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

(incorporated with limited liability in the Cayman Islands)
(Stock Code: 838)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") are pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2007	2006
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**426,196**	283,745
Cost of goods sold		**(287,254)**	(192,995)
Gross profit		**138,942**	90,750
Other gains	*5*	**1,014**	3
Selling and distribution expenses		**(21,871)**	(16,119)
General and administrative expenses		**(38,759)**	(26,205)
Operating profit	*6*	**79,326**	48,429
Finance income	*7*	**791**	651
Finance costs	*7*	**(5,320)**	(4,016)
Profit before income tax		**74,797**	45,064
Income tax expense	*8*	**(5,515)**	(4,645)
Profit for the period, attributable to equity holders of the Company		**69,282**	40,419
Earnings per share for profit attributable to equity holders of the Company, expressed in HK cents per share	*9*		
– basic		**HK 10.8 cents**	HK 7.0 cents
– diluted		**HK 10.7 cents**	HK 7.0 cents
Dividends	*10*	**21,600**	12,000

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2007** *HK$'000*	Audited 31 December 2006 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**486,660**	476,794
Leasehold land and land use rights		**50,761**	24,160
Prepayments		**73,831**	19,300
Other assets		**653**	653
		611,905	520,907
Current assets			
Inventories		**136,657**	101,102
Trade receivables	*11*	**173,125**	152,542
Prepayments and deposits		**12,632**	14,816
Financial assets at fair value through profit or loss		**3,685**	–
Pledged bank deposits		**7,082**	33,245
Cash and cash equivalents		**209,140**	55,990
		542,321	357,695
Current liabilities			
Trade payables	*12*	**132,369**	112,515
Accruals and other payables		**22,301**	33,356
Bank borrowings		**32,047**	140,722
Finance lease liabilities		**26,640**	29,542
Current income tax liabilities		**12,189**	10,814
		225,546	326,949
Net current assets		**316,775**	30,746
Total assets less current liabilities		**928,680**	551,653
Non-current liabilities			
Bank borrowings		**30,973**	18,497
Finance lease liabilities		**37,051**	34,560
		68,024	53,057
Net assets		**860,656**	498,596
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**72,000**	60,000
Reserves		**788,656**	438,596
Total equity		**860,656**	498,596

Note:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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 products.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2006. This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. It was approved for issue by the Board of Directors on 20 August 2007.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2006, as described in the annual financial statements of the Group for that year.

The following new interpretations that have been issued but are not yet effective and have not early adopted by the Group. Management considers they are not relevant to the Group.

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under IAS/HKAS 29, Financial Reporting in Hyperinflationary Economies" (effective from annual periods beginning on or after 1 March 2006)

- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives" (effective from annual periods beginning on or after 1 June 2006)

- HK(IFRIC)-Int 12, "Service Concession Arrangements" (effective from annual periods beginning on or after 1 January 2008)

The following new standards, amendments to standards and interpretations that have been issued but are not yet effective. Management considers the adoption of these new standards, amendments to standards, and interpretations are not expected to have material impacts on the Group's financial statements.

- HKFRS 7, "Financial Instruments: Disclosure" (effective from annual periods beginning on or after 1 June 2007)

- HKFRS 8, "Operating Segments" (effective from annual periods beginning on or after 1 January 2009)

- HK(IFRIC)-Int 8, "Scope of IFRS/HKFRS 2, Share-based Payment" (effective from annual periods beginning on or after 1 May 2006)

- HK(IFRIC)-Int 10, "Interim Financial Reporting and Impairment" (effective from annual periods beginning on or after 1 November 2006)

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transactions" (effective from annual periods beginning on or after 1 March 2007)

- Amendment to HKAS 1, "Capital disclosures" (effective from annual periods beginning on or after 1 June 2007)

- HKAS 23 Revised, "Borrowing Costs" (effective from annual periods beginning on or after 1 January 2009)

3. SEGMENT INFORMATION

At 30 June 2007, the Group is organised into two main business segments:

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

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

The segment results and other segment items are as follows:

