, aged 41, 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 39, 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, specialising 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 35, 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 manufacturing 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 36, 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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. Accountable to the shareholders, the Board is collectively responsible for formulating the strategic business direction of the Group, 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 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 effectiveness of the Group's internal control system which cover all material controls, including financial, operational and compliance controls and risk management functions;

– 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 26 to page 29 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 Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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. These contracts are terminable by the Company within one year without payment of compensation (other than statutory compensation).

Chairman and Chief Executive Officer

To ensure that 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 and the Chief Executive Officer's responsibility for the management 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 2008, 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 in accordance with relevant accounting standards and regulations and 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, including financial, operational and compliance control and risk management functions of the Group for the year ended 31 December 2008.

BOARD MEETING

During the year ended 31 December 2008, the Board held twenty meetings.

Name of directors	Number of attendance
Mr. Zhang Hwo Jie	20/20
Mr. Zhang Jian Hua	20/20
Mr. Zhang Yaohua	20/20
Mr. Nomo Kenshiro	20/20
Dr. Lui Sun Wing	20/20
Mr. Choy Tak Ho	20/20
Mr. Leung Tai Chiu	20/20

The meetings of the Board are held on a regular and ad hoc basis. Regular meetings are convened by the Chairman at least four times a year, at approximately quarterly intervals and 14 days notice is given to all directors before such meetings. Agendas and related documents are sent to director at least three days prior to such meetings.

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 on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of external auditor and other matters relating to the resignation or dismissal of external auditor. 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 meetings during the year ended 31 December 2008 and had attended to the following matters:

– discuss with external auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 2007 and the interim financial statements for the six months ended 30 June 2008 before recommending the financial statements to the Board for approval.

The external auditor 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 2008. The audit committee has also considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 2008, the remuneration committee held two meetings with all members present at the meetings. The remuneration committee reviewed and discussed the remuneration package of the directors which is determined by reference to the prevailing market conditions, the business development of the Group and the responsibilities of individual directors. Details of the remuneration to directors for the year ended 31 December 2008 are set out in Note 22 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.

AUDITOR'S REMUNERATION

During the year ended 31 December 2008, the total remuneration for audit services provided by PricewaterhouseCoopers, the external auditor, amounted to HK$1,480,000. The audit fee was approved by the audit committee. The statement made by the auditor in respect of their reporting responsibilities are set out on page 53 to page 54 of this annual report.

During the year ended 31 December 2008, the total remuneration for permissible non-audit services provided by the external auditor (including any entity under common control, ownership or management with the auditor) amounted to HK$365,000. The non-audit services comprised tax compliance and tax advisory services of approximately HK$77,000 and non-audit review of interim consolidated financial statements of approximately HK$288,000. 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 auditor.

The re-appointment of PricewaterhouseCoopers as auditor 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all directors, all directors confirm that they have complied with the required standard set out in the Model Code during the year ended 31 December 2008 and up to the date of this report.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2008.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 15 April 2009

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 2008.

Principal activities

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

An analysis of the Group's turnover and operating result by business segment for the year ended 31 December 2008 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 2008 attributable to the Group's major suppliers and customers are as follows:

Purchases	
The largest supplier	14.7%
Five largest suppliers combined	38.0%
Sales	
The largest customer	24.7%
Five largest customers combined	63.9%

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 2008 are set out in the consolidated income statement on page 57.

Dividends

The Board recommends the payment of a final dividend of HK2.2 cents per ordinary share, totaling approximately HK$14,561,000. Subject to the approval of the directors' recommendation by the shareholders at the annual general meeting to be held 10 June 2009, the final dividends will be payable in cash on or about 18 June 2009. Including the interim dividend of HK$14,235,000 paid on 20 October 2008 in respect of the six months ended 30 June 2008, the total dividends declared for the year ended 31 December 2008 will be HK$28,796,000.

Fixed assets

Details of the movements in property, plant and equipment during the year ended 31 December 2008 are set out in Note 6 to the consolidated financial statements.

In preparation for the listing of the Group, certain of the leasehold land, land use right and buildings of the Group with cost of approximately HK$84,736,000 had been valued. The valuation of such leasehold land, land use right and buildings amounted to HK$121,100,000 as at 28 February 2005, the valuation date. The leasehold land, land use right and buildings had not been stated at valuation in the consolidated financial statements of the Group. In the consolidated financial statements of the Group, the up-front prepayments made for the leasehold land and land use right are expensed in the income statement on a straight-line basis over the period of the lease or, where there is impairment, the impairment is expensed in the income statement. Buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Should the leasehold land, land use right and buildings be stated at valuation, the additional depreciation and amortisation that would be charged to the income statement for the year ended 31 December 2008 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 2008 are set out in Note 23 to the consolidated financial statements.

Reserves

Details of movements in reserves during the year ended 31 December 2008 are set out in Note 19 to the consolidated financial statements.

Donations

The donations made by the Group during the year ended 31 December 2008 amounted to HK$1,776,000.

Pension schemes

Details of the Group's pension schemes are set out in Note 22 to the consolidated financial statements.

Five year financial summary

A five year financial summary of the Group is set out on page 130.

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 2008.

Directors and directors' service contracts

The directors of the Company during the year ended 31 December 2008 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. Leung Tai Chiu, Mr. Choy Tak Ho and Mr. Nomo Kenshiro 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 2008 and up to the date of this report, none of the directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Connected transactions

The following connected transaction, which also constitutes related party transaction set out in Note 30 to the consolidated financial statements, was entered into during the year ended 31 December 2008:

Deeds of tax indemnity provided by the directors and shareholders in favour of the Group

As disclosed in the Company's Prospectus dated 29 April 2005, on 28 April 2005, the Company entered into a deed of tax indemnity with Prosper Empire Limited which is a 51.78% shareholder of the Company as at 31 December 2008 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 possess of re-examining the tax position of EVA Limited and EVA Holdings Limited, wholly owned subsidiaries of the Company, in respect of the financial years prior to 31 December 2003. Up to date, the result of the re-examination has not been finalised by the HKIRD but, in this connection, EVA Limited and EVA Holdings Limited had paid, by way of purchasing tax reserve certificates, approximately HK$2,874,000 and HK$126,000 respectively during the year ended 31 December 2008 in respect of the estimated tax charged by the HKIRD for the assessment year 2001/2002. In addition, a service fee of approximately HK$30,000 was also paid in connection with the related tax advisory service. The total sum of HK$3,030,000 had been indemnified and reimbursed by the Indemnifiers in accordance with the above-mentioned deed of tax indemnity during the year ended 31 December 2008.

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

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 and repayable by quarterly installments commencing from the date of first utilisation of the loan facilities.

In addition, EVA Limited and EVA Plastic Mould Products (HK) Limited, subsidiaries of the Company, entered into a loan facilities agreement with DBS Bank (Hong Kong) Limited on 7 July 2005. The purposes 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 one quarter after the date of advance of the loan. The loan drawn pursuant to the Supplemental Agreement would be deducted from the facility limit under the Suzhou Facilities Agreements. Under the Supplemental Agreement, a letter of undertaking duly executed by Mr. Zhang Hwo Jie and a letter of undertaking (the "Letter of Undertaking") duly executed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua for the account of EVA Limited are required by DBS Bank (Hong Kong) Limited.

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

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

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

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in the cancellation of all or any part of the commitments under the relevant facilities agreements and all borrowed amounts outstanding becoming immediately due and payable.

Share options

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 20 April 2005 which became unconditional on 11 May 2005.

