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)

(Stock Code: 838)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") are pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Revenue	*4*	**952,030**	691,240
Cost of sales		**(649,373)**	(470,221)
Gross profit		**302,657**	221,019
Other income		**1,678**	10
Selling and marketing costs		**(55,481)**	(35,685)
General and administrative expenses		**(75,841)**	(56,581)
Operating profit	*5*	**173,013**	128,763
Finance income	*6*	**1,488**	1,094
Finance costs	*6*	**(7,521)**	(9,646)
Profit before income tax		**166,980**	120,211
Income tax expense	*7*	**(13,124)**	(11,562)
Profit for the year and attributable to equity holders of the Company		**153,856**	108,649
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**22.5**	18.5
– diluted	*8*	**21.9**	18.5
Dividends	*9*	**46,127**	30,000

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

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

Note:

1. BASIS OF PRESENTATION

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.

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 consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the years presented, other than those described below.

Standards and interpretations effective in 2007:

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

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

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

Interpretations effective in 2007 but not relevant:

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

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

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

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

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

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

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

- HKAS 23 (Amendment), Borrowing costs (effective 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 (Amended) from 1 January 2009.

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

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

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

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

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

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

3 SEGMENT INFORMATION

Primary reporting format – business segments

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

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

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

The segment results and other segment items are as follows:

	2007			2006		
	Metal stamping	**Plastic injection**	**Total**	Metal stamping	Plastic injection	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**784,204**	**187,643**	**971,847**	617,926	76,837	694,763
Inter-segment revenue	**(17,831)**	**(1,986)**	**(19,817)**	(2,924)	(599)	(3,523)
Revenue	**766,373**	**185,657**	**952,030**	615,002	76,238	691,240
Segment results	**140,105**	**31,590**	**171,695**	116,032	12,876	128,908
Unallocated income/ (expenses)			**1,318**			(145)
Finance income			**1,488**			1,094
Finance costs			**(7,521)**			(9,646)
Profit before income tax			**166,980**			120,211
Income tax expense			**(13,124)**			(11,562)
Profit for the year			**153,856**			108,649
Depreciation	**36,245**	**12,873**	**49,118**	27,242	3,779	31,021
Amortisation	**810**	**135**	**945**	560	–	560

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

The segment assets and liabilities are as follows:

	As at 31 December 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	**960,671**	**291,715**	**2,850**	**1,255,236**	729,435	149,135	32	878,602
Liabilities	**155,138**	**38,147**	**131,232**	**324,517**	163,605	8,027	208,374	380,006
Capital expenditure	**182,261**	**42,850**	**–**	**225,111**	176,894	40,345	–	217,239

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

Segment liabilities comprise operating liabilities but exclude bank borrowings, finance lease liabilities and income tax liabilities.

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

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

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

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

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

4 REVENUE

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

Others mainly represent sales of scrap materials.

5 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2007	2006
	HK$'000	*HK$'000*
Crediting –		
Net exchange gains	**7,064**	3,400
Gain on disposal of property, plant and equipment	**98**	–
Charging –		
Employment expenses	**123,109**	84,209
Depreciation		
– Owned assets	**39,574**	20,388
– Leased assets	**9,544**	10,633
	49,118	31,021
Amortisation of leasehold land and land use rights	**945**	560
Provision for inventories	**1,199**	513
Auditors' remuneration	**2,070**	1,877

6 FINANCE INCOME/COSTS

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

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

7 INCOME TAX EXPENSE

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

(a) Hong Kong profits tax

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

(b) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China and Suzhou, Jiangsu Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the year ended 31 December 2007 (2006: 15%). Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd., EVA Precision Industrial (Suzhou) Limited and Shenzhen EVA Mould Manufacturing Co., Ltd. are production enterprises with operating period of more than ten years and, in accordance with the relevant income tax regulations of Mainland China, are exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a 50% reduction in enterprise income tax for the next three years. The first profitable year after offsetting prior year tax losses of Yihe Precision Hardware (Shenzhen) Co., Ltd., Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd and EVA Precision Industrial (Suzhou) Limited was 2003, 2006 and 2007, respectively. EVA Precision Industrial (Zhongshan) Limited and Shenzhen EVA Mould Manufacturing Co., Ltd. were established in August 2006 and June 2007, respectively, and had no taxable profits during the year ended 31 December 2007.