	Six months ended 30 June					
	2007			2006		
	Metal stamping *HK$'000*	**Plastic injection** *HK$'000*	**Total** *HK$'000*	Metal stamping *HK$'000*	Plastic injection *HK$'000*	Total *HK$'000*
Total gross segment sales	**362,123**	**67,785**	**429,908**	258,210	26,897	285,107
Inter-segment sales	**(3,130)**	**(582)**	**(3,712)**	(1,116)	(246)	(1,362)
Sales	**358,993**	**67,203**	**426,196**	257,094	26,651	283,745
Segment results	**64,579**	**13,898**	**78,477**	46,173	3,037	49,210
Unallocated income/ (expenses)			**849**			(781)
Finance income			**791**			651
Finance costs			**(5,320)**			(4,016)
Profit before income tax			**74,797**			45,064
Income tax expense			**(5,515)**			(4,645)
Profit for the period			**69,282**			40,419
Depreciation	**18,433**	**5,557**	**23,990**	11,959	1,349	13,308
Amortisation	**483**	**39**	**522**	253	26	279

The segment assets and liabilities are as follows:

	As at 30 June 2007				As at 31 December 2006			
	Metal stamping	**Plastic injection**	**Un-allocated**	**Total**	Metal stamping	Plastic injection	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**868,405**	**224,213**	**61,608**	**1,154,226**	729,435	149,135	32	878,602
Liabilities	**134,119**	**20,549**	**138,902**	**293,570**	163,605	8,027	208,374	380,006
Capital expenditure	**44,529**	**16,450**	**–**	**60,979**	176,894	40,345	–	217,239

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, inventories, trade receivables and operating cash.

Segment liabilities comprise operating liabilities but exclude income tax liabilities.

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

4. REVENUE

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Design and fabrication of metal stamping moulds	**44,544**	25,967
Manufacturing of metal stamping components and lathing products	**301,976**	223,756
Design and fabrication of plastic injection moulds	**16,505**	5,781
Manufacturing of plastic injection components	**50,482**	20,870
Others*	**12,689**	7,371
	426,196	283,745

* *Others mainly represent sales of scrap materials.*

5. OTHER GAINS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Fair value gains on financial assets at fair value through profit or loss	**1,010**	–
Others	**4**	3
	1,014	3

6. OPERATING PROFIT

Operating profit is stated after charging (crediting) the followings:

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Raw materials and consumables used	**216,572**	151,185
Production overhead costs (excluding labour and depreciation expenses)	**20,447**	8,235
Staff costs, including directors' emoluments and share option costs	**55,057**	37,455
Depreciation of property, plant and equipment	**23,990**	13,308
Amortisation of leasehold land and land use rights	**522**	279
Write-downs of inventories to net realisable value	**758**	101
Net exchange gains	**(1,211)**	(1,222)

7. FINANCE INCOME/COSTS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**791**	651
Finance costs		
Interest on:		
Bank borrowings wholly repayable within five years	**2,815**	1,853
Bank borrowings not wholly repayable with five years	**110**	120
Finance lease liabilities	**2,395**	2,043
	5,320	4,016

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**2,324**	1,977
– Mainland China enterprise income tax	**3,191**	2,668
	5,515	4,645

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the six months ended 30 June 2007 (2006: 17.5%).

(ii) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the six months ended 30 June 2007 (2006: 15%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited are production enterprises with operating periods of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in enterprise income tax for the next three years. The first profitable year after offsetting prior year tax losses of Yihe Precision Hardware (Shenzhen) Co., Ltd. was 2003. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited were established in July 2004 and August 2005, respectively, and had no profits subject to tax from their respective dates of incorporation to 30 June 2007.

(iii) Overseas income taxes

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

9. EARNINGS PER SHARE

Basic

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**69,282**	40,419
Weighted average number of ordinary shares in issue ('000)	**642,431**	574,365
Basic earnings per share (HK cents per share)	**10.8**	7.0

Diluted

	Six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**69,282**	40,419
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	**642,431**	574,365
Adjustment for share options ('000)	**6,622**	546
Weighted average number of ordinary shares for diluted earnings per share ('000)	**649,053**	574,911
Diluted earnings per share (HK cents per share)	**10.7**	7.0

10. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Proposed interim dividend of HK3.0 cents (2006: HK2.0 cents) per ordinary share	**21,600**	12,000

At a meeting held on 20 August 2007, the directors proposed an interim dividend of HK3 cents per ordinary share for the six months ended 30 June 2007. This condensed consolidated financial information do not reflect this dividend payable.