The following is a summary of the Share Option Scheme disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

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 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 which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme must not exceed 10% of the issued share capital of the Company, unless the Company obtains a fresh mandate from its shareholders. Upon adoption of the Share Option Scheme, the directors were authorised to grant options to subscribe for up to 52,000,000 shares, representing 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The mandate granted to the directors upon adoption of the Share Option Scheme had been utilised for the issuance of share options to employees during the year ended 31 December 2006 and 2007. During the annual general meeting of the Company held on 18 May 2007, the directors were granted with a refreshed mandate from the shareholders to issue share options to subscribe for an additional 72,000,000 shares, representing 10% of the issued share capital of the Company on the same date. The refreshed mandate had been utilised for issuance of shares options to employees during the year ended 31 December 2008. As at the date of this report, the total number of shares available for issue under the Share Option Scheme, representing the remaining unissued share options under the refreshed mandate granted to the directors on 18 May 2007, was 660,000 shares and accounted for approximately 0.1% of the issued share capital of the Company as at the same date.

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 2008 were as follows:

	As at 1 January 2008	Granted on 1 February 2008	Granted on 10 December 2008	Exercised during the year	Lapsed during the year	As at 31 December 2008	Share price immediately before offer date	Exercise price	Weighted average closing price before exercise of options
							HK$	HK$	HK$
Executive directors									
Mr. Zhang Hwo Jie									
– Granted on 21 June 2006	1,300,000	–	–	–	–	1,300,000	1.72	1.70	–
– Granted on 16 February 2007	1,200,000	–	–	–	–	1,200,000	1.95	1.96	–
– Granted on 10 December 2008	–	–	7,000,000	–	–	7,000,000	0.33	0.35	–
Mr. Zhang Jian Hua									
– Granted on 21 June 2006	1,300,000	–	–	–	–	1,300,000	1.72	1.70	–
– Granted on 16 February 2007	1,400,000	–	–	–	–	1,400,000	1.95	1.96	–
– Granted on 10 December 2008	–	–	7,000,000	–	–	7,000,000	0.33	0.35	–
Mr. 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	–
– Granted on 10 December 2008	–	–	7,000,000	–	–	7,000,000	0.33	0.35	–
Mr. Nomo Kenshiro									
– Granted on 21 June 2006	900,000	–	–	–	–	900,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	–	300,000	1.95	1.96	–
– Granted on 10 December 2008	–	–	800,000	–	–	800,000	0.33	0.35	–
Independent non-executive directors									
Dr. Lui Sun Wing									
– Granted on 21 June 2006	240,000	–	–	–	–	240,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	–	300,000	1.95	1.96	–
– Granted on 10 December 2008	–	–	1,000,000	–	–	1,000,000	0.33	0.35	–
Mr. Choy Tak Ho									
– Granted on 21 June 2006	300,000	–	–	–	–	300,000	1.72	1.70	–
– Granted on 16 February 2007	300,000	–	–	–	–	300,000	1.95	1.96	–
– Granted on 10 December 2008	–	–	1,000,000	–	–	1,000,000	0.33	0.35	–
Mr. 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	–
– Granted on 10 December 2008	–	–	1,000,000	–	–	1,000,000	0.33	0.35	–
Employees of the Group									
In aggregate									
– Granted on 21 June 2006	21,050,000	–	–	(350,000)	(1,830,000)	18,870,000	1.72	1.70	2.74
– Granted on 10 August 2006	600,000	–	–	(10,000)	–	590,000	1.68	1.71	2.75
– Granted on 16 February 2007	7,000,000	–	–	(50,000)	(830,000)	6,120,000	1.95	1.96	2.79
– Granted on 16 February 2007	9,600,000	–	–	–	–	9,600,000	1.95	1.96	–
– Granted on 1 February 2008	–	4,970,000	–	–	(480,000)	4,490,000	2.10	2.10	–
– Granted on 10 December 2008	–	–	42,110,000	–	–	42,110,000	0.33	0.35	–
	49,090,000	4,970,000	66,910,000	(410,000)	(3,140,000)	117,420,000			

The fair value of the options granted on 21 June 2006 and 10 August 2006 with outstanding balances as at 31 December 2008 of 24,510,000 options and 590,000 options were HK$10,495,000 and HK$243,000, respectively. The fair value of the options granted on 16 February 2007 with outstanding balances as at 31 December 2008 of 11,320,000 options and 9,600,000 options were HK$4,270,000 and HK$2,510,000, respectively. The fair value of the options granted on 1 February 2008 and 10 December 2008 with outstanding balances as at 31 December 2008 of 4,490,000 options and 66,910,000 options were HK$2,241,000 and HK$6,400,000 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					
– 24,510,000 options outstanding as at 31 December 2008	1.70	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 10 August 2006					
– 590,000 options outstanding as at 31 December 2008	1.71	30%	1.5 to 3.5 years	4.5%	Nil
Granted on 16 February 2007					
– 11,320,000 options outstanding as at 31 December 2008	1.96	27.14% to 30.89%	1.5 to 3.5 years	4.046% to 4.072%	2.17%
– 9,600,000 options outstanding as at 31 December 2008	1.96	32.17%	1 year	4.002%	2.17%
Granted on 1 February 2008					
– 4,490,000 options outstanding as at 31 December 2008	2.10	41.55%	1.5 to 3.5 years	1.487% to 1.7965%	2.79%
Granted on 10 December 2008					
– 66,910,000 options outstanding as at 31 December 2008	0.35	51.99%	3 years	0.922%	3.00%

The expected volatility is based on historic volatility adjusted for any expected changes to future volatility based on publicly available information. Dividend paid-out rate is based on historical dividend paid-out rate. Changes in these subjective input assumptions could affect the fair value estimate. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

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 24,510,000 options granted on 21 June 2006 and outstanding as at 31 December 2008		
20%	22 June 2007	22 June 2007 to 22 June 2010
30%	23 June 2008	23 June 2008 to 22 June 2010
50%	22 June 2009	22 June 2009 to 22 June 2010
With respect to 590,000 options granted on 10 August 2006 and outstanding as at 31 December 2008		
20%	13 August 2007	13 August 2007 to 11 August 2010
30%	11 August 2008	11 August 2008 to 11 August 2010
50%	11 August 2009	11 August 2009 to 11 August 2010
With respect to 11,320,000 options granted on 16 February 2007 and outstanding as at 31 December 2008		
20%	4 February 2008	4 February 2008 to 2 February 2011
30%	2 February 2009	2 February 2009 to 2 February 2011
50%	2 February 2010	2 February 2010 to 2 February 2011
With respect to 9,600,000 options granted on 16 February 2007 and outstanding as at 31 December 2008		
100%	4 February 2008	4 February 2008 to 2 February 2009

% of the options granted	Vesting date	Exercise period
With respect to 4,490,000 options granted on 1 February 2008 and outstanding as at 31 December 2008		
20%	2 February 2009	2 February 2009 to 2 February 2012
30%	2 February 2010	2 February 2010 to 2 February 2012
50%	2 February 2011	2 February 2011 to 2 February 2012
With respect to 66,910,000 options granted on 10 December 2008 and outstanding as at 31 December 2008		
100%	10 December 2008	10 December 2008 to 19 November 2018

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

As at 31 December 2008, the interests and/or short positions of the directors or chief executive of the Company's in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives *(Note 1)*	Total interests	Approximate percentage of interest in the Company as at 31 December 2008
Mr. Zhang Hwo Jie	361,500,000 *(Note 2)*	7,646,000	–	9,500,000	378,646,000	54.24%
Mr. Zhang Jian Hua	–	9,330,000	–	9,700,000	19,030,000	2.73%
Mr. Zhang Yaohua	2,824,000 *(Note 3)*	5,066,000	400,000	9,700,000	17,990,000	2.58%
Mr. Nomo Kenshiro	–	–	1,700,000	2,000,000	3,700,000	0.53%
Dr. Lui Sun Wing	–	–	–	1,540,000	1,540,000	0.22%
Mr. Choy Tak Ho	–	–	–	1,600,000	1,600,000	0.23%
Mr. Leung Tai Chiu	–	900,000	–	1,600,000	2,500,000	0.36%

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 51.78% of the entire issued capital of the Company as at 31 December 2008. Under the SFO, Mr. Zhang Hwo Jie is deemed to be interested in the shares held by Prosper Empire Limited.

