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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

FINANCIAL RESULTS

The Board of Directors ("the 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 2006 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2006	2005
	Note	***HK$'000***	*HK$'000*
Sales	*4*	**283,745**	199,764
Cost of goods sold		**(192,995)**	(134,892)
Gross profit		**90,750**	64,872
Other gains	*5*	**654**	28
Selling and distribution expenses		**(16,119)**	(9,984)
General and administrative expenses		**(26,205)**	(16,859)
Operating profit	*6*	**49,080**	38,057
Finance costs	*7*	**(4,016)**	(3,661)
Profit before income tax		**45,064**	34,396
Income tax expense	*8*	**(4,645)**	(3,512)
Profit for the period, attributable to equity holders of the Company		**40,419**	30,884
Earnings per share for profit attributable to equity holders of the Company, expressed in HK cents per share	*9*		
– basic		**HK7.0 cents**	HK7.2 cents
– diluted		**HK7.0 cents**	N/A
Dividends	*10*	**12,000**	15,600

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2006** *HK$'000*	Audited As at 31 December 2005 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**411,612**	298,064
Leasehold land and land use rights		**16,953**	17,232
Prepayments		**40,517**	25,197
Pledged bank deposits		**–**	75,000
Other assets		**653**	653
		469,735	416,146
Current assets			
Inventories		**67,768**	59,566
Trade receivables	*11*	**107,196**	96,885
Prepayments and deposits		**8,083**	8,310
Pledged bank deposits		**25,716**	36,131
Cash and cash equivalents		**46,559**	36,029
		255,322	236,921
Current liabilities			
Trade payables	*12*	**80,132**	75,655
Accruals and other payables		**26,807**	22,053
Bank borrowings		**100,371**	95,262
Finance lease liabilities		**30,690**	27,904
Current income tax liabilities		**8,422**	11,374
		246,422	232,248
Net current assets		**8,900**	4,673
Total assets less current liabilities		**478,635**	420,819
Non-current liabilities			
Bank borrowings		**5,353**	80,540
Finance lease liabilities		**33,952**	33,387
		39,305	113,927
Net assets		**439,330**	306,892
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**60,000**	52,000
Reserves		**379,330**	254,892
Total equity		**439,330**	306,892

Note:

1 **BASIS OF PRESENTATION**

EVA Precision Industrial Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in the design and fabrication of metal stamping and plastic injection moulds, and manufacturing of metal stamping and plastic injection 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 Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005 ("the Listing").

On 20 April 2005, the Company acquired the entire issued share capital of EVA Metal Mould Products Limited ("EVA Metal BVI"), EVA Mould Design & Manufacturing Limited ("EVA Design BVI") and EVA Plastic Mould Products Limited ("EVA Plastic BVI"), companies incorporated in the British Virgin Islands, through share exchanges ("the Reorganisation") and consequently became the holding company of its subsidiaries.

The Reorganisation has been accounted for using merger accounting and, accordingly, the condensed consolidated interim financial information for the six months ended 30 June 2005 presents the results of the Group as if the structure of the Group resulting from the Reorganisation had been in existence throughout the period.

This condensed consolidated interim financial information for the six months ended 30 June 2006 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 2005. This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. It was approved for issue by the Board of Directors on 14 September 2006.

2 **ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2005, as described in the Group's annual financial statements for that year.

The following new standards, amendments to standards and interpretations are mandatory for the year ending 31 December 2006. These new standards, amendments to standards and interpretations are not relevant to the Group or will not result in material changes to the Group's accounting policies.

- Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures"
- Amendment to HKAS 39 (Amendment), "The fair value option"
- Amendment to HKAS 21 (Amendment), "Net investment in a foreign operation"
- Amendment to HKAS 39 (Amendment), "Cash flow hedge accounting of forecast intragroup transactions"
- Amendment to HKAS 39 and HKFRS 4 (Amendment), "Financial guarantee contracts"
- HKFRS 6, "Exploration for and evaluation of mineral resources"
- HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease"
- HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds"
- HK(IFRIC)-Int 6, "Liabilities arising from participating in a specific market – waste electrical and electronic equipment"

There has been no early adoption of the following new standards, amendments to standards and interpretations that have been issued but are not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Company's accounting policies.