11. TRADE RECEIVABLE

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

	As at **30 June 2007** ***HK$'000***	 31 December 2006 *HK$'000*
0 to 90 days	**152,268**	130,743
91 to 180 days	**18,439**	20,195
181 to 365 days	**3,606**	2,792
	174,313	153,730
Less: Provision for impairment of trade receivables	**(1,188)**	(1,188)
	173,125	152,542

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

During the six months ended 30 June 2007, the Group did not record any impairment loss on its trade receivables (2006: Nil).

12. TRADE PAYABLE

The aging analysis of trade payables is as follows:

	As at **30 June 2007** ***HK$'000***	 31 December 2006 *HK$'000*
0 to 90 days	**126,437**	105,892
91 to 180 days	**5,818**	6,531
181 to 365 days	**114**	87
Over 365 days	**–**	5
	132,369	112,515

The carrying amounts of trade payables approximate their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2007, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds; (ii) manufacturing of precision metal stamping and plastic injection components and (iii) lathing of metal components. A review of the Group's operations for the six months ended 30 June 2007 is as follows:

Metal Division

During the six months ended 30 June 2007, the turnover of the Group's metal division increased by 39.6% to approximately HK$358,993,000 as compared to that of approximately HK$257,094,000 for the six months ended 30 June 2006. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother. Sales to Japanese customers accounted for approximately 84.5% of the Group's total sales for the six months ended 30 June 2007 (For the six months ended 30 June 2006: 89.0%).

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 minimize 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 318 employees and other engineers and technicians of 620 employees as at 30 June 2007.

Such investment in quality and production management has proven to be beneficial to the Group. During the six months ended 30 June 2007, the sales of the Group's metal division to most of its major Japanese customers increased significantly. Apart from Japanese customers, the remaining 15.5% of sales of the Group was derived from reputable Hong Kong or international companies during the six months ended 30 June 2007. To broaden its customer base, the Group will continue to source new customers. However, it is the policy of the Group to be selective in the sourcing of new customers and management will take into account a number of factors which include the pricing of products and credibility of potential customers in its decision making process.

Plastic Division

The first production line of the Group's plastic division was established in late 2004. The Group decided to expand into plastic business because, while part of the office automation equipment sold by its customers are made of metal parts and components, plastic components account for the remaining portion. Management believes that the expansion into plastic business will not only provide the momentum for the Group's future growth, but also enable the Group to provide a more comprehensive service to its customers and reduce the costs of its customers in logistic and quality control aspects that arise from their current practices to outsource the production of metal and plastic components to different suppliers.

Management believes that the Group's plastic division is in a strong position to develop businesses from existing customers because (i) it is the trend for major office automation equipment brand owners to outsource more orders to comprehensive production service providers which are able to cover both metal and plastic components with a view to reducing the overall logistic costs and production lead time and (ii) the Group's reputation for quality production had already been established by its metal division. During the six months ended 30 June 2007, the Group's plastic division continued to strengthen its foothold in the market. Turnover of the Group's plastic division for the six months ended 30 June 2007 amounted to approximately HK$67,203,000, representing an increase of approximately 152% as compared to that for the six months ended 30 June 2006. Operating profit of the Group's plastic division was approximately HK$13,898,000 for the six months ended 30 June 2007, as compared to an operating profit of approximately HK$3,037,000 for the six months ended 30 June 2006.

Human Resources

As at 30 June 2007, the total number of employees of the Group was 3,596, representing a growth of 20.2% as compared to 2,991 employees as at 31 December 2006. The increase in headcount was primarily due to the continuous expansion of the Group during the six months ended 30 June 2007.