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

(ii) Long position in shares of Prosper Empire Limited, an associated corporation of the Company

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 31 December 2008
Mr. Zhang Hwo Jie	Personal interests	36%
Mr. Zhang Yaohua	Personal interests	33%
Mr. Zhang Jian Hua	Personal interests	31%

Substantial shareholders

As at 31 December 2008, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO are as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	361,500,000	–	361,500,000	51.78%
Ms. Shen Chan Jie Lin	Interest of spouse *(Note1)*	369,146,000	9,500,000	378,646,000	54.24%

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 361,500,000 shares of the Company held by Prosper Empire Limited.

Purchases, sale and redemption of the shares

The Company repurchased its 23,522,000 listed shares on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2008. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the year ended 31 December 2008 are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
July 2008	4,470,000	1.70	1.37	6,998
August 2008	5,390,000	1.43	1.20	7,380
October 2008	3,754,000	0.465	0.31	1,592
November 2008	7,742,000	0.34	0.31	2,518
December 2008	2,166,000	0.60	0.55	1,283
	23,522,000			19,771

Subsequent to 31 December 2008, the Company repurchased its 36,456,000 listed shares on The Stock Exchange of Hong Kong Limited from 1 January 2009 to the date of this report. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases subsequent to 31 December 2008 are summarised as follows:

Month of repurchase	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
	36,456,000			21,684

The directors believe that the repurchases were made for the benefit of the shareholders as a whole as they enhanced the earnings per share of the Company.

Save for disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2008 and up to the date of this report.

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 5 June 2009 to 10 June 2009, 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 2008, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share 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 4 June 2009.

Corporate governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 30 to page 35.

Audit committee

The Company has set up an audit committee, in accordance with the requirements of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The 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 2008.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2008 and up to the date of this report.

Auditor

The consolidated financial statements for the year ended 31 December 2008 have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor 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, 15 April 2009

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 55 to 129, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 judgement, 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 2008 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, 15 April 2009

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	6	**931,106**	595,456
Leasehold land and land use rights	7	**58,934**	80,314
Prepayments, deposits and other receivables	11	**21,916**	60,195
Other assets		**1,607**	1,607
		1,013,563	737,572
Current assets			
Inventories	9	**179,204**	154,198
Trade receivables	10	**203,232**	209,525
Prepayments, deposits and other receivables	11	**9,894**	11,775
Pledged bank deposits	12	**1,134**	8,437
Cash and cash equivalents	12	**251,828**	133,729
		645,292	517,664
Current liabilities			
Trade payables	13	**158,214**	153,730
Accruals and other payables	14	**31,801**	39,622
Bank borrowings	15	**189,463**	32,052
Finance lease liabilities	16	**50,968**	24,607
Current income tax liabilities		**15,388**	13,783
		445,834	263,794
Net current assets		**199,458**	253,870
Total assets less current liabilities		**1,213,021**	991,442
Non-current liabilities			
Bank borrowings	15	**155,122**	27,445
Finance lease liabilities	16	**85,714**	33,278
Deferred taxation	17	**5,129**	–
		245,965	60,723
Net assets		**967,056**	930,719
EQUITY			
Capital and reserves			
Share capital	18	**69,813**	72,124
Reserves	19		
– Proposed final dividend		**14,561**	24,522
– Others		**882,682**	834,073
Total equity		**967,056**	930,719

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 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Investments in and amounts due from subsidiaries	8	**673,391**	679,102
Current assets			
Prepayments, deposits and other receivables	11	**–**	187
Cash and cash equivalents	12	**404**	2,663
		404	2,850
Current liabilities			
Accruals and other payables	14	**137**	66
Net current assets		**267**	2,784
Net assets		**673,658**	681,886
EQUITY			
Capital and reserves			
Share capital	18	**69,813**	72,124
Reserves	19		
– Proposed final dividend		**14,561**	24,522
– Others		**589,284**	585,240
Total equity		**673,658**	681,886

Zhang Hwo Jie
Director

Zhang Jian Hua
Director

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

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	**1,084,982**	952,030
Cost of sales	21	**(811,606)**	(649,373)
Gross profit		**273,376**	302,657
Other income	20	**114**	1,678
Selling and marketing costs	21	**(56,719)**	(55,481)
General and administrative expenses	21	**(107,294)**	(75,841)
Operating profit		**109,477**	173,013
Finance income	23	**2,022**	1,488
Finance costs	23	**(9,884)**	(7,521)
Profit before income tax		**101,615**	166,980
Income tax expense	24	**(19,037)**	(13,124)
Profit for the year and attributable to equity holders of the Company	25	**82,578**	153,856
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	26	**11.5**	22.5
– diluted	26	**11.5**	21.9
Dividends	27	**28,796**	46,127

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 January 2008		72,124	858,595	930,719
Profit for the year/total recognised income		–	82,578	82,578
Repurchase of shares	18	(2,352)	(17,419)	(19,771)
Employee share option scheme				
– value of employee services	18	–	11,579	11,579
– proceeds from shares issued	18	41	669	710
Dividends paid		–	(38,759)	(38,759)
		(2,311)	(43,930)	(46,241)
Balance at 31 December 2008		69,813	897,243	967,056
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	18	12,000	309,600	321,600
Share issuance costs		–	(11,422)	(11,422)
Employee share option scheme				
– value of employee services	18	–	9,186	9,186
– proceeds from shares issued	18	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

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

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**159,384**	157,457
Interest received		**2,022**	1,826
Interest paid		**(9,541)**	(7,725)
Hong Kong profits tax paid		**(2,653)**	(3,040)
Overseas income tax paid		**(9,650)**	(7,115)
Net cash generated from operating activities		**139,562**	141,403
Cash flows from investing activities			
Purchase of property, plant and equipment		**(212,692)**	(137,188)
Deposits for property, plant and equipment		**(21,360)**	(85,721)
Proceeds from disposal of land use right	28	**21,930**	–
Proceeds from sale of property, plant and equipment	28	**420**	330
Purchase of other assets		**–**	(954)
Decrease in pledged bank deposits		**7,303**	–
Net cash used in investing activities		**(204,399)**	(223,533)
Cash flows from financing activities			
Proceeds from borrowings		**437,784**	236,574
Repayments of borrowings		**(152,696)**	(336,296)
Repayments of capital element of finance lease liabilities		**(44,332)**	(34,298)
Decrease in pledged bank deposits		**–**	24,808
Issue of shares	18	**–**	321,600
Share issuance costs		**–**	(11,422)
Repurchase of shares	18	**(19,771)**	–
Proceeds from exercise of share options		**710**	2,108
Dividends paid		**(38,759)**	(43,205)
Net cash generated from financing activities		**182,936**	159,869
Net increase in cash and cash equivalents		**118,099**	77,739
Cash and cash equivalents at beginning of the year		**133,729**	55,990
Cash and cash equivalents at end of the year		**251,828**	133,729

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 15 April 2009.

2 Summary of significant accounting policies

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)

(a) *Amendment and interpretations effective in 2008*

The following amendment and interpretations to published standards is mandatory for accounting periods beginning on or after 1 January 2008:

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) – Int 12, 'Service concession arrangements', deals primarily with public to private service concession arrangements for the delivery of the public services. It applies only to concession arrangements where the use of the infrastructure and significant residual interest in the infrastructure are controlled by the grantor. The interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', 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. This interpretation does not have an impact on the Group's financial statements as none of the group companies operate a defined benefit pension scheme.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) Standard, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group

The following standard, amendments and interpretation to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective for accounting period starting from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Revised), 'Borrowing costs' (effective for accounting period starting from 1 January 2009). The amendment 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.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) *Standard, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group* (Continued)

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective for accounting period starting from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) from 1 January 2010.