(c) Overseas income taxes

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

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

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

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

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

8 EARNINGS PER SHARE

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

Basic

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

Diluted

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

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

9 DIVIDENDS

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

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

10 TRADE RECEIVABLES

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

	2007	2006
	HK$'000	*HK$'000*
0 to 90 days	**184,087**	130,743
91 to 180 days	**23,313**	20,195
181 to 365 days	**3,313**	2,792
Gross trade receivables	**210,713**	153,730
Less: Provision for impairment of trade receivables	**(1,188)**	(1,188)
	209,525	152,542

11 TRADE PAYABLES

The aging analysis of trade payables is as follows:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

METAL DIVISION

During the year ended 31 December 2007, the turnover of the Group's metal division increased by 24.6% to approximately HK$766,373,000 as compared to that of approximately HK$615,002,000 for the year ended 31 December 2006. During the year, the Group's metal division continued to focus on serving renowned Japanese office automation equipment brand owners including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother. Sales to Japanese customers accounted for approximately 83.6% of the Group's total sales for the year ended 31 December 2007 (For the year ended 31 December 2006: 82.6%).

As a service provider to reputable international brand owners, management believes that the Group's business is strongly influenced by the characteristics of its major customer group. Management believes that the key characteristics of Japanese and international brand owners, which are currently the Group's major customer group, include (i) a strong emphasis on product quality, in particular for office automation equipment such as copiers, printers and multi functional peripherals whose components require high precision standards to ensure the effective functioning of the equipment; (ii) emphasis on production efficiency to minimise production lead time and just-in-time inventory management and (iii) a strong involvement in the production process of its suppliers to ensure product quality and frequent mutual communications with a view to improving the production efficiency of its suppliers. To meet the stringent requirements of its customers, the Group has been following the Japanese style of management since the early stage of its establishment, which includes the implementation of the Japanese 7S management framework (Strategy; Structure; Systems; Style; Staff; Super-ordinate goals and Skills). Further, to manufacture components with high precision standards for its customers, the Group had invested in high quality equipment and a substantial portion of the Group's production machinery are first-tier equipment produced by international renowned brand names such as Aida, Sodick, Agie, Nomura, Sumitomo and Mitsubishi. The Group also maintains a strong quality control team with a headcount of 381 employees and other engineers and technicians of 695 employees as at 31 December 2007.

Such investment in quality and production management has proven to be beneficial to the Group. During the year ended 31 December 2007, the sales of the Group's metal division to most of its major Japanese customers increased significantly. Apart from Japanese customers, the remaining 16.4% of sales of the Group was derived from reputable Hong Kong or international companies during the year ended 31 December 2007. To broaden its customer base, the Group will continue to source new customers. However, it is the policy of the Group to be selective in the sourcing of new customers and management will take into account a number of factors which include the pricing of products and credibility of potential customers in its decision making process.

PLASTIC DIVISION

The development of plastic division is a part of the Group's plan to transform itself from a metal mould and component manufacturer into a vertically integrated one-stop service provider because, while part of the office automation equipment are made of metal components, plastic components account for the remaining portion. Management believes that the continuing development of plastic business will not only provide the momentum for the Group's future growth, but also enable the Group to provide a more comprehensive service to its customers and reduce the costs of its customers in logistic and quality control aspects that arise from their current practices to outsource the production of metal and plastic components to different suppliers.

Management believes that the Group's plastic division is in a strong position to deliver continuing business growth because it is the trend for major office automation equipment brand owners to outsource more orders to comprehensive production service providers which are able to cover both metal and plastic components with a view to reducing the production logistic costs and production lead time. During the year ended 31 December 2007, the Group's plastic division continued to strengthen its foothold in the market. Turnover of the Group's plastic division for the year ended 31 December 2007 amounted to approximately HK$185,657,000, representing an increase of approximately 143.5% as compared to that for the year ended 31 December 2006. Operating profit of the Group's plastic division was approximately HK$31,590,000 for the year ended 31 December 2007, as compared to an operating profit of approximately HK$12,876,000 for the year ended 31 December 2006.