- HK(IFRIC)-Int 7, "Applying the Restatement Approach under HKFRS 29"
- HK(IFRIC)-Int 8, "Scope of HKFRS 2"
- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives"
- HKFRS 7, "Financial instruments: Disclosures"

3 SEGMENT INFORMATION

As at 30 June 2006, the Group is organised into two main business segments: (i) design and fabrication of metal stamping moulds and manufacturing of metal stamping products and lathing products ("Metal stamping"); and (ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection products ("Plastic injection").

The segment results and other segment items are as follows:

	Six months ended 30 June					
	2006			2005		
	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	**258,210**	**26,897**	**285,107**	196,591	3,173	199,764
Inter-segment sales	**(1,116)**	**(246)**	**(1,362)**	–	–	–
Sales	**257,094**	**26,651**	**283,745**	196,591	3,173	199,764
Segment results	**46,822**	**3,039**	**49,861**	41,758	(3,215)	38,543
Unallocated expenses			**(781)**			(486)
Finance costs			**(4,016)**			(3,661)
Profit before income tax			**45,064**			34,396
Income tax expense			**(4,645)**			(3,512)
Profit for the period			**40,419**			30,884
Depreciation	**11,959**	**1,349**	**13,308**	9,309	205	9,514
Amortisation	**253**	**26**	**279**	226	–	226

The segment assets and liabilities are as follows:

	As at 30 June 2006				As at 31 December 2005			
	Metal stamping *HK$'000*	**Plastic injection** *HK$'000*	**Un-allocated** *HK$'000*	**Total** *HK$'000*	Metal stamping *HK$'000*	Plastic injection *HK$'000*	Un-allocated *HK$'000*	Total *HK$'000*
Assets	**621,948**	**103,109**	**–**	**725,057**	576,518	76,549	–	653,067
Liabilities	**245,544**	**31,761**	**8,422**	**285,727**	301,799	33,002	11,374	346,175
Capital expenditure	**110,625**	**16,231**	**–**	**126,856**	77,611	32,027	–	109,638

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, leasehold land and land use rights, including additions resulting from acquisitions through business combinations.

Analysis of the Group's sales by geographical segment is determined based on destination of shipments/delivery of goods. Analysis of the Group's segment assets and capital expenditure is determined based on the location where the assets are located.

No geographical segment analysis on the Group's sales, assets and capital expenditure is presented as substantially all of the Group's sales are derived from Mainland China/Hong Kong, and substantially all of the Group's assets were located in Mainland China/Hong Kong.

4 SALES

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**25,967**	24,806
Manufacturing of metal stamping and lathing products	**223,756**	166,055
Design and fabrication of plastic injection moulds	**5,781**	2,548
Manufacturing of plastic injection products	**20,870**	625
Others*	**7,371**	5,730
	283,745	199,764

* *Others mainly represent sales of scrap materials.*

5 OTHER GAINS

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Interest income from bank deposits	**651**	26
Others	**3**	2
	654	28

6 OPERATING PROFIT

Operating profit is stated after crediting and charging the followings:

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Charging–		
Cost of inventories	**151,185**	108,344
Staff costs, including directors' emoluments and share option costs	**37,455**	20,843
Depreciation of property, plant and equipment	**13,308**	9,514
Loss on disposal of property, plant and equipment	**–**	91
Amortisation of leasehold land and land use rights	**279**	226
Write-downs of inventories to net realisable value	**101**	1,451
Net exchange losses	**–**	236
Crediting–		
Net exchange gains	**1,222**	–

7 FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**1,853**	2,009
Bank borrowings not wholly repayable with five years	**120**	74
Finance lease liabilities	**2,043**	1,578
	4,016	3,661

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**1,977**	1,056
– Mainland China enterprise income tax	**2,668**	2,456
	4,645	3,512

(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 2006 (2005: 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 2006 (2005: 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 2006.

(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 SHARES

Basic

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**40,419**	30,884
Weighted average number of ordinary shares in issue *('000)*	**574,365**	426,630
Basic earnings per share (HK cents per share)	**7.0**	7.2

Diluted

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**40,419**	30,884
Weighted average number of ordinary shares in issue for basic earnings per share *('000)*	**574,365**	426,630
Adjustment for share options *('000)*	**546**	–
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**574,911**	426,630
Diluted earnings per share (HK cents per share)	**7.0**	N/A

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2005.