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective for accounting period starting from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective for accounting period starting from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2010 in its separate financial statements. This amendment is not relevant to the Group.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) *Standard, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group* (Continued)

- HKFRS 2 (Amendment), 'Share-based payment' (effective for accounting period starting from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised), 'Business combinations' (effective for accounting period starting from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- HKFRS 8, 'Operating segments' replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information' (effective for accounting period starting from 1 January 2009). 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 this standard from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) *Standard, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Group* (Continued)

- HK(IFRIC) – Int 16, 'Hedges of a net investment in a foreign operation' (effective for accounting period starting from 1 October 2008). HK(IFRIC) – Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply HK(IFRIC) – Int 16 from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.

(c) *Interpretations and amendment to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations and amendment to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- HKAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items' (effective for accounting period starting from 1 July 2009). This amendment is to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations.

- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective for accounting period starting 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.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) *Interpretations and amendment to existing standards that are not yet effective and not relevant for the Group's operations* (Continued)

- HK(IFRIC) – Int 17 – 'Distributions of non-cash assets to owners' (effective for accounting period starting from 1 July 2009). This interpretation applies to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  – a dividend payable shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

  – the dividend payable shall be measured at the fair value of the assets to be distributed.

  – the difference between the dividend paid and the carrying amount of the assets distributed shall be recognised in profit or loss.

- HK(IFRC) – Int 18, 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009). It clarifies that an asset received from a customer should be recognised initially at fair value, and the related income should be recognised immediately or if there is a future service obligation, over the relevant service period. This Interpretation also applies to cash received from a customer for the acquisition or construction of an asset. HK(IFRIC) – Int 18 is not relevant to the Group's operations because none of the Group's companies have received any assets nor cash from customers.

Apart from the above, the Hong Kong Institute of Certified Public Accountants has also issued improvements to HKFRS primarily with a view to remove inconsistencies and clarify wording. These amendments are primarily effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect adoption of these amendments to have a significant effect on the 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 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 consolidated 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. 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 or valuation where items are measured. 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 consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'general and administrative expenses'.

(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;

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

(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.

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 consolidated income statement during the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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.

Construction-in-progress, representing buildings, plant and machinery 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and recognised in the consolidated 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 Summary of significant accounting policies (Continued)

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). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets/liabilities

2.8.1 Classification

The Group classifies its financial assets and liabilities in the following categories: loans and receivables and other financial liabilities at amortised cost. The classification depends on the purposes for which the financial assets and liabilities were acquired. Management determine the classification of its financial assets and liabilities at initial recognition.

(a) 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 'cash and cash equivalents' in the consolidated balance sheet.

2 Summary of significant accounting policies (Continued)

2.8 Financial assets/liabilities (Continued)

2.8.1 Classification (Continued)

(b) Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. Other financial liabilities are classified as 'borrowings'; 'finance lease' and 'trade payables' in the consolidated balance sheet.

2.8.2 Recognition and measurement

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 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. 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.

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

Recognitions and measurements of other financial liabilities at amortised cost are described in Notes 2.13, 2.14 and 2.19.

2 Summary of significant accounting policies (Continued)

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 consolidated 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 consolidated income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

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 Summary of significant accounting policies (Continued)

2.12 Share capital (Continued)

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled.

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

2 Summary of significant accounting policies (Continued)

2.15 Current and deferred income tax (Continued)

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 service and performance vesting conditions (for example, profitability and sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated 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 Summary of significant accounting policies (Continued)

2.16 Employee benefits (Continued)

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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.

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:

2 Summary of significant accounting policies (Continued)

2.18 Revenue recognition (Continued)

(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.

2.19 Leases (as the lessee)

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), including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant and equipment 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 consolidated 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. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

2 Summary of significant accounting policies (Continued)

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 consolidated income statement immediately.

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

3.1 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.

(a) Market risk

(i) 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.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(i) Foreign exchange risk (Continued)

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.

	2008	2007
	HK$'000	HK$'000
Chinese Renminbi 5.8% (2007: 6.8%) appreciation/depreciation against Hong Kong dollars		
Increase/(decrease) in post-tax profit	**6,534**	(726)

The change in post-tax profit is mainly as a result of the revaluation of bank deposits which are denominated in Chinese Renminbi.

(ii) 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 Notes 15 and 16 to the consolidated financial statements.

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

At 31 December 2008, 50.0% (2007: 41.7%) of the Group's gross borrowings were with a maturity date for a period of at least one year. A 100 basis points fall/rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2008 would increase or reduce profit by approximately HK$2,283,000 (2007: HK$33,000), mainly as a result of lower/higher interest expense on floating rate borrowings. There would be no material impact on equity.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, pledged bank deposits and trade receivables. The carrying amounts of these balances represent the Company's maximum exposure to credit risk in relation to financial assets. The credit risk is monitored on an ongoing basis with reference to the financial position of the debtors, past experience and other factors.

As at 31st March 2007 and 2008, all the bank balances are deposited in the high quality financial institutions without significant credit risk. Management does not expect any losses from non-performance by these banks.

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.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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

	2008	2007
	HK$'000	HK$'000
Trade receivables	**203,232**	209,525
Pledged bank deposits	**1,134**	8,437
Cash and cash equivalents	**251,828**	133,729

The majority of the Group's trade receivables are due for maturity within 90 days and largely comprise amounts receivable from business customers. Refer to Note 10 for assessment on concentrations of credit risk.

(c) *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 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 flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31 December 2008					
Bank borrowings	**189,463**	**75,376**	**77,207**	**2,539**	**344,585**
Finance lease liabilities	**50,968**	**41,202**	**44,512**	**–**	**136,682**
Interest payable	**16,031**	**7,118**	**3,434**	**223**	**26,806**
Trade payables	**158,214**	**–**	**–**	**–**	**158,214**
Other payables	**5,917**	**–**	**–**	**–**	**5,917**
At 31 December 2007					
Bank borrowings	32,052	23,060	1,242	3,143	59,497
Finance lease liabilities	24,607	20,969	12,309	–	57,885
Interest payable	4,174	1,906	718	264	7,062
Trade payables	153,730	–	–	–	153,730
Other payables	18,755	–	–	–	18,755

The contractual undiscounted cash flows of the Company's financial liabilities are due within 12 months and correspond to the carrying amounts.

3.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, bank borrowings and finance lease liabilities) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted cash flows at the current market interest rate that is available to the Group for similar instruments are used.

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.

3 Financial risk management (Continued)

3.3 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes the borrowings as disclosed in Note 15 net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, share premium, retained earnings and other reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associates with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as repayment of existing borrowings.

In addition, consistent with others in the industry, the Group also monitors capital structure 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 2008 and 2007 were as follows:

	2008	2007
	HK$'000	HK$'000
Total borrowings (Notes 15 and 16)	**481,267**	117,382
Total equity	**966,774**	930,719
Gearing ratio	**49.8%**	12.6%

The increase in the gearing ratio during 2008 resulted primarily from significant increase in bank borrowings for capital expenditure.

4 Critical accounting estimates and judgements

Estimates and judgements 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

(d) Income taxes

The Group is subject to income taxes in Mainland China and Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 Revenue and segment information

(a) Revenue

	2008	2007
	HK$'000	HK$'000
Sales		
Design and fabrication of metal stamping moulds	**59,574**	83,463
Manufacturing of metal stamping components	**617,788**	600,763
Manufacturing of lathing components	**82,392**	55,025
Design and fabrication of plastic injection moulds	**35,692**	33,319
Manufacturing of plastic injection components	**257,357**	151,150
Others	**32,179**	28,310
	1,084,982	952,030

Others mainly represent sales of scrap materials.