HUMAN RESOURCES

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

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

FOREIGN CURRENCY EXPOSURE

A substantial portion of the Group's customers are reputable international brand owners with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international steel, metal and plastic producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars. During the year ended 31 December 2007, approximately 37%, 57% and 6% (For the year ended 31 December 2006: 42%, 54% and 4%) of the Group's sales and approximately 24%, 64% and 12% (For the year ended 31 December 2006: 29%, 58% and 13%) of the Group's purchases were denominated in Hong Kong dollars, US dollars and Renminbi, respectively.

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

FINANCIAL REVIEW

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

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

Note 1: Others mainly represent sales of scrap materials

Turnover

Metal division

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

Plastic division

A substantial portion of the components inside the office automation equipment are made from plastics. As such, with a view to reducing the additional production logistic costs and excess production lead time that arise from the current practices of outsourcing the production of metal and plastic components to different suppliers, it is a trend for major office automation equipment brand owners to shift more orders to comprehensive production service providers which are able to cover both metal and plastic components. As such, management believes that the Group's plastic division is in a strong position to deliver continuing business growth. During the year ended 31 December 2007, turnover of the Group's plastic division amounted to approximately HK$185,657,000, representing an increase of approximately 143.5% as compared to that of approximately HK$76,238,000 for the year ended 31 December 2006.

Gross profit

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

Segment results

For the year ended 31 December 2007, segment result of the Group's metal division amounted to approximately HK$140,105,000, representing a 20.7% increase as compared to that of approximately HK$116,032,000 for the year ended 31 December 2006. This increase was primarily brought by the surge of turnover of the Group's metal division during the year. The operating profit margin of the Group's metal division for the year ended 31 December 2007 was approximately 18.3%, which decreased slightly as compared to that of approximately 18.9% for the year ended 31 December 2006. The decrease in operating profit margin of the Group's metal division was mainly caused by (i) the slight dilution of the

Group's overall gross profit margin as a result of the reduction in the proportion of revenue from design and fabrication of moulds to total turnover as described above and (ii) increase in expenses relating to employee share options, which were mainly issued to employees of the Group's metal division, from approximately HK$3,188,000 for the year ended 31 December 2006 to approximately HK$9,186,000 for the year ended 31 December 2007.

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

Finance costs

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

Income tax expenses

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

Profit attributable to equity holders of the Company

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

By geographical location

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

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

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS

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

Bank loans as at 31 December 2007 were denominated in Hong Kong dollars with fixed or floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objection of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 31 December 2007 are as follows:

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

Note:

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

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

Debtors' and creditors' turnover days

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

Current ratio and net debt-to-equity ratio

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

CHARGES ON THE GROUP'S ASSETS

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

OUTLOOK

During the year ended 31 December 2007, the Group continued its plan to transform itself from a metal mould and component manufacturers to a fully integrated one-stop service provider.

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

With a view to transforming itself to a fully integrated one-stop service provider, the Group had also continued to develop its plastic division during the year ended 31 December 2007. The Group decided to expand its plastic business because, while part of the office automation equipment is made of metal components, plastic components account for the remaining portion. With the continuous development of the Group's plastic division, turnover generated by the Group's plastic division during the year ended 31 December 2007 increased by approximately 143.5% to approximately HK$185,657,000, as compared to the turnover of approximately HK$76,238,000 for the year ended 31 December 2006.

The Group's customers normally require the Group to design and manufacture the relevant moulds prior to the mass production of metal stamping and plastic injection components. Accordingly, the manufacturing capability and quality standards for the production of moulds are crucial determinants for securing large-scale sale orders from customers for the subsequent production of metal stamping and plastic injection components, in particular under the current trend that the Group's customers will update their product models on a more frequent basis and accordingly require their suppliers to complete the relevant moulds within a shorter period of time. With a view to increasing the Group's production capacity of moulds, the Group had constructed a new mould research and development centre in Shenzhen. Construction of the new mould research and development centre was completed in early 2008 and is currently under trial production stage. With an expanded mould production capability, the Group will not only be able to obtain more orders under its existing business model but an expanded mould production capability can also enable the Group to produce and sell moulds on a standalone basis to customers who retain production plants in overseas countries.

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

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

PURCHASES, SALE AND REDEMPTION OF THE SHARES

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

DIVIDENDS

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

The register of members of the Company will be closed from Tuesday, 13 May 2008 to Friday, 16 May 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 December 2007, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 May 2008.

AUDIT COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

AUDITORS

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

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 27 March 2008

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.