10 Dividends

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
Proposed interim dividend of HK2.0 cents (2005: HK1.8 cents) per ordinary share	**12,000**	9,360
Proposed special dividend of HK1.2 cents per ordinary share	**–**	6,240
	12,000	15,600

At a meeting held on 14 September 2006, the directors proposed an interim dividend of HK2.0 cents per ordinary share for the six months ended 30 June 2006. These proposed dividends are not reflected as a dividend payable in this condensed consolidated financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

11 TRADE RECEIVABLES

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

	As at 30 June 2006 *HK$'000*	As at 31 December 2005 *HK$'000*
0 to 90 days	**98,551**	95,093
91 to 180 days	**6,201**	2,483
181 to 365 days	**3,632**	188
Over 365 days	**–**	309
	108,384	98,073
Less: Provision for impairment of trade receivables	**(1,188)**	(1,188)
	107,196	96,885

12 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	As at 30 June 2006 *HK$'000*	As at 31 December 2005 *HK$'000*
0 to 90 days	**77,279**	71,915
91 to 180 days	**2,827**	3,646
181 to 365 days	**26**	94
	80,132	75,655

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2006, the Group was principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds and (ii) manufacturing of precision metal stamping and plastic injection components and lathing products. A review of the Group's operations for the six months ended 30 June 2006 is as follows:

METAL DIVISION

During the six months ended 30 June 2006, the turnover of the Group's metal division increased by 31% to approximately HK$257,094,000 as compared to that of approximately HK$196,591,000 for the six months ended 30 June 2005. During the period, the Group's metal division continued to focus on serving renowned Japanese office automation equipment manufacturers including Toshiba, Konica Minolta, Canon, Kyocera Mita, Fuji Xerox, Ricoh, Epson and Brother. Sales to Japanese customers accounted for approximately 89.0% of the total sales of the Group's metal division for the six months ended 30 June 2006 (For the six months ended 30 June 2005: 84.7%).

As a service provider to reputable manufacturers with international renowned brand names, 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 manufacturers, 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 and fax machines 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 requirements of its customers, the Group has adopted stringent production management systems 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) and the RoHS management system (Restriction of the use of certain hazardous substances in electrical and electronic equipment). 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, Mitutoyo and Mitsubishi. The Group also maintains a strong quality control team with a headcount of 225 employees as at 30 June 2006.

Such investment in quality and production management has proven to be beneficial to the Group. During the six months ended 30 June 2006, the sales of the Group's metal division to most of its major Japanese customers increased significantly. Apart from Japanese customers, the remaining 11.0% of sales of the Group's metal division was derived from reputable Hong Kong or international companies during the six months ended 30 June 2006. To broaden its customer base, the Group will continue to source new customers. However, the Group will 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 manufactured by its customers is made from metal parts and components, plastic components account for the remaining portion. Management believes that the Group's expansion into plastic business will not only provide the momentum for its future growth, but also enable the Group to provide a more comprehensive service to its customers and reduce the costs of its customers in relation to logistic and quality control aspects that arise from their current practices of outsourcing the production of metal and plastic components to different suppliers.

During the six months ended 30 June 2005, the Group's plastic production line was operated on a trial basis in the Group's Shenzhen Production Plant. Turnover for the six months ended 30 June 2005 amounted to approximately HK$3,173,000 which was mainly derived from trial production for the Group's existing Japanese customers. As the plastic division was only operated on a trial basis with a view to test-running its production, it recorded a loss of approximately HK$3,215,000 during the six months ended 30 June 2005.

The Group's plastic division has gradually established its foothold in the market during the six months ended 30 June 2006. Turnover of the Group's plastic division for the six months ended 30 June 2006 increased by 740% to approximately HK$26,651,000, of which approximately 71.3% was derived from Japanese customers of the Group's metal division. Operating profit of the Group's plastic division was approximately HK$3,039,000 for the six months ended 30 June 2006.

HUMAN RESOURCES

As at 30 June 2006, the total number of employees of the Group was 2,821, representing a growth of 21.8% as compared to 2,316 employees as at 31 December 2005. The increase in headcount was primarily due to the continuous expansion of the Group during the six months ended 30 June 2006.