(b) Primary reporting format – business segments

At 31 December 2008, 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 Revenue and segment information (Continued)

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

The segment results and other segment items are as follows:

	2008 Metal stamping HK$'000	2008 Plastic injection HK$'000	2008 Total HK$'000	2007 Metal stamping HK$'000	2007 Plastic injection HK$'000	2007 Total HK$'000
Total gross segment revenue	**825,323**	**299,802**	**1,125,125**	784,204	187,643	971,847
Inter-segment revenue	**(35,264)**	**(4,879)**	**(40,143)**	(17,831)	(1,986)	(19,817)
Revenue	**790,059**	**294,923**	**1,084,982**	766,373	185,657	952,030
Segment results	**79,421**	**30,570**	**109,991**	140,105	31,590	171,695
Unallocated (expenses)/income			**(514)**			1,318
Finance income			**2,022**			1,488
Finance costs			**(9,884)**			(7,521)
Profit before income tax			**101,615**			166,980
Income tax expense			**(19,037)**			(13,124)
Profit for the year			**82,578**			153,856
Depreciation	**42,574**	**17,327**	**59,901**	36,245	12,873	49,118
Amortisation	**717**	**154**	**871**	810	135	945

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

5 Revenue and segment information (Continued)

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

The segment assets and liabilities are as follows:

	2008				2007			
	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	**1,161,936**	**496,515**	**404**	**1,658,855**	960,671	291,715	2,850	1,255,236
Liabilities	**144,154**	**45,724**	**501,921**	**691,799**	155,138	38,147	131,232	324,517
Capital expenditure	**229,334**	**166,682**	**-**	**396,016**	182,261	42,850	–	225,111

Segment assets consist primarily of property, plant and equipment and leasehold land and land use rights, inventories, 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 Revenue and segment information (Continued)

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

Segment assets and liabilities are reconciled to entity assets and liabilities at 31 December 2008 as follows:

	Assets HK$'000	Liabilities HK$'000
Segment assets/liabilities	**1,658,451**	**189,878**
Unallocated:		
Cash and cash equivalents	**404**	**–**
Current income tax liabilities	**–**	**15,388**
Deferred taxation	**–**	**5,129**
Current borrowings	**–**	**189,463**
Non-current borrowings	**–**	**155,122**
Current finance lease liabilities	**–**	**50,968**
Non-current finance lease liabilities	**–**	**85,714**
Accruals and other payables	**–**	**137**
Total	**1,658,855**	**691,799**

5 Revenue and 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, deposits and other receivables	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

(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 2007						
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
Year ended 31 December 2008						
Opening net book amount	113,894	354,662	14,768	7,334	104,798	595,456
Additions	1,542	23,094	11,508	2,454	357,418	396,016
Transfers	103,477	150,251	–	–	(253,728)	–
Disposals	–	–	–	(465)	–	(465)
Depreciation	(5,986)	(46,573)	(5,205)	(2,137)	–	(59,901)
Closing net book amount	212,927	481,434	21,071	7,186	208,488	931,106
At 31 December 2008						
Cost	235,864	630,421	34,542	14,147	208,488	1,123,462
Accumulated depreciation	(22,937)	(148,987)	(13,471)	(6,961)	–	(192,356)
Net book amount	212,927	481,434	21,071	7,186	208,488	931,106

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:

	2008 **HK$'000**	2007 HK$'000
Plant and machinery	**231,624**	100,093
Motor vehicles	**1,321**	1,519
	232,945	101,612

Depreciation expense is analysed as follows:

	2008 **HK$'000**	2007 HK$'000
Cost of sales	**44,552**	39,397
Selling and marketing costs	**897**	940
General and administrative expenses	**14,452**	8,781
	59,901	49,118

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

	2008 **HK$'000**	2007 HK$'000
Buildings in Hong Kong, located on land with leases of between 10 and 50 years	**1,506**	1,595
Buildings in Mainland China, located on land with land use rights of between 10 and 50 years	**211,421**	112,299
	212,927	113,894

6 Property, plant and equipment – Group (Continued)

Buildings with a carrying amount of HK$1,506,000 (2007: HK$1,595,000) and machinery with a carrying amount of HK$75,407,000 (2007: Nil) were pledged as collateral for the Group's borrowings (Note 15).

Included in construction-in-progress is capitalised interest of approximately HK$5,069,000 (2007: HK$3,575,000).

Analysis of construction-in-progress is as follows:

	2008 HK$'000	2007 HK$'000
Construction costs of buildings	**91,374**	66,875
Cost of machinery	**117,114**	37,923
	208,488	104,798

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:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**6,456**	6,626
In Mainland China, held on:		
Land use rights of between 10 and 50 years	**52,478**	73,688
	58,934	80,314

Leasehold land with a carrying amount of HK$6,456,000 (2007: HK$6,626,000) was pledged as collateral for the Group's borrowings (Note 15).

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

Movements are:

	2008 HK$'000	2007 HK$'000
Beginning of the year	**80,314**	24,160
Additions	**–**	57,099
Disposal	**(20,509)**	–
Amortisation	**(871)**	(945)
End of the year	**58,934**	80,314
Representing –		
Cost	**62,453**	82,962
Accumulated amortisation	**(3,519)**	(2,648)
Net book amount	**58,934**	80,314

8 Investments in and amounts due from subsidiaries – Company

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**123,351**	123,351
Amounts due from subsidiaries	**550,040**	555,751
	673,391	679,102

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 2008:

Name	Place of incorporation/ establishment, 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

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
Okuno Precision Metal Co., Limited	Hong Kong, limited liability company	HK$280,000	100%	Trading of metal moulds
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$196,880,000	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$156,000,000	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$23,000,000 (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 Limited 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 2008, the Group was committed to making capital contributions to the following subsidiaries:

Name of subsidiaries	**Committed capital contribution** HK$'000	**Due date**
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 Limited	24,837	June 2009
EVA Precision Industrial (Zhongshan) Limited	57,000	August 2009
	101,277	

9 Inventories – Group

	2008 **HK$'000**	2007 HK$'000
Raw materials	**45,848**	40,725
Work-in-progress	**75,387**	61,274
Finished goods	**62,768**	56,248
	184,003	158,247
Less: provision for impairment of inventories	**(4,799)**	(4,049)
Inventories – net	**179,204**	154,198

The cost of inventories recognised as expense and included in cost of sales amounted to HK$628,500,000 (2007: HK$495,073,000).

The Group has made a further inventory provision of HK$750,000 for the year ended 31 December 2008 (2007: HK$1,199,000). Such provision has been included in cost of sales in the consolidated income statement.

10 Trade receivables – Group

	2008 **HK$'000**	2007 HK$'000
Trade receivables	**204,420**	210,713
Less: provision for impairment of trade receivables	**(1,188)**	(1,188)
Trade receivables – net	**203,232**	209,525

10 Trade receivables – Group (Continued)

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

	2008 HK$'000	2007 HK$'000
0 to 90 days	**176,453**	184,087
91 to 180 days	**20,152**	23,313
181 to 365 days	**7,815**	3,313
	204,420	210,713

The top five customers and the largest customer accounted for 63.9% (2007: 52.2%) and 27.0% (2007: 22.6%) of the trade receivables balance as at 31 December 2008, respectively. The management closely monitors the subsequent settlement of customers and does not grant long credit periods to the counterparties. In this regard, the directors consider that the Group's credit risk is significantly reduced. 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 2008.