The Group considers its employees, in particular the skilled technicians and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potential is also important for attracting and retaining qualified staff for its future success, in particular in a business environment where shortage of labour exists. Various employee activities were organized to inspire the team spirit of the Group's staff, which includes the organization of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participated. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

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 raw material producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in Hong Kong dollars and US dollars. During the six months ended 30 June 2007, approximately 36%, 56% and 8% (For the six months ended 30 June 2006: 43%, 54% and 3%) of the Group's sales and approximately 23%, 56% and 21% (For the six months ended 30 June 2006: 35%, 53% and 12%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

Management is aware of the potential foreign currency risk that may arise from the continuous appreciation of Renminbi by the PRC government. Although a majority of the Group's purchases are denominated in Hong Kong dollars and US dollars currently, the Group had taken actions to manage its foreign currency exposure. In particular, despite the Group's substantial business operations in the Mainland China, all of the Group's borrowings were denominated in Hong Kong dollars instead of Renminbi. Management will evaluate the Group's foreign currency exposure on a continuing basis and take further actions to minimize the Group's exposure whenever necessary.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2007		2006	
	HK$'000	*%*	*HK$'000*	*%*
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**44,544**	**10.5%**	25,967	9.2%
Manufacturing of metal stamping components and lathing products	**301,976**	**70.9%**	223,756	78.9%
Others *(Note 1)*	**12,473**	**2.9%**	7,371	2.6%
	358,993		257,094	
Plastic division				
Design and fabrication of plastic injection moulds	**16,505**	**3.9%**	5,781	2.0%
Manufacturing of plastic injection components	**50,482**	**11.8%**	20,870	7.3%
Others *(Note 1)*	**216**	**–**	–	–
	67,203		26,651	
Total	**426,196**		283,745	
Segment results				
Metal division	**64,579**		46,173	
Plastic division	**13,898**		3,037	
Operating profit	**78,477**		49,210	
Finance income	**791**		651	
Finance costs	**(5,320)**		(4,016)	
Income tax expenses	**(5,515)**		(4,645)	
Unallocated income (expenses)	**849**		(781)	
Profit attributable to equity holders of the Company	**69,282**		40,419	

Note 1: Others mainly represent sales of scrap materials

Turnover

Metal division

Turnover of the Group's metal division increased by approximately 39.6% from approximately HK$257,094,000 for the six months ended 30 June 2006 to approximately HK$358,993,000 for the six months ended 30 June 2007. With the continuous development of the Group's production management and its reputation among prominent international brand owners, the Group experienced an increase in sale orders from its existing customers during the six months ended 30 June 2007. Those customers which only provided sale orders to the Group on a trial basis previously also started to provide large scale orders to the Group, which contributed to the significant increase in revenue generated by the Group's metal division during the six months ended 30 June 2007.

Plastic division

A substantial portion of the components inside the office automation equipment are made of plastics. As such, with a view to reducing the additional 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 outsource more orders to comprehensive production service providers which are able to cover both metal and plastic components. Further, since the Group's reputation for quality production had already been established by its metal division, the Group's plastic division is in a strong position to develop businesses from existing customers. As such, the turnover of the Group's plastic division increased significantly from approximately HK$26,651,000 for the six months ended 30 June 2006 to approximately HK$67,203,000 for the six months ended 30 June 2007.

Gross profit

The Group achieved a gross profit of approximately HK$138,942,000 for the six months ended 30 June 2007, representing an increase of approximately 53.1% as compared to a gross profit of approximately HK$90,750,000 for the six months ended 30 June 2006. Gross profit margin for the six months ended 30 June 2007 was approximately 32.6%, which increased as compared to that of approximately 31.9% for the six months ended 30 June 2006. The slight increase in gross profit margin was primarily because the Group's revenue from the design and fabrication of metal stamping and plastic injection moulds increased significantly by approximately 92.3% from approximately HK$31,748,000 for the six months ended 30 June 2006 to approximately HK$61,049,000 for the six months ended 30 June 2007 and its proportion to total turnover increased from approximately 11.2% for the six months ended 30 June 2006 to approximately 14.4% for the six months ended 30 June 2007. At the same time, with the significant increase 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 products to total turnover was diluted from approximately 86.2% for the six months ended 30 June 2006 to approximately 82.7% for the six months ended 30 June 2007 although its amount increased by approximately 44.1% from approximately HK$244,626,000 for the six months ended 30 June 2006 to approximately

HK$352,458,000 for the six months ended 30 June 2007. Since the gross profit margin from the design and fabrication of moulds is generally higher than that from manufacture of components and lathing products, the significant increase in revenue from the design and fabrication of moulds had resulted in a slight increase in the Group's overall gross profit margin for the six months ended 30 June 2007.