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 have been organized to inspire the team spirit of the Group's staff, which include the organization of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers have participated. Substantial resources have also been 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 manufacturers with worldwide distribution networks. At the same time, a majority of the Group's suppliers are international steel and plastic resin producers designated by the Group's customers. Accordingly, most of the Group's sales and cost of sales are currently made in HK dollars and US dollars and only a small portion of its sales and purchases are denominated in Renminbi. During the six months ended 30 June 2006, approximately 43%, 54% and 3% (For the six months ended 30 June 2005: 66%, 31% and 3%) of the Group's sales and approximately 35%, 53% and 12% (For the six months ended 30 June 2005: 35%, 56% and 9%) 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 has 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 have been denominated in Hong Kong dollars instead of Renminbi. As at 30 June 2006, deposits denominated in Renminbi amounting to RMB26,500,000 (equivalent to approximately HK$25,716,000) were pledged for obtaining Hong Kong dollar loans of an equivalent amount, which effectively acted as a hedge against the appreciation 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			
	2006		2005	
	HK$'000	*%*	*HK$'000*	*%*
By Business Segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**25,967**	**9.2%**	24,806	12.4%
Manufacturing of metal stamping components and lathing products	**223,756**	**78.9%**	166,055	83.1%
Others *(Note 1)*	**7,371**	**2.6%**	5,730	2.9%
	257,094		196,591	
Plastic division				
Design and fabrication of plastic injection moulds	**5,781**	**2.0%**	2,548	1.3%
Manufacturing of plastic injection components	**20,870**	**7.3%**	625	0.3%
	26,651		3,173	
Total	**283,745**		199,764	
Segment results				
Metal division	**46,822**		41,758	
Plastic division	**3,039**		(3,215)	
Operating profit	**49,861**		38,543	
Finance costs	**(4,016)**		(3,661)	
Income tax expenses	**(4,645)**		(3,512)	
Unallocated expenses	**(781)**		(486)	
Profit attributable to equity holders of the Company	**40,419**		30,884	

Note 1: Others mainly represent sales of scrap materials

Turnover

Metal division

The increase in turnover of the Group's metal division by 31% from approximately HK$196,591,000 for the six months ended 30 June 2005 to approximately HK$257,094,000 for the six months ended 30 June 2006 was primarily driven by the increase in revenue generated from manufacturing of metal stamping and lathing products. With the continuous development of the Group's production management and its reputation among prominent international manufacturers, the Group experienced an increase in sale orders from its existing customers during the six months ended 30 June 2006. Those customers which previously provided sale orders to the Group on a trial basis also started to provide large scale orders to the Group, which contributed to the significant increase in revenue generated from manufacturing of metal stamping and lathing products during the year ended 30 June 2006.

Plastic division

Under the existing business model of the Group, a majority of the Group's customers required the Group to design and manufacture the moulds prior to the mass production of components. As such, a majority of customer orders received by the Group's plastic division at its initial stage of operations during the year ended 31 December 2005 were related to mould production. During the six months ended 30 June 2005 and the year ended 31 December 2005, the percentages of revenue from production of moulds to total turnover of the Group's plastic division were approximately 80% and 53%, respectively, as compared to the percentages of approximately 13% and 13% respectively for the Group's metal division. The moulds produced by the Group's plastic division during the year ended 31 December 2005 have been consigned in the Group's production plant for the manufacture of plastic injection components in subsequent years.

The moulds produced by the Group's plastic division in the past have resulted in a significant increase in sales of plastic injection components during the six months ended 30 June 2006. During the six months ended 30 June 2006, revenue from sales of plastic injection components increased to approximately HK$20,870,000 as compared to that of approximately HK$625,000 for the six months ended 30 June 2005. At the same time, revenue from sales of plastic injection moulds increased from approximately HK$2,548,000 for the six months ended 30 June 2005 to approximately HK$5,781,000 for the six months ended 30 June 2006 and the moulds produced during the six months ended 30 June 2006 will primarily be used for the production of plastic injection components in the future. The continued increase in sales of plastic injection moulds during the six months ended 30 June 2006 will provide continuing momentum for the growth of the Group's plastic division in future years.