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

	2008 HK$'000	2007 HK$'000
0 to 90 days	**19,539**	23,705
91 to 180 days	**12,370**	9,531
181 to 365 days	**7,034**	1,609
	38,943	34,845

10 Trade receivables – Group (Continued)

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

	2008 **HK$'000**	2007 HK$'000
Hong Kong ("HK") dollars	**64,826**	78,180
United States ("US") dollars	**120,678**	129,107
Chinese Renminbi	**18,916**	3,426
	204,420	210,713

There is no movement on the provision for impairment of trade receivables in the current year (2007: Nil).

11 Prepayments, deposits and other receivables

	Group		**Company**	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Non-current				
Deposits for purchase of property, plant and equipment	**21,360**	60,195	**–**	–
Others	**556**	–	**–**	–
	21,916	60,195	**–**	–
Current				
Prepayments for purchase of raw materials	**1,877**	1,946	**–**	–
VAT recoverable	**3,435**	3,421	**–**	–
Others	**4,582**	6,408	**–**	187
	9,894	11,775	**–**	187

12 Pledged bank deposits/cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Pledged bank deposits	**1,134**	8,437	**–**	–
Short-term bank deposits	**127,000**	–	**–**	–
Cash at banks and on hand	**124,828**	133,729	**404**	2,663
	251,828	133,729	**404**	2,663
	252,962	142,166	**404**	2,663

Bank deposits amounting to HK$1,134,000 (2007: HK$8,437,000) were pledged in favour of contractors of construction work.

The effective interest rate on pledged bank deposits was 0.7% per annum (2007: 0.7% per annum). These deposits have an average maturity of 365 days (2007: 365 days).

The effective interest rate on short-term bank deposits was 2.6% per annum (2007: Nil). These deposits have an average maturity of 62 days (2007: Nil). The effective interest rate on cash at bank was 0.7% per annum (2007: 0.7% 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	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK dollars	**47,059**	76,565	**344**	2,604
Chinese Renminbi ("RMB")	**143,454**	27,529	**–**	–
US dollars	**59,222**	31,033	**60**	59
Japanese yen	**3,227**	7,039	**–**	–
	252,962	142,166	**404**	2,663

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and the remittance of RMB out of the Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

13 Trade payables – Group

The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	HK$'000
0 to 90 days	**146,800**	141,287
91 to 180 days	**10,416**	12,122
181 to 365 days	**998**	321
	158,214	153,730

The amounts of trade payables have a maturity period within 90 days. The carrying amounts of trade payables approximate their fair values and majority of which is denominated in US dollars.

14 Accruals and other payables

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Payable for purchase of land use rights	**3,812**	3,812	**–**	–
Payable for property, plant and equipment	**5,701**	18,610	**–**	–
Accrued wages, salaries and welfare	**12,500**	11,891	**–**	–
Deposits from customers	**4,461**	–	**–**	
Accrued operating expenses	**4,280**	4,487	**–**	–
Other payables	**1,047**	822	**137**	66
	31,801	39,622	**137**	66

The carrying amounts of accruals and other payables approximate their fair values.

15 Bank borrowings – Group

	2008	2007
	HK$'000	HK$'000
Current		
Short-term bank loans	**90,000**	25,000
Trust receipts bank loans	**10,226**	–
Long-term bank loans, current portion	**88,817**	6,667
Mortgage loan, current portion	**420**	385
	189,463	32,052
Non-current		
Long-term bank loans, non-current portion	**150,903**	22,666
Mortgage loan, non-current portion	**4,219**	4,779
	155,122	27,445
Total bank borrowings	**344,585**	59,497

15 Bank borrowings – Group (Continued)

The Group's bank borrowings are repayable as follows:

	2008 HK$'000	2007 HK$'000
Within 1 year	**189,463**	32,052
Between 1 and 2 years	**75,376**	23,060
Between 2 and 5 years	**77,207**	1,242
Wholly repayable within 5 years	**342,046**	56,354
Not wholly repayable within 5 years	**2,539**	3,143
	344,585	59,497

The carrying amounts of bank borrowings approximate their fair values.

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

	2008 HK$'000	2007 HK$'000
HK dollars	**334,359**	59,497
US dollars	**10,226**	–
	344,585	59,497

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	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
HK dollars	**4.9%**	5.7%	**–**	–	**4.0%**	5.9%	**2.8%**	4.8%
US dollars	**–**	–	**3.7%**	–	**–**	–	**–**	–

The Group has undrawn floating rate borrowing facilities of approximately HK$482,104,000 (2007: HK$373,791,000).

As at 31 December 2008, bank borrowings were secured by pledges of leasehold land and buildings located in Hong Kong and machinery located in Suzhou with net book amounts of approximately HK$7,962,000 and HK$75,407,000, respectively (2007: HK$8,221,000 and nil, respectively), 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:

	2008 **HK$'000**	2007 HK$'000
Within one year	**55,498**	27,401
In the second year	**43,674**	22,399
In the third to fifth year	**45,671**	12,755
	144,843	62,555
Less: Future finance charges on finance leases	**(8,161)**	(4,670)
Present value of finance lease liabilities	**136,682**	57,885

16 Finance lease liabilities – Group (Continued)

The present value of finance lease liabilities is as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**50,968**	24,607
In the second year	**41,202**	20,969
In the third to fifth year	**44,512**	12,309
Total finance lease liabilities	**136,682**	57,885
Less: Amount included in current liabilities	**(50,968)**	(24,607)
	85,714	33,278

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

As at 31 December 2008, the effective interest rate of the Group's finance lease liabilities was 4.0% per annum (2007: 6.1% per annum).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. The net book amount of the leased assets is approximately HK$232,945,000 (2007: HK$101,612,000). The finance lease liabilities are additionally secured by corporate guarantees provided by the Company in respect of these liabilities of approximately HK$45,204,000 (2007: HK$31,043,000).

17 Deferred taxation – Group

The movement on the deferred income tax liabilities is as follows:

	2008	2007
	HK$'000	HK$'000
At 1 January	**–**	–
Charged to the consolidated income statement (Note 24)	**5,129**	–
At 31 December	**5,129**	–

The above deferred income tax liabilities represented the withholding tax that would be payable on the unremitted earnings of certain subsidiaries.

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$2,202,000 (2007: HK$239,000) in respect of losses amounting to HK$12,418,000 (2007: HK$1,383,000) that can be carried forward against future taxable income. Tax losses of HK$2,039,000 (2007: HK$1,383,000) can be carried forward indefinitely. Tax losses of HK$10,379,000 (2007: Nil) will expire in 2012.

18 Share capital

	Note	Number of ordinary shares (thousands)	Nominal value HK$'000
Authorised			
At 31 December 2007 and 2008		1,000,000	100,000
Issued and fully paid			
At 1 January 2007		600,000	60,000
Issue of shares pursuant to			
– a share placement	(a)	120,000	12,000
– share option scheme	(b)	1,240	124
At 31 December 2007		721,240	72,124
Issue of shares pursuant to			
– share option scheme	(c)	410	41
Repurchase of shares	(d)	(23,522)	(2,352)
At 31 December 2008		698,128	69,813

Notes:

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

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

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

18 Share capital (Continued)

Notes: (Continued)

(d) During 2008, the Company repurchased a total of 23,522,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price ranging from HK$0.31 to HK$1.70 per share for a total consideration of approximately HK$19,771,000. The directors were authorised to repurchase shares of the Company at the annual general meeting held on 16 May 2008. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
July 2008	4,470,000	1.70	1.37	6,998
August 2008	5,390,000	1.43	1.20	7,380
October 2008	3,754,000	0.465	0.31	1,592
November 2008	7,742,000	0.34	0.31	2,518
December 2008	2,166,000	0.60	0.55	1,283
	23,522,000			19,771

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.