Segment results

For the six months ended 30 June 2007, segment result of the Group's metal division amounted to approximately HK$64,579,000, representing a 39.9% increase as compared to that of approximately HK$46,173,000 for the six months ended 30 June 2006. This increase was primarily brought by the surge of turnover of the Group's metal division during the period. The operating profit margin of the Group's metal division for the six months ended 30 June 2007 was approximately 18.0%, which was comparable to that for the six months ended 30 June 2006.

Segment result of the Group's plastic division for the six months ended 30 June 2007 was approximately HK$13,898,000, which increased by approximately 357.6% as compared to that of approximately HK$3,037,000 for the six months ended 30 June 2006. Operating profit margin of the Group's plastic division for the six months ended 30 June 2007 was approximately 20.7%, which increased as compared to that of approximately 11.4% for the six months ended 30 June 2006. During the six months ended 30 June 2007, the Group's plastic division started to obtain large scale orders from its customers and the Group's plastic division benefited from economy of scale which improved its operating profit margin.

Finance costs

The Group's finance costs for the six months ended 30 June 2007 amounted to approximately HK$5,320,000, which increased by approximately 32.5% as compared to that of approximately HK$4,016,000 for the six months ended 30 June 2006. During the six months ended 30 June 2007, the Group's scale of operations continued to expand. Prior to the completion of a share placement in April 2007, the Group had relied on bank borrowings to finance the expansion of the Group. Accordingly, the Group's finance costs increased during the six months ended 30 June 2007.

Income tax expenses

During the six months ended 30 June 2007, income tax expenses amounted to approximately HK$5,515,000. Effective tax rate (defined as the percentage of income tax expenses as compared to profit before income tax) for the six months ended 30 June 2007 was approximately 7.4%, which decreased as compared to that of approximately 10.3% for the six months ended 30 June 2006. During the six months ended 30 June 2007, Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited, the principal subsidiaries of the Group's plastic business and operations in Suzhou respectively, were exempted from PRC enterprise income tax. Since the profit recorded by Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and EVA Precision Industrial (Suzhou) Limited increased during the six months ended 30 June 2007, the Group's overall effective tax rate was diluted from approximately 10.3% for the six months ended 30 June 2006 to approximately 7.4% for the six months ended 30 June 2007.

Profit attributable to equity holders of the Company

During the six months ended 30 June 2007, profit attributable to equity holders of the Company amounted to approximately HK$69,282,000, which increased by approximately 71.4% as compared to approximately HK$40,419,000 for the six months ended 30 June 2006. Net profit margin of the Group for the six months ended 30 June 2007 was approximately 16.3%, which increased as compared to that of 14.2% for the six months ended 30 June 2006. The 2.1% increase in net profit margin of the Group was mainly caused by (i) the change in product mix of the Group and the increase in the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover which slightly improved the Group's overall gross profit margin; and (ii) the reduction of overall effective tax rate of the Group for the six months ended 30 June 2007.

By geographical location

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Turnover		
Shenzhen operations	**380,032**	283,745
Suzhou operations	**46,164**	–
	426,196	283,745
Profit attribution to equity holders of the Company		
Shenzhen operations	**63,018**	43,838
Suzhou operations	**6,264**	(3,419)
	69,282	40,419

As indicated on the above, a substantial portion of the Group's turnover for the six months ended 30 June 2007 was still derived from the Group's Shenzhen Production Plant since the Group's new Suzhou Production Plant only commenced commercial operations in late 2006 and therefore the Suzhou Production Plant was still under initial development stage during the six months ended 30 June 2007. However, the Suzhou Production Plant was able to contribute turnover of approximately HK$46,164,000 and net profit of approximately HK$6,264,000 during the six months ended 30 June 2007, representing approximately 10.8% and 9.0% of the Group's total turnover and net profit respectively during the same period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

For the six months ended 30 June 2007, the Group recorded net cash generated from operating activities amounting to approximately HK$65,943,000, representing an increase of approximately 64.0% as compared to that of approximately HK$40,220,000 for the six months ended 30 June 2006. The increase in net cash generated from operating activities was primarily caused by the increase in the turnover and profit of the Group during the six months ended 30 June 2007. Net cash used for investing activities amounted to approximately HK$112,656,000 for six months ended 30 June 2007, which was primarily related to capital expenditure incurred for the continuous expansion of the Group's scale of operations. In addition, the Group recorded an increase in net cash generated from financing activities from approximately HK$91,396,000 for the six months ended 30 June 2006 to approximately HK$199,863,000 for the six months ended 30 June 2007, which was primarily caused by the receipt of the net proceeds from the Group's share placement during the period.