Gross profit

The Group achieved a gross profit of approximately HK$90,750,000 for the six months ended 30 June 2006, representing an increase of 39.9% as compared to that for the six months ended 30 June 2005. Gross profit margin for the six months ended 30 June 2006 was approximately 32.0%, which decreased slightly as compared to that of 32.5% for the six months ended 30 June 2005. The decrease in gross profit margin was primarily because the Group's revenue from the manufacture of metal stamping and plastic injection components and lathing products increased by 46.8% and its proportion to total turnover increased from approximately 83.4% for the six months ended 30 June 2005 to approximately 86.2% for the six months ended 30 June 2006. At the same time, with the significant increase in revenue from the manufacture of metal stamping and plastic injection components and lathing products, the proportion of revenue from design and fabrication of metal stamping and plastic injection moulds to total turnover was diluted from 13.7% for the six months ended 30 June 2005 to 11.2% for the six months ended 30 June 2006 although its amount increased by approximately 16.1% from approximately HK$27,354,000 for the six months ended 30 June 2005 to approximately HK$31,748,000 for the six months ended 30 June 2006. Since the gross profit margin from the manufacture of components and lathing products is generally lower than that from design and fabrication of moulds, the increase in revenue from the manufacture of metal stamping and plastic injection components and lathing products had diluted the Group's overall gross profit margin slightly for the six months ended 30 June 2006.

Segment results

For the six months ended 30 June 2006, segment result of the Group's metal division amounted to approximately HK$46,822,000, representing a 12.1% increase as compared to that of approximately HK$41,758,000 for the six months ended 30 June 2005. Segment result of the Group's plastic division for the six months ended 30 June 2006 amounted to approximately HK$3,039,000, as compared to a loss of approximately HK$3,215,000 for the six months ended 30 June 2005. The increase in the Group's segment results was primarily brought by the surge of turnover of the Group during the period.

Finance costs

Finance costs increased by approximately 9.7% from approximately HK$3,661,000 for the six months ended 30 June 2005 to approximately HK$4,016,000 for the six months ended 30 June 2006. The increase in finance costs was primarily attributable to the continued increase in interest rates during the period.

Income tax expenses
During the six months ended 30 June 2006, income tax expenses amounted to approximately HK$4,645,000. 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 2006 was approximately 10.3%, which was in line with the effective tax rate of approximately 10.2% for the six months ended 30 June 2005.

Profit attributable to equity holders of the Company
During the six months ended 30 June 2006, profit attributable to equity holders of the Company amounted to approximately HK$40,419,000, which increased by approximately 30.9% as compared to approximately HK$30,884,000 for the six months ended 30 June 2005. Net profit margin of the Group for the six months ended 30 June 2006 was approximately 14.2%, which decreased as compared to that of 15.5% for the six months ended 30 June 2005. Despite a relatively stable gross profit margin during the six months ended 30 June 2006, net profit margin of the Group decreased because (i) with a view to capturing the business opportunities offered by the continuous expansion of Japanese and other international manufacturers in the Yangtze River Delta Region, the Group has established its new Suzhou Production Plant during the six months ended 30 June 2006. An initial loss of approximately HK$3,419,000 was incurred by the Group's new Suzhou Production Plant during its construction period, which lowered the Group's overall net profit margin and (ii) with the continuous development of the Group's production management and its reputation among customers, management believes that the Group is poised to achieve further growth in revenue in the future. As such, apart from the establishment of the new Suzhou Production Plant, the Group has been expanding its scale of operations of its existing Shenzhen Production Plant which included the establishment of new production lines and the recruitment and training of additional production and management personnel with a view to accommodating the expected surge in sale orders in the coming years. The expansion of the Group's scale of operations had increased the Group's overhead and operating expenses, which are semi-fixed in nature, and consequently lowered the Group's overall net profit margin during the six months ended 30 June 2006.

By Provinces

Turnover		
Shenzhen Operations	**283,745**	199,764
Suzhou Operations	**–**	–
	283,745	199,764
Profit attributable to equity holders of the Company		
Shenzhen Operations	**43,838**	30,884
Suzhou Operations	**(3,419)**	–
	40,419	30,884

As indicated on the above, all of the Group's turnover for the six months ended 30 June 2006 was still derived from the Group's existing Shenzhen Production Plant since the new Suzhou Production Plant of the Group was only under testing stage during the period. Although the Group's new Suzhou Production Plant had not commenced commercial production during the six months ended 30 June 2006, it incurred initial set up costs of approximately HK$3,419,000. Excluding the initial set up costs incurred by the Group's new Suzhou Production Plant of approximately HK$3,419,000, profit generated by the Group's existing Shenzhen Production Plant for the six months ended 30 June 2006 increased by approximately 41.9% as compared to that for the six months ended 30 June 2005, which was generally in line with the increase in turnover of approximately 42.0% during the period.

LIQUIDITY, FINANCIAL RESOURCES AND RATIOS
For the six months ended 30 June 2006, the Group recorded net cash generated from operating activities amounting to approximately HK$42,151,000, representing an increase of approximately 54.0% as compared to that of approximately HK$27,378,000 for the six months ended 30 June 2005. The increase in net cash generated from operating activities was in line with increase in the turnover and profit of the Group during the six months ended 30 June 2006. Net cash used in investing activities, which was primarily related to the purchases of fixed assets, amounted to approximately HK$123,017,000 for the six months ended 30 June 2006 and increased by approximately 403.3% as compared to that of approximately HK$24,443,000 for the six months ended 30 June 2005. The significant increase in net cash used in investing activities was primarily caused by the establishment of production lines of the Group's new Suzhou Production Plant during the period, whose first phase investment amounted to approximately HK$156,000,000. In addition, the Group recorded an increase in net cash generated from financing activities from approximately HK$29,405,000 for the six months ended 30 June 2005 to approximately HK$91,396,000 for the six months ended 30 June 2006 which was primarily caused by the receipt of the net proceeds from the Group's share placement of approximately HK$107,467,000 during the period.

Bank loans as at 30 June 2006 were denominated in Hong Kong dollars with floating interest rates and were used for financing the Group's operations and expansion. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An analysis of the Group's key liquidity and capital adequacy ratios as at 30 June 2006 are as follows:

	30 June 2006	31 December 2005
Inventory turnover days *(Note 1)*	**64**	67
Debtors' turnover days *(Note 2)*	**68**	73
Creditors' turnover days *(Note 3)*	**75**	85
Current ratio *(Note 4)*	**1.04**	1.02
Net debt-to-equity ratio *(Note 5)*	**0.22**	0.29

Note:–

1. Calculation of inventory turnover days is based on the ending inventory 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 obligations less cash and bank balances and pledged bank deposits 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 2006 was approximately 64 days, which decreased by 3 days as compared to that for the year ended 31 December 2005 owing to a continuous improvement of the Group's inventory management.

Debtors' and creditors' turnover days
During the six months ended 30 June 2006, the Group's debtors' and creditors' turnover days decreased from approximately 73 days and 85 days for the year ended 31 December 2005 to approximately 68 days and 75 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 2006, the Group received net proceeds from share placement amounting to approximately HK$107,467,000 which improved the Group's equity base during the period. Coupled with the continuous inflow of cash from operations, the Group's current ratio and net debt-to-equity ratio improved and changed from approximately 1.02 and 0.29 as at 31 December 2005 to approximately 1.04 and 0.22 as at 30 June 2006.

CHARGES ON THE GROUP'S ASSETS
As at 30 June 2006, the charges on the Group's assets included (i) pledge of bank deposits of approximately HK$25,716,000; (ii) pledge of leasehold land and buildings located in Hong Kong with net book value of approximately HK$6,992,000 and HK$1,829,000, respectively, and (iii) mortgage of equipment under finance lease obligations with net book value of HK$117,985,000. Such charges are used for securing the Group's bank borrowings and finance lease liabilities.

DIVIDEND
The Board declared an interim dividend of HK2.0 cents per ordinary shares, totaling HK$12,000,000 for the six months ended 30 June 2006 to eligible shareholders whose names appear on the register of members of the Company on 10 October 2006. The interim dividends will be payable in cash on or about 20 October 2006.

OUTLOOK

During the six months ended 30 June 2006, 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 had established its new Suzhou Production Plant during the period with its factory building completed in January 2006 and production lines fully installed in May 2006. The Group's new Suzhou Production Plant has commenced commercial operations in August 2006.

The Group's new Suzhou Production Plant will primarily focus on serving various Japanese and other multi-national manufacturers located in the Yangtze River Delta Region. These Japanese and multi-national manufacturers 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 rather than small scale local manufacturers owing to more stringent quality and production requirements of 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 expect the new Suzhou Production Plant to provide strong momentum for the continuous growth of the Group in the future. However, management understand that a majority of multi-national manufacturers will be prudent in granting sale orders to new suppliers and trial periods are normally required for multi-national manufacturers to observe the production capability and quality standards of potential suppliers. As such, at its initial stage of operations, the Group's new Suzhou Production Plant will primarily focus on tapping potential business from the Group's existing customers with production plants located in the Yangtze River Delta Region which include Konica Minolta in Wuxi, Canon in Suzhou and Fuji Xerox and Ricoh in Shanghai, because the Group's reputation has already been strongly established among these existing Japanese customers. The Group's new Suzhou Production Plant will strive to expand and obtain business from other reputable multi-national manufacturers at a later stage. However, taking into account the strong production and technical capabilities of the Group which are evidenced by the Group's long-term business relationship with quality conscious Japanese customers, management is strongly confident that the new Suzhou Production Plant will be able to obtain significant businesses from various multi-national manufacturers in the future.

As part of the Group's plan to transform itself to a fully integrated one-stop service provider, the Group continued to expand the production capacity of its plastic division during the six months ended 30 June 2006. The Group decided to expand its plastic business because, while part of the office automation equipment manufactured by its customers is made from metal parts and components, plastic components account for the remaining portion. With the continuous expansion of the Group's plastic production lines, turnover generated by the Group's plastic division during the six months ended 30 June 2006 increased by 740% to approximately HK$26,651,000, of which approximately HK$5,781,000 was related to the production of plastic injection moulds and a majority of these moulds are currently consigned in the Group's production plants for the manufacture of plastic injection components in the future.

Under the current business model of the Group, 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. With a view to increasing the Group's production capacity of moulds, the Group had planned to establish a mould research and development centre in Shenzhen. The construction of the mould research and development centre will commence in the latter half of 2006 with a construction commencement ceremony to be held on 19 September 2006. 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.

Currently the Group is primarily serving as a mould and component supplier to reputable Japanese manufacturers engaging in the production of office automation equipment which includes copiers, fax machines and printers. Taking into account that (i) the Group previously focused on the production of metal stamping moulds and components 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 manufacturers 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 other growth opportunities and, as part of such exploration, the Group successfully passed the TS16949:2002 accreditation, an international quality accreditation for the manufacture of automobile parts, in 2006 and the Group has started to obtain small scale orders for the production of automobile parts on trial basis. However, taking into consideration that (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 other reputable manufacturers, 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 to continue to come from office automation equipment manufacturers in the near future.

As described above, one of the key characteristics of the Group's existing Japanese customers is their strong emphasis on quality and production management. Accordingly, apart from the expansion of production capacity, the Group also devoted substantial resources in strengthening its product quality and management and, in return, the Group continued to receive accreditations from its customers in 2006 which included (i) 2005 Southern China Quality VVV (Very Valuable Vendor) Award from Canon in January 2006; (ii) 2006 First Round Southern China VVV (Very Valuable Vendor) Award from Canon in June 2006 and (iii) Chemical Substance Management System Certification from Epson in June 2006. Management believes that the Group's commitment to product quality and management, coupled with the investments made for providing more comprehensive services to its customers, will deepen its customer relationships which will in turn transform into economic benefits for the Group.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

The Company executed a share placement on 28 February 2006 to raise a net proceeds of approximately HK$107,467,000 to provide the Group with additional funds for future expansion. Save for this share placement, neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's shares during the six months ended 30 June 2006.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Committee"), in accordance with the requirements of the Code of Corporate Governance Practices, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive directors with Dr. Lui Sun Wing as the chairman. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters with management including a review of the consolidated accounts for the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the code of conduct regarding securities transactions by directors set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry of all Directors, all Directors confirm that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors during the six months ended 30 June 2006 and up to the date of this report.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company and the directors confirm, to the best of their knowledge, that the Company has compiled with 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 during the six months ended 30 June 2006 and up to the date of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 October 2006 to 10 October 2006, 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 2006, 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 4:00 p.m. on 4 October 2006.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 14 September 2006

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.