18 Share capital (Continued)

Share options (Continued)

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 after that date 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 and December 2008, a total of 71,880,000 options (2007: 22,050,000 options) were granted to the Company's directors and employees with an exercise price of HK$2.10 and HK$0.35 per share, respectively (2007: HK$1.96 per share). These options are vested according to a pre-determined schedule over three years. During the year, 410,000 share options were exercised (2007: 1,240,000 share options). A total of 3,140,000 options were lapsed during the year ended 31 December 2008 (2007: A total of 1,520,000 options were lapsed). Share options outstanding at 31 December 2008 are exercisable at prices ranging from HK$0.35 to HK$2.10 per share and will expire during the period from June 2010 to November 2018.

18 Share capital (Continued)

Share options (Continued)

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

	2008 Average exercise price per share HK$	2008 Number of options '000	2007 Average exercise price per share HK$	2007 Number of options '000
At 1 January		**49,090**		29,800
Granted	**–**	**–**	1.96	22,050
Granted	**2.10**	**4,970**	–	–
Granted	**0.35**	**66,910**	–	–
Exercised	**1.70**	**(350)**	1.70	(1,190)
Exercised	**1.71**	**(10)**	1.71	(50)
Exercised	**1.96**	**(50)**	–	–
Lapsed	**1.70**	**(1,830)**	1.70	(970)
Lapsed	**–**	**–**	1.71	(300)
Lapsed	**1.96**	**(830)**	1.96	(250)
Lapsed	**2.10**	**(480)**	–	–
At 31 December		**117,420**		49,090
Exercisable as at 31 December	**1.70**	**11,635**	1.70	4,450
	1.71	**265**	1.71	80
	1.96	**4,184**	–	–
	0.35	**66,910**	–	–

18 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$	**2008 Number of options '000**	2007 Number of options '000
22 June 2010	1.70	**24,510**	26,690
11 August 2010	1.71	**590**	600
2 February 2011	1.96	**20,920**	21,800
2 February 2012	2.10	**4,490**	–
21 November 2018	0.35	**66,910**	–
		117,420	49,090

The fair values of 4,970,000 options and 66,910,000 options granted in February and November 2008 determined using the Black-Scholes Valuation Model were approximately HK$2,480,000 and HK$6,400,000, respectively (2007: HK$7,185,000). The significant inputs into the model were the exercise price shown above, standard deviation of expected share price returns ranging 41.55% to 51.99% (2007: 27.14% to 32.17%), expected life of options of 1.5 to 3 years (2007: 1 to 3.5 years), expected dividend paid out rate of 2.79% to 3.00% (2007: 2.17%), and annual risk-free interest rate ranging from 0.922% to 1.797% (2007: 4.002% to 4.072%). The amount charged to the consolidated income statement during the year ended 31 December 2008 was HK$11,579,000 (2007: HK$9,186,000).

19 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 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	18	–	–	–	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
Representing							
– Proposed final dividend							24,522
– Others							834,073
							858,595

19 Reserves (Continued)

(a) Group (Continued)

	Note	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 January 2008		475,083	(735)	34,517	–	11,950	337,780	858,595
Profit for the year		–	–	–	–	–	82,578	82,578
Premium on repurchase of shares		(17,419)	–	–	–	–	–	(17,419)
Capital redemption reserve arising from repurchase of shares		–	–	–	2,352	–	(2,352)	–
Employee share option scheme								
– value of employee services	18	–	–	–	–	11,579	–	11,579
– proceeds from shares issued		669	–	–	–	–	–	669
Transfer to retained earnings upon lapse of share options		–	–	–	–	(248)	248	–
Transfer to share premium upon exercise of share options		123	–	–	–	(123)	–	–
Dividends paid		–	–	–	–	–	(38,759)	(38,759)
Transfer to statutory reserves		–	–	6,054	–	–	(6,054)	–
Balance at 31 December 2008		458,456	(735)	40,571	2,352	23,158	373,441	897,243
Representing								
– Proposed final dividend								14,561
– Others								882,682
								897,243

19 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 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	18	–	–	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
Representing						
– Proposed final dividend						24,522
– Others						585,240
						609,762

19 Reserves (Continued)

(b) Company (Continued)

	Note	Share premium HK$'000	Contributed surplus (i) HK$'000	Capital reserve HK$'000	Share redemption reserve HK$'000	options earnings HK$'000	Retained Total HK$'000
Balance at 1 January 2008		475,083	121,351	–	11,950	1,378	609,762
Profit for the year		–	–	–	–	38,013	38,013
Premium on repurchase of shares		(17,419)	–	–	–	–	(17,419)
Capital redemption reserve arising from repurchase of shares		–	–	2,352	–	(2,352)	–
Employee share option scheme							
– value of employee services	18	–	–	–	11,579	–	11,579
– proceeds from shares issued		669	–	–	–	–	669
Transfer to retained earnings upon lapse of share options		–	–	–	(248)	248	–
Transfer to share premium upon exercise of share options		123	–	–	(123)	–	–
Dividends paid		–	–	–	–	(38,759)	(38,759)
Balance at 31 December 2008		458,456	121,351	2,352	23,158	(1,472)	603,845
Representing							
– Proposed final dividend							14,561
– Others							589,284
							603,845

19 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.

20 Other income

	2008	2007
	HK$'000	HK$'000
Gain on disposals of financial assets at fair value through profit or loss	**–**	1,467
Others	**114**	211
	114	1,678

21 Expenses by nature

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

	2008 **HK$'000**	2007 HK$'000
Depreciation (Note 6)		
– Owned assets	**48,005**	39,574
– Leased assets	**11,896**	9,544
	59,901	49,118
Employment expenses (Note 22)	**154,701**	123,109
Amortisation of leasehold land and land use rights (Note 7)	**871**	945
Auditor's remuneration	**1,768**	2,070
Loss/(gain) on disposal of property, plant and equipment	**45**	(98)
Gain on disposal of land use right	**(1,421)**	–
Net exchange gains	**(3,844)**	(7,064)
Changes in inventories of finished goods and work in progress	**(20,633)**	(44,016)
Raw materials and consumables used	**649,133**	539,089
Provision for inventories	**750**	1,199
Packaging expenses	**29,338**	33,277
Others	**105,010**	83,066
	975,619	780,695

22 Employment expenses

	2008	2007
	HK$'000	HK$'000
Wages, salaries and bonus	**134,703**	108,157
Share options granted (Note 18)	**11,579**	9,186
Staff welfare	**1,306**	1,211
Retirement benefit – defined contribution plans (a)	**7,113**	4,555
	154,701	123,109

(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 2008, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$7,113,000 (2007: HK$4,555,000). As at 31 December 2008, the Group was not entitled to any forfeited contributions to reduce its future contributions (2007: Nil).

22 Employment expenses (Continued)

(b) Directors' emoluments

The remuneration of each director for the year ended 31 December 2008 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	–	2,040	400	976	12	3,428
Mr. Zhang Jian Hua	–	2,040	400	1,003	12	3,455
Mr. Zhang Yaohua	–	2,040	400	1,003	12	3,455
Mr. Nomo Kenshiro	–	576	48	218	–	842
Independent non-executive directors						
Dr. Lui Sun Wing	120	–	–	169	6	295
Mr. Choy Tak Ho	120	–	–	169	–	289
Mr. Leung Tai Chiu	120	–	–	169	6	295
	360	6,696	1,248	3,707	48	12,059

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

None of the directors waived or agreed to waive any emoluments paid/payable by the Group during the year (2007: Nil).

22 Employment expenses (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2007: one) individual is as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries	**1,080**	900
Bonus	**90**	130
Share options granted	**709**	336
Retirement benefit – defined contribution plans	**12**	12
	1,891	1,378

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**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 (2007: Nil).