Bank loans as at 30 June 2007 were denominated in Hong Kong dollars with fixed or floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2007 are as follows:

	30 June 2007	31 December 2006
Inventory turnover days *(Note 1)*	**86**	78
Debtors' turnover days *(Note 2)*	**74**	81
Creditors' turnover days *(Note 3)*	**83**	87
Current ratio *(Note 4)*	**2.40**	1.09
Net debt-to-equity ratio *(Note 5)*	**Net cash**	0.27

Note:

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

2. Calculation of debtors' turnover is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the period/year.

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

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

5. 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 six months ended 30 June 2007 was approximately 86 days, which increased by 8 days as compared to that for the year ended 31 December 2006 owing to the accumulation of inventories with a view to handling the expected increase in the Group's turnover in the second half of 2007.

Debtors' and creditors' turnover days

During the six months ended 30 June 2007, the Group's debtors' and creditors' turnover days decreased from approximately 81 days and 87 days for the year ended 31 December 2006 to approximately 74 days and 83 days respectively owing to the continuous improvement of the Group's cash flow management during the period.

Current ratio and net debt-to-equity ratio

During the six months ended 30 June 2007, the Group received net proceeds from share placement amounting to approximately HK$310,178,000 which improved the Group's equity base during the period. Coupled with the continuous inflow of cash from operations, the Group's current ratio improved and changed from approximately 1.09 as at 31 December 2006 to approximately 2.40 as at 30 June 2007. The Group was also in net cash position as at 30 June 2007.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2007, the charges on the Group's assets included (i) bank deposits of approximately HK$7,082,000 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 with net book value of approximately HK$8,388,000 for securing bank borrowings and (iii) mortgage of equipment under finance lease liabilities with net book value of HK$131,132,000 for securing finance lease liabilities.

OUTLOOK

During the six months ended 30 June 2007, the Group had continued its plan to transform itself from a metal mould and component manufacturers to a fully integrated one-stop service provider. As part of the Group's expansion plan, the Group's Suzhou Production Plant commenced commercial operations in late 2006 and was under initial development stage during the six months ended 30 June 2007.

The Group's new Suzhou Production Plant primarily focuses on serving various Japanese and other multi-national brand owners located in the Yangtze River Delta Region. These Japanese and multi-national brand owners are the target customers of the Group's new Suzhou Production Plant taking into account (i) their credibility; (ii) the potential scale of their future sale orders and (iii) the higher profitability which is likely to be obtained by serving multi-national brand owners than small scale local manufacturers owing to more stringent quality and production requirements of Japanese and multi-national brand owners. Taking into account the concentration of multi-national brand owners in the Yangtze River Delta Region, management sees great potential in this market and expect the new Suzhou Production Plant will provide strong momentum for the continuous growth of the Group in the future. Although the Suzhou Production Plant was still under initial development stage, it had generated turnover of approximately HK$46,164,000 and net profit of approximately HK$6,264,000 during the six months ended 30 June 2007, representing approximately 10.8% and 9.0% of the Group's total turnover and net profit respectively during the same period.

Taking into account the huge potentials for the Group's business in the Yangtze River Delta region and the continuous transfer of high end production processes by the Group's customers from overseas countries to China, the construction of phase two of the Group's Suzhou Production Plant with a construction area of approximately 64,000 square metres is expected to commence in the second half of 2007, with completion targeted for the second half of 2008.

As part of the Group's plan to transform itself into a fully integrated one-stop service provider, the Group had continued to develop its plastic division during the six months ended 30 June 2007. The Group decided to expand its plastic business because, while part of the office automation equipment sold by its customers is made of metal components, plastic components account for the remaining portion. With the continuous development of the Group's plastic division, turnover generated by the Group's plastic division during the six months ended 30 June 2007 increased by approximately 152.2% to approximately HK$67,203,000, as compared to the turnover of approximately HK$26,651,000 for the six months ended 30 June 2006.