23 Finance income/costs

	2008 HK$'000	2007 HK$'000
Finance income		
Interest income on bank deposits	**2,022**	1,488
Finance costs		
Interest expense on:		
Bank borrowings wholly repayable within five years	**10,197**	6,479
Bank borrowings not wholly repayable within five years	**127**	211
Finance lease liabilities	**4,629**	4,406
	14,953	11,096
Less: amount capitalised	**(5,069)**	(3,575)
	9,884	7,521

The capitalisation rate was approximately 2.5% per annum (2007: 3.0% per annum), representing the weighted average rate of the costs of borrowings used to finance the related assets.

24 Income tax expense

	2008 HK$'000	2007 HK$'000
Current taxation		
– Hong Kong profits tax	**6,593**	5,954
– Mainland China corporate income tax	**7,359**	7,275
Over-provision in prior years	**(44)**	(105)
Deferred taxation		
– Mainland China withholding income tax (Note 17)	**5,129**	–
	19,037	13,124

(a) *Hong Kong profits tax*

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2007: 17.5%).

24 Income tax expense (Continued)

(b) *Mainland China corporate income tax*

Under the new Corporate Income Tax Law of Mainland China, entities currently enjoying tax holidays will continue to enjoy them until they expire. The corporate income tax rate applicable to the subsidiaries under tax holiday and applying reduced rate will gradually increase to 25% in a 5-year period from 2008 to 2012.

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China corporate income tax at a rate of 18% for the year ended 31 December 2008 (2007: 15%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from corporate income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in corporate income tax for the next three years. The first profitable year after offsetting prior year tax losses of Yihe Precision 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 Limited were established in August 2006 and June 2007, respectively, and had no taxable profits during the year ended 31 December 2008.

Under the new Corporate Income Tax Law of Mainland China, dividend distribution out of profit of foreign invested enterprises earned after January 2008 will be subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for certain jurisdiction of foreign investor with tax treaty arrangement.

24 Income tax expense (Continued)

(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.

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:

	2008 HK$'000	2007 HK$'000
Profit before income tax	**101,615**	166,980
Tax calculated at domestic rates applicable to profits in the respective countries/ places of business	**18,066**	26,043
Tax exemption	**(5,575)**	(11,853)
Income not subject to tax	**(502)**	(135)
Expenses not deductible for tax purpose	**–**	64
Utilisation of previously unrecognised tax losses	**(14)**	(917)
Tax losses for which no deferred income tax asset was recognised	**1,977**	27
Over-provision in prior years	**(44)**	(105)
Withholding tax on undistributed earnings	**5,129**	–
Tax charge	**19,037**	13,124

The weighted average applicable tax rate for the year ended 31 December 2008 was approximately 17.8% (2007: 15.6%). The increase is due to the expiry of tax holiday of certain PRC subsidiaries.

25 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$38,013,000 (2007: HK$23,445,000).

26 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

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**82,578**	153,856
Weighted average number of ordinary shares in issue ('000)	**716,479**	685,190
Basic earnings per share (HK cents per share)	**11.5**	22.5

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.

	2008	2007
Profit attributable to equity holders of the Company (HK$'000)	**82,578**	153,856
Weighted average number of ordinary shares in issue ('000)	**716,479**	685,190
– adjustment for share options ('000)	**2,518**	17,497
Weighted average number of ordinary shares for diluted earnings per share ('000)	**718,997**	702,687
Diluted earnings per share (HK cents per share)	**11.5**	21.9

27 Dividends

	2008 HK$'000	2007 HK$'000
Interim dividend paid of HK2.0 cents (2007: HK3.0 cents) per ordinary share	**14,235**	21,605
Proposed final dividend of HK$2.2 cents (2007: HK3.4 cents) per ordinary share	**14,561**	24,522
	28,796	46,127

28 Cash generated from operations

	2008 HK$'000	2007 HK$'000
Profit for the year	**82,578**	153,856
Adjustments for:		
– Income tax	**19,037**	13,124
– Depreciation	**59,901**	49,118
– Amortisation of leasehold land and land use rights	**871**	945
– Loss/(gain) on disposal of property, plant and equipment	**45**	(98)
– Gain on disposal of land use right	**(1,421)**	–
– Share-based payments	**11,579**	9,186
– Interest income	**(2,022)**	(1,488)
– Interest expense	**9,884**	7,521
Changes in working capital:		
– Inventories	**(25,006)**	(53,096)
– Trade receivables	**6,293**	(56,983)
– Prepayments, deposits and other receivables	**1,325**	(12,313)
– Trade payables	**4,484**	41,215
– Accruals and other payables	**(8,164)**	6,470
Cash generated from operations	**159,384**	157,457

28 Cash generated from operations (Continued)

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

	Land use right		Property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net book amount	**20,509**	–	**465**	232
Gain/(loss) on disposal	**1,421**	–	**(45)**	98
Proceeds from disposal	**21,930**	–	**420**	330

Significant non-cash transactions

During the year ended 31 December 2008, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total financed amount of approximately HK$123,129,000 (2007: HK$28,081,000).

29 Capital commitments – Group

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

	2008	2007
	HK$'000	HK$'000
Contracted but not provided for		
– Construction of buildings	**57,470**	37,044
– Purchase of plant and machinery	**9,373**	137,687
	66,843	174,731

30 Related-party transactions

The Group is controlled by Prosper Empire Limited, which owns 54% of the Company's shares as at 31 December 2008. 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 2008, EVA Limited, on voluntary basis, placed a deposit of HK$1,000,000 to the HKIRD (2007: HK$1,000,000). During the year ended 31 December 2008, EVA Limited and EVA Holdings Limited also paid by way of purchasing tax reserve certificates of approximately HK$2,874,000 and HK$126,000, respectively (2007: HK$142,000 and HK$23,000, respectively), in respect of estimated tax charged by the HKIRD for tax assessment year 2001/02. In addition, a service fee of approximately HK$30,000 was also paid in connection with the related tax advisory service. The above payments had been indemnified and reimbursed by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, directors and beneficial shareholders of the Company as in accordance with the deed of the indemnity dated 28 April 2005 in connection with group reorganisation in contemplation with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(b) Key management compensation

	2008 **HK$'000**	2007 HK$'000
Salaries, allowances and bonus	**9,686**	8,061
Share-based payments	**4,698**	2,343
Retirement benefits – defined contribution plans	**76**	69
	14,460	10,473

31 Event after balance sheet date

Shares repurchase

Subsequent to 31 December 2008, the Company repurchased a total of 36,456,000 of its own shares on The Stock Exchange of Hong Kong Limited at a price ranging from HK$0.50 to HK$0.65 per share for a total consideration of approximately HK$21,684,000. The repurchased shares were cancelled upon repurchase. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of repurchase	Number of shares of HK$0.10 each	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2009	18,640,000	0.65	0.58	11,929
February 2009	11,432,000	0.56	0.52	6,330
March 2009	6,384,000	0.55	0.50	3,425
	36,456,000			21,684

32 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

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
RESULTS					
Turnover	**1,084,982**	952,030	691,240	485,023	296,860
Profit attributable to equity holders of the Company	**82,578**	153,856	108,649	83,215	65,763
FINANCIAL POSITION					
Non-current assets	**1,013,563**	737,572	520,907	416,146	228,481
Current assets	**645,292**	517,664	357,695	236,921	143,101
Current liabilities	**(445,834)**	(263,794)	(326,949)	(232,248)	(176,141)
Non-current liabilities	**(245,965)**	(60,723)	(53,057)	(113,927)	(84,684)
Net assets	**967,056**	930,719	498,596	306,892	110,757
Share capital	**69,813**	72,124	60,000	52,000	2,000
Reserves	**897,243**	858,595	438,596	254,892	108,757
Equity	**967,056**	930,719	498,596	306,892	110,757

Basis of presentation

On 20 April 2005, the Company acquired the entire issued share capital of EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited and EVA Plastic Mould Products Limited, 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 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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