The Group's customers normally require the Group to design and manufacture the relevant moulds prior to the mass production of metal stamping and plastic injection components. Accordingly, the manufacturing capability and quality standards for the production of moulds are crucial determinants for securing large-scale sale orders from customers for the subsequent production of metal stamping and plastic injection components, in particular under the current trend that the Group's customers will update their product models on a more frequent basis and accordingly require their suppliers to complete the relevant moulds within a shorter period of time. With a view to increasing the Group's production capacity of moulds, the Group is the process of establishing a mould research and development centre in Shenzhen. The construction of factory buildings of the mould research and development centre had been completed in May 2007 and it is expected to commence commercial operations in the last quarter of 2007. With an expanded mould production capability, the Group will not only be able to accommodate more component orders but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers who retain production plants in overseas countries.

The Group's existing Shenzhen Production Plant is located in the eastern bank of the Pearl River Delta region. With a view to better serving the Group's existing customers and developing businesses from new customers located in the western bank of the Pearl River Delta region, the Group currently plans to establish a new production plant in Zhongshan, Guangdong Province, the PRC. The construction of the new Zhongshan Production Plant with a construction area of approximately 34,000 square metres had commenced in July 2007 and is expected to be completed in mid 2008. At its initial stage of operations, the Group's new Zhongshan Production Plant will primarily focus on serving existing customers located in the western bank of the Pearl River Delta Region, in particular Canon's production plants in Zhongshan and Zhuhai which are principally engaged in the assembly of laser beam printers and are currently served by the Group's existing production plant in Shenzhen. The establishment of a new production plant in Zhongshan which is in the proximity of the Group's customers located in the western bank of the Pearl River Delta region will not only reduce the transportation costs of the Group and its customers, but can also strengthen the Group's business relationship with its existing customers which will finally translate into larger business volume for the Group. At a later stage of its operations, the Group's Zhongshan Production Plant will also strive to develop new customers located in the western bank of the Pearl River Delta region.

Currently the Group primarily serves the office automation equipment market. Taking into account (i) the Group primarily focused on the production of metal stamping moulds and components previously with other business opportunities relating to the office automation equipment market which include the manufacture of relevant plastic injection components and moulds and the provision of assembly services to office automation equipment brand owners remained relatively unexplored and (ii) outsourcing by Japanese brand owners to non-Japanese suppliers is still fairly new with a majority of the components used by the Group's customers still being manufactured by suppliers with Japanese background, management believes that there are still ample opportunities for the continuous expansion of the Group in the office automation equipment market. However, at the same time, the Group continuously searches for growth opportunities in other industries such as the automobile, home appliance and medical equipment markets. However, taking into consideration (i) there are still ample opportunities for the expansion of the Group in the existing office automation equipment market and (ii) the substantial time that may be required for the successful establishment of solid business relationship with reputable brand owners in other industries, management will continue to focus a majority of its resources in the office automation equipment market and expects a substantial portion of its orders continues to come from office automation equipment brand owners in near future.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company executed a share placement on 18 April 2007 which raised a net proceeds of approximately HK$310,178,000 to provide the Group with additional funds for expansion. Save for the share placement, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's shares during the six months ended 30 June 2007.

DIVIDEND

The Board declared an interim dividend of HK3.0 cents per ordinary shares, totaling HK$21,600,000 for the six months ended 30 June 2007 to eligible shareholders whose names appear on the register of members of the Company on 7 September 2007. The interim dividends will be payable in cash on or about 17 September 2007.

The register of members of the Company will be closed from Tuesday, 4 September 2007 to Friday, 7 September 2007, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed interim dividend for the six months ended 30 June 2007, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 3 September 2007.

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 standards set out in the Model Code during the six months ended 30 June 2007 and up to the date of this report.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has compiled with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2007 and up to the date of this report.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code of 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, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the condensed interim financial information for the six months ended 30 June 2007.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 20 August 2007

As at the date of this announcement, the Board comprises four executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice-Chairman), Mr. Zhang Yaohua (Chief Executive Officer) and Mr. Nomo Kenshiro and three independent non-executive directors, being Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu.