EVA

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)

Joint Sponsors

CAF Securities
wholly owned subsidiary of Agricultural Bank of China

SBICROSBY
SBI Crosby Limited

Placing and Public Offer

Joint Lead Managers

SBICROSBY
SBI Crosby Limited

CAF Securities
wholly owned subsidiary of Agricultural Bank of China

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

BY WAY OF PLACING AND PUBLIC OFFER

Number of Offer Shares	**:**	**130,000,000 Shares (subject to Over-allotment Option)**
Number of Placing Shares	**:**	**117,000,000 Placing Shares (subject to Over-allotment Option and reallocation)**
Number of Public Offer Shares	**:**	**13,000,000 Public Offer Shares (subject to reallocation)**
Offer Price	**:**	**HK$1.10 per Share (payable in full on application)**
Nominal Value	**:**	**HK$0.10 each**
Stock Code	**:**	**838**

Joint Sponsors

CAF Securities
wholly owned subsidiary of Agricultural Bank of China

SBI CROSBY
SBI Crosby Limited

Joint Lead Managers

SBI CROSBY
SBI Crosby Limited

CAF Securities
wholly owned subsidiary of Agricultural Bank of China

Underwriters

SBI E2-Capital Securities Limited
Grand Vinco Capital Limited
TIS Securities (HK) Limited
Barits Securities (Hong Kong) Limited
Sinomax Securities Limited
Worldwide Finance (Securities) Limited
YF Securities Company Limited

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VI of this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to herein.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

The obligations of the Underwriters under the Underwriting Agreement to subscribe for, and to procure applicants for the subscription of, the Offer Shares are subject to termination by the Joint Lead Managers (acting on behalf of the Underwriters) if certain grounds arise at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Main Board. Such grounds are set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus.

29 April 2005

(Note 1)

Application lists open *(Note 2)* .... 11:45 a.m. on Thursday, 5 May 2005

Latest time for lodging **WHITE** and **YELLOW** application forms ....12:00 noon on Thursday, 5 May 2005

Application lists close *(Note 2)* ....12:00 noon on Thursday, 5 May 2005

Announcement of the level of indication of interest in the Placing, results of applications and basis of allocation of the Public Offer Shares and the number of Shares, if any, reallocated between the Placing and the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before ....Tuesday, 10 May 2005

Despatch of share certificates and refund cheques in respect of wholly or partially unsuccessful applications to be posted on or before *(Note 3)* ......Tuesday, 10 May 2005

Dealings in the Shares on the Stock Exchange to commence on ....9:30 a.m. on Wednesday, 11 May 2005

Notes:

1. All times and dates refer to Hong Kong local times and dates, except otherwise stated.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 5 May 2005, the application lists will not open and close on that day. Please see the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Public Offer Shares" in this prospectus.

3. Applicants who apply for 1,000,000 Public Offer Shares or more on **WHITE** or **YELLOW** application forms and have indicated on the application forms that they wish to collect share certificates (where applicable) and/or refund cheques (where relevant) personally, may collect them in person from the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. and 1:00 p.m. on the date as described in the paragraph headed "Despatch and collection of share certificates and, or, refund cheques and deposit of share certificates into CCASS" in the section headed "How to apply for the Public Offer Shares" in this prospectus. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. An applicant being a corporation which opts for personal collection must attend by its authorised representative(s) bearing letter(s) of authorisation from such corporation stamped with the corporation's chop. Both individuals and authorised representatives, where relevant, must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected share certificates and/or refund cheques, will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant application forms. Further information is set out under the section headed "How to apply for the Public Offer Shares" in this prospectus. Share certificates for the Offer Shares are expected to be issued on 10 May 2005 but will only become valid certificates of the title at 8:00 a.m. on 11 May 2005 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting" has not been exercised. If the Underwriting Agreement does not become unconditional or is terminated in accordance with the terms therein, the Company will make an announcement as soon as possible.

For details of the structure of the Share Offer, including its conditions and grounds for termination, please see the section headed "Structure of the Share Offer" in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms.

Any information or representation not made nor contained in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, or any other persons involved in the Share Offer.

The contents of the Company's websites www.eva-sz.com and www.eva-group.com do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out under the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide whether to invest in the Offer Shares.

BUSINESS OVERVIEW

The Group is principally engaged in the design and fabrication of precision metal stamping moulds, manufacturing of metal stamping components and the provision of assembly services in the PRC. The Group's customers comprise Hong Kong or PRC affiliates of internationally renowned OA equipment and consumer electronic product manufacturers.

The Group is positioned as a vertically-integrated precision metal moulding and stamping products manufacturing service provider based in the PRC. The Group's existing services include mainly i) design and fabrication of precision metal stamping moulds; ii) manufacturing of precision metal stamping products by using tailor-made precision metal stamping moulds; iii) lathing of metal components, such as rivets and shafts; and iv) where necessary, assembly of precision metal stamping products manufactured by the Group and plastic components outsourced from other manufacturers into semi-finished products. To complement the Group's services for its customers, the Group will further expand its business horizontally into the design and fabrication of plastic injection moulds and the manufacturing of plastic injection products. The precision metal stamping products manufactured by the Group are mainly used in the manufacture of photocopiers and printers as well as metal components, such as handle components for car doors, and DVD components for stereo systems of automobiles.

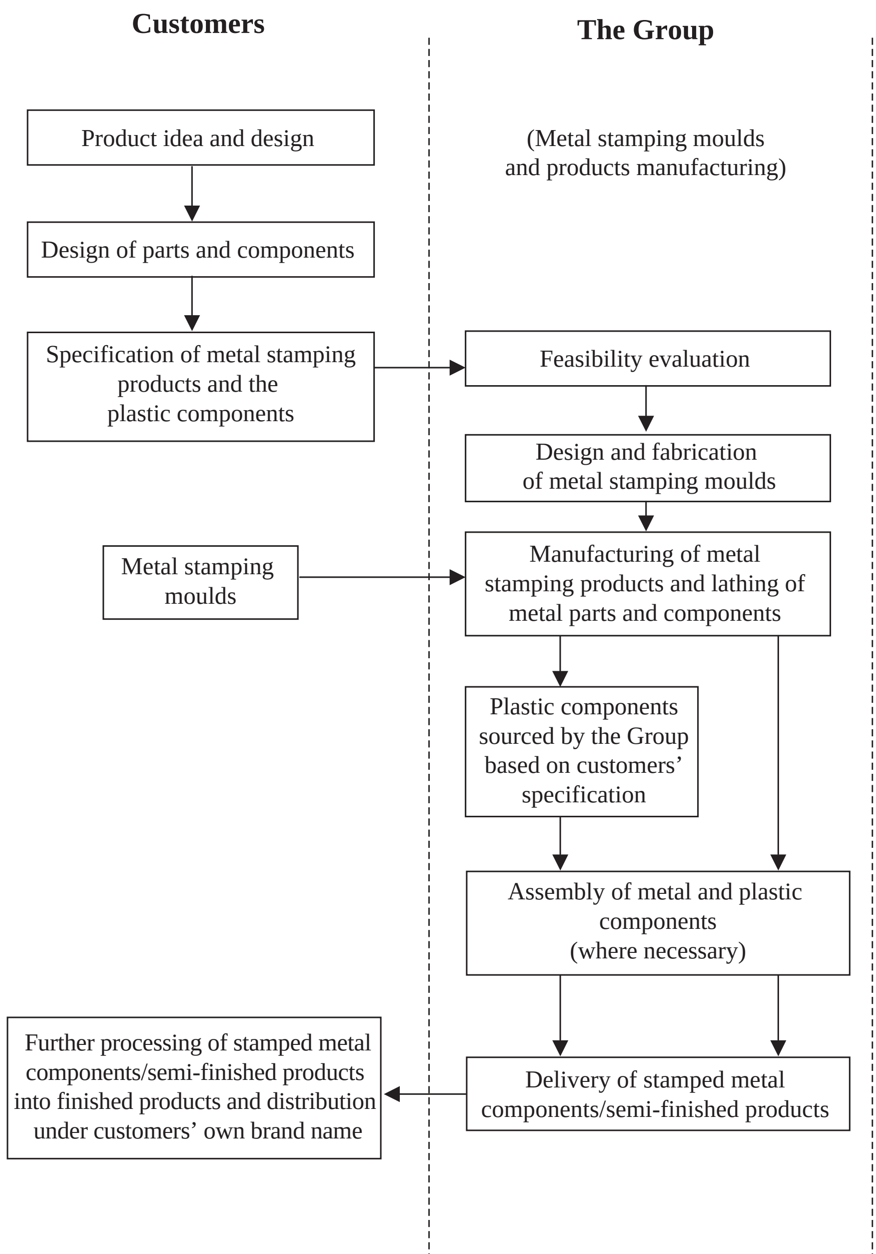
The following table sets out the breakdown of the Group's turnover by business activity during the Track Record Period:–

	Year ended 31 December					
	2002		**2003**		**2004**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fabrication of precision metal stamping moulds	11,283	9.2	21,638	12.9	55,034	18.5
Manufacturing of precision metal stamping products	109,591	89.2	138,192	82.4	222,256	74.9
Lathing of metal components	–	–	235	0.1	5,482	1.9
Assembly services	488	0.4	615	0.4	645	0.2
Others *(Note)*	1,483	1.2	7,049	4.2	13,443	4.5
Total	122,845		167,729		296,860	

Note: Others refers mainly to sales of scrap materials.

The Group has established a client base of over 100 customers, mainly in the OA equipment sector. The Group's customers include primarily the Hong Kong or PRC affiliates of internationally renowned Japanese OA equipment manufacturers and consumer electronic manufacturers, such as Toshiba Tec (HK) Logistics and Procurement Ltd., Konica Minolta Business Technologies Manufacturing (HK) Ltd., Kyocera Mita Industrial Co., (H.K.) Ltd., Canon Zhongshan Business Machines Co. Ltd., Ricoh Components (H.K.) Limited, Epson Precision (H.K.) Ltd. and Fuji Xerox of Shenzhen Ltd. (please refer to the paragraph headed "Customers" under the section headed "Description of business" for further details of the Group's customers). For each of the three years ended 31 December 2004, the Group's sales to such customers accounted for approximately 69%, 70% and 77% of the Group's turnover for the Track Record Period respectively.

The following diagram illustrates the business model of the Group during the Track Record Period:



INDUSTRY OVERVIEW

The moulding and metal stamping industry in the PRC has experienced tremendous growth since the mid-1990's. Following many industrial manufacturers in Hong Kong, in the 1990s, mould manufacturers began to relocate their manufacturing facilities and labor-intensive production processes to the PRC, where the cost of production was relatively lower, in order to enhance their market competitiveness and to capture new market opportunities. According to the CCID Report released by CCID in January 2005 and SZMA, the annual production of mould products in the PRC recorded an average annual growth rate of approximately 14% from 1996 to 2002 and the total production in 2003 reached approximately RMB45 billion, ranking third after Japan and the United States. In 2004, the total mould production in the PRC further increased by approximately 20% from 2003 to approximately RMB53.4 billion, representing approximately 10.2% of global production. Moreover, according to an article (January 2004) published on the website of the Shenzhen municipal government, international manufacturers of OA equipment are highly concentrated in Shenzhen with an annual production accounting for approximately 21% of the total moulding industry in Shenzhen, which in turn generates significant market opportunities for ancillary services in the machinery industry, such as moulding, stamping and lathing of parts and components, and for the development of a comprehensive supply chain of OA equipment manufacturing in Shenzhen.

According to the China Industry News (April 2004), the moulding industry is highly encouraged by the PRC government. Since 1997, the PRC government has grouped the mould manufacturing and other ancillary industries in《當前國家重點鼓勵發展的產業、產品和技術目錄》(the Catalogue of Major Industries, Products and Technologies Encouraged by the State) and has grouped mould fabrication technology and production into《當前國家優先發展的高新技術產業化重點領域指南(目錄)》(the Catalogue of the Major Sector in Priority Developments of High and New Technology Industries) promulgated by 中華人民共和國國家發展計劃委員會(the State Development and Planning Commission) and 中國科學技術部 (the State Ministry of Science and Technology). In addition, several tax benefit policies have been granted to encourage the development of the moulding industry. According to a news article of the China Industry News (April 2004), the future prospects for mould exports are predicted to be remarkable, especially in the sectors of automobile components, precision metal stamping products, plastic precision moulding, standard mould components and other high technology moulding.

COMPETITIVE STRENGTHS

The Directors consider that the Group's competitive edge lies in its continuing expansion in production facilities, lead-time for design and fabrication for precision metal stamping moulds, and provision of quality precision metal stamping moulds and precision metal stamping products, as evidenced by the Group's customer base comprising top-tier Japanese brand names for OA equipment and consumer electronic products, such as Toshiba Tec (HK) Logistics and Procurement Ltd., Konica Minolta Business Technologies Manufacturing (HK) Ltd., Kyocera Mita Industrial Co., (H.K.) Ltd., Canon Zhongshan Business Machines Co. Ltd., Ricoh Components (H.K.) Limited, Epson Precision (H.K.) Ltd., Fuji Xerox of Shenzhen Ltd. and Zastron Electronic (Shenzhen) Co., Ltd.. The Directors believe that the Group has the following competitive strengths:

(i) the capability to provide vertically-integrated services in relation to metal moulding and stamping products manufacturing

(ii) a long operating history and reputation for serving renowned worldwide manufacturers

(iii) a seasoned management with dedicated experience and knowledge in the industry

(iv) the ability to adapt to trends in technology

(v) the adoption of a stringent overall quality and management control system

TRADING RECORD

Set out below is a summary of the audited combined turnover and results for each of the three years ended 31 December 2004 of the Company, EVA Miyagawa *(Note 2)*, Yihe Metal Products *(Note 3)*, and Offspin *(Note 2)* collectively referred as the "Group" in this section as if the current structure of the Group had been in place throughout the Track Record Period. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover *(Note 1)*	122,845	167,729	296,860
Cost of sales	(74,863)	(112,670)	(180,725)
Gross profit	47,982	55,059	116,135
Other revenue	72	37	35
Selling and distribution expenses	(3,419)	(5,297)	(15,073)
General and administrative expenses	(12,927)	(16,821)	(25,651)
Operating profit	31,708	32,978	75,446
Finance costs	(2,429)	(2,195)	(4,008)
Profit before taxation	29,279	30,783	71,438
Taxation	(3,196)	(627)	(5,445)
Profit after taxation	26,083	30,156	65,993
Minority interests	(2,491)	10	(230)
Profit for the year	23,592	30,166	65,763
Dividends	–	–	31,127

Note:

1. Turnover represents the net amounts received and receivables for goods sold and services rendered during the Track Record Period.

2. The results of EVA Miyagawa and Offspin were included in the Group's combined accounts during the years ended 31 December 2002, 2003 and 2004. Immediately before the reorganisation as explained under the section headed "Corporate reorganisation" of Appendix V, these companies will distribute substantially all of their retained earnings to their then shareholders, which will be presented as dividends in the Group's consolidated accounts as at and for the year ending 31 December 2005. Thereafter, the results for these companies will not be included in the Group's consolidated accounts.

3. Yihe Metal Products was disposed of by the Group on 28 June 2004 and its operating results were included in the Group's combined accounts up to 28 June 2004.

FUTURE PLANS AND PROSPECTS

The Group is striving to become a comprehensive metal and plastic moulding, metal stamping and plastic injection products manufacturing services provider. In order to achieve the Group's goals, the Directors have formulated the following business strategies:

(i) expanding manufacturing facilities and strengthening production capacity;

(ii) setting up a mould research and development centre to strengthen the Group's capabilities and techniques in the design and fabrication of precision metal stamping moulds and plastic injection moulds;

(iii) complementing the Group's insourcing services by horizontally expanding into the production of plastic injection moulds and plastic injection products; and

(iv) providing integrated assembly services to its customers.

REASONS FOR SHARE OFFER AND USE OF PROCEEDS

The net proceeds from the Share Offer, after deduction of underwriting commission and estimated listing expenses to be borne by the Company in relation to the Share Offer and assuming the Over-allotment Option is not exercised, are estimated to be approximately HK$128 million. The Company intends to apply the net proceeds from the Share Offer as follows:

(i) as to approximately HK$32 million for the purchase of machinery and equipment for plastic injection moulds, such as coordinate measuring machines (三座標測量儀) and CNC machines (立式加工中心), (amounting to approximately HK$10 million) and different models of injection moulding machines (注塑機) for products manufacturing (amounting to approximately HK$22 million);

(ii) as to approximately HK$25 million for the purchase of additional 25 sets of stamping machines for the Group's existing production plant;

(iii) as to approximately HK$35 million for the setting up of a mould research and development center to strengthen the Group's engineering and product development capability, of which approximately HK$4 million is reserved for acquisition of a piece of land for the mould development centre, which is planned to have a construction area of approximately 20,000 sq.m., and approximately HK$20 million is reserved for the construction of the mould research and development centre, with the remaining balance of approximately HK$11 million being reserved for purchasing machinery and equipment for mould manufacturing;

(iv) as to approximately HK$30 million for repayment of bank loans, which comprise (i) a portion of a loan amounting to approximately HK$5 million, out of the total principal of approximately HK$14 million, with an annual interest rate at 7.25% and maturing in November 2005, which had been used for providing general working capital; (ii) a loan amounting to approximately HK$25 million with an annual interest rate at 1.5% over deposit rate and maturing in August 2008 which had been utilised for repayment of outstanding shareholders' loans; and

(v) as to the balance of approximately HK$6 million as general working capital for the Group.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK$20.9 million will be used by the Group as to (i) approximately HK$7.1 million for purchase of machinery and equipment for the manufacturing of plastic injection moulds and products; (ii) approximately HK$3.7 million for the purchase of additional machinery for metal stamping products manufacturing; (iii) approximately HK$5.1 million for the setting up of a mould research and development centre; and (iv) approximately HK$5.0 million for general working capital. In the event that the net proceeds from the Share Offer are not immediately applied for the purposes outlined above, the Directors will place the net proceeds on short term (interest bearing) deposits with licensed banks or authorised financial institutions in Hong Kong.

Please refer to section headed "Future plans and use of proceeds from the Share Offer" section of this prospectus for further details of the above plans.

STATISTICS OF THE SHARE OFFER

Offer Price (per Share) .... HK$1.10

Market capitalisation upon completion of the Share Offer *(Note 1)* ..... approximately HK$572 million

Pro forma adjusted net tangible asset value per Share *(Note 2)* .... approximately HK46 cents

Fully diluted price/earnings multiple *(Note 3)* .... approximately 8.7 times

Notes:

1. The calculation of the market capitalisation of the Shares is based on 520,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer but takes no account of any Shares which may fall to be alloted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may fall to be alloted or issued upon exercise of any options which may be granted under the Share Option Scheme.

2. The pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial information – unaudited pro forma combined net tangible assets" in this prospectus and on the basis of a total of 520,000,000 Shares were in issue as at 31 December 2004 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and the Share Offer at the Offer Price).

3. The calculation of fully diluted price/earnings multiple on a pro forma basis is based on the audited basic earnings per Share for the year ended 31 December 2004 of approximately HK$0.126 per Share of 520,000,000 Shares at the Offer Price, and based on the assumption set out in note 1 above.

RISK FACTORS

Risks relating to the Group

– Reliance on customers who comprise Hong Kong or PRC affiliates of certain major Japanese companies

– Heavy investment requirement

– Reliance on key management personnel

– Foreign exchange rates fluctuation

– Liquidity concern and net current liabilities position

– A significant amount of the expected net listing proceeds will be used to repay bank loans

– Dividends

– Preferential tax treatment in the PRC

– Potential tax exposure from inter-company arrangements

– Completion of registration procedures relating to the Group's ownership of its factory buildings in the PRC

– Land use right agreement (土地使用權出讓合同) and Realty Title Certificate (房地產證) relating to the Group's staff accommodation property in the PRC

– Sustainability of turnover and net profit of the Group

– No proven track record for the plastic injection mould business

– Change of mode of capital injection without prior approval

– Consolidation of the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic prior to their registered capital being fully paid up

– Commitment of capital injection of Yihe Precision Hardware and Yihe Plastic & Electronic

– Product defects or liability

– Interruption caused by health risk

Risk relating to the industry

– Competition from a large number of competitors

Risks relating to the PRC

– Recent economic situation in the PRC

– General economic environment in the PRC

– Environmental protection

– Legal considerations in the PRC

– Currency conversion and foreign exchange control in the PRC

Risks relating to the Share Offer

– There has been no public market for the Shares and consequently there may be volatility in the price and trading volume of the Shares

– Certain facts and statistics contained in this prospectus have come from various official sources the reliability of which cannot be assumed or assured

– Forward-looking statements

In this prospectus, unless the context otherwise required, the following expressions shall have the following meanings:

"Application Forms"	**white** application form(s) and **yellow** application form(s), or where the content requires, any of them
"Articles of Association" or "Articles"	the articles of association adopted by the Company pursuant to the written resolutions passed by the sole Shareholder on 20 April 2004, and as amended from time to time
"Associates"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"BSI Group"	founded in 1901, the BSI Group is a business services provider to organisations worldwide. One of the BSI Group's businesses is BSI Management Systems which provides organisations with independent third party certification of their management systems, including ISO 9001:2000 (Quality), ISO 14001 (Environmental Management), OHSAS 18001 (Occupational Health & Safety) and BS 7799 (Information Security).
"BVI"	the British Virgin Islands
"CAF Securities"	CAF Securities Company Limited, a licensed corporation for types 1 and 6 regulated activities under the SFO
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 20 April 2005" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCID"	CCID Consulting Co., Ltd, an information service conglomerate under the Ministry of Information Industry, the PRC (中華人民共和國信息產業部) which offers a set of information provision services such as industry planning, policy studies and market surveys. CCID Consulting Co., Ltd was engaged to conduct a research on the conditions of the moulding, metal & stamping and OA equipment industries in the PRC for a fee of HK$150,000

"CCID Report"	the report titled "Research Report on Investment Opportunities in China's Mould and Components Industry for Office Automation Products" issued by CCID in January 2005
"China Industry News"	中國工業報 (China Industry News) is an industry newspaper published by 中國工業報社 (China Industry News Office) which was established in 1980. 中國工業報社(China Industry News Office) is a member of 中國報業協會 (Newspaper Association of China) and is managed by 中國工業經濟聯合會 (China Federal of Industrial Economies). China Industry News is an industrial focused news publication
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended)
"Company"	EVA Precision Industrial Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability
"Convenantors"	collectively, Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua
"Director(s)"	the director(s) of the Company
"EVA Design (BVI)"	EVA Mould Design & Manufacturing Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"EVA Group"	EVA Group Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"EVA Holdings"	EVA Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"EVA Limited"	EVA Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"EVA Metal (BVI)"	EVA Metal Mould Products Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

"EVA Miyagawa"	EVA-Miyagawa Company Limited, a company incorporated in Hong Kong with limited liability
"EVA Mould Design (HK)"	EVA Mould Design & Manufacturing (HK) Limited, formerly known as EVA Precision Industrial Holdings Limited and changed its name on 20 September 2004, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"EVA Plastic (BVI)"	EVA Plastic Mould Products Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"EVA Plastic Products (HK)"	EVA Plastic Mould Products (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Greater China region"	the region including China, Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company or their predecessors (as the case may be)
"HC International"	HC International Information Ltd, a subsidiary of a Hong Kong listed company which is engaged in the provision of market research, analysis and professional information services. HC International also distributes market research reports through its website: http://www.it.hc360.com
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Indemnifiers"	collectively, Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua
"Independent Third Party" or "Independent Third Parties"	person(s) or company(ies) who/which is or are not connected with any of the Directors, the chief executive and the substantial shareholders (as defined in the Listing Rules) of the Company and its subsidiaries or their respective associates
"IRD"	Inland Revenue Department of Hong Kong

"Joint Lead Managers"	SBI Crosby and CAF Securities
"Joint Sponsors" or "Sponsors"	CAF Securities and SBI Crosby
"Langxin Village Society"	深圳市寶安區石岩鎮浪心村經濟合作社 (the Economic Cooperation Society of Langxin Village, Shiyan Town, Bao'an District, Shenzhen), a collective party
"Latest Practicable Date"	25 April 2005, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing Date"	the date on which the Shares first commence trading on the Stock Exchange, which is expected to be on 11 May 2005
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
"Offer Price"	the price of HK$1.10 per Offer Share (exclusive of brokerage, SFC transaction levy, investor compensation levy and trading fee) at which the Offer Shares are to be issued pursuant to the Share Offer
"Offer Shares"	the Public Offer Shares and the Placing Shares
"Offspin"	Offspin Technology Limited, a company incorporated in the BVI with limited liability
"Okuno Precision"	Okuno Precision Metal Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Over-allotment Option"	the option granted by the Company to the Joint Lead Managers on behalf of the Placing Underwriters pursuant to the Underwriting Agreement exercisable at any time within 30 days after the date of this prospectus to require the Company to allot and issue the Over-allotment Shares to cover over-allocations in the Placing, and/or the obligations of the Joint Lead Managers to return securities borrowed under the Stock Borrowing Agreement as described in the section headed "Structure of the Share Offer" in this prospectus

"Over-allotment Shares"	up to an aggregate of 19,500,000 additional new Shares representing up to 15% of the sum of the Public Offer Shares and Placing Shares which may be allotted and issued by the Company at the Offer Price pursuant to the exercise of the Over-allotment Option
"Placing"	the conditional placing of the Placing Shares at the Offer Price with professional, institutional and private investors as described in the section headed "Structure of the Share Offer" in this prospectus
"Placing Shares"	117,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed "Structure of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriters of the Placing named under the paragraph headed "Placing Underwriters" in the section headed "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	King & Wood PRC Lawyers (金杜律師事務所), a qualified PRC law firm based in Beijing and retained as the PRC legal advisers to the Company for its application for listing on the Main Board of the Stock Exchange
"Prosper Empire Limited"	a company incorporated in the BVI with limited liability which is beneficially owned as to 36% by Mr. Zhang Hwo Jie, 33% by Mr. Zhang Yaohua and 31% by Mr. Zhang Jian Hua respectively
"Public Offer"	the offer for subscription of the Public Offer Shares to the public for cash at the Offer Price (plus brokerage fee 1%, SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions described in this prospectus and in the Application Forms, further details of which are set out in the sections headed "Information about this prospectus and the Share Offer" and the "Structure of the Share Offer" in this prospectus
"Public Offer Shares"	the 13,000,000 new Shares initially being offered by the Company for subscription in Hong Kong pursuant to the Public Offer, subject to reallocation as described in the section headed "Structure of the Share Offer" in this prospectus

"Public Offer Underwriters"	the underwriters of the Public Offer named under the paragraph headed "Public Offer Underwriters" in the section headed "Underwriting" in this prospectus
"Reorganisation"	the corporate reorganisation of the Group carried out in preparation for the listing of Shares on Main Board, details of which are set out in the paragraph headed "Group Reorganisation" under the section headed "Further Information about the Company and its Subsidiaries" in Appendix V to this prospectus
"SBI Crosby"	SBI Crosby Limited, a licensed corporation for types 1 and 6 regulated activities under the SFO
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder"	a holder of the Company's Shares from time to time
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 20 April 2005, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" under the section headed "Statutory and general information" in Appendix V to this prospectus
"Shenzhen NamShing"	深圳市南城實業有限公司 (Shenzhen NamShing Industrial Co., Ltd.), a limited liability company incorporated in the PRC and principally engaging in construction and civil engineering business, which owns 9.43% of the equity interest of Yihe Metal Products. It was owned as to 75% by Mr. Zhang Jian Hua and 25% by Mr. Zhang Yaohua respectively during the Track Record Period
"Stock Borrowing Agreement"	the stock borrowing agreement dated 28 April 2005 entered into among CAF Securities, SBI Crosby and Prosper Empire Limited, pursuant to which CAF Securities and SBI Crosby may borrow up to 19,500,000 Shares from Prosper Empire Limited to satisfy over-allocations under the Placing

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SZMA"	深圳市機械行業協會 (China Shenzhen Machinery Association), an industry association founded by the Shenzhen Government in 1986, and is a non-profit incorporation in association with different manufacturers and enterprises in the machinery industry in Shenzhen. SZMA has nine different branch organisations such as the Mould Specialist Committee and the Fasteners Specialist Committee. SZMA publishes an industry periodical called《機械與模具》(Machinery & Moulds) and also organises "the China Shenzhen International Machinery & Moulds Industry Exhibition" in/around March each year.
"Track Record Period"	the three financial years ended 31 December 2004
"Underwriters"	the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreement"	the underwriting agreement dated 28 April 2004 relating to the Share Offer entered into, among others, the Joint Lead Managers, the Public Offer Underwriters, the Placing Underwriters and the Company
"WFOE"	a wholly foreign-owned enterprise (外商獨資企業) established under the laws of the PRC
"WTEC"	the World Technology Evaluation Centre, a non-profit making organisation that offers technology assessments services to US federal agencies
"Yihe Metal Products"	深圳市和億興實業有限公司 (Shenzhen Heyixing Industrial Co., Ltd.), formerly known as 深圳億和精密模具五金製品有限公司 (Shenzhen Yihe Precision Moulding Hardware Co., Ltd.) whose name was changed on 29 September 2004, a company established in the PRC and the former principal operating subsidiary of the Group
"Yihe Plastic & Electronic"	億和塑膠電子製品(深圳)有限公司(Yihe Precision Plastic & Electronic Products (Shenzhen) Co., Ltd.), a WFOE established in the PRC and is an indirect wholly-owned subsidiary of the Company
"Yihe Precision Hardware"	億和精密金屬製品(深圳)有限公司 (Yihe Precision Hardware (Shenzhen) Co., Ltd.), a WFOE established in the PRC and an indirect wholly-owned subsidiary of the Company

"HK$" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Japanese Yen"	Japanese yen, the lawful currency of Japan
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"US" or "United States"	the United States of America
"US$" or "US Dollar(s)"	US dollars, the lawful currency of the US
"sq.m."	square meter(s)
"%"	per cent

Unless the context requires otherwise, translations of RMB into HK$ are made, for illustration purpose only, at the rate of HK$1 = RMB1.06 and translations of US$ into HK$ are made, for illustration purpose only, at the rate of US$1 = HK$7.80.

No representation is made that any amounts in RMB, HK$ or US$ could have been or could be converted at the above rate or at any other rates or at all.

The English name of any company or entity incorporated or established in the PRC or the PRC governmental departments, institutions, laws, regulations and notices referred to in this prospectus is the unofficial translation of its Chinese name and for identification purposes only.

"7S framework"	the 7S framework first appeared in "The Art of Japanese Management" by Richard Pasçale and Anthony Athos in 1981. It went on to appear in "In Search of Excellence" by Peters and Waterman, and was taken up as a basic tool by the global management consultancy McKinsey. It is also known as the McKinsey 7S model. The 7 factors are: strategy; structure; systems; style; staff; superordinate goals and skills
"CAD"	acronym for computer aided design
"CAGR"	compound annual growth rate
"CNC"	acronym for computer numerical control, a technology in machining featured with built-in computer aided design/computer aided manufacturing software program for precision manufacturing process
"DVD"	acronym for digital versatile disc or digital video disc, an optical storage medium which can be used for multimedia and data storage
"EMS"	acronym for electronic manufacturing services
"ERP"	acronym for enterprise resource planning which is an industry term for the broad set of activities supported by multi-module application software that helps a manufacturer or other business manage the important parts of its business, including product planning, parts purchasing, maintaining inventories, interacting with suppliers, providing customer service, and tracking orders. ERP can also include application modules for the finance and human resources aspects of a business.
"ISO"	acronym for a series of quality management and quality assurance standards published by the International Organization for Standardisation, a non-government organisation based in Geneva, Switzerland, for accessing the quality systems of business organisations
"ISO 9001"	a constituent part of the ISO 9000 series, which covers areas of management responsibility, quality system, contract review, document and data control, purchasing, control of customer's supplied-products, product identification and traceability, equipment testing control of non-confirming product, corrective and preventive action, handling, storage, packaging preservation and delivery, control of quality records, internal quality audits training, devising and statistical techniques

"ISO 14001"	a constituent part of ISO 14000 series, which is an international standards developed for incorporating environmental aspects into operations and product standards, and it specifies requirements for establishing an environmental policy, determining, environmental aspects and impacts of products or measurable targets, implementation and operation of programs to meet objectives and targets, checking an corrective action and management review
"OA"	acronym for office automation
"ODM"	acronym for original design manufacturer, under which products are designed and manufactured for customers
"OEM"	acronym for original equipment manufacturer, under which products are manufactured in whole or in part in accordance with the customer's specifications
"Prototype"	a working model of a product used to demonstrate the product and test design ideas for a complete version

RISKS RELATING TO THE GROUP

Reliance on customers who comprise Hong Kong or PRC affiliates of certain major Japanese companies

During the Track Record Period, the Group's major customers which comprise Hong Kong or PRC affiliates of certain major Japanese OA equipment and consumer electronic manufacturers accounted for approximately 69%, 70% and 77% of the Group's turnover for each of the three years ended 31 December 2004 respectively. The Directors anticipate that the income derived from such major Japanese customers will continue to represent a significant portion of the turnover of the Group. Accordingly, the business of the Group is closely correlated to, amongst others, the demand for the products of such major Japanese customers in Japan and other overseas markets. Should there be any changes in any one of the aforesaid factors, there is no assurance that such changes will not adversely affect the business of the Group.

In addition, the Group's business is subject to other factors, such as the popularity of its major customers' products which are integrated with the precision metal stamping products manufactured by the Group. As such, should the popularity of such major Japanese customers' products decline for any reason and the Group is not able to obtain substitution for the same, the Group's income will be adversely affected.

Heavy investment requirement

The Group's business is, to a significant extent, capital intensive and therefore a large proportion of the Group's total assets comprises fixed assets. As at 31 December 2004, the Group's total fixed assets amounted to approximately 61% of its total assets. The Group's capital expenditure was primarily financed by short-term bank borrowings, finance leases and revenue generated from its operations. As at 31 December of each of 2002, 2003 and 2004, the aggregate of the Group's short-term borrowings and current portion of obligations under finance leases was approximately HK$26,062,000, HK$34,077,000 and HK$88,032,000 respectively while cash and bank balances amounted to approximately HK$17,287,000, HK$10,319,000 and HK$18,987,000 respectively. The Group has utilised substantial financial resources for the purchase of fixed assets which amounted to approximately HK$60,056,000, HK$58,731,000 and HK$105,541,000 respectively for each of the three years ended 31 December 2004. In the event that the Group's financial resources become insufficient or the Group is unable to raise additional funds to meet its capital expenditure requirements, the Group's future expansion and development plan will be adversely affected. In the event that the Group upholds its funding requirements through equity financing, the interests of Shareholders may in turn be diluted.

Reliance on key management personnel

The Group's performance and success is, to a significant extent, attributable to the continued service and contribution of several key executives and personnel, especially Mr. Zhang Hwo Jie and Mr. Zhang Yaohua, who are executive Directors and founders of the Group. Mr. Zhang Hwo Jie is responsible for the overall strategic planning and marketing development of the Group and Mr. Zhang Yaohua is responsible for the operation and project development of the Group. In addition, two key executives including Mr. Nomo Kenshiro (野母憲視郎) (who is also an executive Director), are proficient in

Japanese, have knowledge and experience in Japanese business culture and assist the Group in dealing with the Group's major Japanese customers. The Directors anticipate that business with major Japanese customers will continue to contribute a significant portion of the Group's future turnover and therefore maintaining a good relationship with them will be significant to the continuous success of the Group. As such, any loss or departure of Mr. Zhang Hwo Jie, Mr. Zhang Yaohua or any of the key executives of the Group, who assist in maintaining the Group's relationships with these major Japanese customers, without suitable replacements would have an adverse impact on the Group's operations.

Foreign exchange rates fluctuation

The Group is subject to foreign exchange rates risk as the Group's purchases were dominated in US$, HK$ and RMB and of the total purchases, approximately 13%, 12% and 12% of the Group's purchases were made in RMB for the each of the three years ended 31 December 2004. For each of the three years ended 31 December 2004, approximately 98%, 95% and 95% of the Group's sales were denominated in US$ and HK$ respectively. The Group has not previously adopted any policy to hedge its currency risk. As such, there is no assurance that any fluctuation in the exchange rates between the currencies in which the Group's purchases are denominated and those in which the Group's revenue is denominated may not have adverse effect on the results of the Group's operations.

Liquidity concern and net current liabilities position

As the Group continues to expand its production scale and acquire new machinery, there will be a substantial funding requirement for such expansion. The Group has historically relied heavily on short-term loans to finance its long term investment. The Group's capital expenditure was primarily financed by short-term and long-term bank borrowings, finance leases and revenue generated from its operations. As at 31 December of 2002, 2003 and 2004, the aggregate of the Group's short-term bank borrowings and current portion of obligations under finance leases were approximately HK$26,062,000, HK$34,077,000 and HK$88,032,000 respectively while the cash and bank balances amounted to approximately HK$17,287,000, HK$10,319,000 and HK$18,987,000, respectively. As at each of 31 December 2002, 2003 and 2004, the Group had net current liabilities of approximately HK$25,613,000, HK$46,277,000 and HK$30,620,000, respectively.

The Group has not experienced any problem in the roll-over of old loans or the obtaining of new loans. However, there is no assurance that the Group will have no difficulty in obtaining new loans in the future.

A significant amount of the expected net listing proceeds will be used to repay bank loans

The Group plans to utilise approximately HK$30 million, representing approximately 23% of the expected net listing proceeds before the Over-allotment Option is exercised, for repayment of bank loans, which include (i) a portion of a loan amounting to approximately HK$5 million, out of the total principal of approximately HK$14 million, with an annual interest rate of 7.25% per annum and maturing in November 2005; (ii) a loan amounting to HK$25 million at annual interest rate of 1.5% over deposit rate and maturing in August 2008. As such portion of the expected net listing proceeds is not utilised directly in the expansion of the Group, this may not be beneficial to the future growth of the Group.

Dividends

For the two financial years ended 31 December 2003, the Group had not declared nor paid any dividend to its then shareholders. Dividends were declared by EVA Limited, Yihe Metal Products and Offspin out of their retained earnings to their then shareholders outside the Group in the amount of approximately HK$31.1 million for the year ended 31 December 2004, representing approximately 47.3% of the profits attributed to the then shareholders for the relevant period or 26.0% of the aggregate profits during the Track Record Period. Save for the above, no other dividends were declared by any member of the Group during the Track Record Period. There is no assurance that the level of future dividends will be comparable to that of historical dividends or will be declared at all, and potential investors should be aware that historical dividends will not be used as a reference or basis upon which future dividends may be determined.

It is the Directors' current intention to recommend a final dividend of not less than 30% of its distributable profit for the year ending 31 December 2005 subject to, among others, the Group's results of operations, cashflows and financial conditions, funding requirements, the discretion of the Directors, shareholders' approval and other relevant factors prevailing at the relevant time in the coming years. There is, however, no assurance that dividends of such amount or any amount will be made each year or in any year.

Preferential tax treatment in the PRC

In accordance with relevant tax laws and regulations, Yihe Precision Hardware and Yihe Plastic & Electronic are subject to PRC Enterprise Income Tax ("EIT") at a rate of 15% and are entitled to full exemption from EIT for the first two years and a 50% reduction for the next three years, commencing from the first profitable year after offsetting available tax losses carried forward from the previous five years. Pursuant to the above, Yihe Precision Hardware was fully exempted from EIT for the two years ended 31 December 2004 and will be entitled to a 50% reduction in EIT for the next three years ending 31 December 2007. As Yihe Plastic & Electronic has not commenced sales yet, it will enjoy the preferential tax treatment only when it starts making profit (after offsetting previous tax losses). In addition, Yihe Precision Hardware was awarded the status of 深圳市高新技術企業 (Hi-Tech Enterprise) by the 深圳市商科技術產業協會(Shenzhen Hi-Tech Industrial Association) and therefore will enjoy a further three-year 50% EIT reduction after its tax exemption as mentioned above expires. Should Yihe Precision Hardware still be granted as a 深圳市高新技術企業 (High-Tech Enterprise) status, Yihe Precision Hardware would enjoy a further 50% reduction on EIT from 1 January 2008 to 31 December 2010. However, there is no assurance that the PRC government will continue to offer such preferential tax treatment or that there will not be any significant change in any preferential tax treatment currently offered to Yihe Precision Hardware and Yihe Plastic & Electronic. In the event the PRC government abolishes or changes its tax incentive policies relating to foreign invested enterprises and 深圳市高新技術企業 (Hi-Tech Enterprises), the Group's effective tax rate may change, thereby increasing its tax liability, and the Group's financial position and profitability may be adversely affected.

Potential tax exposure from inter-company arrangements

During the Track Record Period, the Group's Hong Kong entities namely EVA Limited, EVA Group, EVA Holdings and EVA Miyagawa, were mainly responsible for sales and marketing and sourcing of materials from independent suppliers for onward sales to the Group's PRC manufacturing arms, Yihe

Metal Products and Yihe Precision Hardware. The Group's PRC entities were responsible for the manufacturing of the Group's products, which were then sold to the Group's Hong Kong entities for onward sale to the Group's customers. Yihe Metal Products and Yihe Precision Hardware charged the Group's Hong Kong entities a certain mark-up margin in return for the manufacturing services. The aforesaid business model of the Group constitutes an inter-company pricing arrangement (hereinafter the "Inter-company Arrangements") with an objective of achieving reasonable operating results for both of its Hong Kong and PRC entities. Such Inter-company Arrangements remain unchanged as at the Latest Practicable Date.

The Directors consider that the fairness and reasonableness of the Inter-company Arrangements involve an element of judgment and may be subject to uncertainty in that relevant PRC tax authorities may take a different view on a reasonableness of the inter-company pricing policy. However, the export price of goods sold from the Group's PRC entity to the Group's Hong Kong entities has been according to the export price declared to the PRC customs, and moreover Yihe Precision Hardware and Yihe Metal Products have generated reasonable profit returns that were comparable to the industry average during the Track Record Period. Therefore, the Directors are of the view that the pricing level of the Inter-company Arrangements is reasonable and that the possibility of such pricing level being challenged and subject to fine by the relevant PRC tax authorities is very remote.

Nevertheless, in the event that the relevant tax bureau decides to revisit the Group's Inter-company Arrangements and the Group fails to successfully defend its position against the PRC tax authorities regarding the fairness and reasonableness of the pricing level of the Inter-company Arrangements, the relevant PRC tax authorities may adjust the pricing level of the Inter-company Arrangements based on the determination criteria prescribed under Article 51 of《中華人民共和國外商投資企業和外國企業所得税法實施細則》and the Group may consequently become liable to pay additional PRC income tax. If the Group is required to pay additional PRC income tax arises from the Inter-company Arrangements, the Group's financial position and profitability may be adversely affected.

Completion of registration procedures relating to the Group's ownership of its factory buildings in the PRC

The Group planned to build three blocks of factory buildings on a piece of land of approximately 43,000 sq.m. The Group has completed the construction of two blocks of factory buildings and, in March 2005, the Group obtained a Realty Title Certificate（房地產證）issued by 深圳市國土資源和房產管理局（寶安分局）(Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District)). The possession of the Realty Title Certificate (房地產證) renders the owner the right to legally own and be capable to transfer (i) the land use rights; and (ii) the ownership of the property erected thereon. However, as the construction of the third block factory building is at the stage of finalisation of the internal furnishing, the Realty Title Certificate (房地產證) which the Group obtained relates to the land use rights only and does not document the ownership of the factory buildings (including the first and the second factory buildings) which have already been erected on the land.

According to 土地使用權出讓合同 (Land Use Right Agreements), the Group entered into with 深圳規劃與國土資源局(the Shenzhen Municipality Planning and State-owned Land Resources Bureau) the Group should complete the construction of all the three blocks of factory buildings before 9 April 2004, otherwise, 深圳規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau) would have the right to impose a fine for any delay beyond 9 April 2004. As advised by the Directors, the main structure of the third block of factory building has been completed and it is currently in the stage of final furnishing which is expected to be completed in the first half of 2005. According to relevant provisions of 土地使用權出讓合同 (Land Use Right Agreements), the Group may consequently be subject to a maximum fine of approximately RMB193,000. However, as advised by the PRC Legal Advisers, imposition of such fine would not result in a refusal to grant the Realty Title Certificate (房地產證) which would also document the ownership of the building property and the Group should pay the fine upon receiving the notice from 深圳市國土資源和房產管理局(寶安分局) (Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District)) (formerly known as 深圳市規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau)).

The Group commenced the construction of the first block of factory building prior to obtaining the relevant 建設工程規劃許可證 (Construction Works Planning Permit) and 建設工程施工許可證 (Construction Works Commencement Permit). Consequently, in September 2002, the Group paid a fine amounted to approximately RMB498,000 to 深圳市規劃與國土資源局(寶安分局) (the Shenzhen Municipality Planning and State-owned Land Use Resources Bureau (Bao'an District)). The Group obtained the relevant 建設工程規劃許可證 (Construction Works Planning Permit) and 建設工程施工許可證 (Construction Works Commencement Permit) from 深圳市寶安區建設局 (the Shenzhen Construction Bureau (Bao'an District)) in October 2002 and December 2002 respectively. The PRC Legal Advisers are of the view that the Group will not be subject to any further penalty and such historical procedural blemish will not cause any obstacle to the Group in obtaining the Realty Title Certificate (房地產證) which also documents the ownership of the building property.

Once the construction of the third block factory building is completed and the relevant verification certificate is obtained, the Group will proceed to apply for a new Realty Title Certificate (房地產證), which will relate to both the ownership of land use right and the ownership of the building property erected thereon. However, there is no assurance that the Group will be granted the relevant new Realty Title Certificate (房地產證) which would document both the ownership of the land use right and the building property.

Land use rights agreement (土地使用權出讓合同) and Realty Title Certificate (房地產證) relating to the Group's staff accommodation property in the PRC

The Group entered into a 土地合作協議書 (property cooperation agreement) and subsequent supplementary agreements with 深圳市寶安區石岩鎮浪心村經濟合作社 (Economic Cooperation Society of Langxin Village) in relation to the development of a piece of land of approximately 53,000 sq.m. in 2001 and 2004 on which the Group intended to build its factory buildings and staff accommodation.

The Group has built four blocks of staff accommodation on the portion of the land of approximately 10,000 sq.m (the "Accommodation Land") out of the piece of land of 53,000 sq.m.. The fourth block of staff accommodation has been completed and put into use in April 2005. However, the Group has yet entered into 土地使用權出讓合同 (land use right agreements) with the relevant government authority to acquire the right to use the land regarding the Accommodation Land. Moreover, the Group is still in the process of applying for the ownership of the land use rights and the property erected on the Accommodation Land. Please refer to the paragraph headed "Land and Property" in the section headed "Description of Business" of this prospectus for details of the Group's ownership regarding the Accommodation Land.

In the event the Group cannot enter into 土地使用權出讓合同 (land use right agreement) with the relevant government authority and the Group is required to terminate the use of such accommodation on the Accommodation Land, additional cost may be incurred in the event that the Group is required to relocate its staff accommodation and the Group's financial results during the year of such relocation could be adversely affected.

Sustainability of turnover and net profit of the Group

Over each of the three years ended 31 December 2004, the turnover and net profit of the Group grew steadily. Turnover for each of the three years ended 31 December 2004 amounted to approximately HK$122,845,000, HK$167,729,000 and HK$296,860,000 respectively. For the same period, the net profit of the Group amounted to approximately HK$23,592,000, HK$30,166,000 and HK$65,763,000 respectively. In general, the industry in which the Group is operating is characterised by intense competition. Hence, the sustainability of the Group's turnover and profit would depend to a large extent on the ability of the Group to maintain its competitiveness in the market and to proactively adjust its product range to achieve higher profit margin. In this regard, potential investors should note that there is no assurance that the turnover and net profits of the Group can be maintained at the current level.

No proven track record for the plastic injection mould business

The Group has decided to extend its business to cover the design and fabrication of plastic injection mould and the manufacturing of plastic injection moulding products in order to complete its business scope and broaden its products mix and its income sources. Therefore, the Group has decided to expand its existing manufacturing facilities in Shenzhen, the PRC in order to roll out the new business.

The Directors anticipate that the new manufacturing facilities for plastic injection moulds and plastic injection mould products will commence operation in the first half of 2005. The Group commenced trial production of plastic injection moulds and products in December 2004 and is currently negotiating with a number of customers on new projects regarding production of the plastic injection moulds and products. However, during the Track Record Period, other than through the provision from time to time of assembly services integrating the Group's precision metal stamping products with the plastic injection moulding components sourced from other manufacturers for its customers. There is no assurance that the future profitability of the Group will not be adversely affected if the Group fails to rollout the business of plastic injection moulding successfully in the future.

Change of mode of capital injection without prior approval

On 9 April 2001, EVA Limited and Shenzhen NamShing resolved to amend the articles of association of Yihe Metal Products, which was approved by the relevant authority, to increase the registered capital by HK$8 million by way of equipment. However, the actual mode of capital contribution made to Yihe Metal Products comprised cash payment of approximately HK$7.5 million and equipment amounting to HK$0.5 million. Such change in the mode of capital contribution was not documented by amending the articles of association nor did the then shareholders seek the approval from 深圳市外商投資局(Shenzhen Foreign Investment Bureau). According to the prevailing laws and regulations in the PRC, a foreign-invested enterprise should amend its articles of association in respect of the change in the mode of capital contribution, report the amendments to the responsible authority of foreign investment for approval, and submit the same to the Industry and Commerce Bureau concerned for filing before actual change in the mode of capital contribution. However, the prevailing laws and regulations in the PRC have not specified that the procedural blemishes in relation to the capital contribution would lead to any consequence that may affect the continuity of Yihe Metal Products nor impose any fine to Yihe Metal Products. Nevertheless, the total increase in registered capital amounted to HK$8 million has been fully paid and has undergone the capital verification procedure and renewed the relevant business license recording the new registered capital contributed. Moreover, the equity interests in Yihe Metal Products held by the Group have been transferred out and the transfer was approved by 深圳市南山區經濟貿易局 (Nanshan Economy and Trade Bureau), the relevant government authority responsible for approving such share transfer in Shenzhen, on 1 September 2004 and 深圳市南山區經濟貿易局 (Nanshan Economy and Trade Bureau) has not raised any objection against the procedural blemishes with respect to the change of mode of capital contribution of Yihe Metal Products. However, there is no assurance that such procedural blemishes of Yihe Metal Products, formerly an operating entity of the Group, may not have any adverse effect on the Group in the future.

Consolidation of the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic prior to their registered capital being fully paid up

According to《〈中外合資經營企業合營各方出資若干規定〉的補充規定》(Certain Regulations Relating to the Capital Contributions of Parties to Sino Foreign Equity Joint Equity Joint Ventures - Supplementary Provisions) (the SFEJV Capital Contribution Regulations) promulgated by 中國商務部 (Ministry of Commerce) (formerly known as the 中國對外貿易經濟合作部 (Ministry of Foreign Trade and Economic Co-operation)) on 29 September 1997, the financial results of a company are not permitted to be consolidated into the consolidated account of its holding company before its registered capital has been fully paid up and such regulation applied to sino-foreign co-operation joint ventures and wholly-owned foreign enterprises.

In November 2004, Yihe Precision Hardware resolved to increase its registered capital by HK$30,000,000 to HK$121,880,000 and to be satisfied in the form of equipment by December 2005. As the payment is not due yet, the said capital has not been contributed.

The initial registered capital of Yihe Plastic & Electronic was originally intended to be HK$30 million and is to be satisfied in the form of equipment by two instalments, of which the first instalment of HK$10 million was fully paid up within the prescribed time frame and while the second instalment of HK$20 million should be in place by July 2005 in the form of equipment with any shortfall to be paid by foreign currencies. In December 2004, Yihe Plastic & Electronic resolved to increase its registered capital from HK30,000,000 to HK$80,000,000. The increase in registered capital of HK$50,000,000 should be paid within 3 years, which is by December 2007, in the form of equipment. Pursuant to the capital verification report (驗資報告) (Shen Feng Hua Yan Zi (2004) No. 387) dated 8 October 2004 issued by 深圳楓樺會計師事務所 (Shenzhen Forever Certified Public Accountants), as at 8 October 2004, approximately HK$16.7 million of the initial registered capital of Yihe Plastic & Electronic was already paid up. As the remaining payment is not due yet, the said increase has not been paid.

Therefore, pursuant to the SFEJV Capital Contribution Regulation, the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic may not be permitted to be consolidated into the audited combined accounts of the Group before their registered capital is fully paid up.

However, the accountants' report of the Company was prepared in accordance with the accounting principles generally accepted in Hong Kong and in compliance with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Such basis of preparation is also in compliance with Rule 4.11 of the Listing Rules. According to the Statement of Standard Accounting Practice 32 ("SSAP 32"), a parent company which issues consolidated financial statements should consolidate the accounts of all subsidiaries, other than those where control is intended to be temporary or the subsidiary is operated under severe long-term restrictions. A subsidiary is defined as an entity in which the parent company, directly or indirectly, controls the composition of the board of directors, and/or more than half the voting power or holds more than half of the issued share capital. As Yihe Precision Hardware and Yihe Plastic & Electronic meet the definition of a subsidiary under SSAP 32, control over Yihe Precision Hardware and Yihe Plastic & Electronic is not intended to be temporary, and there are no severe long-term restrictions in respect of the transfer of funds from Yihe Precision Hardware and Yihe Plastic & Electronic to the parent company, the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic should be consolidated into the Group's results under SSAP 32.

The Company accounted for its investment cost in Yihe Precision Hardware and Yihe Plastic & Electronic to the extent of the capital injected. As Yihe Precision Hardware and Yihe Plastic & Electronic are wholly-owned by the Group and the Group can exercise controls over the two companies, all the results, assets and liabilities of these two companies have been included in the combined accounts of the Group during the Track Record Period. The reporting accountants of the Company concur with the above measures and such basis has been adopted for the preparation of the financial information of the Group in the accountants' report, to which the reporting accountants have indicated that they will issue a clean opinion.

The PRC Legal Advisers are of the view that, as 深圳市寶安區經濟貿易局 (Shenzhen Economy and Trade Bureau (Bao'an District)) had approved the subsequent increases and contributions by instalments in the registered capital of Yihe Precision Hardware and Yihe Plastic & Electronic, the fact that their respective registered capital was not fully paid up was permitted and would not be in breach of the existing articles of association of Yihe Precision Hardware and Yihe Plastic & Electronic or any terms of the approvals of relevant authority. Moreover, the continuity of Yihe Precision Hardware and Yihe Plastic & Electronic, the Group's ownership and control of voting rights and decision making power over Yihe Precision Hardware and Yihe Plastic & Electronic would not be affected and the legal status of Yihe Precision Hardware and Yihe Plastic & Electronic would not be revoked as a result of the consolidation of its accounts by the Group. The PRC Legal Advisers are also of the view that the consolidation of the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic will not consequently lead to any punishment or penalty to the Group. However, there is a possibility that the relevant PRC government authorities may impose punishment on the Group as a result of the breach of the SFEJV Capital Contribution Regulation and the operation of the Group's operations could be adversely affected.

Commitment of capital injection of Yihe Precision Hardware and Yihe Plastic & Electronic

Yihe Precision Hardware

In November 2004, Yihe Precision Hardware resolved to increase its registered capital by HK$30,000,000 from HK$91,880,000 to HK$121,880,000 with the approval from 深圳市寶安區經濟貿易局 (the Economy and Commerce Bureau of Bao'an District Shenzhen). Such increase in registered capital is to be satisfied in or before December 2005 in the form of equipment injection with any short fall to be paid by foreign currencies. The Group intends to fund the capital contribution by equipment related finance lease arrangement. Should the Company be successfully listed on the Stock Exchange before the remaining capital contribution falls due, the remaining portion of the capital contribution will be funded by the proceeds of approximately HK$25 million reserved for the purchase of additional metal stamping machines for the existing production plant with any shortfall to be funded by equipment related finance lease arrangement.

Yihe Plastic & Electronic

Yihe Plastic & Electronic was established in July 2004 with an initial registered capital of HK$30,000,000. In December 2004, Yihe Plastic & Electronic resolved to increase its registered capital from HK30,000,000 to HK$80,000,000. The contribution of its initial registered capital of HK$30,000,000 is to be satisfied in the form of equipment by two instalments, of which the first instalment of HK$10,000,000 was fully paid up within the prescribed time frame and, the second instalment of HK$20,000,000 should be in place by July 2005 in the form of equipment with any shortfall to be paid by foreign currencies. The increase in registered capital of HK$50,000,000 should be in place by December 2007 in the form of equipment with any shortfall to be paid by foreign currencies. As at 8 October 2004, approximately HK$16.7 million of the initial registered capital of Yihe Plastic & Electronic was already paid up.

The Directors have confirmed that the remaining capital contribution of approximately HK$63.3 million, which should be mainly paid in the form of equipment, will be mainly funded by equipment related finance lease arrangements. Should the Company be successfully listed on the Stock Exchange before the remaining capital contribution falls due, the remaining portion of the capital contribution will be funded by the proceeds of approximately HK$32 million reserved for the plastic injection moulds and products business by way of acquiring the machinery to be injected to Yihe Plastic & Electronic as capital contribution with any shortfall to be funded by equipment related finance lease arrangements.

However, there is no assurance that the Group will secure any of such financial leases or there is adequate funding provided to the Group to fulfil its capital commitment regarding the capital injection in relation to Yihe Precision Hardware and/or Yihe Plastic & Electronic. Should the Group fail to fulfil its capital commitment regarding the capital injection of any of the above mentioned companies, the operation and financial performance of the Group may be adversely affected.

Product defects or liability

The Group has not taken out any product liability insurance nor has it been required by its customers. If the products manufactured by the Group contain defects which adversely affect the quality of the customers' end products, the Group may incur additional costs in correcting such defects or defending any legal proceedings and claims brought by its customers against the Group for damages. This may affect the Group's relationship with such customers and may result in a negative impact on the reputation of the Group. Although, according to the Directors, no legal claims have been made by any of its customers relating to the products manufactured by the Group during the Track Record Period, there can be no assurance that there will no be any liability claims against the Group in the future. Should any of the Group's customers claim against the Group for failure of the Group's products, the Group's profitability and business may be materially adversely affected.

Interruption caused by health risk

In the case of any severe disease outbreak, such as Severe Acute Respiratory Syndrome ("SARS"), which may have an adverse impact on the economy of the PRC where the Group's major operations are situated and/or other parts of Asia from where the Group's major clients originate, the Group's operations may in turn also be adversely affected. Currently, the Group is unable to project the potential impact of another possible SARS outbreak or an outbreak of other serious contagious diseases. In addition, as most of the Group's products are delivered to its customers' production bases in the PRC, any outbreak of SARS or other serious contagious diseases in the PRC would also have an adverse impact on the Group's operations which may in turn affect the Group's performance.

RISK RELATING TO THE INDUSTRY

Competition from a large number of competitors

The entry barriers to the precision moulding and metal stamping business are relatively high due to the heavy capital investment requirement. The metal moulding and metal stamping market in the PRC is highly fragmented with a large number of market practitioners providing different kind of services. According to SZMA, there are over 1,000 metal moulding and stamping services providers in Shenzhen.

The Directors consider that the Group's competition mainly comes from a number of precision moulding, metal and plastic components manufacturers in Shenzhen that are comparable to the Group in terms of similarity of product types and production scale. However, where the Group's rivals increase their use of advanced technology and expand more rapidly than the Group, there is no assurance that the Group will be able to maintain its competitive edge against its rivals in light of the changing and competitive environment. Increased competition in the industry may have a negative impact on the Group's sales and prices and thereby adversely affect the Group's future performance and profitability.

RISKS RELATING TO THE PRC

Recent economic situation in the PRC

The Chinese Government has recently called for effective measures in macro-economic control in order to ensure steady and fast national economic growth. Following this, measures were put in place to restrict lending to specific sectors of the economy in China, with particular emphasis on industrial commodities such as steel and cement. Although no specific cooling measures on the moulding industry, have been put in place or announced by the Chinese government, there is no assurance that any of the macro-economic control measures would have no effect, direct or indirect, on the operation of the Group. The macro-economic control measures may have a transitory adverse impact on the general economic environment in the PRC, which may in turn have an adverse effect, whether direct or indirect, on the Group's operating results in the short run. Further, there may be new regulations or policies or re-adjustments of previously implemented regulations requiring the Group to change its business plan, increase its costs or limit the Group's operations in the PRC. All of these could adversely affect the Group's business and operating results.

General economic environment in the PRC

The PRC has had a long history of being a planned economy which is still subject to annual, five and ten year plans formulated by the PRC government. In recent years, the PRC government has introduced economic reforms aimed at transforming the PRC economy from a planned economy into a market economy with socialist characteristics. These economic reforms allow greater utilisation of market forces in the allocation of resources and greater autonomy for enterprises in their operations. No assurance can be given that any change in economic conditions as a result of the economic reform and macro-economic measures adopted by the PRC government will have a positive impact on the PRC's economic development. At the same time, there can be no assurance that such measures will be consistent and effectual or that the Group will benefit from or will be able to capitalise on all such reforms.

Environmental protection

The Group is required to comply with numerous environmental protection laws and regulations promulgated by the national, provincial and municipal governments in the PRC. These regulations govern, *inter alia*, the prescribed standards in relation to the discharge of solid wastes, effluent and gases. In addition, these regulations further authorise county governments to impose penalties on those companies which fail to comply with relevant requirements. Due to the nature of the Group's business, effluent and solid wastes are produced in the course of the production process. The Directors confirm that the Group has complied with the relevant environmental laws and regulations in the PRC. During the Track Record Period and thereafter, up to the Latest Practicable Date, no penalty has been imposed on the Group due to its failure to comply with the relevant environmental laws and regulations.

However, in response to the general increasing demand for preservation of the natural environment and for reduction of pollution, the national, provincial and municipal governments may promulgate new laws and regulations which may require the Group to improve its existing environmental protection facilities. These may result in additional costs to be incurred by the Group and in turn adversely affect the Group's profitability.

Legal considerations in the PRC

Since 1979, many laws and regulations dealing with economic matters with respect to general and foreign investments have been promulgated in the PRC. In 1982, the PRC National People's Congress amended the constitution to authorise foreign investments and to guarantee the "lawful rights and interests" of foreign investors in the PRC. Since then, the trend of legislation has been to enhance significantly the protection to foreign investors and to allow more active control by foreign investors over foreign investment enterprises in the PRC. However, despite significant improvements in its legal system, the PRC still does not have a comprehensive system of laws. The implementation of existing laws may also be uncertain and sporadic and their interpretation may be inconsistent. This may result in certain adverse effects on the Group's operations and accordingly its profitability.

Currency conversion and foreign exchange control in the PRC

The Renminbi is not freely convertible into other currencies, except under certain circumstances. Pursuant to《外匯管理條例》(the "Foreign Exchange Control Regulations") and《結匯、售匯及付匯管理規定》(the "Regulation on the Foreign Exchange Settlement, Sale and Payments"), subject to the provision to the banks which are authorised to engage in foreign exchange business of all the required documents under the relevant PRC laws, foreign investment enterprises are permitted to remit their profits or dividends in foreign currencies overseas or repatriate such profits or dividends after converting the same from Renminbi to foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert Renminbi to foreign currencies for items in current account (including, for example, dividend payments to foreign investors). Control over conversion of Renminbi to foreign currencies for items in capital account (including, for example, direct investment, loan and investment in securities) is more stringent.

The Group's business operations are, to a significant extent, undertaken by WFOEs established in the PRC, which are subject to the above regulations. While the Group has not encountered any problem in the past in obtaining foreign currency, there is no assurance that the Group will obtain sufficient foreign exchange for payment of dividends or other settlements in foreign exchange in the future.

RISKS RELATING TO THE SHARE OFFER

There has been no public market for the Shares and consequently there may be volatility in the price and trading volume of the Shares

Prior to the Share Offer, there was no public market for the Shares. The Offer Price will be fixed following discussions between the Company and the Underwriters and may differ significantly from the price of the Shares after dealings in the Shares has commenced on the Stock Exchange. The Company has applied for the listing of and permission to deal in the Shares on the Stock Exchange. There can be no assurance that an active and a liquid market will develop in the Shares of the Company once listing has been achieved, or if it does develop, that it will be sustained after the listing, and there may be volatility in the price and trading volume of the Shares after the listing.

Certain facts and statistics contained in this prospectus have come from various official sources the reliability of which cannot be assumed or assured

Facts and statistics which have been derived and/or extracted from various official sources including 《當前國家重點鼓勵發展的產業、產品和技術目錄》(the Catalogue of Major Industry, Products and Technology Encouraged by the State) and《當前國家優先發展的高新技術產業化重點領域指南(目錄)》(the Catalogue of the Major Sector in Priority Developments of High and New Technology Industries) as disclosed on pages 47 and 48, the websites of the Shenzhen municipal government as disclosed on page 47, and the Ministry of Finance of Japan as disclosed on pages 49 and 50 in this prospectus. Although reasonable actions have been taken by the Directors to ensure that the information is accurately reproduced from such official sources, the Company, the Directors and all other parties involved in the Share Offer have not carried out any independent review of such information. The Group makes no representation as to the accuracy or completeness of any such information from various official sources, and investors should not place undue reliance on it.

Forward-looking statements

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminologies such as “may”, “will”, “expect”, “anticipate”, “estimate”, “continue”, “believe” and other similar words. The Group and the Directors have made forward-looking statements with respect to the following, among other things:

- The Group’s strategies to achieve its business objectives; and
- The importance and expected growth of the industry in which the Group operates.

Such forward-looking statements are based on assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Group’s financial condition may be adversely affected and may vary materially from what is described herein as anticipated, believed, estimated or expected.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Currently, the board of directors has three executive Directors, namely, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Nomo Kenshiro. Mr. Zhang Yaohua and Mr. Nomo Kenshiro ordinarily reside in the PRC, and Mr. Zhang Hwo Jie is a Hong Kong resident. Since the substantial operations of the Group are located in the PRC, the Company considers that it would be very difficult and unduly burdensome for the Company to either relocate one executive Director to Hong Kong or to appoint one additional executive Director who is a Hong Kong resident.

For the reasons aforesaid, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules, and such waiver has been granted by the Stock Exchange on the following conditions:–

1. The Company will appoint Mr. Zhang Hwo Jie and Mr. Wong Hoi Chu, both of whom are Hong Kong residents, as the authorised representatives for the purpose of Rule 3.05 of the Listing Rules. They will act as the principal channel of communication with the Stock Exchange. As and when the Stock Exchange contacts them for any matters, they will have means to contact all the Directors at all times. The Directors believe that such internal arrangements can ensure that all members of the Board can be promptly informed of any such matters and can maintain effective communication between the Stock Exchange and the Company.

2. Mr. Zhang Hwo Jie, the executive Director, who is a Hong Kong resident will be available for meeting with the Stock Exchange in Hong Kong upon reasonable notice as and when required. He will also be readily accessible by telephone, facsimile or email.

STOCK BORROWING ARRANGEMENT

Under Rule 10.07(1)(a) of the Listing Rules, Prosper Empire Limited, the controlling Shareholder (as defined under the Listing Rules), is prohibited from disposal of Shares for a period of six months from the Listing Date.

The offering structure for the Share Offer includes the grant by the Company to the Placing Underwriters of the Over-allotment Option which will be exercisable by CAF Securities and SBI Crosby at any time within 30 days after the date of this prospectus. In order to facilitate settlement of over-allocations in connection with the Placing, Prosper Empire Limited, being the controlling Shareholder, has entered into the Stock Borrowing Agreement with the Joint Lead Managers whereby Prosper Empire Limited had agreed that, if requested by the Joint Lead Managers, it would, subject to the terms of the Stock Borrowing Agreement, make available to the Joint Lead Managers up to 19,500,000 Shares held by it, by way of stock lending, to cover any over-allocations in connection with the Placing.

The Company and Prosper Empire Limited have therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

(a) the stock borrowing arrangement with Prosper Empire Limited may only be effected by the Joint Lead Managers on behalf of the Placing Underwriters for settlement of over-allocations in connection with the Placing;

(b) the maximum number of Shares to be borrowed from Prosper Empire Limited by the Joint Lead Managers on behalf of the Placing Underwriters must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(c) the same number of Shares borrowed shall be returned to Prosper Empire Limited not later than three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;

(d) the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and

(e) no payment or benefit will be made to Prosper Empire Limited by the Joint Lead Managers under the stock borrowing arrangement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures Market (Stock Exchange Listing) Rules and the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this prospectus are accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this prospectus misleading; and

(c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Joint Sponsors, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Joint Sponsors. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information relating to the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Assuming the 130,000,000 Shares are placed to the public and the Over-allocation Option is not exercised at all, 25% of the issued share capital of the Company will be in public hands immediately upon listing. If the Over-allocation Option is exercised in full, 149,500,000 Shares will be placed to the public representing approximately 27.71% of the issued share capital of the Company.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Therefore, this prospectus shall not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered solely on the basis of the information contained and statement made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Sponsors, the Joint Lead Managers, the Underwriters, and any of their respective directors or any other person involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option and any Shares up to 10% of the issued share capital of the Company as at the date of listing of the Shares on the Stock Exchange which may fall to be issued upon the exercise of options that may be granted under the Share Option Scheme. No part of the Company's share or loan capital is listed or dealt in on any other stock exchanges. At present, the Company is not seeking or proposing to seek listing of, or permission to deal in, the Shares on the Growth Enterprise Market of the Stock Exchange or on any other stock exchanges.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on or about 11 May 2005. Shares will be traded in board lots of 2,000 Shares each.

STAMP DUTY

Dealings in Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty, the current rate of which is HK$2.0 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made by the Company for the Shares to be admitted into CCASS. If you have any doubt about the settlement arrangement in CCASS and how such arrangement may affect your rights and interests, you should consult your own stockbroker or other professional adviser.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implication of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert. The Company, the Directors, the Joint Sponsors, the Underwriters, any of their respective directors, agents or advisers and any other person involved in the Share Offer do not accept responsibility for any tax effects on or liabilities of any persons resulting from the subscription for, purchase, holding, disposing of, dealing in, or the exercise of any rights in relation to the Offer Shares.

HONG KONG BRANCH REGISTER OF MEMBERS

All the Offer Shares will be registered on the Hong Kong branch register of members of the Company in order to enable them to be traded on the Stock Exchange.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out under the section headed "How to apply for the Public Offer Shares" in this prospectus and on the Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions and grounds for termination are set out under the section headed "Structure of the Share Offer" in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Zhang Hwo Jie	Flat B, 7th Floor, Block 2 Villa Carlton 369 Tai Po Road Cheung Sha Wan, Kowloon Hong Kong	Chinese
Zhang Yaohua	Flat 6C, Block 9, Phase 2 Dong Hai Garden Futian District Shenzhen, the PRC	Chinese
Nomo Kenshiro	Flat B-603 Bigui Court Bili Garden Xiameilin, Futien District Shenzhen, the PRC	Japanese
Independent non-executive Directors		
Choy Tak Ho	Flat C, 7th Floor Skyscraper Cloud View Road North Point Hong Kong	Chinese
Lui Sun Wing	Flat D, 17/F. Tower 1 Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Chan Wai Dune	Flat A, 9th Floor Hamilton Court 8 Po Shan Road Hong Kong	Chinese

PARTIES INVOLVED IN THE SHARE OFFER

Joint Sponsors	CAF Securities Company Limited 13th Floor, Fairmount House 8 Cotton Tree Drive Central Hong Kong
	SBI Crosby Limited Suites 3711-3715 Jardine House One Connaught Place Central Hong Kong
Joint Lead Managers	SBI Crosby Limited Suites 3711-3715 Jardine House One Connaught Place Central Hong Kong
	CAF Securities Company Limited 13th Floor, Fairmount House 8 Cotton Tree Drive Central Hong Kong
Placing Underwriters	CAF Securities Company Limited 13th Floor, Fairmont House 8 Cotton Tree Drive Central Hong Kong
	SBI Crosby Limited Suites 3711-3715 Jardine House One Connaught Place Central Hong Kong
	SBI E2-Capital Securities Limited 43/F, Jardine House One Connaught Place Central Hong Kong

Barits Securities (Hong Kong) Limited
Room 3406, 34/F.
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

Grand Vinco Capital Limited
Room 4909-4910, The Center
99 Queen's Road Central
Central
Hong Kong

Sinomax Securities Limited
Room 1601, 16th Floor
Far East Finance Centre
16 Harcourt Road
Central
Hong Kong

TIS Securities (HK) Limited
Unit 1010, 10/F., Tower 2, Lippo Centre
89 Queensway
Hong Kong

Worldwide Finance (Securities) Limited
16/F, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Public Offer Underwriters

CAF Securities Company Limited
13th Floor, Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

SBI Crosby Limited
Suites 3711-3715
Jardine House
One Connaught Place
Central
Hong Kong

Barits Securities (Hong Kong) Limited
Room 3406, 34/F.
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

Grand Vinco Capital Limited
Room 4909-4910, The Center
99 Queen’s Road Central
Central
Hong Kong

Sinomax Securities Limited
Room 1601, 16th Floor
Far East Finance Centre
16 Harcourt Road
Central
Hong Kong

Worldwide Finance (Securities) Limited
16/F, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

YF Securities Company Limited
11/F., CMA Building
64-66 Connaught Road Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong Law:
Heller Ehrman White & McAuliffe
35th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

As to Cayman Islands Law:
Conyers Dill & Pearman
Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

As to PRC Law:
King & Wood PRC Lawyers
31th Floor, Office Tower A
39 Dongsanhuan Zhonglu
Chaoyang District,
100022 Beijing
China

Auditors and reporting accountants	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central Hong Kong
Legal advisers to the Underwriters as to Hong Kong Law	Li & Partners Solicitors 22nd Floor, World Wide House Central Hong Kong
Property valuer	CB Richard Ellis Limited Suite 3401 Central Plaza 18 Harbour Road Wanchai Hong Kong
Compliance advisers	CAF Securities Company Limited 13th Floor, Fairmount House 8 Cotton Tree Drive Central Hong Kong
	SBI Crosby Limited Suites 3711-3715 Jardine House One Connaught Place Central Hong Kong
Receiving banker	DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Central Hong Kong

CORPORATE INFORMATION

Registered office	Century Yard Cricket Square Hutchins Drive P.O. Box 2681 GT George Town Grand Cayman British West Indies
Head office and principal place of business	Unit 8, 6th Floor Greenfield Tower Concordia Plaza No. 1 Science Museum Road Kowloon Hong Kong
Company secretary	Wong Hoi Chu, AHKICPA, ACCA
Qualified accountant	Wong Hoi Chu, AHKICPA, ACCA
Authorised representatives	Zhang Hwo Jie Flat B, 7th Floor, Block 2 Villa Carlton 369 Tai Po Road Cheung Sha Wan Kowloon Hong Kong
	Wong Hoi Chu, AHKICPA, ACCA 5E, Block 6 Site 4, Whampoa Garden Kowloon Hong Kong
Audit committee	Lui Sun Wing *(Chairman)* Choy Tak Ho Chan Wai Dune
Principal bankers	Standard Chartered Bank 630-636 Nathan Road Mongkok Kowloon Hong Kong

	Fortis Bank Shop 6-7, Ground Floor Hankow Centre 5-15 Hankow Road Tsimshatsui Kowloon Hong Kong
	DBS Bank (Hong Kong) Limited Units 1209-18, Miramar Tower 132-134 Nathan Road Kowloon Hong Kong
	Dah Sing Bank Ltd. 35th Floor, Dah Sing Financial Centre 108 Gloucester Road Hong Kong
Principal share registrar and transfer office	Bank of Bermuda (Cayman) Limited P.O. Box 513GT Strathvale House North Church Street George Town Grand Cayman Cayman Islands British West Indies
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong

Facts and statistics have been derived and/or extracted from various official sources including 《當前國家重點鼓勵發展的產業、產品和技術目錄》(the Catalogue of Major Industry, Products and Technology Encouraged by the State) and《當前國家優先發展的高新技術產業化重點領域指南(目錄)》(the Catalogue of the Major Sector in Priority Developments of High and New Technology Industries) as disclosed on pages 47 and 48, the websites of the Shenzhen municipal government as disclosed on page 47, and the Ministry of Finance of Japan as disclosed on pages 49 and 50 in this prospectus. Whilst the Directors believe that the information derived from various official sources may be useful to prospective investors, such information has not been prepared or independently verified by the Company, the Joint Sponsors, the Joint Lead Managers, the Underwriters or their respective advisors or affiliates. The Sponsors and the Directors have taken reasonable care in compilation and reproduction of the information, make no representation as to its accuracy, and accordingly, the information contained herein should not be unduly relied upon.

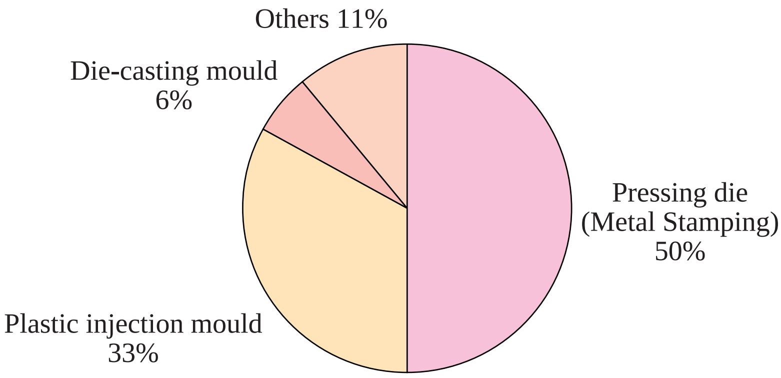
THE MOULDING INDUSTRY IN THE PRC

General industry situation

The moulding and metal stamping industry in the PRC has experienced tremendous growth since the mid-1990s. The industry has witnessed a rapid trend of migration of precision moulds production from Southeast Asian locations, particularly in Singapore and Malaysia, to cost competitive production centres in the PRC. Following many industrial manufacturers in Hong Kong, in the 1990s, mould manufacturers began to relocate their manufacturing facilities and labor-intensive production processes to the PRC, where the cost of production was relatively lower, in order to enhance their market competitiveness and to capture new market opportunities in the PRC. As with other Southeast Asian competitors, many manufacturers have retained their headquarters in their home countries.

Currently, the moulding industry in the PRC is dominated by metal stamping and plastic injection moulds, which accounts for over 80% of the market.

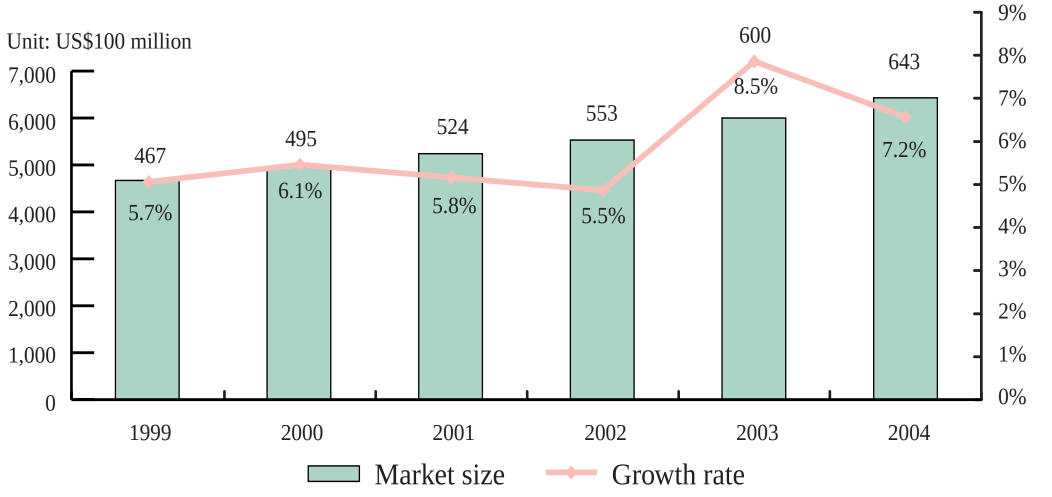
Breakdown of the PRC mould industry



Source: CCID, January 2005

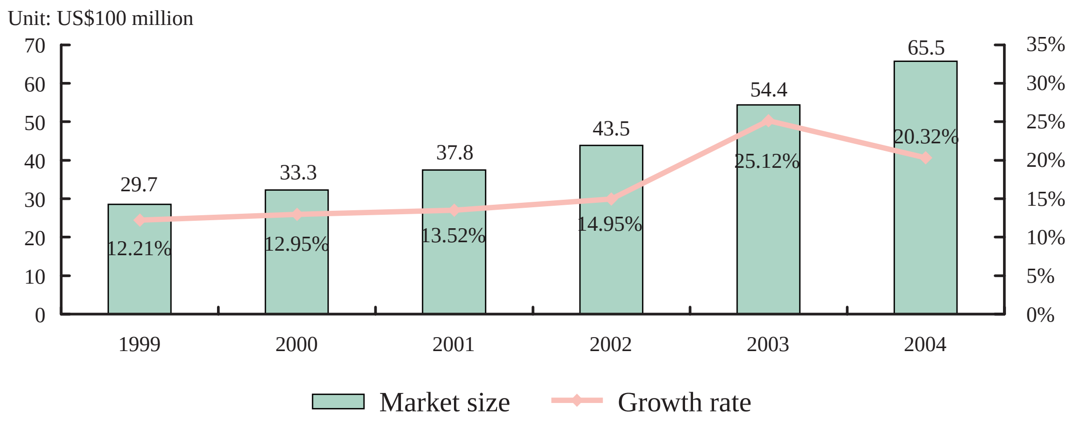
Moulds are fundamental to many manufacturing industries and the quality of moulds contributes to the quality of products. According to the CCID Report released by CCID in January 2005 and SZMA, the annual production of mould products in the PRC recorded an average annual growth rate of approximately 12-15% from 1999 to 2002 and the total mould production in 2003 reached approximately RMB45 billion, ranking third after Japan and United States. In 2004, the total mould production in the PRC further increased 20% from 2003 to approximately RMB53.4 billion, representing approximately 10.2% of the global market of mould production.

Market Size of the Global Mould Market (1999-2004)



Source: CCID, January 2005

Market Size of the PRC Mould Market (1999-2004)

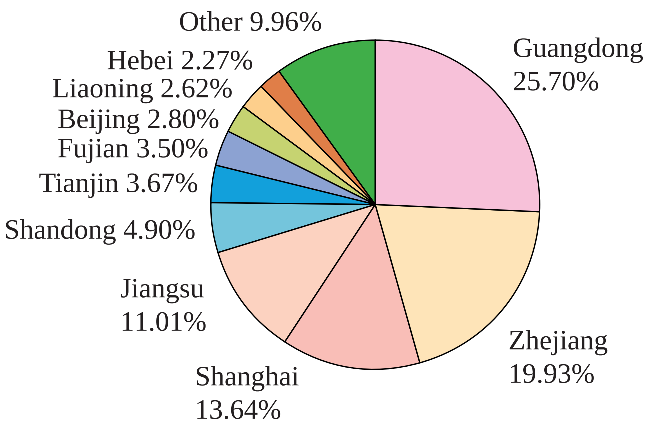


Source: CCID, January 2005

According to the above, the PRC mould market has been growing at a higher rate than the global mould market. However, despite the enormous growth in the annual mould production in the PRC, according to the China Industry News (July 2004), only 70% of the market demand for mould products has been met by domestic production, while only 50% of the demand for high quality and high precision mould products has been met by domestic production, with the remaining proportion being satisfied by imported moulds. The quality and technology level of many of the domestic mould manufacturers in the PRC still lag behind international standards. In the past five years, annual imports of mould products amounted to approximately US$1.1 billion (approximately RMB9.3 billion) and this figure increased to approximately US$1.3 billion (approximately RMB11 billion) in 2003. These figures did not take into account the moulds being imported together with a whole set of imported equipment. As such, the actual value of imports of moulds is anticipated to be even larger.

The moulding and metal stamping industry in the PRC comprises numerous market practitioners of different scale, technical expertise and different product spectrum. According to the CCID Report, there are over 20,000 moulding industry practitioners in the PRC, employing approximately 500,000 people. Moreover, according to an industry report titled《中國模具制造業行業分析報告》(Analysis of the China Moulding Industry), which was prepared on the basis of the data of the National Bureau of Statistics of China and the PRC Customs, and was issued in 2004 by ChinaCCM.com, an international technology company providing market research and consulting solutions in the PRC, there are approximately 572 industry practitioners in the PRC that have annual sales over RMB5 million. Most of them are located in the eastern PRC and Guangdong Province. In 2003, approximately 25.7%, 19.9%, 13.6% and 11.0% of these major industry practitioners are found in Guangdong Province, Zhejiang Province, Shanghai and Jiangsu Province.

Distribution of industry practitioners



Source:《中國模具制造業行業分析報告》(Analysis of the China Moulding Industry) issued by ChinaCCM.com in 2004

Moulding industry in Shenzhen

According to an article (January 2004) published on the website of the Shenzhen municipal government, Shenzhen has experienced tremendous growth during 2003 with total machinery production of approximately RMB96 billion, an increase of 35% from 2002.

Prospects for the moulding industry in the PRC

According to the China Industry News (April 2004), the moulding industry is highly encouraged by the PRC government. According to《當前國家重點鼓勵發展的產業、產品和技術目錄》(the Catalogue of Major Industry, Products and Technology Encouraged by the State) (the "1st Catalogue") (Item no. 28 of Part XX in 2000 revised edition of the 1st Catalogue) promulgated by 中華人民共和國國家發展計劃委員會(the State Development and Planning Commission, formerly known as 中華人民共和國國家計劃委員會(the State Planning Commission) and 中國國家經濟貿易委員會(the State Economic and

Trade Commission)), the PRC government has listed the mould manufacturing and other ancillary industry as one of the encouraged industries. And according to《當前國家優先發展的高新技術產業化重點領域指南(目錄)》(the Catalogue of the Major Sector in Priority Developments of High and New Technology Industries) (the "2nd Catalogue") (Item no. 38 of Past II in the 2nd Catalogue) promulgated by中國科學技術部 (the State Ministry of Science and Technology), the PRC government has listed mould fabrication technology and production as one of the major high and new technology industries to be developed. In addition, several tax preferential policies have been promulgated to encourage the development of the moulding industry.

According to the CCID Report, the major market development trends of the moulding industry in the PRC is as follows:

(i) The size of moulds is becoming larger, driven by the growing size of parts and components and the increasing demand for more sophisticated "multi-functional" components for higher efficiency;

(ii) Higher precision in moulds. Preciseness of moulds will improve from the current 2 to 3 micron to 1 micron;

(iii) Growing trend of multi-functional moulds. New multi-functional moulds will not only be for metal-stamping but also take up more tasks such as piling-up and pressing, tapping and riveting;

(iv) Higher demand for moulds which are economical and can be quickly turned over. The current mould production market is characterized by wide variety and small batch production. Such production strategy accounts for over 75% of the current mould market. As such, demand for moulds which are economical with a short lead-time and shorter life cycle and catering for rapidly changing market trends is anticipated to be tremendous;

(v) Higher technological requirements for moulds. The percentage of middle to high-end moulds is expected to grow resulting from the structural adjustment of products.

Moreover, according to the China Industry News (April 2004), the future growth prospects for mould exports are predicted to be remarkable, especially in the sector of automobile components, precision metal stamping products, plastic precision moulding, standard mould components and other high technology moulding.

As the growth of the moulding and metal stamping industry in the PRC is closely correlated with the global outsourcing trend of electronic manufacturing and the growth in the production of electronic products, therefore the global outsourcing trends and the growth of the electronic products market, especially OA equipment, can be considered as the indicators of the growth of the moulding and metal stamping industry in the PRC.

GLOBAL TREND OF OUTSOURCING MANUFACTURING

According to Accenture, a global management consulting, technology services and outsourcing company listed on the New York Stock Exchange, since the mid-1990s, outsourcing manufacturing has experienced substantial growth, which has continued to surge into the 2000s. Presently, manufacturers are facing intense competitive pressure in a rapidly changing market with high demand for innovative products, causing OEM manufacturers to abandon their vertically integrated services and to outsource part of their manufacturing process in order to focus resources on product innovation. Moreover, a shift towards offshore manufacturing allows companies to leverage on low-cost products thus shortening production time. It is considered that outsourcing manufacturing effectively provides OEM manufacturers with greater flexibility, improved cost effectiveness, reduced cycle time, reduced time-to-market and sustained higher quality.

According to a study report published by WTEC, as Japanese and US manufacturers seek to reduce the cost of their latest innovation products, they outsource production to low-cost contract manufacturers. In the 1980's, Korea and Taiwan provided the first step of price reduction manufacturing solutions to Japanese and US manufacturers followed by Singapore and Malaysia. Today, with the emerging consumer market and cost-advantage in the PRC, the PRC is considered as the home of low-cost manufacturing competitors in the electronics industry.

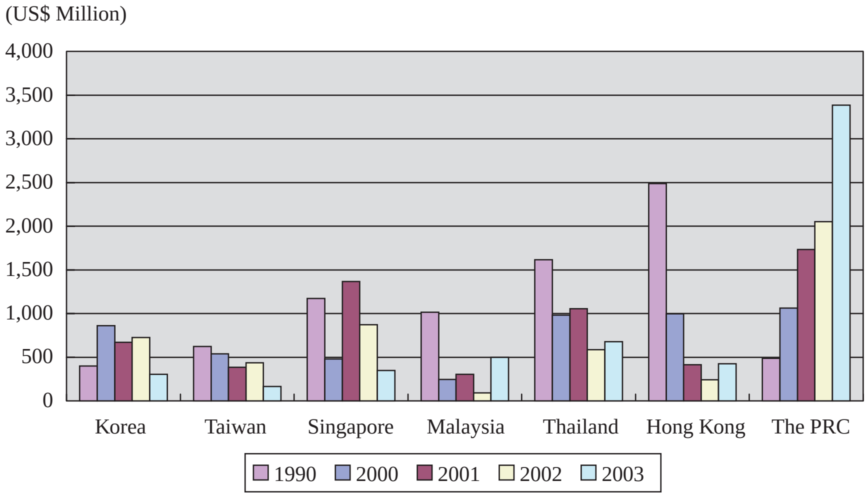
The growth of Japanese outsourcing/offshoring

According to offshorexperts.com, an US online directory and marketplace to companies and service providers located outside the United States, though outsourcing and offshoring are slightly different concepts – outsourcing can be domestic while offshoring is understood as outsourcing from overseas – the two are increasingly blended in discussions. According to the Ministry of Finance of Japan, Japanese direct investment into the PRC has increased from approximately US$2.0 billion in 2002 to US$3.4 billion in 2003.

According to WTEC, Japan has long been the leader in the Asian electronics manufacturing industry. Japan provides much of the technology needed for the manufacturing of advanced electronic components and products with eminent capabilities. According to WTEC, rising costs have prompted Japan to transfer its electronic manufacturing base to other Asian countries, such as Korea, Taiwan, Hong Kong, Singapore and Malaysia since the mid-1980s. Japanese direct investment in Asian countries totalled approximately US$27 billion during the period from 1986 to 1990, of which the PRC's share of such investment only amounted to approximately US$2.8 billion during the same period.

According to WTEC, however, in early 1990s due to rising production costs in Korea, Taiwan and Singapore, labour-intensive manufacturing of electronic equipment was rapidly moving to other low-cost countries, particularly the PRC. According to the Ministry of Finance of Japan, Japanese direct investment in the PRC significantly rose from US$1.1 billion in 2000 to US$3.4 billion in 2003 representing an CAGR of approximately 46% from 2000 to 2003 or approximately 7 fold from that of 1990. The chart below shows the growth trend of Japanese direct investment in Asian countries, including the PRC, during the period between 2000 and 2003 contrasted with the total amount of direct foreign investment in those countries/regions in 1990.

Japanese Foreign Direct Investment in Asian Markets



Source: Ministry of Finance of Japan

Outsourcing of electronic manufacturing

The outsourcing trend within the electronics industry continues to accelerate as OEM manufacturers focus their limited resources on core competencies that enhance shareholder value. This outsourcing trend is causing OEM design and new product introduction supply chains to become increasingly horizontal, with OEM manufacturers recognizing that their ability to leverage their supply base is a critical element in their business models. Such companies have recognised the need to craft a design and new product introduction supply chain that leverages their internal strengths with the core competencies of their supply bases.

With the increasing trend of OEM manufacturers outsourcing to electronics manufacturing service providers, competition for business between such providers has grown significantly. One of the first competitive engagements is in the form of their quotations.

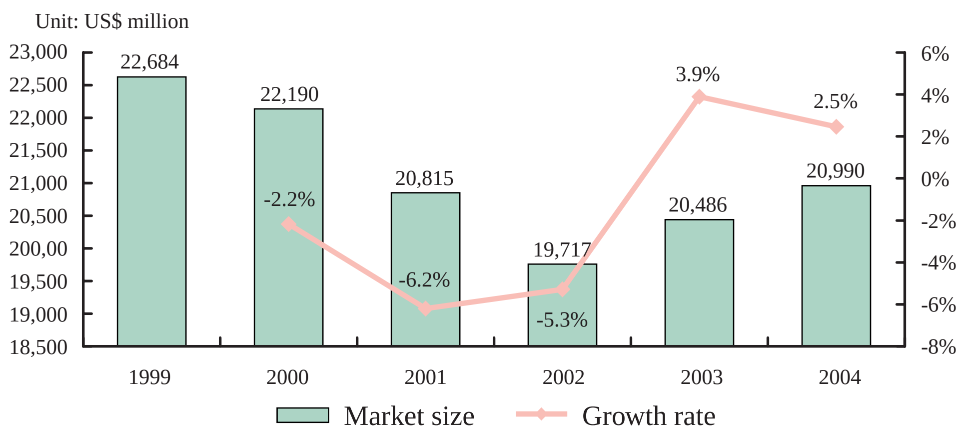
According to Gartner Dataquest, an affiliate of Gartner, Inc. and a provider of research and analysis on the global information technology industry that is listed on the New York Stock Exchange, the electronics industry in the PRC is emerging as one of the fastest-growing IT sectors in the world. It also predicts that the PRC will maintain its emerging growth with total electronic equipment production revenue rising from US$125 billion in 2002 to US$200 billion in 2007, represent a CAGR of approximately 9.9%. Moreover, the PRC will become a more visible and key electronics production base in the Asia/ Pacific region with its share of the region's electronics equipment production forecast growing from 38% in 2002 to 42% in 2007.

OVERVIEW OF THE OA EQUIPMENT MARKET

Global OA equipment market

In 2001, affected by the global recession, enterprises cut their expenditure on OA equipment. Combined with the decreasing profit margin of electronic products, the sales of global OA equipment market experienced a decrease of 6.2% to approximately US$20.8 billion (approximately RMB172.6 billion) in 2001. However, the global equipment market started to recover since the latter half of 2002 and growing steadily since 2002. Global sales of OA equipment market recorded a growth rate of 3.9% and 2.5% respectively for 2003 and 2004. The global OA equipment market reached US$21 billion (approximately RMB174.2 billion) in 2004.

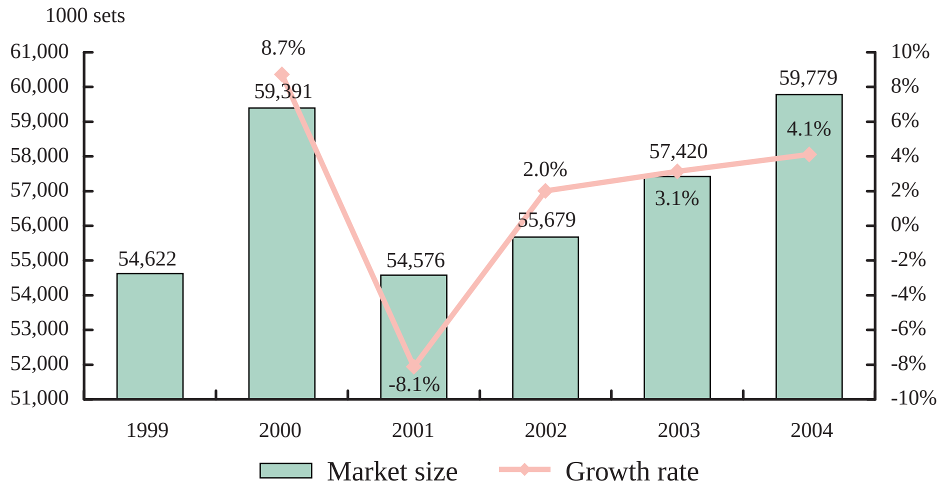
Sales of the Global OA Equipment Market (1999-2004)



Source: CCID, January 2005

On the other hand, the sales volume of OA equipment is growing more steadily since 2002. Growth rates in sales volume of the global OA equipment market were approximately 2.0%, 3.1% and 4.1% for 2002, 2003 and 2004 respectively and sales volume reached approximately 59.8 million units in 2004.

Sales Volume of the Global OA Equipment Market (1999-2004)



Source: CCID, January 2005

In the past few years, OA equipment manufacturers have been continuously enhancing and updating features of their products. Multi-functional photocopiers and printers with more advanced features and functions are available in the market at more affordable prices targeting a larger consumer group than before.

Development Trend of the OA Equipment Market

Currently, the whole OA equipment market has shown a trend of low price and functional integration. The business model in the global electronics industry has shifted from "vertical-specialisation" to "vertical-integration" and "horizontal-specialisation". EMS, ODM and OEM will become the future trend of the OA equipment manufacturing market. With the low-cost advantage and ride on the global outsourcing trend mentioned above, China is anticipated to have tremendous growth in the global electronics industry in the future.

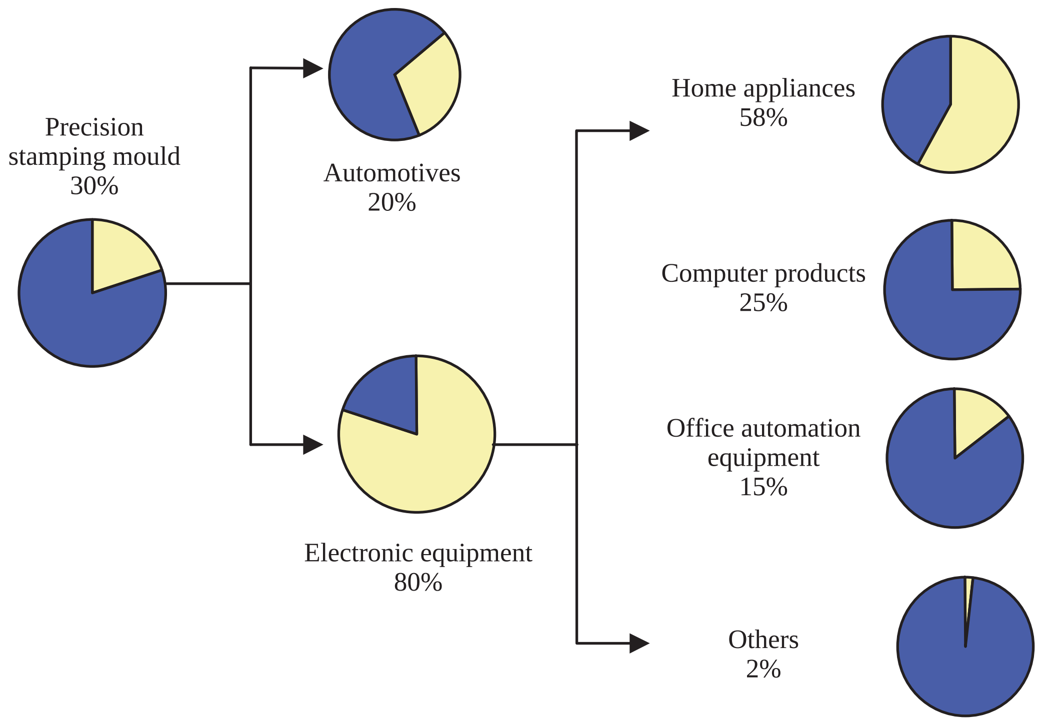
According to the CCID Report, the EMS and the ODM market in the greater China region (including the PRC, Hong Kong and Taiwan) was approximately US$30.2 billion and US$ 51.2 billion respectively. It is forecasted that, by 2006, the EMS and the ODM market will grow to approximately US$66.8 billion (representing a 121% increase) and US$90.8 billion (representing a 81% increase) respectively.

THE MOULD AND COMPONENT MARKET FOR OA EQUIPMENT

Riding on the recovery of the OA equipment market, the market for moulds and components for OA equipment, which are mainly metal stamping and plastic injection moulds and components, is also growing steadily.

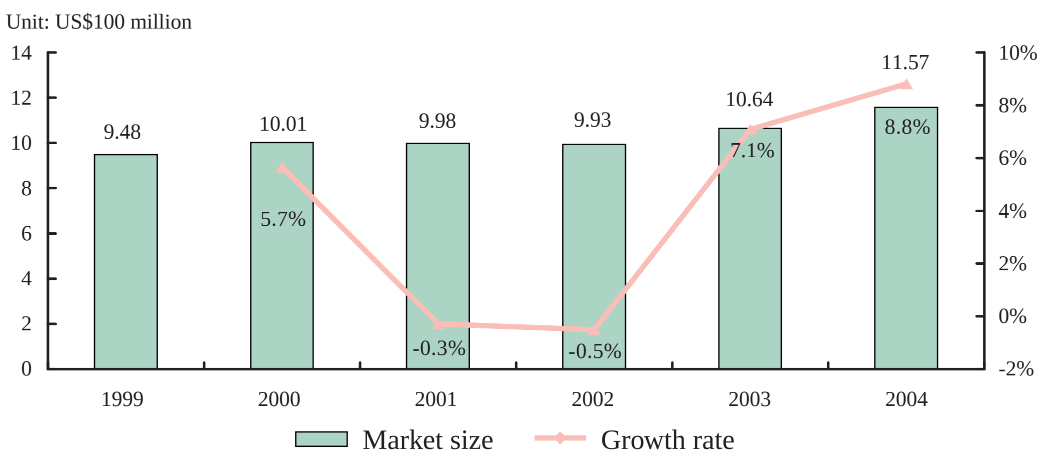
Furthermore, precision metal stamping moulds have a rather wide range of applications, including use in home appliances, automotives, computer and computer peripherals as well as OA equipment. According to the CCID Report, precision metal-stamping moulds account for approximately 30% of the whole market, of which approximately 12%, representing approximately US$1.06 billion, includes precision metal stamping moulds for OA equipment.

Structure of the Precision Stamping Mould Industry



Source: CCID, January 2005

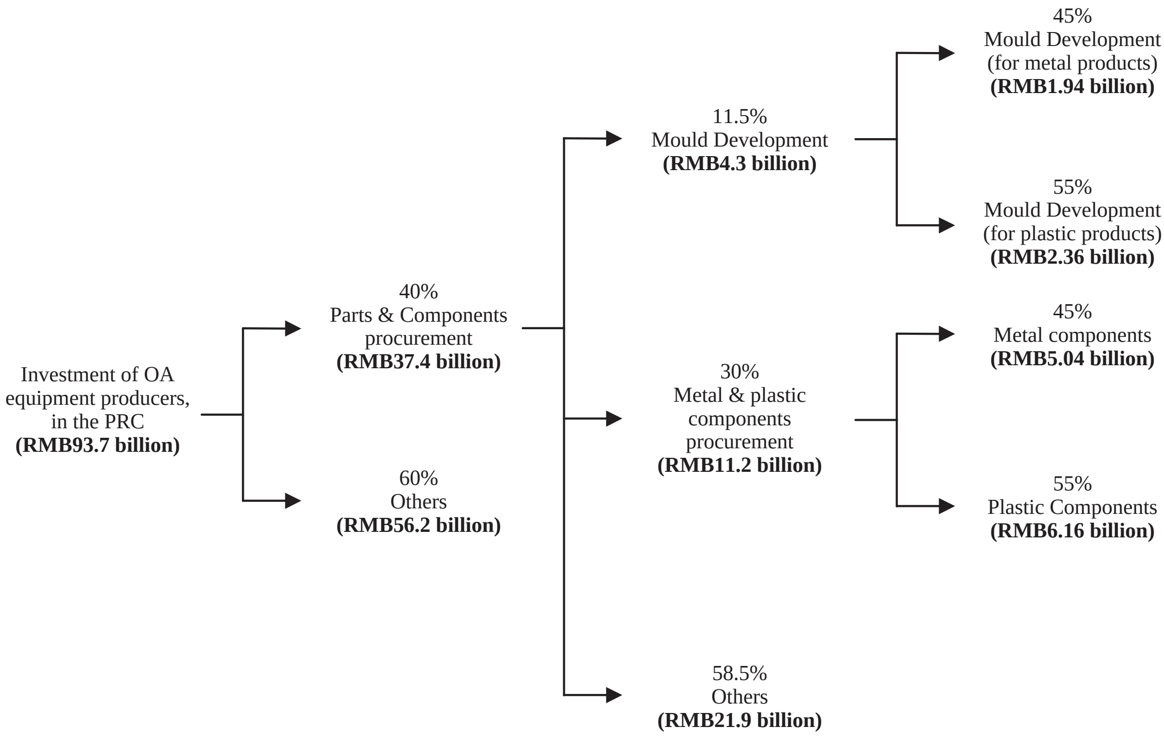
The Global OA Precision Stamping Mould Industry (1999-2004)



Source: CCID, January 2005

According to CCID's estimation, OA equipment producers in Guangdong province in the PRC have invested approximately RMB75 billion in 2004, accounting for about 80% of the total market of RMB93.7 million in the PRC. CCID's survey shows that 40% (or RMB37.4 million) out of the RMB93.7 billion invested by the OA equipment producers were used in the procurement of components, of which 30% (or RMB11.2 billion) was used in the procurement of metal and plastic components. In addition, out of the RMB37.4 billion investment in component procurement, approximately 11.5% (or RMB4.3 billion) were used in mould development.

In general, OA equipment's metal moulds and components procurement account for about 45% of the market while OA equipment's plastic mould and components market accounts for the remaining 55%. Therefore, the detailed breakdown of the OA equipment producers' investments is translated as follow:



Source: CCID, January 2005

Statistics and consensus in this "Industry Overview" sections are quoted from various official and unofficial sources. In addition, CCID was engaged by the Sponsors to prepare a market report, the CCID Report, which was compiled based on various data sources by using different means, including, but not limited to, (i) conducting direct visits or telephone interviews with market participants, (ii) conducting direct visits or telephone interviews with upstream (suppliers) and downstream (customers) industry participants; (iii) conducting telephone interviews with industry experts and representatives from industry associations; (iv) making inquiries with relevant government departments such as the PRC customs department; and (v) gathering a variety of public information published by industry practitioners. The market projections contained in the CCID Report were prepared based on CCID's quantitative projection models taking into consideration factors such as production volumes of moulds and components for OA equipment, general economic growth, and various statistics of the OA equipment and the mould and components markets. The engagement fee was approximately HK$150,000. In view of the background and market credentials of these official and unofficial information providers as disclosed under the section headed "Definitions" and this "Industry overview" section of this prospectus, the Directors believe that the statistics quoted from these sources are reliable.

OVERVIEW

Many international manufacturers have been out-sourcing quality parts and components of their products from the Asian manufacturing industry. As a result of the appreciation of the Japanese Yen and increasing labour costs which raised production costs in Japan in the mid 1980s, Japanese electronic manufacturers shifted their labour-intensive production base to countries with lower labour and production costs. As such, many Japanese electronic manufacturers invested in the PRC to establish their own production plants in the PRC. They also outsourced some of their production to other manufacturers in the PRC and sourced parts and components locally in the PRC to further reduce the production costs of their electronic products. Hence, the Group was established in 1993 to capture such business opportunities.

During the Track Record Period, the Group has positioned itself as a vertically-integrated precision metal moulding and stamping products manufacturing services provider based in the PRC. The Group's customers comprise Hong Kong or PRC affiliates of internationally renowned Japanese OA equipment and consumer electronic product manufacturers. The Group's vertically-integrated precision metal moulding and stamping services mainly include i) design and fabrication of precision metal stamping moulds, ii) manufacturing of precision metal stamping products by using tailor-made precision metal stamping moulds, iii) lathing of metal components such as rivet and shafts, and iv) where necessary, assembly of precision metal stamping products manufactured by the Group and plastic components sourced by the Group into semi-finished products. In addition to the precision metal stamping moulds provided by the clients, the Group also designs and fabricates precision metal stamping moulds for the production of precision metal stamping products. The precision metal stamping products manufactured by the Group are mainly used in the manufacture of photocopiers and printers as well as metal components, such as handle components for car doors and DVD components for stereo systems of automobiles.

The Group's turnover breakdown by business activity during the Track Record Period is set out below:

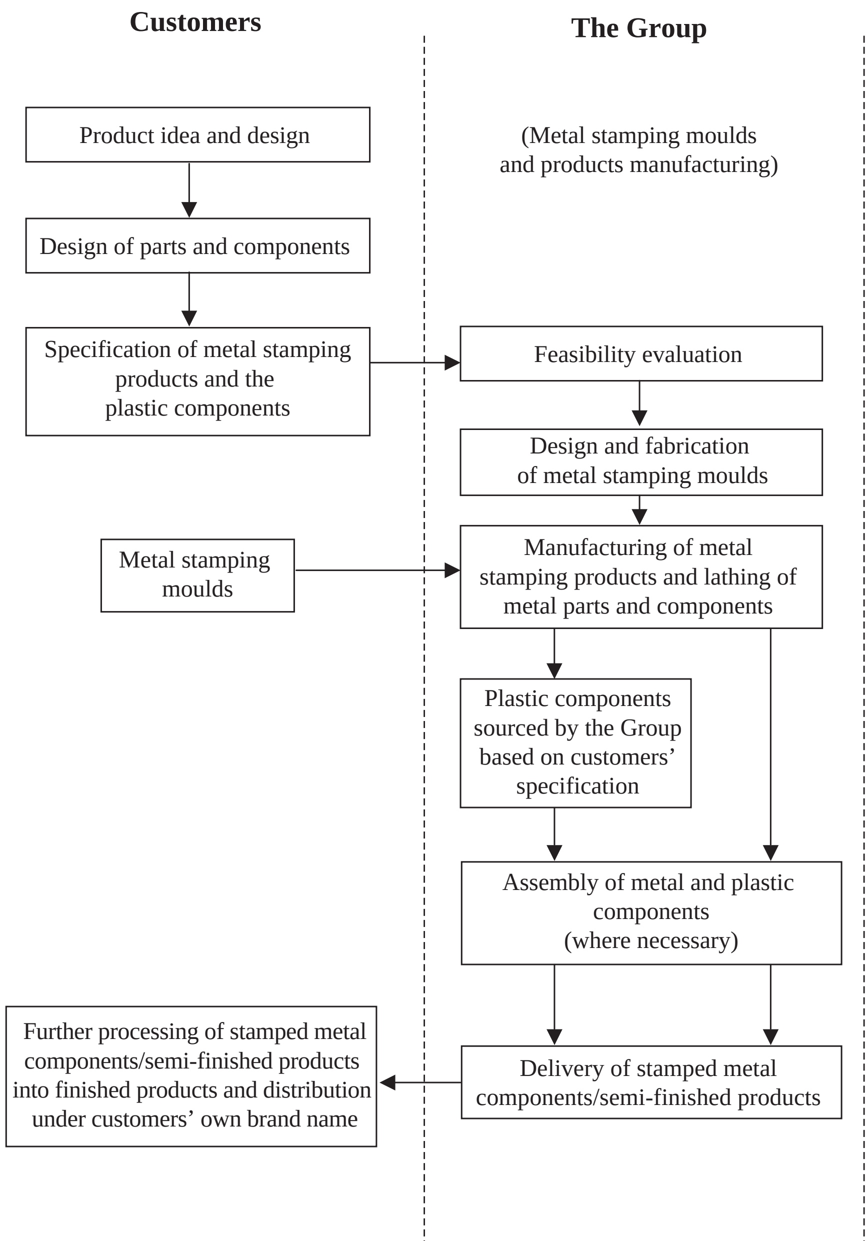
	Year ended 31 December					
	2002		2003		2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fabrication of precision metal stamping moulds	11,283	9.2	21,638	12.9	55,034	18.5
Manufacturing of precision metal stamping products	109,591	89.2	138,192	82.4	222,256	74.9
Lathing of metal components	–	–	235	0.1	5,482	1.9
Assembly services	488	0.4	615	0.4	645	0.2
Others *(Note)*	1,483	1.2	7,049	4.2	13,443	4.5
Total	122,845		167,729		296,860	

Note: Others refers mainly to sales of scrap materials.

The Group has established a client base of over 100 customers, mainly in the OA equipment sector. The Group's customers primarily include the Hong Kong or PRC affiliates of internationally renowned Japanese OA equipment and consumer electronic manufacturers, such as Toshiba Tec (HK) Logistics and Procurement Ltd., Konica Minolta Business Technologies Manufacturing (HK) Ltd., Kyocera Mita Industrial Co., (H.K.) Ltd., Canon Zhongshan Business Machines Co. Ltd., Ricoh Components (H.K.) Limited, Epson Precision (H.K.) Ltd. and Fuji Xerox of Shenzhen Ltd. (please refer to the paragraph headed "Customers" for further details of the Group's customers). For each of the three years ended 31 December 2004, the Group's sales to such customers accounted for approximately 69%, 70% and 77% of the Group's turnover for the Track Record Period respectively.

The following diagram illustrates the business model of the Group during the Track Record Period:

"Vertically-integrated" Services



HISTORY AND DEVELOPMENT

i. Corporate business development

The history of the Group can be traced back to 1993 when Mr. Zhang Hwo Jie, one of the founders of the Group, recognised the prospects of outsourcing business for metal stamping components of electronic manufacturers products in the PRC. On 14 January 1993, Mr. Zhang Hwo Jie and Mr. Chu Shih-Ting, an Independent Third Party, established EVA Limited in Hong Kong, which was principally engaged in sales and distribution of metal stamping moulds for electronic products and stamping products.

In April 1993, Yihe Metal Products was jointly established by EVA Limited and Shenzhen NamShing, in Shenzhen, the PRC. Yihe Metal Products was principally engaged in the production of precision metal stamping products at the factory premises located in the Xi Li Town, Shenzhen, the PRC. EVA Limited was mainly responsible for the Group's sales and marketing activities with a focus on Japanese clients operating in the PRC.

In May 1994, in addition to production of stamping products, Yihe Metal Products started to diversify upstream into design and fabrication of precision metal stamping moulds and the manufacturing of precision metal stamping products for electronic appliances and bicycles. Yihe Metal Products also began to produce lathing metal components.

In November 1994, in view of the increasing trend of Japanese electronic manufacturers outsourcing their parts manufacturing in the PRC, EVA Miyagawa was incorporated to capture such business opportunities. EVA Miyagawa was mainly responsible for sales to and marketing activities with new Japanese clients operating in Japan. With the network of Mr. Takaya Miyagawa, a then 22% shareholder of EVA Miyagawa, who resides in Japan, the Group started to provide precision metal stamping services to a number of Japanese electronic manufacturers in Japan.

In October 1996, Yihe Metal Products entered into a formal lease agreement with the lessor of the factory premises located in the Xi Li Town, Shenzhen, the PRC, with a total floor area of approximately 3,450 sq.m., for a term of 15 years.

In January 1997, EVA Holdings was established in Hong Kong in order to further expand sales of the Group's self designed and fabricated precision metal stamping moulds to non-Japanese overseas clients. EVA Holdings concentrated particularly on the Group's sales and marketing to clients in Hong Kong and Taiwan.

In order to cope with the rapid business growth, Yihe Metal Products increased its registered capital in two stages in August 1998 and January 1999 respectively. After the completion of these two capital injections, Yihe Metal Products expanded the number of production machinery to approximately 45 sets by the end of January 1999.

In May 2000, Offspin was incorporated and, during the Track Record Period, was principally engaged in the provision of production supervision services to other Group companies, such as liaising with customers' management with respect to product design and specification and liaising with suppliers' management to enhance the quality and timeliness of supplies and overall quality control.

In September 2000, EVA Group was established in Hong Kong as an investment holding company.

In January 2001, the Group entered into a 土地合作協議書 (property cooperation agreement) with the Langxin Village Society in relation to the development of a piece of property of approximately 53,000 sq.m. for a consideration of approximately RMB2,708,000.

In April 2001, Yihe Metal Products underwent a further expansion to cope with an increase in sales. The number of sets of production machinery increased to approximately 130.

In May 2001, Yihe Precision Hardware was established by EVA Group as a WFOE in Shenzhen, the PRC as a new operation entity to cope with substantial expansion of the Group's business.

In April 2002, the Group entered into a 土地使用權轉讓合同 (land use right agreement) with 深圳市規劃與國土資源局 (Shenzhen Municipality Planning and State-owned Land Resources Bureau) to acquire the aforesaid property of approximately 43,000 sq.m. out of the 53,000 sq.m. (as stated in 土地合作協議書 (property cooperation agreement) signed on January 2001) for a consideration of approximately RMB4,945,000.

In June 2002, the construction of the first factory building was completed and the relevant production lines therein commenced operation. In order to streamline the corporate structure of the Group, the Group's manufacturing business which was formerly carried out by Yihe Metal Products was then transferred to Yihe Precision Hardware and the lease agreement of the former factory premises located which was entered into in July 1996 in Xi Li Town was then terminated.

In June 2002, Yihe Metal Products transferred certain equipment and machinery and the precision metal stamping business to Yihe Precision Hardware. The equipment and machinery were transferred at a consideration of US$1,059,802, based on the value prescribed in the Custom Import Declaration Reports (海關進口貨物報關單) and the business was transferred at nil consideration. However, during its initial stage of operation, Yihe Precision Hardware did not carry out its operation at its full capacity. During the second half year of 2002, Yihe Precision Hardware and Yihe Metal Products carried out production on a parallel basis. By the end of 2002, the Group owned approximately 390 sets of production machinery for precision metal stamping moulds and precision metal stamping products production.

In January 2003, Yihe Metal Products delivered the documents relating to the precision metal stamping operations business to Yihe Precision Hardware which became the Group's principal operating subsidiary in the PRC thereafter. Since then, Yihe Metal Products has ceased its precision metal stamping products manufacturing business with export oriented clients which requested the Group to export the products manufactured by way of 'factory transfer'. (Please also refer to the section 'Sales and marketing' for further details.) Following the aforementioned business transfer to Yihe Precision Hardware, Yihe Metal Products maintained a minimal level of domestic sales related precision metal stamping products manufacturing business for a few customers who were engaged in domestic sales. However, sales to these customers were minimal as compared to the Group's total turnover and were gradually decreasing. With a view to simplifying the listing structure, the Group decided not to include Yihe Metal Products in the listing group and disposed of its equity interest in Yihe Metal Products in June 2004. Yihe Metal Products completely ceased any metal stamping business in October 2004 and has become dormant since then.

In June 2002, due to internal arrangements to streamline the Group's operations, Offspin ceased providing production supervisory services, which were then taken up by Yihe Precision Hardware, and subsequently Offspin ceased operation in mid-2002.

In September 2003, the construction of the second factory building (with a gross floor area of approximately 18,000 sq.m.) was completed and the relevant production lines commenced operation. By the end of 2003, the number of the Group's production machinery increased to approximately 480 sets.

In November 2003, the Group was awarded "Hi-Tech Enterprise" by 深圳市高新技術產業協會 (Shenzhen Hi-tech Industrial Association).

In recognition of the Group's achievement of stringent standards of quality control, Yihe Precision Hardware obtained the ISO:9001-2000 and ISO14001:1996 certificates in 2003. (Please refer to the section "Awards, honours and accreditations" for details.)

In order to horizontally expand its business to the trading and manufacturing of plastic injection moulds and products, EVA Plastic Products (HK) and Yihe Plastic & Electronic were incorporated in Hong Kong and the PRC in March 2004 and July 2004 respectively to carry on the business of trading and manufacturing of plastic injection moulds and products. EVA Plastic Products (HK) will be responsible for carrying out the trading of plastic injection moulds and products and Yihe Plastic & Electronic will be the operating entity for the Group's plastic injection moulding business.

On 18 May 2004, EVA Plastic (BVI), the holding company of EVA Plastic Products (HK) and Yihe Plastic & Electronic, which was incorporated by the Group in July 2004, entered into a tenancy agreement with Yihe Precision Hardware to lease a workshop which occupies the fifth floor of the second block factory building for the future operations of the plastic injection moulds and products business from 1 April 2004 to 1 April 2007 with a monthly rental of RMB60,000.

In May 2004, EVA Mould Design (HK) was incorporated in Hong Kong to carry on the business of trading of precision metal stamping moulds and plastic injection moulds. In July 2004, Yihe Plastic & Electronic, a WFOE, was incorporated in PRC to carry on the business of plastic injection products manufacturing.

In March 2005, the Group obtained the Realty Title Certificate (房地產證) issued by 深圳市國土資源和房產管理局 (寶安分局) (Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District)) which documents the land use rights of the Group to the approximately 43,000 sq.m. land.

ii. Shareholding and corporate development

a) Entities comprising the Group

EVA Limited

In January 1993, Mr. Zhang Hwo Jie and Mr. Chu Shih-Ting, an Independent Third Party, established EVA Limited in Hong Kong. The shareholding of the Company was then equally held by them. In August 1998, after arm's length negotiation, Mr. Chu Shih-Ting transferred his entire 50% shareholding in EVA Limited at par to Mr. Zhang Jian Hua for a consideration of HK$340,000 which was settled by cash. Following the said transfer, EVA Limited was held equally by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua. In February 2001, Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua transferred their respective 14% and 19% shareholdings in EVA Limited respectively to Mr. Zhang Yaohua for consideration of HK$95,200 and HK$129,200 respectively in recognition of his contributions to the Group over the years. Following such transfers, EVA Limited was held as to 36%, 33% and 31% by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua respectively.

EVA Holdings

In January 1997, Mr. Zhang Hwo Jie, Mr. Chu Shih-Ting and Mr. Wong Chap Wing, an Independent Third Party, established EVA Holdings in Hong Kong. The entire issued share capital of EVA Holdings was then held as to 57.5%, 22.5% and 20% by Mr. Zhang Hwo Jie, Mr. Chu Shih-Ting and Mr. Wong Chap Wing respectively. In March 1998, Mr. Chu Shih-Ting decided to divest his investments in the Group and, after arm's length negotiation with Mr. Zhang Hwo Jie, he transferred his entire 22.5% shareholding in EVA Holdings at par to Mr. Zhang Hwo Jie for a consideration of HK$2,250 which was settled by cash.

In July 1998, Mr. Zhang Hwo Jie transferred 22.5% out of his 80% shareholding in EVA Holdings at par to Mr. Zhang Jian Hua for a consideration of HK$2,250 which was settled by cash. Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua confirmed that, as at 30 September 2000, Mr. Zhang Hwo Jie held 26.4% and 2.3% of the then shareholding of EVA Holdings for Mr. Zhang Yaohua and Mr. Zhang Jian Hua respectively. As a result, the shareholding of EVA Holdings was held as to 28.8% by Mr. Zhang Hwo Jie, 26.4% by Mr. Zhang Yaohua and 24.8% by Mr. Zhang Jian Hua and 20% by Mr. Wong Chap Wing.

In January 2002, after arm's length negotiation Mr. Wong Chap Wing disposed of his 20% shareholding in EVA Holdings at par to Mr. Zhang Yaohua for a consideration of HK$2,000 which was settled by cash. Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr Zhang Jian Hua confirmed that, following the abovementioned disposal of shares of EVA Holdings by Mr. Wong Chap Wing, the issued share capital of EVA Holdings was beneficially held as to 36%, 33% and 31% by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua respectively.

EVA Group

In September 2000, EVA Group was established in Hong Kong by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua and its entire issued share capital was equally held as to 33.3%, 33.3% and 33.3% by each of Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua. In October 2000, Mr. Zhang Yaohua and Mr. Zhang Jian Hua transferred approximately 0.33% and 2.33% shareholding in EVA Group at par to Mr. Zhang Hwo Jie respectively for consideration of HK$50 and HK$350 which was settled by cash respectively. After the transfers, EVA Group was held as to 36%, 33% and 31% by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua respectively.

Yihe Precision Hardware

In May 2001, EVA Group established Yihe Precision Hardware as a WFOE in Shenzhen, the PRC with initial registered capital of HK$10 million. In February 2002, Yihe Precision Hardware resolved to increase its registered capital to HK$16,880,000, to be satisfied by injection of equipment. In November 2002, Yihe Precision Hardware further resolved to increase its registered capital to HK$26,880,000, which was to be satisfied by injection of equipment. According to a capital verification report (驗資報告) (Asset Examination (2001) No. 0386) dated 18 October 2001 and issued by 深圳市永明會計師事務所有限責任公司 (Shenzhen Yong Ming Certified Public Accountants), for the period up to 27 June 2001, the first instalment of capital contribution by way of cash for an amount of HK$2,000,000 payable by EVA Group Limited in respect of Yihe Precision Hardware has been fully put in place according to provisions of the articles of association of Yihe Precision Hardware. According to a capital verification report (驗資報告) (Shen Gao Hui Wai Yan Zi (2002) No. 156) dated 31 December 2002 and issued by 深圳高信會計師事務所 (Shenzhen Gaoxin Certified Public Accountants), as of 30 November 2002, EVA Group Limited has paid up the second instalment of registered capital of HK$24,880,000 in the form of equipment as stipulated in the articles of association of Yihe Precision Hardware.

In June 2003 and February 2004, Yihe Precision Hardware resolved to further increase its registered capital to HK$46,880,000 and to HK$76,880,000 respectively, both increases were to be satisfied by injection of equipment. According to a capital verification report (驗資報告) (Shen Fen Hua Yan Zi (2004) No. 027) dated 2 February 2004 and issued by 深圳楓樺會計師事務所 (Shenzhen Forever Certified Public Accountants), for the period up to 2 February 2004, EVA Group Limited had paid up the additional registered capital of HK$20,000,000 in form of equipments as stipulated in the articles of association of Yihe Precision Hardware. As at 2 February 2004, the contributed capital of Yihe Precision Hardware amounted to HK$46,880,000.

In July 2004, Yihe Precision Hardware resolved to increase its registered capital to HK$91,880,000 to be satisfied by injection of equipment. According to a capital verification report (Shen Ya Hui Yan Zi (2004) No. 1026) dated 22 November 2004 issued by Shenzhen Asia Pacific Certified Public Accountants Co., Ltd., for the period up to 1 November 2004, EVA Group had paid up the additional registered capital of HK$45,000,000 in form of equipments as stipulated in the articles of association of Yihe Precision Hardware. As at 1 November 2004, the contributed capital of Yihe Precision Hardware amounted to HK$91,880,000.

In November 2004, Yihe Precision Hardware resolved to increase its registered capital to HK$121,880,000. The increase of the registered capital of HK$30,000,000 is to be satisfied by injection of equipment with any shortfall to be paid by foreign currencies and is required to be in place by December 2005. Should the Company be successfully listed on the Stock Exchange before the remaining capital contribution falls due, the remaining portion of the capital contribution will be funded by the proceeds of approximately HK$25 million reserved for the purchase of additional metal stamping machines for the existing production plant, with any shortfall to be funded by equipment related finance lease arrangements.

According to《〈中外合資經營企業合營各方出資若干規定〉的補充規定》(Certain Regulations Relating to the Capital Contributions of Parties to Sino Foreign Equity Joint

Equity Joint Ventures - Supplementary Provisions) (the SFEJV Capital Contribution Regulations) promulgated by 中國商務部 (Ministry of Commerce) (formerly known as 中國對外貿易經濟合作部 (Ministry of Foreign Trade and Economic Co-operation)) on 29 September 1997, the financial results of a company are not permitted to be consolidated into the consolidated account of its holding company before its registered capital is fully paid up and such regulation has been applied to sino-foreign co-operation joint ventures and wholly-owned foreign enterprises. Therefore, pursuant to the SFEJV Capital Contribution Regulation, the financial results of Yihe Precision Hardware may not be permitted to be consolidated into the audited combined accounts of the Group before its registered capital is fully paid up.

The accountants’ report has been prepared in accordance with the accounting principles generally accepted in Hong Kong and in compliance with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Such basis of preparation is also in compliance with Rule 4.11 of the Listing Rules. According to the Statement of Standard Accounting Practice 32 (“SSAP 32”), a parent company which issues consolidated financial statements should consolidate all subsidiaries, other than those where control is intended to be temporary or the subsidiary is operated under severe long-term restrictions. A subsidiary is defined as an entity in which the company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital. As Yihe Precision Hardware meets the definition of a subsidiary under SSAP 32, control over Yihe Precision Hardware is not intended to be temporary, and there are no severe long-term restrictions in respect of the transfer of funds from Yihe Precision Hardware to the parent company, the financial results of Yihe Precision Hardware should be consolidated into the Group’s results under SSAP 32.

The PRC Legal Advisers are of the view that, as 深圳市寶安區經濟貿易局 (Economy and Trade Bureau of Bao’an District, Shenzhen) had approved the subsequent increases and contributions by instalments in the registered capital of Yihe Precision Hardware and the fact that its registered capital was not fully paid up was permitted, it would not be in breach of the existing articles of association of Yihe Precision Hardware or any terms of the approvals of relevant authority. Moreover, the continuing legal existence of Yihe Precision Hardware, the Group’s ownership and control of voting rights and decision making power over Yihe Precision Hardware would not be affected and the legal status of Yihe Precision Hardware would not be revoked as a result of the consolidation of its accounts by the Group. The PRC Legal Advisers are also of the view that the consolidation of the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic will not consequently lead to any punishment or penalty to the Group. Nevertheless, each of the Indemnifiers have jointly and severally undertaken to indemnify the Group against all direct and indirect claims, fines, penalties, expenses or losses which may be incurred, or suffered, by the Group as a result of any breach of the SFEJV Capital Contribution Regulations.

The above increases in registered share capital of Yihe Precision Hardware were approved by the relevant government authority in the PRC. The Directors have confirmed that the purpose of all of the above increases in share capital of Yihe Precision Hardware was to further expand the Group’s production facilities in order to cope with the Group’s growth in business.

The PRC Legal Advisers are of the view that, save for the above mentioned capital injection which is due to completed by December 2005, the Group has made all its capital injections in relation to Yihe Precision Hardware within the time limit and has obtained the necessary approvals from the responsible government authorities.

Yihe Plastic & Electronic

In July 2004, EVA Plastic (BVI) established Yihe Plastic & Electronic in the PRC as a WFOE with an initial registered capital of HK$30 million. In December 2004, the registered capital of Yihe Plastic & Electronic was subsequently resolved to be increased by HK$50 million to HK$80 million.

In accordance with the provisions of the amended articles of association of Yihe Plastic & Electronic, the contribution of its initial registered capital of HK$30 million is to be satisfied in the form of equipment by two instalments, of which the first instalment of HK$10 million was fully paid up within the prescribed time frame and, the second instalment of HK$20 million should be in place by July 2005 in the form of equipment with any shortfall to be paid by foreign currencies. The increased registered capital of HK$50 million should be in place by December 2007 in the form of equipment with any shortfall to be paid by foreign currencies. Pursuant to the capital verification report(驗資報告) (Shen Feng Hua Yan Zi (2004) No. 387) dated 8 October 2004 issued by 深圳楓樺會計師事務所 (Shenzhen Forever Certified Public Accountants), as at 8 October 2004, approximately HK$16.7 million of the initial registered capital of Yihe Plastic & Electronic had already been paid up.

The Directors have confirmed that the remaining capital contribution of approximately HK$63.3 million, which should be mainly paid in the form of equipment, will be mainly funded by equipment related finance lease arrangements. Should the Company be successfully listed on the Stock Exchange before the remaining capital contribution falls due, the remaining portion of the capital contribution will be funded by the proceeds of approximately HK$32 million reserved for the plastic injection moulds and products business by way of acquiring the machinery to be injected to Yihe Plastic & Electronic as capital contribution with any shortfall to be funded by equipment related finance lease arrangements.

As stated above regarding《〈中外合資經營企業合營各方出資若干規定〉的補充規定》(Certain Regulations Relating to the Capital Contributions of Parties to Sino Foreign Equity Joint Equity Joint Ventures - Supplementary Provisions) (the SFEJV Capital Contribution Regulations) promulgated by 中國商務部 (Ministry of Commerce) (formerly known as 中國對外貿易經濟合作部 (Ministry of Foreign Trade and Economic Co-operation)) on 29 September 1997, the financial results of Yihe Plastic & Electronic are not permitted to be consolidated into the audited combined accounts of the Group before its registered capital is fully paid up.

The accountants' report was prepared in accordance with the accounting principles generally accepted in Hong Kong, and in compliance with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Such basis of preparation is also in compliance with Rule 4.11 of the Listing Rules. According to the Statement of

Standard Accounting Practice 32 ("SSAP 32"), a parent company which issues consolidated financial statements should consolidate all subsidiaries, other than those where control is intended to be temporary or the subsidiary is operated under severe long-term restrictions. A subsidiary is defined as an entity in which the company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital. As Yihe Plastic & Electronic meets the definition of a subsidiary under SSAP 32, control over Yihe Plastic & Electronic is not intended to be temporary, and there are no severe long-term restrictions in respect of the transfer of funds from Yihe Plastic & Electronic to the parent company, the financial results of Yihe Plastic & Electronic should be consolidated into the Group's results under SSAP 32.

The PRC Legal Advisers are of the view that, as 深圳市寶安區經濟貿易局 (Economy and Trade Bureau of Bao'an District, Shenzhen) had approved the subsequent increases and contributions by instalments in the registered capital of Yihe Plastic & Electronic, the fact that the registered capital was not fully paid up was permitted and it would not be in breach of the existing articles of association or the approval documents of and Yihe Plastic & Electronic. Moreover, the continuity of Yihe Plastic & Electronic, the Group's ownership and control of voting rights and decision making power over Yihe Plastic & Electronic would not be affected and the legal status of Yihe Plastic & Electronic would not be revoked as a result of the consolidation of its accounts by the Group. Nevertheless, each of the Indemnifiers have jointly and severally undertaken to indemnify the Group against all direct and indirect claims, fines, penalties, expenses or losses which may be incurred, or suffered, by the Group as a result of any breach of the SFEJV Capital Contribution Regulations.

The above increases in registered share capital of Yihe Plastic & Electronic were approved by the relevant government authority in the PRC. The Directors have confirmed that the purpose of the above increases in share capital of Yihe Plastic & Electronic was to further expand the Group's production facilities in order to cope with the Group's further expansion.

Other members of the Group

In March 2004, Okuno Precision was incorporated in Hong Kong to carry on the business of sales of lathing metal products manufactured by the Group. Pursuant to the Reorganisation, it became an indirect wholly-owned subsidiary of the Company.

In March 2004, EVA Plastic Products (HK) was incorporated in Hong Kong. In July 2004, Yihe Plastic & Electronic, a WFOE, was incorporated in PRC. Both EVA Plastic Products (HK) and Yihe Plastic & Electronic are subsidiaries of the Company.

In June 2004, EVA Mould Design (HK) was set up in Hong Kong to carry on the business of trading metal and plastic moulds. Pursuant to the Reorganisation, EVA Mould Design (HK) became an indirect wholly-owned and subsidiary of the Company.

During the second quarter of 2004, the Group underwent the Reorganisation in preparation for the listing of the Shares on the Stock Exchange, as a result of which the Company, incorporated in the Cayman Islands on 12 July 2004, became the ultimate holding company of the Group. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix V to this prospectus.

b) *Entities formerly comprising the Group during the Track Record Period*

Yihe Metal Products

In April 1993, EVA Limited and Shenzhen NamShing jointly established Yihe Metal Products (known as 深圳億和精密模具五金製品有限公司 (Shenzhen Yihe Precision Moulding Hardware Co., Ltd.) at the time of its establishment), the former principal operating entity of the Group, in Shenzhen, the PRC as a sino-foreign equity joint venture. According to a capital verification report (驗資報告) (Nan Hui Yan Zi (1993) No. 196) dated 1 November 1993 and issued by 深圳南山會計師事務所 (Shenzhen Nanshan Accounting Firm), as at 28 October 1993, Shenzhen NamShing and EVA Limited made capital contributions to Yihe Metal Products of approximately HK$1,770,000 and HK$1,590,000 to Yihe Metal Products respectively, with a shortfall of investment for an approximate amount of HK$1,640,000. According to a capital verification report (驗資報告) (Nan Hui Yan Zi (1994) No. 049) dated 17 March 1994 and issued by 深圳南山會計師事務所 (Shenzhen Nanshan Certified Public Accountants), as at 21 January 1994, Shenzhen NamShing and EVA Limited had made capital contributions of HK$2,500,000 and HK$2,500,000 respectively, representing 100% of their respective capital contribution commitment. As at 21 January 1994, therefore, the registered capital of HK$5,000,000 of Yihe Metal Products had been fully paid up. Yihe Metal Products was at that time owned equally by EVA Limited and Shenzhen NamShing. Shenzhen NamShing is a company incorporated in the PRC and is beneficially owned as to 75% and 25% by Mr. Zhang Jian Hua and Mr. Zhang Yaohua, respectively.

In order to expand the production capacity to cope with the rapid business growth of the Group, in May and December 1998 respectively, EVA Limited and Shenzhen NamShing resolved to increase the registered capital of Yihe Metal Products by HK$7,500,000 in the form of assets including machinery equipment, and HK$6,000,000 in the form of assets including machinery equipment which were to be contributed solely by EVA Limited. According to a capital verification report (驗資報告) (Shen Sheng Yan Zi (2000) No. N63) dated 23 June 2000 and issued by 深圳中勝會計師事務所 (Shenzhen John Adam Certified Public Accountants), as at 31 May 2000, EVA Limited has made an additional capital contribution of approximately HK$13,500,000 by way of injection of machinery equipment. As a result of such increase of registered capital, Yihe Metal Products was owned as to 86.49% by EVA Limited and 13.51% by Shenzhen NamShing, respectively.

In April 2001, it was further resolved to increase the registered capital of the Yihe Metal Products from HK$18,500,000 to HK$26,500,000 by way of equipment with the approval of 深圳市外商投資局(the Shenzhen Foreign Investment Bureau). The increased capital of RMB8,000,000 was originally required to be paid up by August 2001. However, the Group subsequently changed its expansion plan and established Yihe Precision Hardware as a vehicle to operate its self-owned factory buildings and the production lines therein. According to the Group's revised expansion plan, Yihe Metal Products transferred its production assets and its export business to Yihe Precision Hardware in June 2002 and January 2003, respectively.

As the expanded operations were operated by Yihe Precision Hardware, instead of Yihe Metal Products, the Directors considered that the injection of additional capital into Yihe Metal Products had become unnecessary. However, as EVA Limited was still obligated to pay for the increased capital contribution of HK$8,000,000 to Yihe Metal Products, with a view to fulfilling such obligation, Yihe Metal Products subsequently postponed the deadline of the last capital increase of HK$8,000,000 to September 2003 and June 2004 respectively with the approval from 深圳外商投資局 (Shenzhen Foreign Investment Bureau), the competent government authority, and had gone through the necessary administrative procedures. According to a capital verification report (驗資報告) (Shen Feng Hua Yan Zi (2004) No. 045) dated 17 February 2004 issued by 深圳楓樺會計師事務所 (Shenzhen Forever Certified Public Accountants), as of 10 February 2004, EVA Limited had further contributed HK$7,500,000 in cash and HK$500,000 in the form of equipment. After the increase of the registered capital, the equity interest of Yihe Metal Products was held as to 90.57% by EVA Limited and 9.43% by Shenzhen NamShing. The actual mode of contribution made to Yihe Metal Products was not in full compliance with the articles of association of Yihe Metal Products. As advised by the PRC Legal Advisers, the prevailing laws and regulations in the PRC have not specified that the procedural blemishes in relation to capital contribution would lead to any consequences that may affect the continuing legal existence of an entity.

Nevertheless, as such increase in the registered capital of Yihe Metal Products amounted to HK$8,000,000 has been fully paid and has undergone the capital examination and the relevant renewed business license recording the new registered capital has been obtained from the 深圳市工商行政管理局 (Shenzhen Bureau of Industry and Commerce Administration). Moreover, the transfer of equity interest of Yihe Metal products from the Group to Mr. Zhang Yaohua was approved by 深圳市南山區經濟貿易局 (Economy and Trade Bureau of Nanshan District, Shenzhen), the competent government authority, without raising any objection against such procedural blemishes relating to the change of mode of capital contribution, the PRC Legal Advisers are of the view that such procedural blemishes would not affect the continuing legal existence of Yihe Metal Products nor constitute a risk of Yihe Metal Product's licences being revoked by the relevant government authority and the Group will not face any fine nor penalty.

All the above increases in registered capital of Yihe Metal Products have gone through capital examination by the accountants. The PRC Legal Advisers are of the view that, other than the increase which involved a change of mode of capital injection, in each of the other increases, the registered capital had been fully paid up within the prescribed time frame and the Group had duly completed all the necessary administrative procedures and obtained the relevant approval from the responsible government authorities.

Prior to June 2002, the Group's manufacturing operations were previously carried out by Yihe Metal Products in rented factory premises located in Xi Li Town, Shenzhen, the PRC. In order to cope with the Group's expansion, the Group commenced construction of its first self-owned factory building in early 2001 and as part of the Group's expansion plan, Yihe Precision Hardware was established in May 2001 as a vehicle to hold and operate the Group's self-owned factories.

After the completion of the construction of the Group's first factory building and commencement of the production lines therein, the Group started transferring the machinery and equipment previously owned by Yihe Metal Products together with its production business to Yihe Precision Hardware so that the Group's production operations could be conducted in the Group's own factory building (owned by Yihe Precision Hardware), thereby minimising the potential risk of any distortion in operations possibly caused by sudden termination of lease. Pursuant to《中華人民共和國海關對外商投資企業進出口貨物監管和征免稅辦法》(the Taxation Regulation of China and the customs for the import and export of foreign-invested enterprise), equipment, machinery and materials that have been imported pursuant to a tax exemption are subject to a supervision period of 5 years by the PRC customs. If those equipment, machinery and materials are transferred or disposed of within the 5 years supervision period of the PRC customs, the PRC customs shall impose tax on those equipment, machinery and materials being transferred according to their depreciated values. When the machinery and equipment was transferred from Yihe Metal Products to Yihe Precision Hardware in June 2002, it had already fallen beyond the aforementioned PRC customs' supervision period. Therefore, no tax was imposed in respect of the transfer.

Moreover, (i) Yihe Metal Products has obtained《中華人民共和國海關出口貨物報關單》(the PRC Customs Export Goods Declaration Form) from 深圳同樂海關 (Shenzhen Tongli Customs Department) approving the machinery and equipment to be exported and transferred to Yihe Precision Hardware; (ii) Yihe Precision Hardware has obtained《中華人民共和國海關進口貨物報關單》(the PRC Customs' Import Goods Declaration Form) from 深圳同樂海關 (Shenzhen Tongli Customs Department) approving the machinery and equipment to be imported and transfered from Yihe Metal Products; (iii) Yihe Precision Hardware has obtained《進出口貨物征免稅證明》from 深圳出入征檢驗檢疫局 (the Shenzhen Import and Export Taxation Inspection & Quarantine Department) which confirmed the import tax exemption in respect of the machinery and equipment that were transferred from Yihe Metal Products; and (iv) the transfer of machinery and equipment had been put through the appraisal of the 深圳市出入境檢驗檢疫局 and the machinery and equipment was approved by the 深圳市外商投資局 (the Shenzhen Foreign Investment Bureau) as the capital contributed to Yihe Precision Hardware.

On the basis of the above, the PRC Legal Advisers have advised that the asset and equipment transfer from Yihe Metal products to Yihe Precision Hardware in June 2002 and January 2003 respectively was legal and valid and in compliance with the relevant PRC regulations.

Subsequent to the business transfer, Yihe Metal Products only maintained a minimal level of operations representing approximately 1% of the Group's turnover for the year ended 31 December 2003 and the six months ended 30 June 2004 respectively. Given the foregoing and with a view to simplifying the listing structure, the Group decided not to include Yihe Metal Products in the Group and accordingly disposed of its equity interest in Yihe Metal Products in June 2004.

On 28 June 2004, EVA Limited transferred the 90.57% equity interest in Yihe Metal Products held by it to Mr. Zhang Yaohua for a consideration of RMB25,202,975.58 representing the Group's share of net assets of Yihe Metal Products at the date of its disposal. Such transfer was approved by the board of directors of Yihe Metal Products and was consented to by Shenzhen Namshing. The consideration was offset in full against certain debts due from EVA Limited to Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua. Following completion of the transfer, Yihe Metal Products filed an application to 深圳市工商行政管理局 (Shenzhen Bureau of Industry and Commerce Administration) to change its name from

深圳億和精密模具五金製品有限公司 (Shenzhen Yihe Precision Moulding Hardware Co., Ltd.) to 深圳市和億興實業有限公司 (Shenzhen Heyixing Industrial Co., Ltd.) and its scope of business from production of metal stamping products to domestic trading and distribution. This application was approved in September 2004 and a revised business licence was issued by the relevant government authority, 深圳市工商行政管理局 (Shenzhen Bureau of Industry and Commerce Administration). The PRC Legal Advisers are of the view that the Group has duly completed the necessary share transfer procedures and has obtained the approvals from the relevant government bureau which administrates the registration and transformation of enterprises in the PRC on 29 September 2004.

EVA Miyagawa

EVA Miyagawa was incorporated in November 1994 with a focus on the sales and marketing activities in Japan to capture the business opportunities directly from clients located in Japan. The entire issued share capital of EVA Miyagawa was held as to 39%, 39% and 22% by Mr. Zhang Hwo Jie, Mr. Chu Shih-Ting and Mr. Takaya Miyagawa respectively. In September 1998, after arm's length negotiation, Mr. Chu Shih-Ting transferred his 39% shareholding in EVA Miyagawa at par to Mr. Zhang Hwo Jie for a consideration of HK$265,200 and was settled by cash. Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua confirmed that, as at 30 September 2000, Mr. Zhang Hwo Jie held 25.74% and 24.18% of the then shareholding of EVA Miyagawa for Mr. Zhang Yaohua and Mr. Zhang Jian Hua respectively. As a result, the shareholding of EVA Miyagawa was held as to 28.08% by Mr. Zhang Hwo Jie, 25.74% by Mr. Zhang Yaohua, 24.18% by Mr. Zhang Jian Hua and 22% by Mr. Takaya Miyagawa.

Over the years, the Group has established good business relationships with its Japanese customers and has been able to procure and retain Japanese electronic manufacturers as its customers. The contribution and significance of EVA Miyagawa has gradually lessened. The percentage of contribution of EVA Miyagawa's turnover to the Group's turnover decreased from approximately 20.8% for the year ended 31 December 2001 to approximately 4% for the six months ended 30 June 2004. Given EVA Miyagawa's insignificant contribution to the Group's result and after negotiation with Mr. Takaya Miyagawa, it was agreed that Mr. Takaya Miyagawa would sell his 22% shareholding in EVA Miyagawa to Mr. Zhang Hwo Jie. As EVA Miyagawa no longer played a significant role in the Group's business, Mr. Zhang Hwo Jie decided to wind up EVA Miyagawa voluntarily after his acquisition of 22% shareholdings in EVA Miyagawa from Mr. Takaya Miyagawa.

On 28 June 2004, after arm's length negotiation, Mr. Zhang Hwo Jie acquired from Mr. Takaya Miyagawa 22% of the issued share capital of EVA Miyagawa for a consideration of HK$30,000 and was settled by cash. On 30 August 2004, the sole member of EVA Miyagawa resolved to deregister EVA Miyagawa.

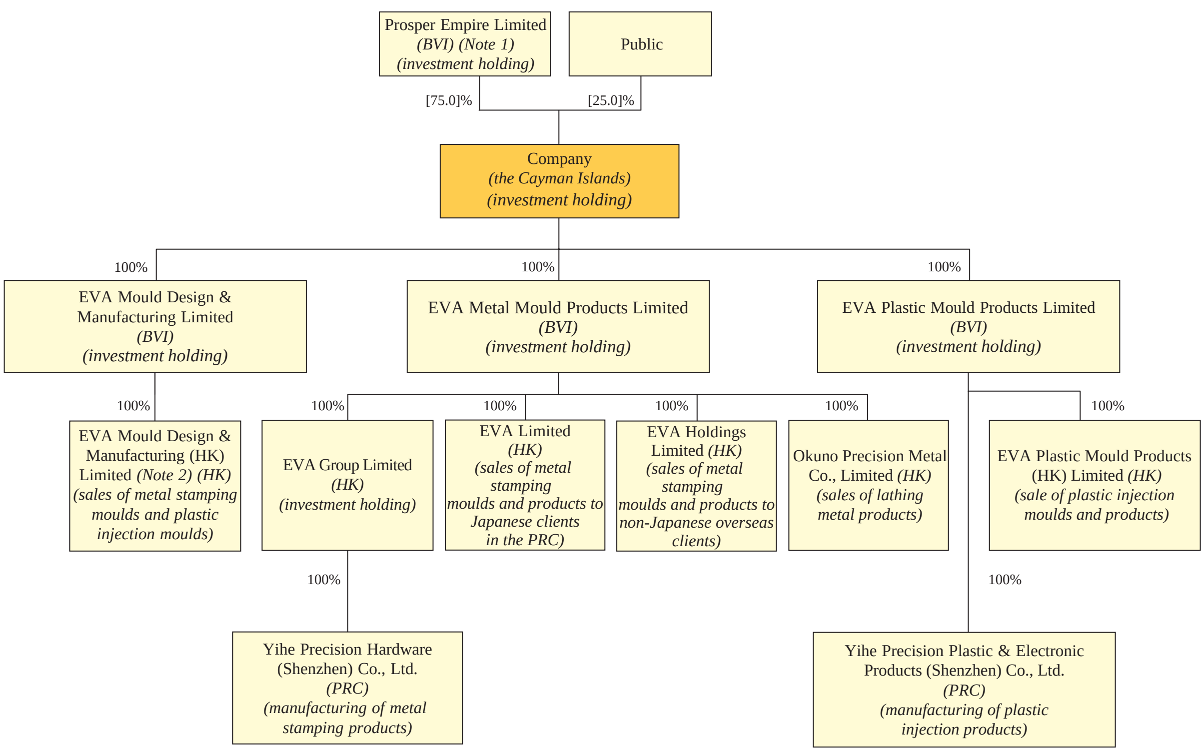
Offspin

Offspin was incorporated in the BVI in May 2000 and the shareholding of Offspin was held by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua as to 36%, 33% and 31% since its incorporation. Prior to June 2002, when the Group's scale of operations was relatively small and the Group's production was carried out using a rented factory located in Xi Li Town, Shenzhen, the PRC, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua devoted a substantial portion of their time and effort for handling the

Group's daily operations which included (i) liaison with management of customers with respect to product design and specification; (ii) liaison with suppliers' management to enhance the quality and timeliness of supplies; and (iii) production supervision and quality control. As part of the Group's intra-group arrangement, Offspin was used as a vehicle to provide these services rendered by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua to the Group's PRC manufacturing arm. Subsequent to the transfer of business and machinery from Yihe Metal Products to Yihe Precision Hardware and following the expansion in the Group's operating scale, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua devoted a higher portion of their time and effort on strategic planning and overall corporate management. At the same time, with the increased headcount following the Group's expansion, the Group was able to establish a more integrated purchase and administrative department to take up a substantial portion of the daily operational work previously performed by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, resulting in a change to the aforementioned intra-group arrangement. The Directors decided to terminate Offspin's operations and Offspin became inactive since June 2002. As Offspin was an inactive company and had not carried out any activity for the Group since June 2002, the Group decided not to include Offspin in the Group with a view to simplifying the structure of the Group.

GROUP AND SHAREHOLDING STRUCTURE

The following chart illustrates the corporate and shareholding structure, the places of incorporation/ establishment and the principal business activities of the principal members of the Group immediately upon the completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares falling to be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme.



Notes:

1. The entire issued share capital of Prosper Empire Limited is held as to 36%, 33% and 31% respectively by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua, who are brothers.

2. Formerly known as EVA Precision Industrial Holdings Limited and changed to its current name on 20 September 2004.

COMPETITIVE STRENGTHS

The Directors consider that the Group's competitive edge lies in its continuing expansion in production facilities, lead-time for design and fabrication of precision metal stamping moulds, the precision of its mould products, and the quality of precision metal stamping products that are tailored to the requirements of top-tier Japanese brandnames for OA equipment and consumer electronic manufacturers. The Directors believe that the Group has the following competitive strengths:

1. Capability to provide vertically-integrated services in relation to metal moulding and stamping products manufacturing

The Group's business model is vertically integrated, from the design and fabrication of precision metal stamping moulds, the manufacture of precision metal stamping products to the provision of assembly services of the precision metal stamping products and plastic components. As such, the Directors consider that the Group is capable of providing vertically-integrated services to its customers by offering them total precision metal moulding and stamping solutions of design, prototyping, stamping, and integrated assembly services to satisfy particular product specifications stipulated by the Group's customers in an efficient and cost effective manner.

2. Long operating history and reputation for serving renowned worldwide manufacturers

The business of the Group has over 10 years' history in the metal stamping industry. The Directors consider that over the years, the Group has established a reputation for providing quality precision metal stamping moulds and products in the PRC for OA equipment and consumer electronic manufacturers from Japan, the USA and the PRC. The Group's customers include the PRC affiliates of internationally renowned Japanese OA equipment and consumer electronic manufacturers, such as Toshiba Tec (HK) Logistics and Procurement Ltd., Konica Minolta Business Technologies Manufacturing (HK) Ltd., Kyocera Mita Industrial Co., (H.K.) Ltd., Canon Zhongshan Business Machines Co. Ltd., Ricoh Components (H.K.) Limited, Epson Precision (H.K.) Ltd. and Fuji Xerox of Shenzhen Ltd..

Many multi-national and regional enterprises have set up their production facilities in the PRC. The PRC has gradually become the manufacturing hub for various industries and products. Following the PRC's accession to the World Trade Organisation, business opportunities for foreign enterprises to invest and set up their manufacturing and sales bases in the PRC are expected to increase. The Directors believe that by leveraging on its long history and reputation in the industry, the PRC affiliates of the Group will benefit from such business opportunities and continue to expand its business.

3. Seasoned management with dedicated experience and knowledge in the industry

Each of Mr. Zhang Hwo Jie and Mr. Zhang Yaohua, both being executive Directors, has over 10 years of dedicated and related experience in the precision metal stamping industry. The Group has been accredited with the internationally recognised ISO 9001:2000 in respect of the quality management system that it operates in relation to the manufacture of precision metal stamping products and ISO 14001:1996 in respect of the environmental management system it operates in relation to the manufacturing of precision metal stamping products. In view of the fact that major customers and suppliers of the Group are affiliates of renowned Japanese corporations, the Group has employed two Japanese industry practitioners, as a Director and a senior manager respectively, to advise the management and monitor the operation of the manufacturing plants so as to maintain the stringent standards imposed by Japanese customers and foster the Group's business relationships with its major Japanese customers. The intimate knowledge and dedication of such key management are critical to the success of the Group.

4. Ability to adapt to trends in technology

The Group has been continuously upgrading its production methods and introducing new advanced machinery in order to cater for the frequent introduction of new products or new models by the Group's customers, as a result of rapid changes in technology and market demand. Furthermore, the Directors consider that the technical know-how of the Group has been enhanced by the product development and technologies introduced by its Japanese customers from time to time in the design and development of precision metal stamping moulds for the manufacturing of components for new products. The Directors believe that the aforesaid have been, and will remain, one of the crucial factors contributing to the success of the Group in the future.

5. Adoption of a stringent overall quality and management control system

The Group adopts a stringent overall quality and management control system, which aims to monitor the overall management process and emphasises continuous quality maintenance and production efficiency by tackling production error at the point of occurrence, so as to achieve the goal of minimising errors in production process and wastage. The Directors believe that the adoption of such stringent overall quality and management control system will enable the Group to satisfy the requirements of its Japanese customers, whose concern is not restricted to the quality of products but also relates to efficiency in the entire production process and business culture of the Group. In addition to stringent overall quality and management control system, the Group has implemented the 7S framework, ISO 9001:2000 and ISO 14001:1996 management systems throughout the operation of the Group.

In recognition of the business achievements and stringent standards of quality control achieved by the Group, Yihe Precision Hardware was granted 中國深圳行業10強企業 (Shenzhen Top Ten Industry Practitioner) accreditation by 深圳市行業評價協會(Shenzhen Industry Evaluation Association) and obtained the ISO 9001: 2000 and ISO 14001:1996 certifications in 2003.

PRODUCTS AND SERVICES

The precision metal stamping moulds designed and fabricated by the Group are used for mass production of precision metal stamping products. As the precision metal stamping products manufactured by the Group are used mainly in the manufacturing of electronic equipment and products, the Group emphasises quality of its precision metal stamping moulds to strictly fulfil the relevant customer's specifications and unique requirements to facilitate integration process of the final products.

The precision metal stamping products manufactured by the Group mainly include components for photocopiers and printers as well as electronic components for automobiles. With the combination of high-tech CAD software, advanced imported machinery and experienced engineers, the Group is able to manufacture a variety of precision metal stamping products of different sizes and features.

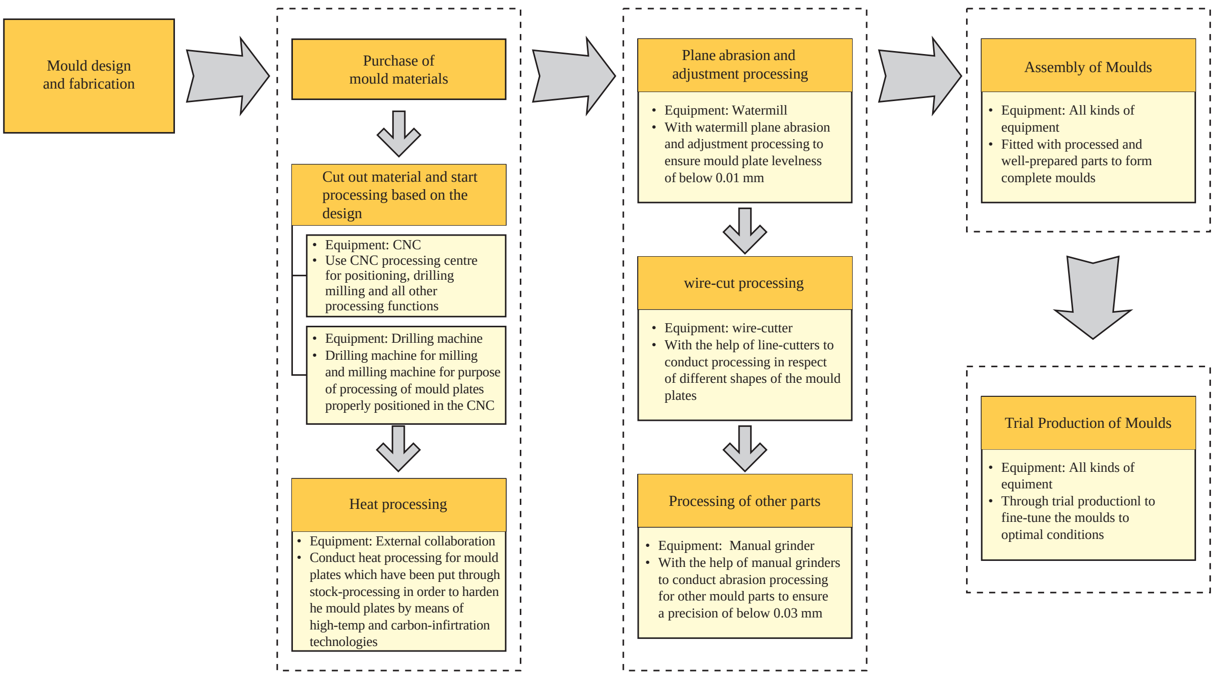
PRODUCTION PROCESS

The management of the Group has in-depth knowledge and expertise in the design and fabrication of precision metal stamping moulds and metal stamping. The Group has adopted a stringent overall quality and management control system which aims to monitor the overall management of the manufacturing and production process, and emphasises continuous quality maintenance to increase production efficiency by tackling production errors at the point of occurrence, so as to achieve the goal of minimising errors in the manufacturing and production process and wastage.

Design and fabrication of precision metal stamping moulds

The precision metal stamping moulds are the foundation for mass manufacturing of precision stamping products. The design and quality of the precision metal stamping moulds are crucial for the smoothness, accuracy and efficiency of the stamping process. Well-designed and high quality precision metal stamping moulds can facilitate the stamping process and have a longer stamping life.

The following diagram illustrates the production flow of the Group's mould design and fabrication:



Mould design and fabrication is the crucial first-step in the manufacturing process of precision metal stamping products. As at the Latest Practicable Date, the Group's mould design and fabrication team comprises approximately 291 staff who include engineers and equipment specialists with hands-on experience in precision metal stamping products production. The engineers of the Group commence design and fabrication of precision metal stamping moulds in accordance with the detailed specifications and unique requirements given by customers. At the early stage of designing a precision metal stamping moulds, the Group's design and development staff will keep close contact with the product development team of its customers so as to discuss and analyse choices of moulding method to be employed in order to meet the specifications and requirements of the customers and to prevent any possible technical problem at an earlier stage.

By the use of professional mechanical engineering software, the Group's design engineers, on a virtual basis, imitate the stamping process and design and construct precision metal stamping moulds to generate component parts to fit in the customers' products. The digital mould design, modelling and testing process allow rapid prototyping which effectively shortens the turn-around time of the precision metal stamping moulds. Once the geometric drawing of the precision metal stamping moulds has been virtually constructed, verified and virtually tested, fabrication of precision metal stamping moulds will commence.

Steel materials used for the fabrication of the precision metal stamping moulds are then milled and grounded. CNC machines, a set of machinery responsible for fabrication of precision moulds and is capable of reaching a precision of 0.005 mm, are employed to achieve higher moulding accuracy. The Group has been able to achieve a lead-time for production of a precision metal stamping mould in about 30 to 45 days in average. In exceptional cases, the lead-time can be even shortened to 15 to 30 days.

During the Track Record Period, the Group maintained approximately 15,000 sets of precision metal stamping moulds for the manufacture of precision metal stamping products.

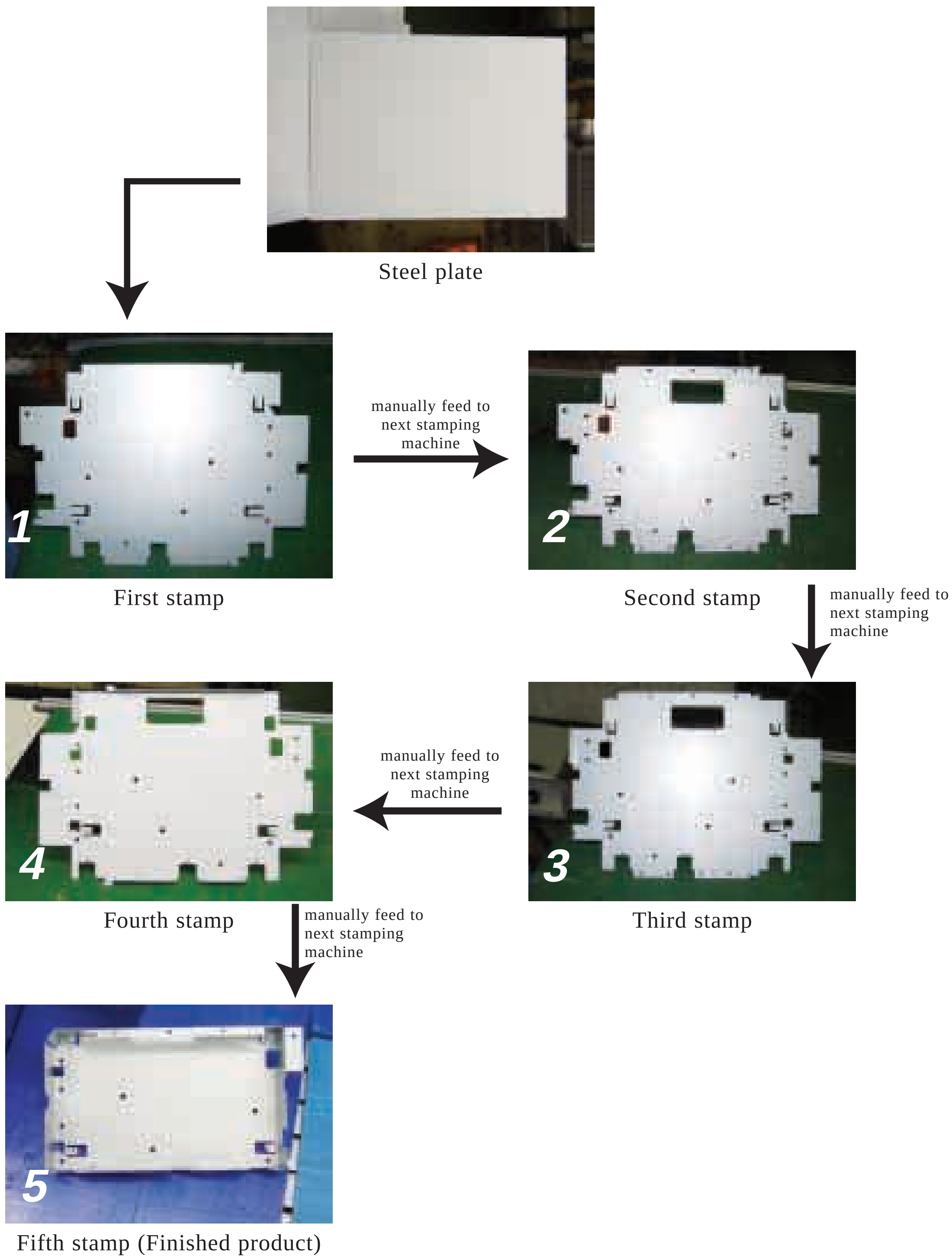
Precision metal stamping

After a tailor-made precision metal stamping mould has been prototyped, tested and finally accepted by the relevant customer, the Group commences the manufacturing of precision metal stamping products. The production of a complete stamping metal component involves multiple punching steps depending on the complexity of the component. To produce a complex stamping metal component, a flat metal sheet will undergo multiple stamping using different precision metal stamping moulds for which each precision metal stamping mould will produce a certain shaping on the metal sheet according to the specific design of the component. Such metal sheet will then become a complete stamped metal component after multiple different stamps on the same metal sheet. The multiple stamping processes can be either manually transferred from one stamping machine to another (single-stage stamping) or progressively stamped in a series of different moulds in one machine (progressive stamping). The Group is capable of producing precision metal stamping moulds for use in different metal stamping processes. Different stamping processes are employed to manufacture different kinds of stamping products, taking into account factors such as the complexity of the stamping components, quantity of metal components required and the production cost.

Single-stage stamping

The Group uses a single-stage stamping process for small volume production with a monthly production quantity of approximately 30,000 pieces and this process is especially suitable for the manufacture of less sophisticated, metal stamping components where the thickness of steel used is more than 0.1 millimeter. Single-stage stamping process involves an assembly line of stamping machines. Each stamping machine is fixed with a particular die plate extracted from a precision metal stamping mould and is responsible for a particular stamping or punching step in the making of a complete metal component. The production process is semi-automatic, in which materials such as a metal sheet or a semi-finished product from a previous step are fed into the stamping machine manually by a worker for each stamping or punching step.

The following diagrams illustrate an example of the production flow of a component for a photocopier which is produced through single-stage stamping:



Progressive stamping

The Group uses a progressive stamping process for large volume production with a monthly production quantity exceeding 30,000 pieces and this process is especially suitable for the manufacture of more sophisticated, metal stamping components where the thickness of steel used is less than or equal to 0.1 millimeter. Progressive stamping machines are fully computerised and automatic and are capable of turning a roll of metal sheet into the required metal components. In the progressive stamping process, a set of different die plates are fixed to a stamping machine and multiple stamping steps are preprogrammed into the stamping machine to perform the multi-stamping process without worker intervention.

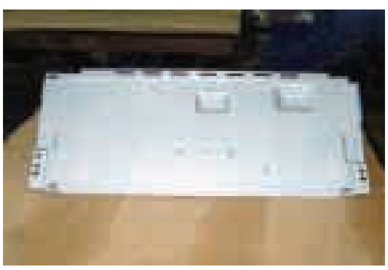
The following diagrams illustrate the production flow of a component for a printer which is produced through progressive stamping:

Feed-in of steel sheet

Straightening of steel sheet before stamping

Computer programmed multi-stamping process

Finished product



Final product

Lathing of components and parts

Besides stamping metal components, the Group also produces other metal components for its customers' products, including rivets and shafts. The Group uses specialised and highly computerised CNC machines able to lathe metal poles into different metal components according to the design and specifications provided by the Group's customers.

Assembly services

Since most of the stamped metal components will be further assembled to form different components of the final products, some of the stamped metal parts may need to be further processed before distributing to the customers for assembly. The second stage processing may usually involve welding, creating screw tracks, mounting rivets, and washing.

As an extension of the Group's metal moulding and stamping services, the Group also provides value-added product assembly services, to its customers on a case by case basis, where the metal parts and components involved in the product assembly are all manufactured by the Group.

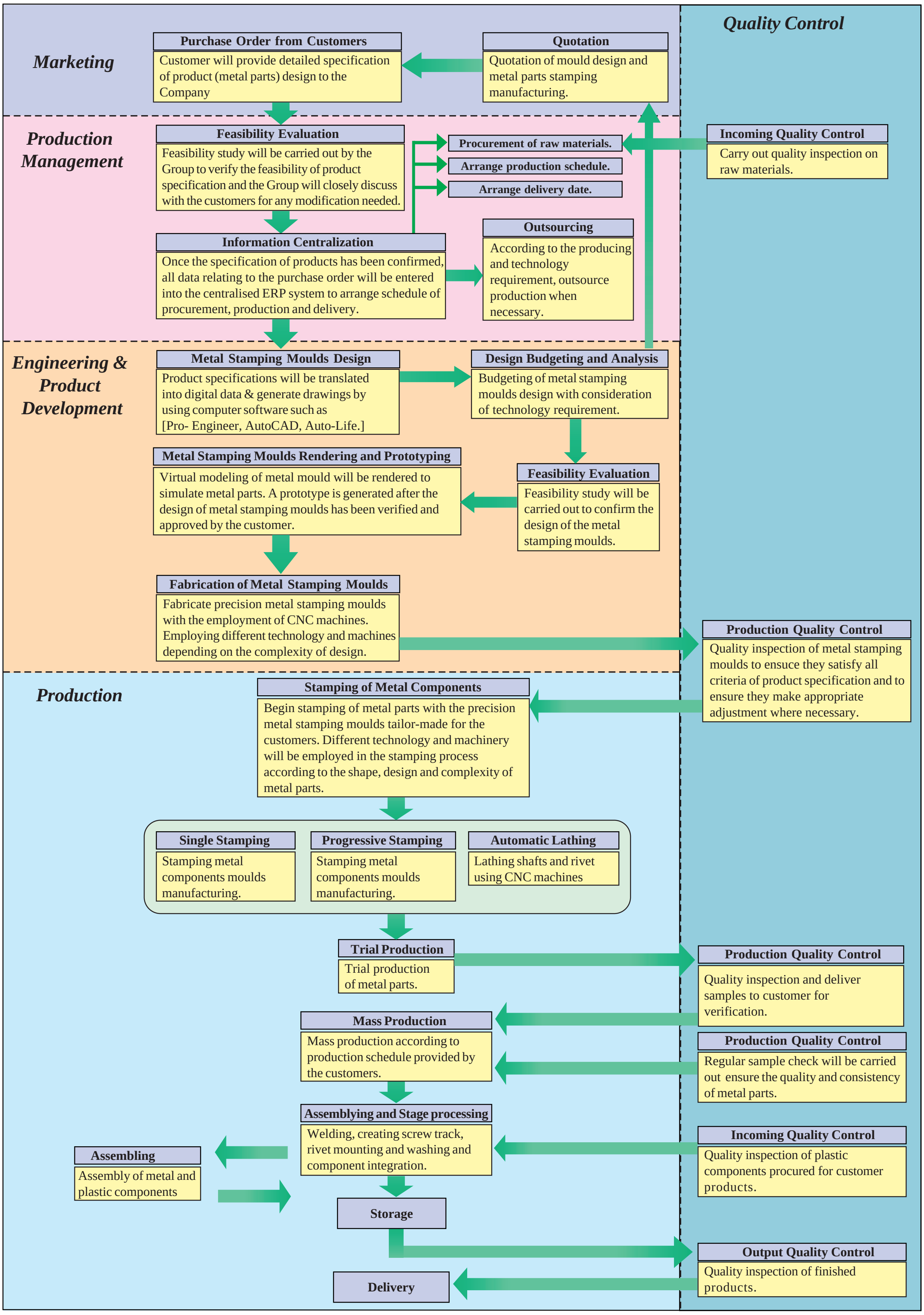
During the Track Record Period, the target customer base of the assembly business development is mainly the customer base of the OA equipment of Yihe Metal Products and Yihe Precision Hardware. These OA equipment producers outsource part of their assembly process which, other than the electronic parts involving core technology, involves large size components and low assembly technological requirements, to save cost.

The Directors consider that the provision of these value-added product assembly services will position the Group for the increasing trend of outsourcing labour-intensive and non-core production processes by OEM manufacturers. The provision of product assembly services includes riveting, integration of stamped metal components and integration of metal components with plastic components procured by the Group into semi-finished products.

As at the Latest Practicable date, the assembly plant accommodates 156 staff members and has an area of 4,000 sq.m.. As the assembly services carried out by the Group do not require high technology know-how, there are no specifications regarding the machinery and equipment employed.

After the commencement of the Group's plastic injection products production in the end of 2004, the Group plans to further expand its assembly services, details of which are set out in the section "Future plans and use of proceeds from the Share Offer".

The following diagram illustrates the overall production process, including the segmentation by division of the Group.



PRODUCTION FACILITIES AND CAPACITY

As at the Latest Practicable Date, the construction of the first two blocks of factory buildings were completed and have been in use since June 2002 and September 2003 respectively, while the third block factory building is undergoing final furnishing and is expected to be completed in the first half of 2005. The third block of factory building is intended to be used for the production of plastic injection moulds and components and assembly services.

Table below summarises the construction plan and details of the Group's production facilities as at the Latest Practicable Date:

<table>
<tr><td colspan="5">Factory buildings</td></tr>
<tr><td rowspan="9">Factory planning</td><td></td><td colspan="2">Commenced operation</td><td>Under final furnishing</td></tr>
<tr><td></td><td>Factory 1</td><td>Factory 2</td><td>Factory 3</td></tr>
<tr><td>No. of storeys</td><td>5</td><td>5</td><td>5</td></tr>
<tr><td>Usage</td><td>i) design and fabrication of metal stamping moulds
ii) production of metal stamping products (single-stage stamping)
iii) production of lathing parts</td><td>i) production of metal stamping products (progressive stamping)</td><td>i) production of plastic injection moulds
ii) production of plastic injection products
iii) assembly services</td></tr>
<tr><td>Construction area (approximate sq.m.)</td><td>21,000</td><td>20,000</td><td>18,000</td></tr>
<tr><td>Commencement of operation</td><td>June 2002</td><td>September 2003</td><td>Mid 2005 (Note 1)</td></tr>
<tr><td>Units of machinery</td><td>583</td><td>92</td><td>136 (Note 1)</td></tr>
<tr><td>No. of staff</td><td>1,258</td><td>529</td><td>650 (Note 1)</td></tr>
</table>

Notes:

1. Based on the Directors' estimation.

Prior to the equipment and machinery transfer from Yihe Metal Products to Yihe Precision Hardware in June 2002, the Group's manufacturing operations were carried out by Yihe Metal Products in a rented three-storey factory premises located in the Xi Li Town, Shenzhen, the PRC, with total floor area of approximately 3,450 sq.m.. Yihe Metal Products had only approximately 220 sets of machinery by the end of June 2002. Average monthly production of moulds and metal stamping products during the period from January 2002 to June 2002 were approximately 84 sets and approximately 7.6 million units respectively.

After the construction of the Group's first factory building, with total floor area of approximately 21,000 sq.m., completed in June 2002, and the transfer of equipment and machinery from Yihe Metal Products to Yihe Precision Hardware, substantial amount of the Group's operation has been carried out by Yihe Precision Hardware. As at 31 December 2002, the number of machinery of Yihe Precision Hardware had increased to approximately 390 sets. The average monthly production of moulds and metal stamping products during the period from 1 July 2002 to 31 December 2002 after the transfer of equipment and machinery increased to approximately 110 sets and approximately 18.6 million units respectively. Since that time, all of the Group's products have been manufactured in its own factory.

Moreover, in order to cope with the Group's rapid growth, the Group continuously increased the registered capital of Yihe Metal Products and Yihe Precision Hardware in the form of equipment assets during the Track Record Period so as to expand the Group's production capacities and productivities. The table below summarised the Group's production facilities of each types of products and the number of moulds and components produced during the Track Record Period:

	Year ended 31 December		
	2002	**2003**	**2004**
Moulds Fabrication (set)			
Number of production machines	38	50	59
Number of moulds fabricated	1,167	1,995	3,342
– single-stamping moulds	*(Note 1)*	*(Note 1)*	*2,888*
– progressive stamping	*(Note 1)*	*(Note 1)*	*454*
Components Manufacturing (piece)			
Metal Stamping products			
Number of production machines	95	1.24	148
Number of product outputs (tons)	3,007	4,993	9,779
Lathing components *(Note 2)*			
Number of production machines	12	29	57
Number of product outputs (million piece)	0.57	7.6	19.9

Notes:

1. The Group did not separately record the number the single-stamping and progressive-stamping moulds being fabricated during 2002 and 2003.

2. The Group commenced trial production of lathing components since November 2002.

Currently, all of the Group's productions are being manufactured in its above-mentioned factories 1 and 2, depending on the type of products, in the PRC. The table below sets out the average annual production capacity and utilisation rate of the Group by each product type during the Track Record Period:

Products	Approximate annual production capacity			Approximate utilisation rate		
	2002	2003	2004	2002	2003	2004
Mould fabrication (set)						
Single Stamping mould/ Progressive Stamping mould *(Note 1)*	2,500/1,250	3,100/1,560	4,300/2,200	50%	75%	88%
Components manufacturing						
Metal Stamping products (Tons)	3,800	6,000	14,000	79%	83%	70%
Lathing components (piece) *(Note 2)*	6,700,000	20,590,000	30,740,000	8%	37%	65%

Notes:

1. Including new moulds, mould modifications and enhancements. Machinery used for fabrication of both single stamping moulds and progressive stamping moulds is the same and the time required for fabrication of progressive stamping moulds is nearly double the time requirement for fabrication of single stamping moulds.

2. The Group commenced trial production of lathing components from November 2002.

REVENUE MODEL

Revenue generated from each purchase order of the Group is mainly divided into three segments, namely, i) design and fabrication of precision metal stamping moulds, ii) manufacture of precision metal stamping and lathing components, and iii) assembly of components into semi-final products. The price of each segment will be separately quoted in each purchase order.

For each purchase order of the Group, the customer will provide to the Group a product specification and a 2 to 3 year production plan of the product specifying the anticipated quantity of parts required in each year. Customers are required to pay a deposit to cover the development cost of a new precision metal stamping mould and the cost of raw materials required. Once the production of precision metal stamping moulds has been completed, parts stamping manufacturing will commence following the production schedule stipulated by the customer and the balance of the cost relating to the precision metal stamping moulds production will be payable by the customer. On a case-by-case basis, the Group also provides assembly services to the customers. The Group will procure plastic components from other manufacturers based on the specifications provided by the customers and assemble the same with the metal stamping components manufactured by the Group into semi-finished products according to customers' requirements.

The Directors have confirmed that the Group's customers will usually upgrade their products once or twice each year and, as a result, modification of components or design and manufacture of new components may be required. Therefore, the Group's income stream is secured by the one-off precision metal stamping moulds fabrication fees and the recurrent income derived from manufacturing of metal stamping components, and the assembly of semi-finished products. The revenue types of the Group are summarised in the following table:

Products and services	**Revenue type**
Design and fabrication of precision metal stamping moulds	(i) one-off precision metal stamping moulds production charges for new metal parts for customers' new products (ii) one-off precision metal stamping moulds modification or production charges for metal parts for customers' product upgrades
Manufacturing of metal stamping and lathing components	Charge according to the quantity of metal stamping and lathing components required by the customers following the specified schedule (In addition to the yearly production plan provided by its customers, the Group will also be provided a production schedule on a monthly or weekly basis to cope with the actual sales of the customers' products)
Assembly of metal and plastic components	Charge according to the quantity of semi-finished products required by the customers

It is the Group's business model to allocate the labor-intensive manufacturing process to the PRC where the cost of production is much lower than that in Hong Kong, and to maintain high-level trading and servicing functions in Hong Kong in order to streamline the Group's business. After the Group's Hong Kong subsidiaries receive a purchase order from their customers, the order will be sent to the manufacturing plants in the PRC for production and manufacture arrangements. Products manufactured by the Group's PRC subsidiaries will then undergo the normal customs clearance process for export approval first and then be delivered to the customers' subsidiaries/affiliates in the PRC. The major functions of the Group's subsidiaries in BVI, Hong Kong and the PRC are set out as follows:

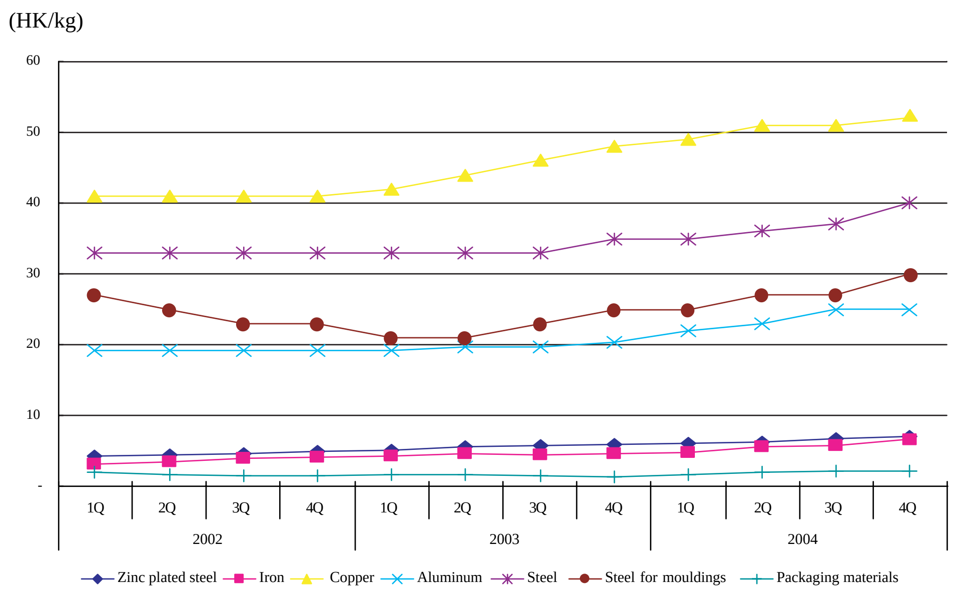
Place of incorporation	Role
BVI subsidiaries: EVA Design (BVI) EVA Metal (BVI) EVA Plastic (BVI)	investment holding
Hong Kong subsidiaries: EVA Mould Design (HK) EVA Group EVA Limited EVA Holdings Okuno Precision EVA Plastic Products (HK)	trading, marketing (main contact with clients' senior management located in Hong Kong), billing and receiving.
PRC subsidiaries: Yihe Precision Hardware Yihe Plastic & Electronic	design and fabrication of moulds, component manufacturing, marketing (close communication with clients' product development team located in the PRC) and delivery of products to the subsidiaries/affiliates of its clients in the PRC.

RAW MATERIALS AND SUPPLIERS

The principal raw materials used by the Group in the manufacturing of precision metal stamping moulds and metal stamping components comprise steel plates, iron plates and zinc plated steel sheets. For each of the three years ended 31 December 2004, the cost of steel plates, iron plates and zinc plated steel sheets amounted to approximately HK$41,973,000, HK$67,301,000 and HK$112,860,000 respectively, accounted for approximately 84.9%, 81.2% and 82.6%, respectively, of the total cost of raw materials of the Group during the Track Record Period. Other major raw materials purchased by the Group include copper and aluminium.

Given that steel is a major component of the Group's products and the quality of steel used determines the quality of the metal stamping components as well as the performance of the customers' end products, the Group purchases steel of better quality from several Japanese steel suppliers located in the PRC. Most of the Group's steel plates and zinc plated steel sheets are sourced from Japanese manufacturers. Generally, the Group will negotiate a fixed range of price with the Japanese suppliers for 6 months or 12 months to minimise the price fluctuation effect of the raw materials. Certain major Japanese customers of the Group will pre-select a number of Japanese steel suppliers and negotiate a fixed range of quantity supply at a fixed range of prices. These customers then request the Group to purchase from the pre-selected Japanese suppliers to ensure the quality, quantity and cost of the steel plates and zinc plated steel sheets supplied.

During the Track Record Period, the price of raw materials used by the Group was considered to be relatively stable. The following diagram summarises the purchase prices of raw materials of the Group during the Track Record Period:



The Group will generally order raw materials three months in advance and maintain an approximately three weeks supply of raw materials as a contingency against a sudden unexpected shortage of supply of raw materials or urgent increase in demand for the Group's products.

For each of the three years ended 31 December 2004, purchases from the Group's largest supplier accounted for approximately 10%, 14% and 28% respectively of the Group's total purchase value for the same period, while purchases from the five largest suppliers of the Group accounted for approximately 47%, 54% and 57%, respectively of the Group's total purchase value.

The Group's purchases of raw materials were settled on an open account basis with a credit term of 60 days to 90 days. The currencies used in the settlement of the Group's purchases for each of the three years ended 31 December 2004 were HK$, US$ and RMB and accounted for approximately 87%, nil and 13%, 61%, 27% and 12%, and 41%, 47% and 12% of the Group's total purchases respectively.

Currently, most of the Group's raw materials are sourced in the PRC and Hong Kong. The Group has established a good business relationship with over 18 suppliers for 2 to 6 years of relationship and has not experienced any difficulties in sourcing raw materials. The Directors confirm that they do not foresee any difficulties that the Group will encounter in sourcing raw materials from existing suppliers or in finding alternative suppliers when necessary in the future.

The Directors have confirmed that none of the Directors, their respective associates and shareholders of the Company holding more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers of the Group for each of the three years ended 31 December 2004.

INVENTORY CONTROL

Once the purchase order has been confirmed and approved, all data of that order, such as quantity, production specification and delivery date, will be entered into the Group's ERP system which is linked with each department involved in the production process for analysis. Since the production process is sales driven, the Group will only commence production after customers' orders are placed and purchases of raw materials are made according to the pre-determined production schedule. The inventory is thus maintained at the minimum level.

In addition, the Group employs a four-colour system. Finished goods are identified by the season in which they will be acquired or produced by marking them with colored stickers with each color representing a season of the production. This system allows the Group's inventory to be made up-to-date and allows the workers to closely monitor the first-in first-out inventory control system more easily.

For each of the three years ended 31 December 2004, the inventory turnover of the Group was approximately 25 days, 31 days and 43 days, respectively.

The Group made provision for slow-moving and obsolete inventory based on the age of its inventories. An analysis of such provision is set out below:

Age of inventory	**Percentage of provision**
0 to 90 days	2.5%
91 to 180 days	20%
181 to 365 days	80%
Over 365 days	100%

The Group's provision for slow-moving and obsolete inventory amounted to approximately HK$726,000 and HK$1,899,000 for the years ended 31 December 2002 and 2004, respectively, and a write-back of provision for slow-moving and obsolete inventory of approximately HK$255,000 was recorded during the year ended 31 December 2003. Taking into account the existence of an effective inventory control system which is evidenced by the minimum inventory level and the fast inventory turnover throughout the Track Record Period, the Directors consider that the existing policy in making provision for inventory is appropriate and that no further provision is necessary.

QUALITY CONTROL

The Group has adopted a stringent overall quality and management control system which aims to monitor the overall management process which emphasises continuous quality maintenance and production efficiency by tackling production error at point of occurrence.

In addition to such stringent overall quality and management control system, the Group has implemented the 7S framework, ISO 9001:2000 and ISO 14001:1996 management systems throughout the operation of the Group.

The quality control department of the Group has over 150 staff, comprising quality inspection engineers and officers. The quality control procedures of the Group can be divided into three stages:

(1) Incoming quality control:

All of the raw materials or semi-finished goods are purchased from suppliers approved by the procurement team of the Group. Prior to the storage of raw materials or semi-finished goods or put into production, each of them will be strictly and carefully inspected to ensure quality standards and requirements are met and maintained. All substandard raw materials or semi-finished goods will be returned to the supplier.

(2) Production quality control:

Once the precision metal stamping moulds are produced and verified by the customers, a trial production of precision metal stamping products will be carried out and the trial products will be inspected in accordance with the required criteria, such as weight and geometry, and appropriate adjustments will be made to the precision metal stamping moulds where necessary. Mass production of metal stamping parts will commence when the precision metal stamping moulds fulfil all requirements according to the customers' product specification. In order to ensure that the quality and consistency of precision metal stamping products manufactured by the Group closely adhere to the specifications of customers' products, regular quality checks are carried out in each stage of the production process.

Quality check of a specific metal part during the mass production process is carried out regularly in order to maintain the quality rate below 10 PPM, which represent 10 disqualified units of output out of one million units of output for each purchase order.

(3) Output quality control:

Finished products produced by the Group or outsourced to other manufacturers will be randomly tested to ensure the quality of the batch of finished products if the quality standards and requirements are met before delivery.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group markets its products under the logo "EVA" to further enhance the market recognition of the Group's reputation in the industry.

(a) As at the Latest Practicable Date, the Group has registered the following trademark in Hong Kong:

Trade Mark	Date of Registration	Trade Mark Number
EVA	7 April 2004	300192032

(b) As at the Latest Practicable Date, the Group has applied for registration of the following trademark in Hong Kong:

Trade Mark	Application Date	Application Number
EVA	23 March 2005	300390951

(c) As at the Latest Practicable Date, the Group has applied for registration of the following trademarks in the PRC:

Trade Mark	Application Date	Application Number
EVA	17 June 2004	1120042004
EVA	1 March 2005	1120050531

(d) As at the Latest Practicable Date, member of the Group held the following domain names:

Domain Names	Registration Date
eva-sz.com *(Note)*	26 October 2001
eva-group.com *(Note)*	8 October 2003

Note: Contents in the domains do not form part of this prospectus.

For more details, please refer to the paragraph headed "Intellectual property rights of the Group" in Appendix V to this prospectus.

AWARDS, HONOURS AND ACCREDITATIONS

The Group has been granted the following awards and official accreditations by several government authorities and professional organisations as at the Latest Practicable Date:

Name of Accreditation	Endorsing Organisation	Date
深圳行業10強企業 (Shenzhen Top Ten Industry Practitioner)	深圳市企業評價協會 (Shenzhen Industry Evaluation Association)	2002
ISO 9001:2000	BSI Group	2003
ISO 14001:1996	BSI Group	2003
深圳市高新技術企業 (Hi-Tech Enterprise)	深圳市高新技術產業協會 (Shenzhen Hi-tech Industrial Association)	2003
深圳市重合同守信譽先進單位 (Most Trustworthy Enterprise in Shenzhen)	深圳市工商行政管理局 (Shenzhen Bureau of Industry and Commerce Administration)	2003

Name of Accreditation	Endorsing Organisation	Date
中國質量承諾 • 誠信經營企業(品牌) (Quality Assurance Honourable Enterprise in the PRC (Brand))	中國中輕產品質量保障中心 深圳市企業評價協會 (Quality Assurance Center for Light Industry Products, PRC) (Shenzhen Industry Evaluation Association)	2003
寶安區環保誠信A級企業 (Environmental Honourable Grade A Enterprise of Baoan District)	深圳市寶安區環境保護局 (Shenzhen Baoan District Environmental Protection Bureau)	2004

SALES AND MARKETING

Sales

The revenue of the Group is mainly derived from the design and fabrication of precision metal stamping moulds and the manufacture of metal stamping components. The following table summarizes the Group's revenue breakdown in the Track Record Period:

	Year ended 31 December					
	2002		2003		2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fabrication of precision metal stamping moulds	11,283	9.2	21,638	12.9	55,034	18.5
Manufacturing of precision metal stamping products	109,591	89.2	138,192	82.4	222,256	74.9
Lathing of metal components	–	–	235	0.1	5,482	1.9
Assembly services	488	0.4	615	0.4	645	0.2
Others *(Note)*	1,483	1.2	7,049	4.2	13,443	4.5
Total	122,845		167,729		296,860	

Note: Others refer to mainly sales of scrap materials.

The Group has established a client base of over 100 customers, approximately 50% of which are Hong Kong or PRC affiliates of major Japanese OA equipment and consumer electronic manufacturers. During the Track Record Period, most of the Group's products were exported. However, as a common practice and a facilitation measure provided by the PRC customs and in accordance with the regulations of the Shenzhen customs, since most of the Group's clients have already set up assembly plants in the PRC, the products manufactured by the Group will undergo normal custom clearance process for export approval first, which will then be delivered directly from the Group's production plant to the customers' assembly plant located in the PRC as a kind of "factory transfer" (轉廠) for further processing into final products instead of being physically shipped out of the PRC. The PRC Legal Advisers are of the view that, in accordance with the relevant regulations of the PRC customs, this kind of factory transfer for further processing is deemed to be an export.

The table below summarises the Group's sales by location:

	Year ended 31 December					
	2002		2003		2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Turnover						
Hong Kong/the PRC *(Note 1)*	120,432	98.0	164,705	98.2	296,101	99.7
USA	2,413	2.0	2,965	1.8	759	0.3
Japan	–	–	59	0.0	–	–
Total	122,845		167,729		296,860	
Segment results – operating profit						
Hong Kong/the PRC *(Note 1)*	31,085		32,383		75,253	
USA	623		583		193	
Japan	–		12		–	
Total	31,708		32,978		75,446	

Note 1: All of the PRC sales of the Group were generated in Guangdong Province.

Pricing

The Group determines the price of its moulding and stamping products services, based on the costs of sales, which comprises i) the price of raw materials required; ii) the complexity of the precision metal stamping moulds and metal stamping components; iii) the direct labor cost involved; and iv) an additional margin with reference to the size of the order, the Group's relationship with the customers, and the prevailing market price of similar products.

Credit policy and payment terms

The Group usually requires its customers to pay a deposit for production of precision metal stamping moulds to cover the related development cost. The Group also gives a credit term of 60 to 90 days for the payment of the balance of the production of the precision metal stamping moulds and manfacturing of metal stamping components. However, the exact term of the credit period is dependent on a number of criteria such as the length of business relationship, past payment track record and the financial strength of the relevant customer. The actual debtors' turnover periods during the Track Record Period were 76 days, 84 days and 99 days which approximated the abovementioned range of credit period. Most of the Group's major customers usually pay punctually and in accordance with their given credit periods. The account and finance department of the Group reviews and approves the credit term of each customer before it is implemented. The sales personnel are responsible for following up outstanding debts, and a portion of their remuneration is determined by the collection of debts. As most of the Group's customers have maintained long-term business relationships with the Group, the Directors believe that the credit risk of the Group is minimal. Most of the sales of the Group were settled by wire transfer or cheque. For each of the three years ended 31 December 2004, the Group has received approximately HK$1,186,000, HK$4,510,000 and HK$6,240,000 respectively in the form of cash settlement which mainly related to sales of scrap material.

The Group's sales are mainly settled in HK$, US$ and RMB. For each of the three years ended 31 December 2004, approximately 84.3%, 78.6% and 70.3% of the Group's sales were settled in HK$; approximately 13.4%, 16.3% and 24.8% were settled in US$; and approximately 2.3%, 5.1% and 4.9% were settled in RMB.

Bad debt policy

The Group examines the collectability of the individual balance of trade receivables regularly and specific bad debt provisions will be made should any debt be considered uncollectable. In addition, the Group also makes a general provision for bad and doubtful debts at 1% of the balance of trade receivables to cover any unforeseen bad debts. Throughout the Track Record Period, the Group has maintained a reasonable trade receivables, turnover of less than three months, which is generally in line with the credit term granted to its customers. Accordingly, provisions for bad and doubtful debts were less than 1% as compared to turnover during the Track Record Period. Taking into account the existence of an effective credit control policy which is evidenced by the reasonable trade receivable turnover and the fact that a majority of the Group's sales are made to reputable customers with a long-term relationship with the Group, the Directors consider that the Group's existing policy in making provision for bad and doubtful debts is appropriate and that no further provision is necessary.

The following table shows the subsequent settlement of trade receivables as at 31 December 2004:

			Aging		
	< 3 months	**3-6 months**	**6-12 months**	**>1 years**	**Total**
	0-90 days	**91-180 days**	**181-360 days**		
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Gross amount as at 31 December 2004	74,303	3,340	3,757	74	81,474
Subsequent settlement up to 28 February 2005	42,172	1,945	1,149	–	45,266
Unsettled amount as at 28 February 2005	32,131	1,395	2,608	74	36,208

Marketing

The sales and marketing team of the Group comprises 18 staff and is mainly responsible for fostering business relationships with new customers and maintaining a close relationship with existing customers of the Group. The marketing team of the Group is responsible for the promotion of the Group's products and services and provision of the quotations for all new purchase orders.

The Group has also participated in various industry shows, exhibitions and industry association meetings to introduce the Group's products and services to potential clients.

CUSTOMERS

The Directors have confirmed that certain of the Group's customers are invited to visit the Group's manufacturing facilities annually in order to assess if the production process of the Group meets their requirements. The Group is required to fulfil various criteria in terms of, among others, internal management policy, culture and quality of manufacturing facilities.

During the Track Record Period, the Group has established business relations with over 100 customers, most of which are internationally renowned OA equipment and consumer electronic product manufacturers who have established production bases in the PRC. These clients are mainly Hong Kong or PRC affiliates of Japanese or American companies and companies located in Hong Kong and the United States. The following table sets out the sales to some of the Group's renowned customers.

Customer	**Years of relationship**	**Percentage of sales of the Group for the year ended 31 December 2004** *%* *(approximate)*
Toshiba Tec (HK) Logistics and Procurement Ltd.	7	19.93
Konica Minolta Business Technologies Manufacturing (HK) Ltd.	9	19.05
Kyocera Mita Industrial Co., (H.K.) Ltd.	4	8.34
Canon Zhongshan Business Machines Co., Ltd.	6	7.12
Kuni-Stars Co., Ltd.	5	4.24
Epson Precision (H.K.) Ltd.	2	3.30
Zastron Electronic (Shenzhen) Co., Ltd.	6	2.93
Ricoh Components (H.K.) Limited	8	2.42
Fuji Xerox of Shenzhen Ltd.	12	0.79

For each of the three years ended 31 December 2004, sales to the largest customer of the Group accounted for approximately 18%, 18% and 20% of the Group's total turnover respectively. For the same period, sales to the top five customers of the Group accounted for approximately 58%, 58%, and 59% of the Group's total turnover respectively.

The Directors have confirmed that none of the Directors, their respective associates and shareholders of the Company holding more than 5% of the issued share capital of the Company had any interest in any of the five largest customers of the Group for each of the three years ended 31 December 2004.

COMPETITION

The Directors believe that the major barriers for new entrants to the precision mould design and production industry comprise the substantial capital requirement for investment in technologically advanced machinery, equipment and the technical know-how of the precision mould design production industry, market reputation, reliability in meeting delivery schedules and technological sophistication of product designs. Moreover, the Directors are of the view that substantial time, experience and investment would be required for a new entrant to build up a business that is comparable to that of the Group in terms of scale, technology, market reputation and quality of client base.

According to the China Industry News (July 2004), and SZMA (June 2004), the annual production of mould products in the PRC has reached RMB45 billion in 2003. According to《中國模具制造業行業分析報告》(Analysis of the China Moulding Industry) which was published in 2004 by ChinaCCM.com, an international technology company which provides market research and consulting solutions in the PRC, and based on the data of the National Bureau of Statistics of China and the PRC Customs, there are approximately 572 industry practitioners whose annual sales are over RMB5 million. Most of them are located in the eastern PRC and Guangdong Province. In 2003, approximately 25.7%, 19.9%, 13.6% and 11.0% of these major industry practitioners are found in Guangdong Province, Zhejiang Province, Shanghai and Jiangsu Province.

Although facing a large number of competitors, the Directors believe that, by expanding the Group's business scope into plastic mould design and production, plastic components manufacturing and assembly of components into semi-finished products, the competitiveness of the Group will be significantly improved.

RESEARCH AND DEVELOPMENT

The Group is a vertically-integrated components manufacturing solutions provider for its customers. The Group's customers will provide specifications of functions and features of components while the Group is responsible for the design and fabrication of moulds and design of products manufacturing process. The ownership of moulds that are designed and fabricated by the Group for the manufacturing of components ordered by the Group's customers belongs to the relevant customers.

The Directors confirm that the Group's research and development capability depends on (i) the industry knowledge and technical-expertise of in-house engineers engaged in the design and fabrication of moulds; (ii) use of appropriate advanced and quality machinery and equipment for the production of moulds and manufacturing of components; and (iii) the Group's product qualification capabilities through a stringent approach in identifying and improving product testing to ensure strict compliance with customers' specifications. During the Track Record Period, the total costs in relation to research and development amounted to approximately HK$1,158,000, HK$1,922,000 and HK$2,740,000 respectively.

INSURANCE

The Group maintains insurance against losses or damages of the Group's properties. The aggregate amount of insurance coverage of the Group's properties including buildings, machinery and equipment, and inventory, as at the Latest Practicable Date, is approximately RMB168 million. However, the Group has not taken out any product liability insurance. During the Track Record Period, the Group has not experienced any claims made by its customers relating to the products and services provided by the Group. The Directors consider that the Group's insurance coverage over its properties is adequate and does not foresee any significant possibility of future product liability resulting from claims made by any of its customers against the Group.

REGULATIONS, INDUSTRY POLICIES AND PERMITS REGARDING THE PRC SUBSIDIARIES

The Group's business operation has been and will be principally carried on by the Group's PRC subsidiaries, namely, Yihe Precision Hardware, Yihe Plastic & Electronic, and Yihe Metal Products before it was disposed in June 2004.

Yihe Precision Hardware, Yihe Plastic & Electronic and Yihe Metal Products are both wholly foreign-invested manufacturing enterprises, and have to abide by the prevailing laws and regulations of the PRC governing foreign-investment enterprises which mainly include《中華人民共和國外資企業法》(Law of the People's Republic of China on Foreign-funded Enterprises),《中華人民共和國外資企業法實施細則》(Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises),《外商投資企業產業指導目錄》(Catalogue for the Guidance of Foreign Investment Industries),《中華人民共和國環境保護法》(Environmental Protection Law of the People's Republic of China),《中華人民共和國外商投資企業和外國企業所得税法》(Income Tax Law of the People's Republic of China on Foreign-funded Enterprises and Foreign Enterprises),《中華人民共和國外商投資企業和外國企業所得税法實施細則》(Rules for the Implementation of the Income Tax Law of the People's Republic of China on Foreign-funded Enterprises and Foreign Enterprises),《中華人民共和國公司法》(Companies Law of the People's Republic of China),《中華人民共和國產品質量法》(Product Quality Law the People's Republic of China),《中華人民共和國民事訴訟法》(Civil Litigation Law of the People's Republic of China),《中華人民共和國合同法》(Contract Law of the People's Republic of China) and《中華人民共和國仲裁法》(Arbitration Law of the People's Republic of China).

According to《工業產品生產許可證試行條例》(Trial Rules of Production License on Industrial Products) and their administrative measures and other related regulations, Yihe Precision Hardware, Yihe Plastic & Electronic and Yihe Metal Products are both companies operating in industries involving implementation of license administration that require no production licenses.

Industrial-based policies applicable to the moulding industry in which Yihe Precision Hardware, Yihe Plastic & Electronic and Yihe Metal Products operate include mainly《工業行業近期發展導向》(Recent Development Guidance on Industrial Sectors and《機械行業近期發展導向》(2002年9月) (Recent Development Guidance on the Machinery Industry(Sep 2002)),《機械工業"十五"規劃》(2001年6月) (The Tenth Five-Year Plan for the Machinery Industry (June 2001)),《輕工業"十五"規劃》(2001年6月) (The Tenth Five-Year Plan for the Light Industry(June 2001)),《當前國家重點鼓勵發展的產業、產品和技術目錄》(2000年9月) (Catalogue for the Industries, Products and Technologies Highly Recommended and Encouraged by State for Development (Sep 2000)) and《關於當前產業政策要點的決定》(Decision on the Main Points of the Prevailing Industrial-based Policies). According to the PRC Legal Advisers, there are no specific rules or regulations relating to the business operation of the Group's PRC subsidiaries. The PRC Legal Advisers are of the opinion that each of the Group's subsidiaries in the PRC has obtained all the relevant licenses, permits or certificates for the operations of its business.

Moreover, according to the foreign invested enterprise certificate and the existing article of association of Yihe Precision Hardware and Yihe Metal Products, 100% and 70% of their products are to be exported respectively. The Directors have confirmed that Yihe Precision Hardware and Yihe Metal Products have complied with their such requirement since their incorporation.

Environmental protection

According to a written confirmation from 深圳市寶安區環境保護局 (Shenzhen Baoan District Environmental Production Bureau), the operation of the Group's production plant is in compliance with the relevant environmental protection requirements of the State and the Shenzhen Municipal and has not been subject to any penalty due to non-compliance of relevant law and regulation. In addition, the Group has obtained the ISO 14001:1996 certification for environmental management control.

LAND AND PROPERTY

On 18 January 2001, the Group and Langxin Village Society entered into 土地合作協議書 (the property cooperation agreement) and supplementary agreements dated 4 July 2001, 12 November 2001 and 20 August 2004 respectively (collectively hereinafter referred to as the "Property Cooperation Agreements") for a term of 50 years commencing on 28 April 2001 and ending on 28 May 2051, in relation to the development of a piece of land of approximately 53,000 sq.m. for a consideration amounted to approximately RMB2,708,000. The Group intended to use the land to build its factory buildings and staff accommodation.

As the nature of the approximately 53,000 sq.m. land is a collectively-owned property owned by the Langxin Village Society, the Langxin Village Society has the rights to enter into the Property Cooperation Agreements and to receive a compensation fee from the Group in respect of such land property. 深圳市規劃於國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau), the then government authority which regulates the use of land resources in Shenzhen, accepted the practice that the relevant party which intended to acquire the rights to use land property would directly negotiate with the collective party to reach a consideration for requisition of the land property. Such consideration should be deemed to be the compensation fee. As such, the Group entered into 土地合作協議 (the Property Cooperation Agreement) with the Langxin Village Society in 2001 to settle the required compensation fee and subsequently in 2002 entered into 土地使用權出讓合同 (the Land Use Right Agreement) with 深圳市規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau).

Pursuant to the Property Cooperation Agreements, Langxin Village Society agreed to allow the Group to use a piece of land of approximately 53,000 sq.m. located at Shiyan Town, Bao'an District for industrial purposes. Langxin Village Society would assist the Group in the handling of any relevant application to 深圳市規劃與國土資源局 (Shenzhen Municipality Planning and State-owned Land Resources Bureau) in respect of the Realty Title Certificate (房地產證), which documents the ownership of both the land use rights and the building property. Such formalities include any application, approval and registration procedures in respect of the land and Langxin Village Society guarantees the completeness, legality and effectuality of such formalities. During the term of cooperation, the Langxin Village Society promises to respect absolutely the autonomy of the Group's operation.

The other major terms of the Property Cooperation Agreements are: during the term of such cooperation, the Group has the absolute rights to utilise the captioned land and in the event that the land is requisitioned by the government, the Group shall be entitled to all compensation for buildings and land and any other compensation attached to the land. The Group will bear the land premium payable arising from its formal application to 深圳市規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau) for obtaining the Realty Title Certificate (房地產證). (Please also refer to the paragraph headed "Payments in relation to the approximately 53,000 sq.m. land" for the detailed actual and estimated payments) The Group is entitled to the ownership of the buildings and other land fixtures, the right to operate independently and the right to lease, transfer and pledge as well as the rights to retain all the profits arising therefrom.

Prior to the signing of the Property Cooperation Agreements, the Langxin Village Society had already leased out a portion of approximately 10,000 sq.m of the 53,000 sq.m. of the land prescribed under the Property Cooperation Agreements to another company. Although such lease relationship had already been terminated as at 1 January 2001 and the land had been returned to the Langxin Village Society, the Langxin Village Society was still pending calculating and settling the lease fee. Pursuant to the Property Cooperation Agreements, the said approximately 10,000 sq.m of land would be transferred to the Group after settlement of the aforementioned lease fee and carrying the out of land levelling by the Langxin Village Society (hereinafter referred to as the "outstanding issues").

On 9 April 2002, as the outstanding issues in relation to the above mentioned approximately 10,000 sq.m. of land by the Langxin Village Society has not yet settled, the Group entered into 土地使用權出讓合同 (Land Use Rights Agreement) (as amended by a supplementary agreement dated 28 September 2002) (together herein after referred to as "Land Use Right Agreements") with 深圳市規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau) in respect of the remaining approximately 43,000 sq.m. of the land out of the total 53,000 sq.m. for a consideration of approximately RMB4,945,000. On 9 April 2002, 深圳市寶安區財政局 (the Finance Department of Shenzhen Municipality Bao'an District) issued receipts representing the due settlement on time of the abovementioned approximately RMB4,945,000 (this was subsequently confirmed by a land price payment confirmation (付清地價款證明) issued on 15 October 2003 by 深圳市規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau). Pursuant to the Land Use Right Agreements, the Group has already legally obtained the right to use the portion of land of approximately 43,000 sq.m. Accordingly, the Group commenced construction of its factory buildings on the remaining portion of approximately 43,000 sq.m. of the land.

In May 2002, as confirmed by the Langxin Village Society, Langxin Village Society resolved the outstanding issues and the Group started building its staff accommodation on this portion of approximately 10,000 sq.m. of the land and the land title of which is still being processed. The Directors expected that the consideration in respect of acquiring the Realty Title Certificate (房地產證) would be approximately RMB3,830,000 payable to 深圳市規劃與國土資源局 (Shenzhen Municipality Planning and State-owned Land Resources Bureau) and which the Group intends to fund through cash flows generated from operations.

Realty Title Certificate (房地產證) relating to the Group's three blocks of factory property situated on the portion of approximately 43,000 sq.m. of land (the "Factory Land")

The Group planned to build three blocks of factory buildings on the Factory Land. The Group has completed construction of the first two blocks and the main structure of the third block of the factory building has been completed and the third block of the factory is currently undergoing final furnishing, which the Directors expect to be completed in the first half of 2005. (Please also refer to the section "Production facilities and capacity" for detailed usage). On 7 January 2005, 深圳市國土資源和房產管理(寶安分局) (Shenzhen Municipality Administration Bureau of State-owned Land Resources and Property (Bao'an District)) accepted the Group's application for the Realty Title Certificate (房地產證), which only relates to the ownership of the land use rights for the Factory Land as the third block of factory building was still in the process of construction. In March 2005, the Group has obtained the Realty Title Certificate (房地產證) issued by 深圳市國土資源和房產管理局(寶安分局) (Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District)) which relates to the ownership of the land use rights only. Upon completion of the construction of the third block of the factory buildings completed and the relevant verification certificate having been obtained, the Group will proceed to apply for a new Realty Title Certificate (房地產證) which documents the ownership of both the land use rights and the three blocks of factory buildings erected thereon as a whole to replace the existing one.

Moreover, according to the Land Use Rights Agreements, the Group should complete the construction of all the three blocks of factory buildings before 9 April 2004, otherwise 深圳市規劃與國土資源局 (Shenzhen Municipality Planning and State-owned Land Resources Bureau) has a right to impose a fine for any delay from the contracted date for completion inspection.

Furthermore, the Group has commenced the construction of the first block of factory building prior to obtaining the relevant 建設工程規劃許可證 (Construction Works Planning Permit) and 建設工程施工許可證 (Construction Works Commencement Permit). Consequently, in September 2002, the Group paid a fine amounted to approximately RMB498,000 to 深圳市規劃與國土資源局(寶安分局) (the Shenzhen Municipality Planning and State-owned Land Use Resources Bureau (Bao'an District)) in relation to the above and obtained the relevant 建設工程規劃許可證 (Construction Works Planning Permit) and 建設工程施工許可證 (Construction Works Commencement Permit) from 深圳市寶安區建設局 (the Shenzhen Construction Bureau (Bao'an District)) in October 2002 and December 2002 respectively. Moreover, the aforesaid permits in respect of the second and third blocks of the factory buildings have been obtained in accordance with the relevant regulations.

Legal opinion

The PRC Legal Advisers are of the opinion that the Group has legally obtained the rights to use the land documented by the Realty Title Certificate (房地產證) granted by the 深圳市國土資源和房產管理局(寶安分局) (Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an)) in March 2005. The PRC Legal Advisers are also of the view that the Group should have no legal obstacle in obtaining the Realty Title Certificate (房地產證), which documenting both the ownership of the land use rights and the three blocks of factory buildings erected thereon, upon the Group completes the registration process for the Realty Title Certificate (房地產證) which documents both the ownership of the land use rights and the building property.

Moreover, pursuant to the terms of the Land Use Right Agreements, 深圳市規劃與國土資源局 (the Shenzhen Municipality Planning and State-owned Land Resources Bureau) may impose a fine equivalent to 10% of the land premium for the delay in the completion in the construction of the third block of factory, which will be approximately RMB193,000 (equivalent to 10% of the land premium of approximately RMB1,930,000). The PRC Legal Advisers are of the opinion that the completion of the construction of the third block of factory building before 9 April 2004 is not a critical condition for obtaining the Realty Title Certificate (房地產證) and the imposition of such fine would not result in a refusal to grant the Realty Title Certificate (房地產證) documenting the Group's ownership of both the land use rights and the building property.

Regarding the construction of the first block of factory building prior to obtaining the relevant 建設工程規劃許可證 (Construction Works Planning Permit) and 建設工程施工許可證 (Construction Works Commencement Permit), the PRC Legal Advisers are of the view that as the Group has paid the relevant fine to the relevant government authority in respect of such historical procedual blemish and has subsequently obtained 建設工程規劃許可證 (Construction Works Planning Permit) and 建設工程施工許可證 (Construction Works Commencement Permit), the Group will not subject to any further penalty and this will not cause any obstacle to the Group in obtaining the Realty Title Certificate (房地產證) documenting the Group's ownership of both the land use rights and the building property.

Indemnity

Each of the Indemnifiers has jointly and severally undertaken to indemnify the Group in connection with, amongst other things, all losses, including the fine of approximately RMB193,000, the Group may incur relating to the failure to obtain the Realty Title Certificate (房地產證) documenting the Group's ownership of both the land use rights and the building property of the Group.

Realty Title Certificate (房地產證) relating to the four blocks of staff accommodation on the remaining portion of approximately 10,000 sq.m. of land (the "Accommodation Land")

The Group has built four blocks of staff accommodation on the Accommodation Land. The fourth block of staff accommodation has been completed and put into use in April 2005.

The Group has applied for the land property ownership in respect of the above four blocks of staff accommodation based on the historical illegal manufacturing and operating structures category in February 2003 according to《深圳經濟特區處理歷史遺留生產經營性違法建築若干規定(2001)》(Certain Regulations relating to the Processing of Historical Illegal Manufacturing and Operating Structures (2001) by the Shenzhen Special Economic Zone) (the "Certain Regulations"). According to the Certain Regulations, buildings which were built prior to 5 March 1999 on land that had been acquired improperly, subject to fulfillment of certain conditions, can apply for the relevant titles before 1 March 2003. In February 2003, the Group has submitted an application to the 深圳市石岩鎮處理歷史遺留遺法私房和生產經營性違法建築領導小組辦公室 (Shenzhen Shiyan Administrative Office for Handling Historical Illegal Private Houses and Manufacturing and Operating Structures) (the "Historical Issues Office"), the relevant government authority responsible for enforcing the Certain Regulations. Nevertheless, the PRC Legal Advisers advised that as the Group occupied this Accommodation Land, and commenced construction of the staff accommodation after 5 March 1999, the Group's staff accommodation does not fall within the types of illegal structures under the Certain Regulations. However, pursuant to enquiries made by the PRC Legal Advisers with the Historical Issues Office, the application for the Realty Title Certificates (房地產證) in respect of the four blocks of staff accommodation has been acknowledged as the construction of the staff accommodation has already been commenced or completed at the time of application, and the Group has obtained an acknowledgement receipt demonstrating that the applicant has gone through the preliminary processing stage.

Upon the Historical Issues Office completed the processing procedures, the Group can formally enter into 土地使用權出讓合同 (land use right agreement) to acquire the ownership for the piece of land and apply for a Realty Title Certificate (房地產證). According to relevant policies, the Group shall pay the land premium of approximately RMB3,283,000 (which was calculated on the basis of a land premium charge of RMB180 per every square meter, according to the relevant regulation of Shenzhen, of the construction area of staff accommodation which is approximately 28,238 sq.m. and an additional fine of approximately RMB547,000 in relation to the construction of the four blocks of staff accommodation prior to obtaining the relevant approvals for (which was estimated by the PRC legal Advisers pursuant to the Certain Regulations and on the basis of a fine of RMB30 per square meter on the total construction area of the staff accommodations, which is approximately 18,237.87 sq.m.). The aggregate amount of approximately RMB3,830,000 payable in respect of the Accommodation Land and the four blocks of staff accommodations erected thereon has already recorded as land premium payable in the Group's combined accounts.

Currently, the Group has yet entered into any land use right agreement with any government authority or application for a Reality Ownership Certificate (房地產證) which documenting the legal title of the land use rights of the Accommodation Land.

Legal opinion

The PRC Legal Advisers are of the opinion that pursuant to the Property Cooperation Agreements that the Group entered into with the Langxin Village Society, the Group has the right to legally occupy the land. The PRC Legal Advisers are further of the opinion that the Group should be able to obtain the Realty Title Certificate (房地產證) relating to the four blocks of staff accommodation situated on the Accommodation Land after making payment of relevant penalty and premium and fulfilling the relevant requirements upon the completion of the application process.

Indemnity

Each of the Indemnifiers has jointly and severally undertaken to indemnify the Group in connection with, amongst other things, all losses, other than the above mentioned fine and land premium but excluding any amount in excess of such amount as the Group has already recorded such amount as the land premium payable, the Group suffered as a result of the Group's failure to obtain the Realty Title Certificate (房地產證) in its accounts, in respect of the staff accommodation. However, since the staff accommodation does not constitute part of the operational assets of the Group, the Directors believe that the failure to obtain the Realty Title Certificate (房地產證) will not have any material impact on the business operation of the Group.

The following table summarises the expenses paid and to be incurred in relation to the above-mentioned property of the Group. The Directors have confirmed that the aggregate amounts payable of approximately RMB4 million in relation to such properties will be funded by cash generated from operations.

	(RMB) *(approximate)*
Amount paid to 深圳市規劃與國土資源局 (Shenzhen Municipality Planning and State-owned Land Resources Bureau) in relation to the Land Use Right Agreements regarding the approximately 43,000 sq.m. land	4,944,676
– consideration for acquiring the rights to use the land	*1,930,354*
– land development fee	*502,387*
– urban infrastructure and facilities fees	*2,511,935*
Amount paid to Langxin Village Society in relation to the Property Cooperation Agreements	2,708,158
Amount paid to 深圳市國土資源和房產管理局 (寶安分局) (the Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District)) in relation to construction of the first block factory building prior to obtaining 建設工程規劃許可證 (Construction Works Planning Permit)	497,991
Total Amount Paid:	8,150,825
Fine payable in relation to land of approximately 10,000 sq.m. with four blocks of staff accommodation erected thereon to be paid upon receiving notice from 深圳市國土資源和房產管理局 (寶安分局) (the Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District))	547,163
Additional land premium in relation to the land of approximately 10,000 sq.m., with four blocks of staff accommodation erected thereon to be paid upon receiving notice from 深圳市國土資源和房產管理局 (寶安分局) (the Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District))	3,282,816
Possible fine payable in relation to the delay in completion of the third block of the factory buildings to be paid upon receiving notice from 深圳市國土資源和房產管理局(寶安分局) (the Shenzhen State-owned Land Use Resources and Real Estate Management Bureau (Bao'an District)) *(Note)*	193,035
Total Amount Payable:	4,023,014

Note: Each of the Indemnifiers has jointly and severally undertaken to indemnify the Group in connection with, amongst other things, all losses, including the fine of approximately RMB193,000.

NON-COMPETITION UNDERTAKING AND OTHER UNDERTAKINGS

Mr. Zhang Hwo Jie, a Director and a controlling Shareholder, is a director and shareholder of Fullyrich Way Limited ("Fullyrich"), a company incorporated in Hong Kong, and holds 99.8% of the entire issued capital of Fullyrich with the other 0.2% being held by his wife. Apart from holding 40% of the equity interest in (上海富程塑料製品有限公司) Shanghai Fucheng Plastic Co., Ltd. ("Shanghai Fucheng"), Fullyrich does not currently carry on any business. Shanghai Fucheng, of which Mr. Zhang Hwo Jie is a director, is a company established in the PRC whose principal business is the production of plastic packaging products used in food industry, daily life necessity industry and electronic industry such as ice-cream cups, yoghurt cups, drinking cups (lids), hardware, tools, toys, negative pressure forming plastic products packing of electronic components and plastic materials used in negative pressure plastic forming and decoration.

Since neither Fullyrich nor Shanghai Fucheng currently engages in any business in connection with metal and plastic moulding and metal stamping and plastic injection products manufacturing services as the Group does or plans to do, the Directors believe that there is no direct competition between the business of Fullyrich and Shanghai Fucheng, and that of the Group.

Save as disclosed above, none of the Directors and controlling Shareholders is interested in a business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the current or prospective business of the Group.

On 20 April 2005, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua separately made a non-competition undertaking to the Company. Pursuant to the non-competition undertaking, each of Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua unconditionally and irrevocably undertook to the Company, save for any interest held through the Company or any of its subsidiaries and any investment in less than 5% of the issued share capital of any company whose shares are listed on any recognised stock exchange, that he will not, and will procure his Associates not to by themselves or jointly with other persons or companies, directly or indirectly participate or invest in any business that compete with the business of any members of the Group as stated in this prospectus until he or his Associates ceased to have interest in 10% or more of the issued share capital of the Company or the Shares ceased to be listed on the Stock Exchange or other stock exchange.

On 20 April 2005, Yihe Metal Products unconditionally and irrevocably undertook to the Company that, save for any investment in less than 5% of the issued share capital of any company whose shares are listed on any recognised stock exchange, it would not directly or indirectly carry on any business that compete with the business of any members of the Group as stated in this prospectus until Mr. Zhang Yaohua and Mr. Zhang Jian Hua together ceased to have interest in 10% or more of the equity interest of Yihe Metal Products or they together ceased to have interest in 10% or more of the issued share capital of the Company or the Shares ceased to be listed on the Stock Exchange or other stock exchange, whichever is the earliest.

EXEMPT CONTINUING CONNECTED TRANSACTIONS TO BE DISCONTINUED UPON LISTING

1. Mr. Zhang Hwo Jie executed a guarantee and indemnity dated 9 August 2004 in favour of DBS Bank (Hong Kong) Limited ("DBS Bank"), whereby he agreed to pay to DBS Bank on demand all sums of money and liabilities owing or incurred to DBS Bank by EVA Limited, provided that the total amount recoverable in respect of principal liabilities from Mr. Zhang Hwo Jie would not exceed HK$40,000,000. By means of a charge on cash deposit(s) to secure third party liabilities dated 9 August 2004 executed by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua in favour of DBS Bank, they agreed to charge all deposits, credit balances and monies in accounts maintained with the DBS Bank to secure all sums of money and liabilities owing or incurred to DBS Bank by EVA Limited.

   Mr. Zhang Hwo Jie executed a guarantee and indemnity dated 24 January 2005 in favour of DBS Bank whereby he agreed to pay to DBS Bank on demand all sums of money and liabilities owing or incurred to DBS Bank by EVA Limited provided that the total amount recoverable in respect of principal liabilities from Mr. Zhang Hwo Jie would not exceed HK$70,000,000.

   DBS Bank has conditionally agreed in principle to release and discharge the above guarantees and indemnities and the charge on cash deposit(s) upon the listing of the Shares on the Stock Exchange. The guarantees and indemnities and the charge on cash deposit(s) will then be replaced by corporate guarantee(s) or other form of security from the Company and/or its subsidiaries.

2. Mr. Zhang Hwo Jie executed a guarantee and indemnity dated 24 September 2004 in favour of DBS Bank, whereby he agreed to pay to DBS Bank on demand all sums of money and liabilities owing or incurred to DBS Bank by EVA Plastic Products (HK), provided that the total amount recoverable in respect of principal liabilities from Mr. Zhang Hwo Jie would not exceed HK$12,000,000. DBS Bank has conditionally agreed in principle to release the guarantee and indemnity upon the listing of the Shares on the Stock Exchange. The guarantee and indemnity will then be replaced by corporate guarantee(s) or other form of security from the Company and/or its subsidiaries.

3. Pursuant to three guarantees and indemnities (leasing) dated 7 May 2001, 19 July 2001, and 31 January 2002 respectively, which were executed by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua in favour of East Asia GE Commercial Finance Limited (formerly known as East Asia Heller Limited), Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua jointly and severally guarantee the payment to East Asia GE Commercial Finance Limited of all and every sum or sums of money due from EVA Limited under certain leases. Such leases were entered into between East Asia GE Commercial Finance Limited and EVA Limited whereby East Asia GE Commercial Finance Limited let to EVA Limited certain equipment. The Company has received a conditional confirmation in principle from East Asia GE Commercial Finance Limited that, upon the listing of the Shares on the Stock Exchange, the guarantees and indemnities will be discharged and replaced by corporate guarantee(s) from the Company.

4. The Group has entered into various hire purchase agreements with Citic Ka Wah Bank. Details of the finance lease obligations are stated in the accountants' report contained in Appendix I to this prospectus. The obligations of the Group under certain of such hire purchase agreements are secured by joint and several personal guarantees provided by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua and personal guarantee provided by Mr. Zhang Yaohua. The Company has received confirmation from Citic Ka Wah Bank that it conditionally agreed to release the personal guarantees provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, subject to, inter alia, the listing of the Shares on the Stock Exchange. The personal guarantees will then be replaced by corporate guarantee(s) from the Company.

5. Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua executed an unconditional, irrevocable and continuing guarantee dated 27 October 2004 in favor of UFJ Bank Limited to jointly and severally guarantee and undertake to pay all moneys owing by EVA Limited to UFJ Bank listed at any time, interest thereon and all commission fees, costs and expenses. The Company has received a conditional confirmation in principle from UFJ Bank Limited that upon the listing of the Shares on the Stock Exchange, the guarantee provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua will be released.

6. The Group has entered into various lease agreements with Orix Asia Limited to lease certain goods from Orix Asia Limited. The obligations of the Group under certain of the lease agreements are secured by guarantee of Mr. Zhang Hwo Jie. The Company has received a confirmation in principle from Orix Asia Limited that upon the listing of the Shares on the Stock Exchange, the guarantees provided by Mr. Zhang Hwo Jie will be discharged and replaced by corporate guarantee(s) from the Company.

FUTURE PLANS AND PROSPECTS

The Group is striving to become a metal and plastic moulding, metal stamping and plastic injection products manufacturing services provider.

Since the adoption of open door policies by the PRC government, the PRC's manufacturing industry has developed a strong competitive advantage and gained a reputation as the world's largest production base. Many multi-national enterprises have set up their production facilities or sought cooperation partners in the PRC. In particular the Japanese electronic and OA industry, and numerous Japanese electronic and OA equipments manufacturers, have shifted their production base of labour-intensive production to the PRC in order to extend their market coverage and enjoy low labour and production costs. In addition, most Japanese electronic and OA equipments manufacturers will outsource some of their production, in particular the production of parts and components, to other manufacturers in the PRC to reduce their production costs. The Directors believe that, with the continuous technological improvement of electronic and OA products and the increase in the demand for such electronic and OA products, the Group's business is well-positioned to continue to grow.

In order to strengthen the Group's profitability, maintain its market share and facilitate the Group in becoming a long-term business partner of its customers, the Directors have formulated the following business strategies: (i) expanding the Group's manufacturing facilities and strengthening its production capacity; (ii) setting up a moulding development centre to strengthen the Group's capability and techniques in the design and manufacture of precision metal stamping moulds and plastic injection moulds; (iii) complementing the Group's insourcing services by developing the production of plastic injection moulds and plastic injection moulding products; and (iv) providing integrated assembly services to the Group's customers.

Expansion of manufacturing facilities and strengthening of production capacity

In order to cope with future business growth, the Group has commenced construction of one additional block of factory building at the same piece of land property where the existing factory building situated as the production base for design and fabrication of plastic injection mould, manufacturing of plastic injection components and assembly services. The construction of the main structure of this new factory building has completed and it is currently undergoing final furnishing which is expected to commence operations in the first half of 2005. The total investments for the construction of this new factory building is approximately HK$11,718,000. As at 31 December 2004, the Group had already invested approximately HK$8,474,000 for the construction of the new factory building and the Directors expect the remaining investment amount to approximately HK$3,244,000, will be funded by cash flows internally generated by the Group.

In addition to the proposed expansion of production, the Directors attach particular importance to maintaining the Group's product quality and production scale, which the Directors consider to be crucial to strengthen its competitive edge. To achieve these objectives, the Group will continue to acquire new machinery to ensure that it is able to maintain a high level of production capability and to meet market demand.

Setting up a mould research and development centre to strengthen the Group's capabilities and techniques in the design and manufacture of precision metal stamping moulds and plastic injection moulds

In order to capture the business opportunity arising from the increasing demand for precision metal stamping moulds and plastic injection moulds for the electronic, OA and automobile industries, the Group plans to set up a mould research and development centre specialising in research and development of precision moulds for both precision metal stamping products and plastic injection components for the aforesaid industries. As components for consumer electronics and OA equipment become smaller and more complicated, the requirements for quality and preciseness relating to these components are becoming more stringent. The design, quality and precision of moulds are important for the smoothness, accuracy and efficiency of the manufacturing process of precision metal stamping products and plastic injection products. As a result, technology, quality control and production scale are crucial factors for precision metal stamping moulds and plastic injection moulds manufacturers to succeed in the future. In order to keep up with increasing demand for higher quality components from its customers, the Directors plan to capitalise on the Group's strong competitive edge in these areas to seize this business opportunity. The Group expects that the mould research and development centre will commence operation in early 2006. The Group intends to market its precision metal stamping moulds and plastic injection moulds products not only to Japanese clients but also to American and European clients to broaden its client base and product variety.

The Group is targeting to acquire a piece of land located in 深圳市寶安區 (Bao'an District of Shenzhen) from the PRC government for the establishment of the mould development centre and plans to construct self-owned premises with a construction area of approximately 20,000 sq.m.. The Group plans to recruit approximately 320 staff and invest approximately HK$11 million in acquiring machinery and equipment, such as CNC processing equipment and milling machines, for mould manufacturing. It is currently estimated that, out of the total HK$24 million earmarked for the establishment of the production base for the mould development centre, HK$4 million will be utilised for the acquisition of land whilst the remaining balance will be utilised for the construction of the mould research and development centre. The Group expects that the mould research and development centre will be able to commence operation in early 2006.

Complementing the Group's outsourcing services by horizontally expanding into the production of plastic injection moulds and plastic injection moulding products

To the best of the Directors' knowledge, some of the Group's customers have outsourced the production of plastic injection moulds and plastic injection moulding components of the products to manufacturers in the PRC and then engaged the Group to provide assembly services to assemble these plastic components with the Group's precision metal stamping products. For more details of the Group's current assembly business please refer to the paragraphs headed "Assembly services" under the section headed "Description of business" of this prospectus.

As there is substantial demand for plastic injection moulds and plastic injection components from the Group's customers, and the Group is able to capitalise on (i) its experience in assembly of the precision metal stamping products and the plastic injection moulding products; (ii) its success in the design and manufacture of precision metal stamping moulds and precision metal stamping products; and (iii) its relationship with its existing customers, the Directors believe that the provision by the Group of plastic injection mould design and manufacturing and plastic injection components production services will enable its customers to lower their production lead-time and cost and add competitiveness to the Group. Consequently, the Group has decided to extend horizontally its business to include the provision of the design and manufacture of plastic injection moulds and the manufacture of plastic injection products. The Directors consider that such horizontal expansion into the production of plastic injection moulds and components business would enable the Group to provide its customers with both vertically and horizontally integrated services for both metal and plastic products manufacturing services. Therefore, the Group has commenced research and development on the technology of manufacturing plastic injection moulds in October 2004 and the trial production of plastic injection moulds and products in December 2004 in the second block of the factory buildings in order to prepare for such business development. As at the Latest Practical Date, the Group is negotiating with a number of customers on new projects regarding the plastic injection moulds production and transfer of existing plastic injection moulds from customers to the Group for the manufacture of plastic injection components.

The Group has taken certain steps to implement the expansion plan of the plastic injection mould and components business:

As a first step, EVA Plastic Products was incorporated in March 2004 to carry out the future trading of plastic injection moulds and products, while Yihe Plastic & Electronic was incorporated as a wholly-owned foreign enterprise in the PRC in July 2004 to carry out the business of plastic injection mould and products manufacturing.

Secondly, the Group intends to utilise HK$32 million from the net proceeds of the Share Offer for the purchases of machinery and equipment for the production of plastic injection moulds and products. And out of the above-mentioned HK$32 million, the Group intends to utilise approximately HK$10 million for purchasing machinery and equipment, such as coordinate measuring machine (三座標測量儀) and CNC machines (立式加工中心), for fabrication of plastic injection moulds and approximately HK$22 million for purchasing machinery and equipment such as plastic injection machines (注塑機) for manufacturing of plastic injection products.

As advised by the Directors, the principal raw material for the fabrication of precision metal stamping moulds and plastic injection moulds is the same (which is steel) and the technique and machinery for the precision metal stamping moulds and plastic injection moulds fabrication processes are also very similar and substantially all of the plastic injection moulds fabrication machinery to be purchased by the net proceeds (which is approximately HK$10 million) can also be used for fabrication of precision metal stamping moulds. As such, the Directors believe that the above mentioned allocation of net proceeds will allow the Company to have greater flexibility to even apply these items of machinery for fabrication of precision metal stamping moulds should the metal stamping manufacturing business have a greater need for further expansion than the plastic injection manufacturing business in the future.

As at 31 March 2005, the Group has already acquired some machinery, which amounts to approximately HK$18 million by way of finance leases, for manufacturing of both plastic injection moulds and plastic injection products and which will be repaid by internal generated fund.

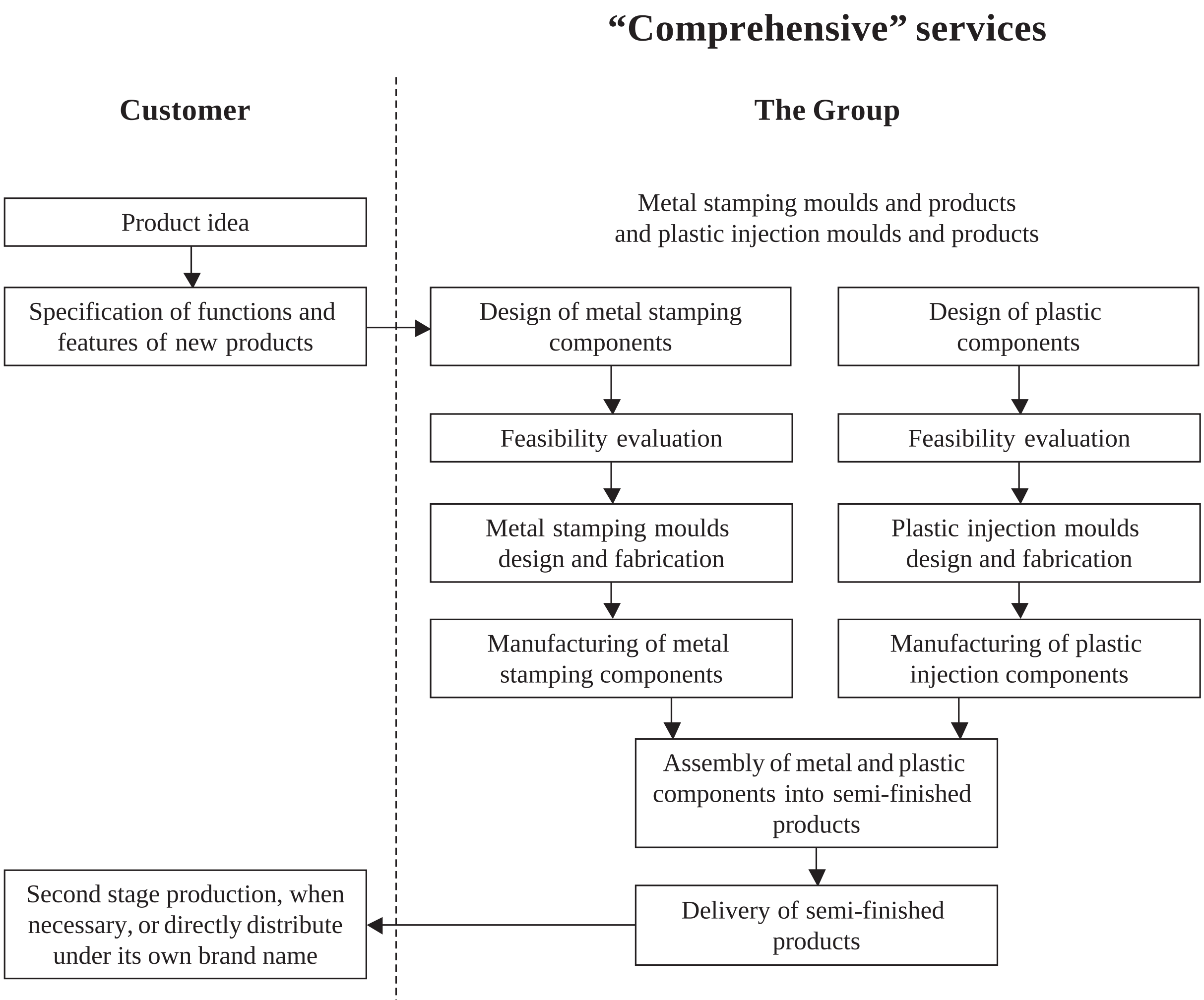
The Directors also sought legal advice in terms of market regulations, and, as advised by the PRC Legal Advisers, other than general PRC laws and regulations governing the setting of manufacturing business in the PRC, there is no specific regulation relating to the electronic components (including precision metal stamping products and plastic injection products) moulding industry in the PRC.

Providing integrated assembly services to its customers

Currently, the Group is engaged in providing small scale assembly services for its customers, who are consumer electronic and OA equipment providers, on a case by case basis. The assembled products are semi-finished and have to be further processed by the customers into the final products. Of the partially assembled products, only the metal parts are produced by the Group whilst the plastic components have to be outsourced to third parties. The Directors believe that, with the commencement of operation of the Group's new production factory, the third block factory building for plastic injection products production and assembly services in or around mid 2005, the Group will be able to provide a full range of component manufacturing services and further utilise the products produced by the Group (both metal stamping components and plastic injection components) to provide integrated assembly services to its customers for the assembly of their consumer electronic and OA equipment products. This will strengthen the Group's moulding and components manufacturing services, while enhancing the Group's position as an insourcing services provider and a business partner for its customers.

It is planned that, by the middle of 2006, about two to three stories of the third block factory building will be developed into an assembly plant for OA components and parts production accommodating 650 staff and has an area of 12,000 sq.m.. The machinery and equipment there includes 200 working benches and 10 production lines.

The following diagram illustrates the future business model of the Group's comprehensive services accomplished by the expansion plans mentioned above:



PROPOSED USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer, after deduction of underwriting commission and estimated listing expenses to be borne by the Company in relation to the Share Offer and assuming the Over-allotment Option is not exercised, are estimated to be approximately HK$128 million. The Company intends to apply the net proceeds from the Share Offer as follows:

(i) as to approximately HK$32 million for the purchase of machinery and equipment for plastic injection moulds, such as coordinate measuring machines (三座標測量儀) and CNC machines (立式加工中心), (amounting to approximately HK$10 million) and different models of injection moulding machines (注塑機) for products manufacturing (amounting to approximately HK$22 million);

(ii) as to approximately HK$25 million for the purchase of additional 25 sets of stamping machines for the Group's existing production plant;

(iii) as to approximately HK$35 million for the setting up of a moulding development centre to strengthen the Group's engineering and product development capability, of which approximately HK$4 million is reserved for acquisition of a piece of land for the mould development centre, which is planned to have a construction area of approximately 20,000 sq.m., and approximately HK$20 million is reserved for the construction of the mould research and development centre, with the remaining balance of approximately HK$11 million being reserved for purchasing machinery and equipment for mould manufacturing;

(iv) as to approximately HK$30 million for repayment of bank loans, which comprise (i) a portion of a loan amounting to approximately HK$5 million, out of the total principal of approximately HK$14 million, with an annual interest rate at 7.25% and maturing in November 2005, which had been used for providing general working capital; (ii) a loan amounting to approximately HK$25 million with an annual interest rate at 1.5% over deposit rate and maturing in August 2008 which had been utilised for repayment of outstanding shareholders' loans; and

(v) as to the balance of approximately HK$6 million as general working capital for the Group, of which the Group.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds of approximately HK$20.9 million will be used by the Group as to (i) approximately HK$7.1 million for purchase of machinery and equipment for the manufacturing of plastic injection moulds and products; (ii) approximately HK$3.7 million for the purchase of additional machinery for metal stamping products manufacturing; (iii) approximately HK$5.1 million for the setting up of a mould research and development centre; (iv) approximately HK$5.0 million for general working capital. In the event that the net proceeds from the Share Offer are not immediately applied for the purposes outlined above, the Directors will place the net proceeds on short term (interest bearing) deposits with licensed banks or authorised financial institutions in Hong Kong.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following the completion of the Share Offer and Capitalisation Issue, without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or Shares which may be taken up by any person under the Share Offer which would give rise to a disclosure requirement in this section, the following persons will be entitled to exercise, or control the exercise of 10% or more of the voting power at general meetings of the Company:

Name	**Capacity**	**Number of Shares**	**Approximate percentage of shareholding immediately following the Share Offer and the Capitalisation Issue** *(%)*
Prosper Empire Limited	Beneficial owner	390,000,000	75%
Mr. Zhang Hwo Jie	Interest of a controlled corporation	390,000,000	*(Note 1)*
Mr. Zhang Yaohua	Corporate	128,700,000	*(Note 2)*
Mr. Zhang Jian Hua	Corporate	120,900,000	*(Note 3)*

Notes:

1. Mr. Zhang Hwo Jie holds 36% of the issued share capital of Prosper Empire Limited which will be interested in 75% of the issued share capital of the Company immediately following the completion of the Share Offer and Capitalisation Issue. Therefore, he will have an attributable interest of 27% of the issued share capital of the Company.

2. Mr. Zhang Yaohua holds 33% of the issued share capital of Prosper Empire Limited which will hold 75% of the issued share capital of the Company immediately following the completion of the Share Offer and Capitalisation Issue. Therefore, he will have an attributable interest of 24.75% of the issued share capital of the Company.

3. Mr. Zhang Jian Hua holds 31% of the issued share capital of Prosper Empire Limited which will hold 75% of the issued share capital of the Company immediately following the completion of the Share Offer and Capitalisation Issue. Therefore, he will have an attributable interest of 23.25% of the issued share capital of the Company.

EXECUTIVE DIRECTORS

Mr. ZHANG HWO Jie (張傑先生), aged 42, is the chairman of the Group. He is responsible for the overall strategic planning and marketing development of the Group. Prior to the establishment of the Group, Mr. Zhang had worked for a PRC joint venture company engaging in civil engineering projects. He started his first business in 1983 by acting as a contractor for civil engineering projects of the local government. In 1993, Mr. Zhang established EVA Limited and thereafter Mr. Zhang acquired extensive experience in customer relationship development and corporate management. He has over 10 years of experience in marketing, strategic planning and corporate management of the metal and moulding industry. He is also the vice-president of the Shenzhen Baoan Shiyan Association of Commerce (深圳市寶安區石岩商會). Mr. Zhang Hwo Jie is one of the founders of the Group in 1993. Mr. Zhang was appointed as a Director on 27 July 2004.

Mr. ZHANG Yaohua (張耀華先生), aged 32, the chief executive officer of the Group. He is responsible for the overall strategic planning and the operation and project development of the Group. He joined the Group in 1993 and was one of the co-founders of Yihe Metal Products, the first PRC subsidiary of the Group. Mr. Zhang has over 10 years of operational management experience in the industry of precision metal mould and parts manufacturing. He is presently the vice president of the Shenzhen Machinery Association (深圳市機械行業協會) and is also the vice president and founder of the Shenzhen Baoan United Enterprises Association (深圳市寶安區企業家協會). Mr. Zhang has obtained the International chief human resource officer qualification from the HK International Enterprise Management Institute in September 2003 and was accredited as one of the outstanding personalities in mechanical industry by the Shenzhen Machinery Association (深圳市機械行業協會) in 2004. Mr. Zhang is a brother of Mr. Zhang Hwo Jie. Mr. Zhang was appointed as a Director on 11 January 2005.

Mr. NOMO Kenshiro (野母憲視郎), aged 63, is the Director and senior consultant of the Group. Mr. Nomo is responsible for advising on the Group's production and operational management, business development and strategic planning. Mr. Nomo has over 40 years of solid experience in manufacturing, sales and marketing, public relationship and corporate management. Prior to joining the Group in June 2003, he held several managerial positions of various departments in 深圳美陽注塑有限公司, a moulding and parts manufacturer in the PRC, from 1991 to 2003. Mr. Nomo obtained a bachelor's degree in Mechanic Engineering from the Industrial Institution of Japan in 1963. Mr. Nomo was appointed as a Director on 11 January 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI Sun Wing (**呂新榮博士**), aged 54, is an independent non-executive Director and the Chairman of the Company's audit committee. Dr, Lui was a branch director of the Hong Kong Productivity Council, responsible for overseeing the materials and process branch. He then joined the Hong Kong Polytechnic University as a vice president in 2000, and is now responsible for partnership development. He is also the chief executive officer of the Institute of Enterprise of the Hong Kong Polytechnic University, the Poly U Technology and Consultancy Co. Ltd. and the Poly U Enterprises Limited. Dr. Lui was appointed as a Director on 11 January 2005.

Mr. CHOY Tak Ho (**蔡德河先生**), aged 76, is an independent non-executive Director. Mr. Ho. has 40 years of experience in international trading business in Hong Kong. He is the director of Union International (HK) Company Limited, Hong Kong Kwun Tong Industries and Commerce Association Limited and the Chinese Manufacturers' Association of Hong Kong Limited respectively. He is also a member of National Committee of the 9th Chinese People's Political Consultation Conference, the honorary director of China Overseas Friendship Association, a member of the 8th executive committee of All China Federation of Industry and Commerce, the 4th honorary president of Guangdong Chamber of Foreign Investors, the honorary vice president of Pui Ching Commercial College, the charter president of Hong Kong and Overseas Chinese Association of Commerce Ltd., the honorary permanent president of Hong Kong Commerce Industrial Associations, and the honorary life chairman of Chinese General Chamber of Commerce Hong Kong. He is currently the independent non-executive director of five main board-listed companies and one company listed on the Growth Enterprise Market operated by the Stock Exchange, namely, Sino Golf Holdings Limited, Ocean Grand Holdings Limited, Yanion International Holdings Limited, Oriental Explorer Holdings Limited, Multifield International Holding Limited and Shine Science & Technology (Holdings) Limited. He was appointed as a Director on 11 January 2005.

Mr. CHAN Wai Dune (**陳維端先生**), aged 52, is an independent non-executive Director. Mr. Chan has over 24 years of experience in the finance sector, especially in auditing and taxation areas. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He has served a number of committees of the Hong Kong Institute of Certified Public Accountants. Mr. Chan is currently a member of CPPCC of Guangzhou Municipal Committee (廣州市政協委員會) and a member of the Executive Council of China Overseas Friendship Association (中華海外聯誼會). He was a member of the Selection Committee for the establishment of the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently the Managing Director of CCIF CPA Limited. Mr. Chan currently also serves as an independent non-executive director of Hualing Holdings Limited, IIN International Limited, Jinheng Automotive Safety Technology Holdings Limited, Mexan Limited, Oriental Metals (Holdings) Company Limited, Sam Woo Holdings Limited, Sino Union Petroleum & Chemical International Limited and Zhongda International Holdings Limited. Mr. Chan was appointed as a Director on 11 January 2005.

SENIOR MANAGEMENT

Mr. WONG Hoi Chu (黃海曙先生), aged 32, is the chief financial officer and Company Secretary of the Group. Mr. Wong is responsible for the accounting, taxation and finance affairs of the Group. Mr. Wong has over nine years of experience in the field of auditing, accounting and taxation. He is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group in September 2004, he served as a senior manager of a major international accounting firm. Mr. Wong holds a bachelor's degree in business management from the Hong Kong University of Science and Technology.

Mr. CHEN Hong Bin (陳紅斌先生), aged 37, is the general manager of Yihe Plastic & Electronic. Mr. Chen is responsible for the general operation and management of Yihe Plastic & Electronic. Mr. Chen has over 12 years of experience in manufacturing and operational management. Prior to joining the Group in July 2002, he served as the factory manager of the metal and plastic factory of 深圳藝晶五金實業有限公司 (ART Precision Industrial Ltd), Mr. Chen holds a bachelor's degree in business and administration from the University of Shenzhen. Mr. Chen is also a director of Yihe Precision Harware and Yihe Plastic & Electronic.

Mr. LI Zheng Liang (李正良先生), aged 37, is the general manager of Yihe Precision Hardware. Mr. Li is responsible for overall management of Yihe Precision Hardware. Prior to joining the Group in March 2004, he worked as senior management at 上海科特拉公司 (Shanghai Catela Co., Ltd.), 上海儀表工程控制公司 (Shanghai Investment & Engineering Control Co., Ltd.) and Minolta Industries (HK) Limited (Shilong Branch). Mr. Li has over 10 years of extensive experience in system management, overall production and manufacturing management and logistic management. Mr. Li holds a Bachelor's degree in Automatic Control from Beijing University of Aeronautics & Aerospace University (北京航空航天大學).

Mr. SATOSHI Fukami (深見訓史), aged 54, is the factory manager of Yihe Plastic & Electronic overseeing the Group's plastic injection moulding products production. Prior to joining the Group in November 2004, Mr. Satoshi worked as the factory manager for Toho Rubber Buji Nan Ling Factory (布吉南嶺東邦精工製造廠) from 2002 to 2004. Mr. Satoshi graduated from Osaka Institute of Technology (大阪工業大學) specialising in applied chemistry.

Mr. ZHU Di Chun (朱笛春先生), aged 34, is the sales manager of the Group. Mr. Zhu is responsible for the Group's sales, marketing and business development. Mr. Zhu has over 11 years of extensive experience in sales and marketing. Prior to joining the Group in March 2004, he served as a marketing manager for V.S. Corporation (H.K.) Co., Ltd (威士茂集團(香港)有限公司) from 1999 to 2003 and 深圳樂新塑料制品有限公司(Shenzhen Losang Plastic Products Ltd) from 1993 to 1999. Mr. Zhu holds a Bachelor's degree in Chemical Engineering from Qing Dao Chemical University (青島化工學院).

Mr. JIN Bi Wu (金必伍先生), aged 33, is the quality assurance manager of the Group. Mr. Jin is responsible for the overall management of the quality control department. Mr. Jin is also proficient in the compliance of international quality formalities, such as ISO2000, ISO14000 and QS9000. Prior to joining the Group in September 2003, he served as the quality control manager of Po Ying Metal & Plastic Manufacture Fty (寶盈五金塑膠制品廠) from 2000 to 2003. Mr. Jin holds a Bachelor's degree in Chemical Engineering from Sichuan University (四川大學).

AUDIT COMMITTEE

The Company established an audit committee on 20 April 2005 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are review and supervision of the financial reporting process and internal control procedures of the Group. The Audit Committee currently has three members comprising the three independent non-executive Directors of the Group, namely, Dr. Lui Sun Wing, who is also the chairman of the audit committee, Mr. Choy Tak Ho, and Mr. Chan Wai Dune.

REMUNERATION OF DIRECTORS

Each of Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Nomo Kenshiro, all being the executive Directors, has entered into a service contract with the Company for a fixed term of two years commencing from the Listing Date renewable automatically for successive terms of one year each commencing from the day next to the expiry of the then current term of the service contract until terminated by not less than three months' notice in writing served by either party on the other side. The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Zhang Hwo Jie	HK$2,280,000
Mr. Zhang Yaohua	HK$2,280,000
Mr. Nomo Kenshiro	HK$480,000

Staff

As at the Latest Practicable Date, the Group had a total of 1,795 employees. A breakdown of the Group's staff by department is as follows:

Department	Number of employees	
	Hong Kong	PRC
Management	4	61
Human resources and administration	1	97
Sales and marketing	–	17
Research and development	–	52
Procurement	–	12
Finance and accounting	3	12
Production	–	1,146
Quality Control	–	171
Engineering and product development	–	219
Sub-total	8	1,787
Total		**1,795**

Relationship with employees

Since its establishment, the Group has not experienced any significant difficulties in recruiting and retaining experienced staff, and the Group's operations have not been disrupted due to labour disputes. The Directors consider that the Group maintains a good working relationship with its employees.

Pension scheme

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

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

During the years ended 31 December 2002 and 2003 and 2004, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$551,000, HK$743,000 and HK$1,218,000, respectively.

STAFF ACCOMMODATION

The Group has built four blocks of staff accommodation on the piece of land of approximately 10,000 sq.m. which is in the process of the application for the relevant the Realty Title Certificate (房地產證) (Please refer to the paragraph headed "Land and Property" under the Section headed "Description of Business"). The construction of the fourth block of staff accommodation has been completed and it is expected to be put into use in the first half of 2005.

The table below illustrates the construction plan of the Group's staff accommodation:

Accommodation				
	Block A	Block B	Block C	Block D
No. of storeys	7	6	6	8
Construction area (approximate sq.m.)	7,700	1,500	1,700	7,500
No. of staff to be accommodated (approximate)	1,250	100	150	1,700
Commencement of operation	July 2002	June 2003	June 2003	April 2005

The authorised and issued share capital of the Company are as follows:

		HK$
Authorized share capital:		
1,000,000,000	Shares	100,000,000.00
Issued and to be issued, fully paid or credited as fully paid:		
20,000,001	Shares in issue	2,000,000.10
369,999,999	Shares to be issued under the Capitalisation Issue	36,999,999.90
130,000,000	Public Offer Shares and Placing Shares	13,000,000.00
520,000,000	Shares	52,000,000.00

Assumptions

This table assumes that the Share Offer and the Capitalisation Issue have become unconditional.

This table however takes no account of any Shares which may be allotted and issued by the Company pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares now in issue or to be issued as mentioned herein, and will qualify for all dividends and other distributions declared, made or paid after the date of this prospectus (save for entitlement under the Capitalisation Issue).

Share Option Scheme

The Group has conditionally adopted the Share Option Scheme whereby certain selected classes of participants (including, without limitation, directors and employees of the Group and its affiliates) may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarized in the section headed “Share Option Scheme” in Appendix V to this prospectus.

The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group shall not in aggregate exceed 30% of the issued share capital of the Company in issue from time to time.

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with the total nominal value of not more than the aggregate of:

– 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue but without taking into account any shares which may be issued upon the exercises of the Over-allotment Option; and

– the aggregate nominal value of the share capital of the Company repurchased by the Company, if any, under the general mandate to repurchase Shares referred to below.

The Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue or deal in Shares pursuant to a rights issue, scrip dividend scheme or similar arrangement, or the exercise of options which may be granted under the Share Option Scheme.

The mandate will expire at the earliest of:

– the conclusion of the Company's next annual general meeting; or

– the expiration of the period within which the Company is required by law or its Articles of Association to hold its next annual general meeting; or

– when varied, revoked or renewed by an ordinary resolution of its Shareholders in general meeting.

Further details of this general mandate are set out in the paragraph headed "Written resolutions of the sole Shareholder of the Company passed on 20 April 2005" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercises of the Over-allotment Option.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed, and which is recognised by the SFC and the Stock Exchange for this purpose, and which are made in accordance with all applicable laws and, or, requirements of the Listing Rules. A summary of the relevant Listing Rules regarding the repurchase of Shares is set out in the paragraph headed "Repurchase by the Company of its own Securities" in Appendix V to this prospectus.

The mandate will expire at the earliest of:

– the conclusion of the Company's next annual general meeting; or

– the expiration of the period within which the Company is required by law or its Articles of Association to hold its next annual general meeting; or

– when varied, revoked or renewed by an ordinary resolution of its Shareholders in general meeting.

Further details of this general mandate are set out in the paragraph headed "Written resolutions of the sole Shareholder of the Company passed on 20 April 2005" in the section headed "Further information about the Company" in Appendix V to this prospectus.

TRADING RECORD

Set out below is a summary of the audited combined turnover and results for each of the three years ended 31 December 2004 of the Company, the subsidiaries of the Company, EVA Miyagawa *(Note 2)*, Yihe Metal Products *(Note 3)* and Offspin *(Note 2)* (collectively referred to as "the Group" in this Financial Information section), as if the current structure had been in place throughout the Track Record Period. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus.

	Year ended 31st December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover *(Note 1)*	122,845	167,729	296,860
Cost of sales	(74,863)	(112,670)	(180,725)
Gross profit	47,982	55,059	116,135
Other revenue	72	37	35
Selling and distribution expenses	(3,419)	(5,297)	(15,073)
General and administrative expenses	(12,927)	(16,821)	(25,651)
Operating profit	31,708	32,978	75,446
Finance costs	(2,429)	(2,195)	(4,008)
Profit before taxation	29,279	30,783	71,438
Taxation	(3,196)	(627)	(5,445)
Profit after taxation	26,083	30,156	65,993
Minority interests	(2,491)	10	(230)
Profit for the year	23,592	30,166	65,763
Dividends	–	–	31,127

Notes:

1. Turnover represents the net amounts received and receivables for goods sold and services rendered during the Track Record Period.

2. The results of EVA Miyagawa and Offspin were included in the Group's combined accounts during the years ended 31 December 2002, 2003 and 2004. Immediately before the reorganisation as explained in "Corporate reorganisation" section of Appendix V, these companies will distribute substantially all of their retained earnings to their then shareholders, which will be presented as dividends in the Group's consolidated accounts as at and for the year ending 31 December 2005. Thereafter, the results for these companies will not be included in the Group's consolidated accounts.

3. Yihe Metal Products was disposed of by the Group on 28 June 2004 and its operating results were included in the Group's combined accounts up to 28 June 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investors should read the following discussion and analysis in conjunction with the combined financial information of the Group as at and for each of the three years ended 31 December 2004, which is set forth in the accountants' report included as Appendix I to this prospectus (the "Financial Information"). Except for the Financial Information, the remainder of the Group's financial information, including forward-looking debt obligations set forth in the "Liquidity, Financial Resources and Capital Structure" subsection below, presented in this section has been extracted or derived from management accounts or other records of the Group. Investors should read the whole of the accountants' report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

Financial presentation

For purposes of the financial information as set out in the accountants' report in Appendix I to this prospectus, the combined profit and loss accounts, the combined balance sheets, the combined cash flow statements and the combined statements of changes in equity for each of the three years ended 31 December 2004 include the financial information of the Company, the subsidiaries of the Company, EVA Miyagawa, Yihe Metal Products and Offspin, as if the group structure had been in existence throughout the three years ended 31 December 2004.

The results of EVA Miyagawa and Offspin were included in the Group's combined accounts during the years ended 31 December 2002, 2003 and 2004. Immediately before the reorganisation as explained in the "Corporate reorganisation" section of Appendix V, these companies will distribute substantially all of their retained earnings to their then shareholders, which will be presented as dividends in the Group's consolidated accounts as at and for the year ending 31 December 2005. Thereafter, the results for these companies will not be included in the Group's consolidated accounts.

Yihe Metal Products was disposed of by the Group on 28 June 2004 and its operating results were included in the Group's combined accounts up to 28 June 2004.

Since EVA Miyagawa, Yihe Metal Products and Offspin were managed by the same management and their operations represent a part of the Group's core business during the Track Record Period, the results of these companies have to be included in the combined accounts of the Group so as to present the complete operating results and financial position of the businesses of "design and fabrication of precision metal stamping moulds, manufacturing of precision metal stamping products, lathing of metal components and the provision of assembly services in the PRC" managed by the substantial shareholders during the Track Record Period.

Recent accounting pronouncements

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") (collectively referred as the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRS in the accounts for the years ended 31 December 2002, 2003 and 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but the assessment is not yet completed. Based on the Group's preliminary assessment, the Directors consider the following new HKFRS, among others, will have an impact on the Group's financial position and results of operations during the Track Record Period:

HKFRS 3 Business combinations

In accordance with the Group's current accounting policies, goodwill is amortised on a straight-line basis over its estimated useful live of three years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount. Negative goodwill which does not exceed the fair value of non-monetary assets acquired is recognised in the profit and loss account over the weighted average useful lives of non-monetary assets acquired of ten years, and is presented in the same balance sheet classification as goodwill.

In adopting HKFRS 3 with effect from 1 January 2005, the Group will discontinue amortisation of goodwill and goodwill will be tested for impairment in accordance with HKAS 36 Impairment of assets. Negative goodwill arising from transactions after 1 January 2005 will be recognised immediately to profit and loss account. Previously recognised negative goodwill will be derecognised, with a corresponding adjustment to the opening balance of retained earnings.

During the year ended 31 December 2004, amortisation of goodwill amounted to approximately HK$12,000. During the years ended 31 December 2002, 2003 and 2004, amortisation of negative goodwill amounted to approximately HK$26,000, HK$26,000 and HK$194,000, respectively. As at 31 December 2002, 2003 and 2004, the net book value of negative goodwill of the Group amounted to approximately HK$220,000, HK$194,000 and HK$172,000, respectively.

HKAS 17 Leases

In accordance with the current accounting standard, leasehold land is treated as an item of fixed assets as the Group is deemed to have received all the risks and rewards incident to ownership.

In adopting HKAS 17 with effect from 1 January 2005, interest in land held under a long-term lease where the title will not be passed to the lessee is treated as an operating lease. Such interest in land will not be presented as an item of fixed assets but will be reclassified as long-term prepaid lease.

During the years ended 31 December 2002, 2003 and 2004, as the Group depreciated its leasehold land over 50 years, being the period of the relevant leases. The adoption of HKAS 17 will not have a material impact to the Group's results of operations.

HKAS 1 Presentation of financial statements

In accordance with the current accounting standard, profit/loss attributable to minority interests is treated as an item of income or expense, and minority interests is presented as a separate line item in the balance sheet and does not form part of equity. In adopting HKAS 1 with effect from 1 January 2005, profit/loss attributable to minority interests will be presented on the face of the profit and loss account as allocations of profit or loss, and minority interests will be presented within equity as it does not meet the definition of a liability.

Based on the above preliminary assessment, apart from certain presentational changes which will be made to the accounts, the Directors consider the adoption of the new HKFRSs will not have significant impact to the financial statements during the Track Record Period, in particular it will not affect the results of operations of the Group by more than HK$1 million for each of the years during the Track Record Period.

Critical accounting policies

The selection of critical accounting policies, the judgment and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Group's combined financial statements. The Group believes that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of its combined financial statements.

Revenue recognition

The Group's revenue is generated primarily from sales of moulds and precision metal stamping products. Revenue from sales of moulds and precision metal stamping products are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are shipped/delivered to customers and title has passed.

The Group also generated interest income from interest-bearing bank deposits. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

The Group reviews its inventory level on an ongoing basis. Since the production process of the Group is generally sales driven, the Group will only commence production after customers' orders are placed and purchases of raw materials are made in accordance with the pre-determined production schedule. This has enabled the Group to maintain a minimum inventory level and fast inventory turnover of less than two months throughout the Track Record Period.

The Group's provision for slow-moving and obsolete inventory amounted to approximately HK$726,000 and HK$1,899,000 for the years ended 31 December 2002 and 2004, respectively and a write-back of provision for slowing-moving and obsolete inventory of approximately HK$255,000 was recorded for the year ended 31 December 2003. Taking into account the existence of an effective inventory control system which is evidenced by the minimum inventory level and the fast inventory turnover throughout the Track Record Period, the Directors consider that the existing policy in making provision for inventory is appropriate.

Provision for bad and doubtful debts

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

The Group examines the collectability of the individual balance of trade receivables regularly and specific bad debt provisions will be made should any individual debtor be considered uncollectible. In addition, the Group also made a general provision for bad and doubtful debts at 1% of the balance of trade receivables to cover any unforeseen bad debts. Throughout the Track Record Period, the Group has maintained a reasonable trade receivables turnover of approximately three months, which is generally in line with the credit term granted to its customers. Accordingly, provisions for bad and doubtful debts were less than 1% as compared to turnover during the Track Record Period. Taking into account the existence of an effective credit control policy which is evidenced by the reasonable trade receivables turnover and the fact that a majority of the Group's sales are made to reputable customers with a long-term relationship with the Group, the Directors consider that the existing policy in making provision for bad and doubtful debts is appropriate.

Overview

During the Track Record Period, turnover of the Group was primarily derived from sales of precision metal stamping moulds, precision metal stamping products, lathing of metal components and the provision of assembly services. As a result of the expansion of production capacity and the increase in market demand, turnover of the Group increased from approximately HK$122,845,000 for the year ended 31 December 2002 to approximately HK$296,860,000 for the year ended 31 December 2004, representing an increase of approximately 142%. Set out below is an analysis of the Group's turnover by product category for the Track Record Period:

Turnover

	Year ended 31 December					
	2002		2003		2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Design and fabrication of precision metal stamping moulds	11,283	9.2	21,638	12.9	55,034	18.5
Manufacturing of precision metal stamping products	109,591	89.2	138,192	82.4	222,256	74.9
Lathing of metal components	–	–	235	0.1	5,482	1.9
Assembly services	488	0.4	615	0.4	645	0.2
Others *(Note)*	1,483	1.2	7,049	4.2	13,443	4.5
Total	122,845		167,729		296,860	

Note: *Others mainly refer to sales of scrap materials*

Set out below is an analysis of the Group's gross profit and gross profit margin by product category for the Track Record Period:

Gross profit

	Year ended 31 December					
	2002		**2003**		**2004**	
	HK$'000	*GP%*	*HK$'000*	*GP%*	*HK$'000*	*GP%*
Design and fabrication of precision metal stamping moulds	6,206	55.0	7,787	36.0	28,684	52.1
Manufacturing of precision metal stamping products	40,435	36.9	41,825	30.3	75,127	33.8
Lathing of metal components	–	–	113	48.1	2,642	48.2
Assembly services	303	62.1	382	62.1	393	61.0
Others *(Note)*	1,038	70.0	4,952	70.3	9,289	69.1
Total	47,982		55,059		116,135	

Note: *Others mainly refer to sales of scrap materials*

Analysis of the Group's profit and loss items:

Year ended 31 December 2004 compared to year ended 31 December 2003

Turnover

Design and fabrication of precision metal stamping moulds

Prior to the year ended 31 December 2003, a higher proportion of precision metal stamping products were produced using the moulds supplied by the Group's customers. With the improving quality of the Group's mould products and the continuous development of the Group's reputation among its customers, there was an increasing number of customers which outsourced the production of moulds to the Group since 2003. This trend continued during the year ended 31 December 2004 and coupled with the launch of various new products by the Group's customers, the Group received more sales orders for design and fabrication of precision metal stamping moulds during the year ended 31 December 2004. Accordingly, revenue generated from design and fabrication of precision metal stamping moulds for the year ended 31 December 2004 increased by approximately HK$33,396,000 and its proportion to total turnover rose by 5.6% to 18.5% as compared to that for the year ended 31 December 2003.

Manufacturing of precision metal stamping products

The Group has built up long-term relationships with the majority of its customers and, taking into account the continuous improvement of the quality of the Group's products, an increasing number of sales orders were placed by the customers during the year ended 31 December 2004. With the completion of the Group's second factory building in September 2003, the Group was able to accommodate more orders from its customers. The total volume of metal stamping products produced for the year ended 31 December 2004 was approximately 9,779 tons compared to approximately 4,993 tons for the year ended 31 December 2003. Therefore revenue generated from manufacturing of precision metal stamping products increased by approximately HK$84,064,000, or 60.8% as compared to that for the year ended 31 December 2003. At the same time, the percentage of revenue from manufacturing of precision metal stamping products to total turnover decreased from 82.4% for the year ended 31 December 2003 to 74.9% for the year ended 31 December 2004. This was primarily because revenue from design and fabrication of precision metal stamping moulds increased more than proportionately as compared to the growth in the Group's total turnover during the year ended 31 December 2004 as described above.

Lathing of metal components

The Group commenced trial production of lathing components since November 2002 and commercial sales in respect of this product line only commenced in the latter half of 2003 and accordingly there was only minimal revenue generated from this service during the year ended 31 December 2003. Further, with the tremendous increase in the number of production machines for lathing products from 29 sets as at the end of 2003 to 57 sets as at the end of 2004, revenue generated from lathing of metal components for the year ended 31 December 2004 also increased significantly as compared to that for the year ended 31 December 2003.

Assembly services

Up to 31 December 2004, assembly services were not the Group's principal line of business and assembly services were only being provided on a case-by-case basis upon request from the Group's customers. Therefore, revenue from provision of assembly services only amounted to approximately HK$615,000 and HK$645,000 for the year ended 31 December 2003 and 2004, respectively, which accounted for less than 1% of the Group's total turnover during these years.

Others

Others mainly refer to sales of scrap materials. Other turnover for the year ended 31 December 2004 increased by approximately HK$6,394,000, or 90.7% as compared to that for the year ended 31 December 2003. The increase in other turnover was primarily due to the increase in quantities of scrap materials generated from production which was resulted from the expansion of the Group's operations during the year ended 31 December 2004. The percentage of other turnover to total turnover for the year ended 31 December 2004 was approximately 4.5%, which was comparable to that for the year ended 31 December 2003.

Cost of sales

Cost of sales increased by approximately HK$68.0 million, or 60.4% from HK$112.7 million for the year ended 31 December 2003 to HK$180.7 million for the year ended 31 December 2004. The rise in cost of sales was primarily attributable to the higher level of sales for the year ended 31 December 2004.

Material costs

Material costs for the year ended 31 December 2004 increased by approximately HK$53,773,000 or 64.9% as compared to that for the year ended 31 December 2003. The increase in material costs was mainly attributable to the increase in the Group's turnover for the year ended 31 December 2004.

The percentage of material costs to turnover for the year ended 31 December 2004 was approximately 46.0%, which was 3.4% lower than that for the year ended 31 December 2003. The increase in the prices of steels and other metal materials, the major raw materials used by the Group, increased the Group's material costs for the year ended 31 December 2003. However, the Group successfully managed to transfer the increased costs due to the increase in steel and other metal prices to its customers in 2004. Therefore, the percentage of material costs to turnover for the year ended 31 December 2004 decreased as compared to that for the year ended 31 December 2003.

Direct labour

The increase in direct labour costs for the year ended 31 December 2004 as compared to that for the year ended 31 December 2003 by approximately HK$3.3 million was primarily caused by the increase in the Group's turnover during the year. The percentage of direct labour costs to turnover for the year ended 31 December 2004 was approximately 3.9%, which was comparable to that of approximately 5.0% for the year ended 31 December 2003.

Overhead

The increase in overhead costs for the year ended 31 December 2004 as compared to that for the year ended 31 December 2003 by approximately HK$10.9 million was mainly a result of the increase in the Group's turnover for the year ended 31 December 2004. The percentage of overhead costs to turnover for the year ended 31 December 2004 was approximately 10.9%, which was lower than that of 12.8% for the year ended 31 December 2003. During the year ended 31 December 2003, the Group experienced a significant increase in customers' orders as compared to that in 2002. However, the Group's second factory building and the related production lines were only completed and commenced operations in September 2003. As such, the Group was required to incur subcontracting services in order to handle the increased customers' orders prior to the completion of the second factory building. Subcontracting fees for the year ended 31 December 2003, which were included as part of the overhead costs, amounted to approximately HK$6,871,000 and constituted approximately 4.1% of the Group's turnover, whilst the subcontracting fees for the year ended 31 December 2004, which amounted to approximately HK$5,098,000, constituted only 1.7% of the Group's turnover for the same year. The decrease in the percentage of subcontracting fees to turnover resulted in a corresponding decrease in the percentage of overhead costs to turnover for the year ended 31 December 2004 as compared to that for the year ended 31 December 2003.

Gross profit margin

Compared to the year ended 31 December 2003, gross profit increased by approximately HK$61.1 million to HK$116.1 million whilst gross profit margin improved by 6.3% to 39.1% during the year ended 31 December 2004.

Design and fabrication of precision metal stamping moulds

Gross profit from design and fabrication of precision metal stamping moulds for the year ended 31 December 2004 increased by approximately HK$20,897,000 as compared to that for the year ended 31 December 2003 primarily due to the increase in related turnover. At the same time, gross profit margin from design and fabrication of precision metal stamping moulds increased from 36.0% for the year ended 31 December 2003 to 52.1% for the year ended 31 December 2004. During the year ended 31 December 2003, there was an increase in the prices of steel and other metal materials, the major raw materials for production of precision metal stamping moulds, which resulted in a decrease in the Group's gross profit margin from design and fabrication of precision metal stamping moulds, However, the Group successfully managed to transfer the increased costs from steel and other metal materials to its customers during the year ended 31 December 2004. As a result, although there was no significant reduction in steel and other metal prices in 2004, gross profit margin from design and fabrication of precision metal stamping moulds for the year ended 31 December 2004 increased as compared to that for the year ended 31 December 2003.

Manufacturing of precision metal stamping products

Gross profit from manufacturing of precision metal stamping products for the year ended 31 December 2004 amounted to approximately HK$75,127,000, which increased by approximately HK$33,302,000 as compared to that for the year ended 31 December 2003. The increase in gross profit was primarily a result of the increase in related turnover during the year ended 31 December 2004. The increase in the prices of steel and other metal materials described above also had a negative impact on the Group's gross profit margin from manufacturing of precision metal stamping products during the year ended 31 December 2003.

However, as the Group also successfully negotiated with its customers for an increase in selling prices of the Group's precision metal stamping products during the year ended 31 December 2004, the impact of the increase in steel and other metal prices was transferred to the customers which resulted in an increase in gross profit margin from manufacturing of precision metal stamping products during the year ended 31 December 2004.

Lathing of metal components

Gross profit margin from lathing of metal components during the year ended 31 December 2004 was approximately 48.2%, which was comparable to that for the year ended 31 December 2003.

Assembly services

Gross profit and gross profit margin from assembly services for the year ended 31 December 2004 were comparable to that for the year ended 31 December 2003.

Others

Gross profit from other turnover which mainly represented sales of scrap materials for the year ended 31 December 2004 increased as a result of the growth in related turnover. Gross profit margin from sales of scrap materials for the year ended 31 December 2004 was 69.1%, which was comparable to that for the year ended 31 December 2003.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$9.8 million, or 185% from HK$5.3 million for the year ended 31 December 2003 to HK$15.1 million for the year ended 31 December 2004. The increase in selling and distribution expenses during the year ended 31 December 2004 was primarily driven by the growth in the Group's turnover. The increase in the Group's turnover resulted in an overall increase in the related selling and distribution expenses, particularly transportation costs and packaging expenses incurred for delivering finished goods to customers which increased by HK$0.7 million and HK$6.1 million, respectively. During the year ended 31 December 2004, there was an increase in the number of customers who placed frequent orders in smaller quantities and therefore the Group was not able to enjoy the economy of scale from bulk transportation and packaging. As a result, transportation and packaging expenses for the year ended 31 December 2004 increased more than proportionately as compared to the increase in turnover. In addition, with the increase in the balance of fixed assets by approximately HK$89.8 million as at 31 December 2004 as compared to that as at 31 December 2003, there was an increase in depreciation expenses captured under selling and distribution expenses by approximately HK$2.2 million from approximately HK$0.6 million for the year ended 31 December 2003 to approximately HK$2.8 million for the year ended 31 December 2004. These factors resulted in a higher percentage of increase in selling and distribution expenses as compared to that in turnover.

General and administrative expenses

General and administrative expenses increased by approximately HK$8.8 million, or 52% from HK$16.8 million for the year ended 31 December 2003 to HK$25.6 million for the year ended 31 December 2004. The increase in general and administrative expenses was a combined result of (i) an increase in staff payroll and welfare expenses by approximately HK$3.3 million following the expansion of the Group's operations and the continuous increase in headcount since the latter half of 2003; (ii) a decrease in directors' emoluments by approximately HK$1.7 million during the year ended 31 December 2004; (iii) a rise in entertainment expenses by approximately HK$1.3 million resulting from the increased marketing activities carried out by the Group; (iv) a loss of approximately HK$0.8 million arising from disposal of fixed assets during the year ended 31 December 2004; (v) pre-operating expenses of approximately HK$0.8 million incurred for the establishment of the Group's plastic operations during the year ended 31 December 2004 and (vi) a general increase in other general and administrative expenses during the year ended 31 December 2004 as a result of the Group's expanded scale of operations.

Finance costs

Finance costs increased by approximately HK$1.8 million, or 83% from HK$2.2 million for year ended 31 December 2003 to HK$4.0 million for the year ended 31 December 2004. The increase in finance costs was primarily attributable to the increase in the balance of bank loans and financial lease obligations as at 31 December 2004 as compared to that as at 31 December 2003.

Net profit

Net profit of the Group increased by approximately HK$35.6 million, or 118% from HK$30.2 million for the year ended 31 December 2003 to HK$65.8 million for the year ended 31 December 2004. Net profit margin increased by 4.2% from 18.0% for the year ended 31 December 2003 to 22.2% for the year ended 31 December 2004. The improvement in net profit margin reflected the increase in the Group's gross profit margin from 32.8% to 39.1% during the year ended 31 December 2004. The economies of scale enjoyed by the Group which was resulted from the expansion of the Group's business since late 2003 also contributed to the rise in net profit margin during the year ended 31 December 2004.

Year ended 31 December 2003 compared to year ended 31 December 2002

Turnover

Design and fabrication of precision metal stamping moulds

Revenue generated from design and fabrication of precision metal stamping moulds for the year ended 31 December 2003 increased by approximately HK$10,355,000, or 91.8% as compared to that for the year ended 31 December 2002. At the same time, the percentage of revenue from design and fabrication of precision metal stamping moulds to total turnover increased by 3.7% from 9.2% for the year ended 31 December 2002 to 12.9% for the year ended 31 December 2003. The significant increase in revenue from design and fabrication of precision metal stamping moulds was mainly attributable to the successful establishment of confidence by the Group among its major customers. Therefore, instead of requiring the Group to produce precision metal stamping products by using the moulds supplied by them, more customers also outsourced the production of moulds to the Group which resulted in an increase in revenue from design and fabrication of precision metal stamping moulds during the year ended 31 December 2003.

Manufacturing of precision metal stamping products

During the year ended 31 December 2003, there was an overall increase in demand from the Group's existing customers in the midst of the continuing growth in outsource manufacturing industry. As such, the Group's total production unit of precision metal stamping products increased from 157.4 million (or 3,007 tons) for the year ended 31 December 2002 to 211.1 million (or 4,993 tons) for the year ended 31 December 2003 and consequently the Group's revenue from manufacturing of precision metal stamping products for the year ended 31 December 2003 increased by approximately HK$28,601,000, or 26.1% as compared to that for the year ended 31 December 2002. At the same time, the percentage of revenue from manufacturing of precision metal stamping products to total turnover decreased from 89.2% for the year ended 31 December 2002 to 82.4% for the year ended 31 December 2003. This decrease was primarily caused by the significant growth in revenue from design and fabrication of precision metal stamping moulds during the year ended 31 December 2003 as described above, which diluted the percentage of revenue from manufacturing of precision metal stamping products to the Group's total turnover during the year.

Lathing of metal components

The Group commenced trial production of lathing components since November 2002. Commercial sales of lathing components only commenced in the latter half of 2003 and revenue generated therefrom amounted to approximately HK$235,000, which constituted less than 1% of the Group's total turnover during the year.

Assembly services

Revenue from assembly services for the year ended 31 December 2003 increased by approximately HK$127,000, or 26% as compared to that for the year ended 31 December 2002. The increase was generally in line with the overall expansion of the Group's operations and the percentage of revenue from assembly services to the Group's total turnover for the year ended 31 December 2003 was comparable to that for the year ended 31 December 2002.

Others

Owing to the continuous expansion of the Group's operations, an increasing quantity of scrap materials was generated from production. Realising the economic value of these scrap materials, more scrap materials were sold, instead of being disposed, by the Group during the year ended 31 December 2003. As a result, revenue from sales of scrap materials for the year ended 31 December 2003 increased by approximately HK$5,566,000 as compared to that for the year ended 31 December 2002 and the percentage of revenue from sales of scrap materials that was attributable to the Group's total turnover increased by 3% to 4.2% during the year ended 31 December 2003.

Cost of sales

Cost of sales increased by approximately HK$37.8 million, or 50.5% from HK$74.9 million during the year ended 31 December 2002 to HK$112.7 million during the year ended 31 December 2003. Cost of sales increased primarily because of the continuing growth in turnover in 2003.

Material costs

Direct material costs, mainly costs of steel and other metal materials, for the year ended 31 December 2003 increased by approximately HK$33,427,000, or 67.6%, from approximately HK$49,467,000 for the year ended 31 December 2002 to approximately HK$82,894,000 for the year ended 31 December 2003. The increase in material costs was primarily attributable to the increase in the Group's turnover, which was approximately 36.5%, and the increase in prices of zinc-plated steel, iron plates and steel plates, which are the Group's major direct material cost during the period. During the year, average price of zinc-plated steel, iron plates and steel plates increased from approximately HK$4.5 to HK$5.5 per kg, or 22.4% increase; approximately HK$3.6 to HK$4.5 per kg, or 23% increase; approximately HK$33 to HK$33.5, or 1.5% increase, respectively. The percentage of direct material costs to total turnover was also increased from approximately 40.3% for the year ended 31 December 2002 to approximately 49.4% for the year ended 31 December 2003. However, the increase in direct material costs without taking into account of the increase in turnover was approximately 22.7%, which was in line with the increase in the prices of zinc-plated steel, iron plates and steel plates, which accounted for approximately 81.2% of purchases, by approximately 22% during the year ended 31 December 2003 as compared to that for the year ended 31 December 2002.

Direct labour

The increase in direct labour costs for the year ended 31 December 2003 was generally in line with the increase in turnover during the year. The percentage of direct labour to turnover for the year ended 31 December 2003 was 5.0%, which was comparable to that for the year ended 31 December 2002.

Overhead

Overhead costs for the year ended 31 December 2003 increased by approximately HK$2,060,000, or 10.6% as compared to that for the year ended 31 December 2002. The percentage of overhead costs to turnover for the year ended 31 December 2003 was approximately 12.8%, which was lower than that for the year ended 31 December 2002. During the year ended 31 December 2002, overhead costs included provision for slow-moving and obsolete inventory amounting to approximately HK$726,000. However with the reduction in obsolete inventory during the year ended 31 December 2003, the Group wrote back provision for slow-moving and obsolete inventory by approximately HK$255,000, resulting in a decrease in the percentage of overhead costs to turnover during the year ended 31 December 2003.

Gross profit margin

Gross profit in 2003 increased by approximately HK$7.1 million to HK$55.1 million as compared to that in 2002, whilst gross profit margin decreased from 39.1% in 2002 to 32.8% in 2003.

Design and fabrication of precision metal stamping moulds

Gross profit from design and fabrication of precision metal stamping moulds for the year ended 31 December 2003 increased due to the growth in related turnover. However, gross profit margin from design and fabrication of precision metal stamping moulds decreased from 55.0% for the year ended 31 December 2002 to 36.0% for the year ended 31 December 2003 primarily because of the increase in the prices of steel and other metal materials during the year ended 31 December 2003 as described above.

Manufacturing of precision metal stamping products

Although revenue from manufacturing of precision metal stamping products for the year ended 31 December 2003 increased by approximately 26.1% as compared to that for the year ended 31 December 2002, gross profit only increased slightly by approximately HK$1,390,000 and gross profit margin decreased by 6.6% to 30.3% during the year ended 31 December 2003. This was mainly attributable to the increase in the cost of materials which comprised mainly steel and other metal and the cost of which has increased by approximately HK$33,427,000 or 67.6% during the year ended 31 December 2003.

Lathing of metal components

The Group commenced lathing of metal components during the latter half of 2003. Gross profit from lathing of metal components amounted to approximately HK$113,000 for the year ended 31 December 2003 and gross profit margin was 48.1%.

Assembly services

As revenue from assembly services increased during the year ended 31 December 2003, gross profit from assembly services for the year ended 31 December 2003 also increased by approximately HK$79,000 as compared to that for the year ended 31 December 2002. Gross profit margin from assembly services was 62.1%, which was comparable to that for the year ended 31 December 2002.

Others

Gross profit from sales of scrap materials increased by approximately HK$3,914,000 following the significant increase in related turnover during the year ended 31 December 2003. Gross profit margin from sales of scrap materials was 70.3%, which was maintained fairly stable as compared to that for the year ended 31 December 2002.

Selling and distribution expenses

Selling and distribution expenses increased by approximately HK$1.9 million, or 54.9% from HK$3.4 million in 2002 to HK$5.3 million in 2003. This was mainly attributable to higher sales which resulted in an overall increase in related selling and distribution expenses, in particular transportation costs and packaging expenses incurred for delivering finished goods to customers which increased by HK$0.5 million and HK$0.6 million, respectively. During the year ended 31 December 2003, there was an increase in the number of customers which requested the Group to transport the products to the customers' locations, instead of receiving the products at the Group's factory. As a result, transportation expenses for the year ended 31 December 2003 increased more than proportionately as compared to the increase in turnover, resulting in a higher percentage of increase in selling and distribution expenses as compared to that in turnover.

General and administrative expenses

General and administrative expenses increased by approximately HK$3.9 million, or 30.1% from HK$12.9 million in 2002 to HK$16.8 million in 2003. The continuing growth in the Group's operating scale in 2003 contributed to an overall increase in general and administrative expenses incurred by the Group. In particular, the expansion of the Group's business resulted in (i) an increase in staff payroll and welfare expenses by approximately HK$0.4 million following the increase in the Group's headcount and (ii) an increase in depreciation expenses recorded in general and administrative expenses by approximately HK$0.5 million which was caused by the acquisition of additional fixed assets during the year. Directors' emoluments also increased by approximately HK$1.2 million from HK$3.3 million in 2002 to HK$4.5 million in 2003.

Finance costs

Finance costs decreased by approximately HK$0.2 million, or 9.6% from HK$2.4 million in 2002 to HK$2.2 million in 2003. As at 31 December 2003, the balance of short-term bank loans and finance lease obligations increased as compared to that as at 31 December 2002. However, finance costs in 2003 decreased as compared to that in 2002 because there had been a decrease in borrowing rates of short-term bank loans from approximately 5.8% to 5.9% per annum in 2002 to approximately 3.8% to 5.3% per annum in 2003.

Net profit

Net profit of the Group increased by approximately HK$6.6 million, or 27.9% from HK$23.6 million in 2002 to HK$30.2 million in 2003, whilst net profit margin decreased by 1.2% from 19.2% in 2002 to 18% in 2003. The reduction in net profit margin was primarily attributable to the reduction in the Group's gross profit margin by 6.3% from 39.1% in 2002 to 32.8% in 2003. However, the decrease in net profit margin was less than the decrease in gross profit margin because:

1. The Group's operations in the PRC were previously carried out by Yihe Metal Products which was subject to PRC enterprise income tax of 7.5% during the year ended 31 December 2002; and

2. The transfer of operations from Yihe Metal Products to Yihe Precision Hardware also contributed to a decrease in profit shared to the minority shareholder during the year ended 31 December 2003 because only 86.49% of Yihe Metal Products results were taken up by the Group.

Analysis of the Group's sales by location

	Year ended 31 December					
	2002		2003		2004	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Turnover						
Hong Kong/the PRC *(Note)*	120,432	98.0	164,705	98.2	296,101	99.7
USA	2,413	2.0	2,965	1.8	759	0.3
Japan	–	–	59	0.0	–	–
Total	122,845		167,729		296,860	
Segment results – operating profit						
Hong Kong/the PRC *(Note)*	31,085		32,383		75,253	
USA	623		583		193	
Japan	–		12		–	
Total	31,708		32,978		75,446	

Note: All of the PRC sales of the Group were generated in Guangdong Province.

Year ended 31 December 2004 compared to year ended 31 December 2003

Hong Kong/PRC

The Group's major customer base included Hong Kong and PRC affiliates of international OA and consumer electronic manufacturers. With the continuous improvement in the Group's product quality and its reputation among its customers, the Group experienced a significant increase in orders from these customers. Accordingly, sales to Hong Kong and PRC affiliates of OA and consumer electronic manufacturers for the year ended 31 December 2004 increased by approximately HK$131,396,000 or 79.8% and its proportion to total turnover increased by 1.5% to 99.7% as compared to that for the year ended 31 December 2003.

Segment results from sales to Hong Kong and PRC affiliates of international OA and consumer electronic manufacturers for the year ended 31 December 2004 increased by approximately HK$42,870,000 or 132% as compared to that for the year ended 31 December 2003. The percentage of increase in segment results from sales to these customers was higher than that in the turnover. It was because the Group had experienced an increase in the prices of steel and other metal materials, the major raw materials used by the Group, during the year ended 31 December 2003. As a result, the Group's overall gross profit margin decreased to approximately 32.8% during the year ended 31 December 2003 which adversely affected the Group's profitability during the same year. However, the Group successfully negotiated with its customers for an increase in selling prices during the year ended 31 December 2004 and therefore the impact of the increase in prices of raw materials was transferred to the Group's customers during the year ended 31 December 2004, resulting in an increase in the Group's overall gross margin to approximately 39.1% during the year ended 31 December 2004. As a result of the increase in the Group's overall gross profit margin, the percentage of increase in segment results from sales to Hong Kong/PRC affiliates of international OA and consumer electronic manufacturers for the year ended 31 December 2004 was higher than that in turnover from sales to these customers during the same year.

USA

The Group experienced a significant increase in orders from Hong Kong and PRC affiliates of international OA and consumer electronic manufacturers during the year ended 31 December 2004. Accordingly, the Group focused on the production for sales to Hong Kong and PRC affiliates of international OA and consumer electronic manufacturers during the year ended 31 December 2004 which resulted in a reduction in turnover and segment results from sales to customers located in USA by approximately HK$2,206,000 and HK$390,000, respectively, during the year ended 31 December 2004.

Japan

Although a majority of the Group's customers are Japanese manufacturers with headquarters located in Japan, the Group's sales are normally made to their respective Hong Kong or PRC affiliates. During the year ended 31 December 2003, the Group had made a nominal level of sales which were directly delivered to customers located in Japan amounting to approximately HK$59,000. Such direct sales to customers located in Japan did not recur during the year ended 31 December 2004. As such, there was no turnover and segment results from direct sales to customers located in Japan during the year ended 31 December 2004.

Year ended 31 December 2003 compared to year ended 31 December 2002

Hong Kong/PRC

With the enhancement of business relationships with its customers, the Group experienced a significant increase in orders from its customers during the year ended 31 December 2003. With the increase in production capacity following the completion of the Group's second factory building in September 2003, the Group was able to accommodate the increased sales orders. As a result, turnover from sales to Hong Kong and PRC affiliates of international OA and consumer electronic manufacturers for the year ended 31 December 2003 increased by approximately HK$44,273,000, or 36.8% and its proportion to total turnover increased to 98.2% as compared to that for the year ended 31 December 2002.

As described above, the Group experienced an increase in the prices of raw materials during the year ended 31 December 2003, which resulted in a reduction in its profitability during the year. As such, despite a significant increase in turnover, segment results from sales to Hong Kong and PRC affiliates of international OA and consumer electronic manufacturers for the year ended 31 December 2003 only increased by approximately HK$1,298,000, or 4.2% as compared to that for the year ended 31 December 2002.

USA

Turnover from sales to customers located in USA for the year ended 31 December 2003 increased by approximately HK$552,000, or 22.9% as compared to that for the year ended 31 December 2002 as a result of increase in sale orders and expanded production capacity following the completion of the Group's second factory building in September 2003. However, despite the increase in turnover, segment results from sales to customers located in USA decreased slightly owing to the increase in the prices of raw materials during the year ended 31 December 2003 as described above.

Japan

Although the Group's major customers included Japanese companies, the Group's sales were normally made to their Hong Kong and PRC affiliates instead of directly delivering the Group's products to customers located in Japan. The direct sales to customers located in Japan which occurred during the year ended 31 December 2003 did not occur during the year ended 31 December 2002.

Analysis of the Group's financial ratios

Selected financial ratios

	Year ended 31 December		
	2002	**2003**	**2004**
Inventory turnover days *(Note 1)*	25	31	43
Debtors' turnover days *(Note 2)*	76	84	99
Creditors' turnover days *(Note 3)*	46	66	77

Note 1: Calculation of inventory turnover days is based on the ending inventories divided by turnover and multiplied by 365 days.

Note 2: Calculation of debtors' turnover days is based on the ending balance of trade receivables divided by turnover and multiplied by 365 days.

Note 3: Calculation of creditors' turnover days is based on the ending balance of trade payables divided by turnover and multiplied by 365 days.

Inventory turnover days

Inventory turnover days of the Group increased by approximately 6 days from 25 days for the year ended 31 December 2002 to 31 days for the year ended 31 December 2003. In September 2003, the Group completed the construction of its second factory building and increased its production capacity to satisfy the increasing demand from its customers. Anticipating a rapid growth in business, the Group purchased additional inventories during the last quarter of 2003 to cope with the expected increase in sale orders in 2004. The resulting larger inventory balance as at 31 December 2003 contributed to a higher inventory turnover days in 2003.

Inventory turnover days for the year ended 31 December 2004 are 43 days, which increased by approximately 12 days as compared to that for the year ended 31 December 2003. It is because the Group's turnover had increased progressively during the year ended 31 December 2004 with percentage of increase amounting to approximately 77.0%, as compared to approximately 36.5% for the year ended 31 December 2003. With the progressive growth of the Group's turnover, the Group needed to maintain a larger ending balance of inventory reserves as at 31 December 2004 to cope with the continuous expansion of business which resulted in an increase in stock turnover days for the year ended 31 December 2004 as compared to that for the year ended 31 December 2003.

Debtors' turnover days

Debtors' turnover days increased by approximately 8 days from 76 days for the year ended 31 December 2002 to 84 days for the year ended 31 December 2003. However, the debtors' turnover days of 84 days in 2003 were still in line with the normal credit terms (please refer to the paragraph headed "Credit policy and payment terms" under the section headed "Description of business" for more details) granted by the Group to its customers of up to 90 days in 2003.

Debtors' turnover days for the year ended 31 December 2004 are 99 days, which are higher than that for the year ended 31 December 2003. It is because the Group's turnover had increased progressively during the year ended 31 December 2004 with percentage of increase amounting to approximately 77.0%, as compared to approximately 36.5% for the year ended 31 December 2003. With the progressive growth of the Group's turnover, a larger ending balance of trade receivables was accumulated as at 31 December 2004 which resulted in an increase in debtors' turnover days for the year ended 31 December 2004 as compared to that for the year ended 31 December 2003.

Creditors' turnover days

As described above, the Group had purchased additional inventory in the last quarter of 2003. The purchases of additional inventory contributed to higher creditors' turnover days in 2003 because a majority of the Group's inventory were purchased on credit terms and a larger outstanding balance of trade payables existed as at 31 December 2003 due to the purchases of additional inventory in late 2003.

Creditors' turnover days for the year ended 31 December 2004 are 77 days, which was higher than that for the year ended 31 December 2003. It is because the Group's turnover had increased progressively during the year ended 31 December 2004 with percentage of increase amounting to approximately 77.0%, as compared to approximately 36.5% for the year ended 31 December 2003. With the progressive growth of the Group's turnover, the Group needed to purchase additional inventory to cope with the expansion in turnover. As a majority of inventory was purchased on credit terms, a larger balance of trade payables was accumulated as at 31 December 2004 which resulted in an increase in creditors' turnover days for the year ended 31 December 2004 as compared to that for the year ended 31 December 2003.

INDEBTEDNESS

Borrowings

As at 31 March 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had outstanding borrowings of approximately HK$195,026,000, comprising trust receipts bank loans of approximately HK$31,134,000, other short-term bank loans of approximately HK$39,147,000, long-term mortgage loan of approximately HK$6,177,000, other long-term bank loans of approximately HK$52,197,000 and finance lease obligations of approximately HK$66,371,000.

Contingent liabilities

As at 31 March 2005, the Group had no significant contingent liabilities.

Capital commitments

As at 31 March 2005, the Group had capital commitments of approximately HK$26,981,000 in respect of construction of buildings and purchase of machinery, which were authorised and contracted for. The Directors confirmed that the Group's capital commitments as at 31 March 2005 will be financed by internally generated resources of the Group.

Collaterals

As at 31 March 2005, the Group's bank loans of approximately HK$128,655,000 were secured by the following:

(i) pledge of the Group's office premises (land and buildings) located in Hong Kong with a net book value of approximately HK$9,356,000;

(ii) pledge of the Group's machinery and equipment with a net book value of approximately HK$26,267,000;

(iii) charges on the Group's trade receivables from two customers totalling of approximately HK$27,643,000;

(iv) joint personal guarantees provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, who have a substantial beneficial interest in the Company, of approximately HK$19,932,000;

(v) personal guarantee provided by Mr. Zhang Hwo Jie of approximately HK$40,000,000;

(vi) bank deposits provided by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua totalling of approximately HK$52,197,000; and

(vii) corporate guarantee provided by Yihe Metal Products, a related company, of approximately HK$10,000,000.

As at 31 March 2005, the Group's finance lease obligations of approximately HK$66,371,000 were secured by the following:

(i) pledge of the Group's machinery and motor vehicles with a net book value of approximately HK$103,886,000;

(ii) personal guarantee provided by Mr. Zhang Hwo Jie of approximately HK$24,652,000;

(iii) joint personal guarantees provided by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua of approximately HK$3,383,000 and joint personal guarantees provided by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua of approximately HK$1,929,000; and

(iv) guarantee provided by the Government of Hong Kong Special Administration Region of approximately HK$996,000.

Borrowings of approximately HK$123,295,000 were secured by personal guarantees, out of which approximately HK$52,197,000 were additionally secured by pledged bank deposits provided by Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua. Borrowings of approximately HK$10,000,000 were secured by a corporate guarantee provided by Yihe Metal Products, a related company, The relevant banks have agreed in principle to release the personal guarantees and corporate guarantee and to replace the same with securities from the Company and/or its subsidiaries upon listing of the Shares on the Main Board of the Stock Exchange.

Disclaimers

Save as otherwise disclosed in this prospectus and apart from intra-group liabilities, neither the Company nor any of the companies comprising the Group had as at 31 March 2005, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

Save as aforesaid, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 March 2005.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 the Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current liabilities

As at 31 March 2005, the Group had net current liabilities of approximately HK$29.7 million. Current assets comprised inventory of approximately HK$38.7 million, trade receivables of approximately HK$81.2 million, prepayments, deposits and other receivables of approximately HK$7.3 million, amounts due from related parties of approximately HK$4.6 million, which will be settled prior to listing of the Shares, and cash and bank deposits of approximately HK$28.2 million. Current liabilities comprised short-term bank loans of approximately HK$80.5 million, current portion of finance lease obligations of approximately HK$29.1 million, trade payables of approximately HK$59.6 million, accruals and other payables of approximately HK$10.6 million and tax payable of approximately HK$9.9 million.

Financial resources

Historically, the Group has relied heavily on short-term loans and finance leases, which have been provided by financial institutions in Hong Kong and the PRC, to fund its long-term investment. As at 31 March 2005, short-term bank loans and current portion of finance lease obligations amounting to approximately HK$109,611,000, which had been used to finance the acquisition of the Group's fixed assets, were repayable within one year. As a result, the Group recorded net current liabilities amounting to approximately HK$29,704,000 as at 31 March 2005.

The Directors believe that the Group's net current liabilities was primarily due to the fact that in the past the Group financed its substantial capital expenditure mainly by means of short-term bank borrowings. The Directors confirmed that the Group has not historically experienced problems in roll-over of old loans or obtaining of new loans. In addition, the Group has historically been profit-making and generated positive cash flow from its operations during the Track Record Period. In particular, net cash inflows from operating activities were HK$35.5 million, HK$44.3 million and HK$49.9 million respectively for the years ended 31 December 2002, 2003 and 2004. The Group is continuously monitoring its cash flow position and should the Group foresee any difficulties in the roll-over of old loans or the obtaining of new loans, the Group will modify its plan of capital expenditure accordingly.

Further, the Group planned to utilise approximately HK$30,000,000 of its listing proceeds for repayment of bank loans and HK$6,000,000 of the proceeds as the Group's general working capital. Coupled with the continuing cash inflow generated from the Group's business operations, the Directors believe that the Group's net current liabilities position will be significantly improved.

On 10 August 2004 the Group obtained additional new bank facilities of HK$100,000,000 from DBS Bank (Hong Kong) Limited which had been increased to HK$127,000,000 on 4 January 2005. The Group utilised HK$60,000,000 inter alia of the new bank facilities from DBS Bank (Hong Kong) Limited in order to repay the outstanding shareholders' loan of HK$27,776,000 due to related parties, settle the amount of HK$26,634,000 due to Offspin, and, in respect of the remaining balance, to acquire additional machinery and equipment for business expansion. In addition, the Group had also obtained new bank facilities from UFJ Bank Limited amounting to HK$25,000,000 on 19 October 2004, of which approximately HK$9,932,000 had been utilised to acquire additional machinery and equipment for business expansion as at 31 March 2005. The Directors believe that these loans will strengthen the Group's financial position and free up the use of internal resources generated from its existing operations for other internal requirements.

Capital expenditure

The following table summarises the Group's capital expenditure during the Track Record Period:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Acquisition of fixed assets	60,056	58,731	105,541

The Group's business is, to a significant extent, capital intensive and continuous investment in fixed assets is crucial to the growth of the Group. During the years ended 31 December 2002, 2003 and 2004, the Group's investment in fixed assets amounted to approximately HK$60,056,000, HK$58,731,000 and HK$105,541,000, respectively. Capital expenditure for the year ended 31 December 2003 was comparable to that for the year ended 31 December 2002.

During the year ended 31 December 2004, the Group commenced the construction of its third factory building and continued to purchase additional machinery for the strengthening of its production capacity. Accordingly, substantial capital expenditure was incurred which amounted to approximately HK$105,541,000 for the year ended 31 December 2004.

Cash flow

The following table summarises cash flows of the Group for the period indicated:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Net cash inflow from operating activities	35,474	44,335	49,936
Net cash outflow from investing activities	(51,822)	(49,710)	(46,434)
Net cash inflow/(outflow) from financing activities	22,925	(1,593)	5,166
	6,577	(6,968)	8,668

During the Track Record Period, the Group financed its working capital and capital expenditure requirements principally through net cash flow from operating activities and cash flow from bank and other borrowings. As at 31 December 2004, the Group had cash and cash equivalents of approximately HK$19.0 million, representing an increase of approximately HK$8.7 million from 31 December 2003. Cash generated from operations, when not for working capital purposes, is held principally in the form of short-term and demand deposits with banks.

Operating activities

Net cash inflow from operating activities amounted to approximately HK$35.5 million, HK$44.3 million and HK$50.0 million for the years ended 31 December 2002, 2003 and 2004, respectively. The Group's net cash inflow from operating activities increased from approximately HK$35.5 million for the year ended 31 December 2002 to approximately HK$50.0 million for the year ended 31 December 2004, representing an increase of approximately 40.8%. The increase in net cash inflow from operating activities reflected the improvement in the Group's profitability over the past years.

Investing activities

Net cash outflow from investing activities mainly consisted of cash used for acquisition of fixed assets. For the years ended 31 December 2002, 2003 and 2004, net cash outflow from investing activities amounted to approximately HK$51.8 million, HK$49.7 million and HK$46.4 million, respectively. Net cash used in investing activities for the years ended 31 December 2003 was comparable to that for the year ended 31 December 2002. Net cash used in investing activities for the year ended 31 December 2004 decreased slightly as compared to that for the years ended 31 December 2002 and 2003 despite an increase in capital expenditure during the year. It was mainly because a larger proportion of fixed assets were acquired by way of finance lease arrangements during the year.

Financing activities

Net cashflow from financing activities changed from a net inflow of approximately HK$22.9 million for the year ended 31 December 2002 to a net outflow of approximately HK$1.6 million for the year ended 31 December 2003. The change was attributable to the increase in the repayment of bank borrowings and the capital element of finance leases by approximately HK$14.7 million and HK$1.0 million, respectively, during the year ended 31 December 2003 as compared to that for the year ended 31 December 2002.

Net cash flow from financing activities changed from an outflow of approximately HK$1.6 million for the year ended 31 December 2003 to an inflow of approximately HK$5.2 million for the year ended 31 December 2004. The increase was primarily contributed by the increase in bank loans which were drawn by the Group to provide additional funding for the expansion of the Group's scale of operations during the year ended 31 December 2004.

Financial and liquidity position

Set out below is a summary of the Group's key balance sheet components as at 31 December 2002, 2003 and 2004 which has been extracted from, and should be read in conjunction with, the accountants' report set out in Appendix I to this prospectus:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Fixed assets	87,469	136,459	226,233
Inventories	8,247	14,147	35,347
Trade receivables	25,662	38,828	80,286
Prepayments, deposits and other receivables	1,602	4,624	6,313
Trade payables	15,568	30,414	62,544
Bank borrowings	19,431	24,716	112,286
Analysed into: –			
Current portion	19,431	24,716	61,530
Non-current portion	–	–	50,756
Finance lease obligations	15,513	15,843	60,430
Analysed into: –			
Current portion	6,631	9,361	26,502
Non-current portion	8,882	6,482	33,928

31 December 2004 compared to 31 December 2003

Inventory

Inventory as at 31 December 2004 increased by approximately HK$21,200,000, or 149.9% as compared to that as at 31 December 2003. Inventory turnover days (inventory/turnover x 365 days) for the year ended 31 December 2004 was approximately 43 days, which increased as compared to that of 31 days for the year ended 31 December 2003. During the year ended 31 December 2004, the Group's turnover increased significantly. The growth rate of the Group's turnover was particularly high during the latter half of 2004 and accordingly, a higher level of inventory was accumulated as at 31 December 2004 to cope with the expansion in turnover, which in turn resulted in a higher inventory turnover days for the year.

Trade receivables

Trade receivables as at 31 December 2004 increased by approximately HK$41,458,000, or 106.8% as compared to that as at 31 December 2003. The increase in trade receivables was in line with the increase in the Group's turnover during the year. Debtors' turnover days (trade receivables/turnover x 365 days) for the year ended 31 December 2004 was 99 days, which was higher than that of 84 days for the year ended 31 December 2003. As described above, the Group's turnover increased significantly during the year ended 31 December 2004. Though the Directors are of the view that the Group's sales are not subject to any seasonal factor, the Group's turnover during the year was concentrated in the latter half of 2004. A higher ending balance of trade receivables as at 31 December 2004 resulted, which contributed to a higher figure for trade receivable turnover days for the year ended 31 December 2004.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables as at 31 December 2004 increased by approximately HK$1,689,000 or 36.5% as compared to that as at 31 December 2003 primarily due to the increase in prepayments for purchases of fixed assets during the year. The Group planned to purchase additional fixed assets in early 2005 to cope with the continuous growth of its business, resulting in an increase in prepayments for purchases of fixed assets as at 31 December 2004.

Trade payables

Trade payables as at 31 December 2004 increased by approximately HK$32,130,000, or 105.6% as compared to that as at 31 December 2003. The increase in trade payables was in line with the increase in the Group's turnover during the year. Creditors' turnover days (trade payables/turnover x 365 days) increased by 11 days from 66 days for the year ended 31 December 2003 to 77 days for the year ended 31 December 2004.

As described above, the Group increased its purchases of inventory during the latter half of 2004 to cope with the expansion in turnover. The purchase of additional inventory contributed to a higher creditors' turnover days for the year ended 31 December 2004 because a majority of the Group's inventory was purchased on credit terms, resulting in a larger outstanding balance of trade payables as at 31 December 2004.

Bank borrowings

During the year ended 31 December 2004, the Group borrowed additional loans for financing its business expansion, resulting in an increase in bank borrowings as at 31 December 2004 as compared to that as at 31 December 2003.

Finance lease obligations

Balance of finance lease obligations increased by 281.4% from HK$15,843,000 as at 31 December 2003 to HK$60,430,000 as at 31 December 2004. The Group entered into new finance lease arrangements during the year ended 31 December 2004 to finance the purchases of additional fixed assets, which resulted in an increase in the balance of finance lease obligations as at 31 December 2004 as compared to that as at 31 December 2003.

31 December 2003 compared to 31 December 2002

Inventory

Inventory as at 31 December 2003 increased by approximately HK$5,900,000, or 71.5% as compared to that as at 31 December 2002. At the same time, inventory turnover days increased from 25 days for the year ended 31 December 2002 to 31 days for the year ended 31 December 2003. In September 2003, the Group completed the construction of its second production plant with a floor area of approximately 18,000 sq.m. and increased its production capacity to satisfy the increasing demand from its customers. Anticipating a rapid growth in business, the Group purchased additional inventory during the last quarter of 2003 to cope with the expected increase in sale orders in 2004. The resulting larger inventory balance as at 31 December 2003 contributed to a higher inventory turnover days in 2003.

Trade receivables

Trade receivables as at 31 December 2003 increased by approximately HK$13,166,000, or 51.3% as compared to that as at 31 December 2002. The increase in trade receivables was generally in line with the increase in the Group's turnover during the year. Debtors' turnover days increased by 8 days to 84 days during the year ended 31 December 2003. However, the debtors' turnover days of 84 days in 2003 were still in line with the normal credit terms granted by the Group to its customers of up to 90 days in 2003.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables as at 31 December 2003 increased by approximately HK$3,022,000, or 188.6% as compared to that as at 31 December 2002 primarily due to the increase in deposits paid to the PRC customs department. The PRC customs department normally requested companies engaging in export sales to place deposits in the PRC customs department so that any additional customs duties can be directly deducted from such deposits. During the year ended 31 December 2003, the PRC customs department requested the Group to pay additional deposits taking into account the continuous growth in the Group's business scale, which resulted in an increase in the balance of customs deposits as at 31 December 2003.

Trade payables

Trade payables as at 31 December 2003 increased by approximately HK$14,846,000, or 95.4% as compared to that as at 31 December 2002. At the same time, creditors' turnover days increased by 20 days from 46 days for the year ended 31 December 2002 to 66 days for the year ended 31 December 2003. The increase in creditors' turnover days was mainly attributable to the purchases of additional inventory in the last quarter of 2003 as described above.

Short-term bank loans

During the year ended 31 December 2003, additional loans were drawn by the Group to finance the construction of the Group's second production plant. As a result, balance of short-term bank loans as at 31 December 2003 increased as compared to that as at 31 December 2002.

Finance lease obligations

The balance of finance lease obligations as at 31 December 2003 was approximately HK$15,843,000, which was comparable to that as at 31 December 2002.

FOREIGN CURRENCY EXPOSURE

The Group's foreign currency exposure gives rise to market risk associated with exchange rate movements against US$ and HK$. However, most of the Group's sales and costs of sales (including steel plates and zinc plated steel sheets) are currently made in US$ and HK$ and only a slight amount of purchases are made in RMB. The values of each of the HK$ and the RMB are correlated to that of the US$, and therefore, there are currently no changes between the HK$ and the US$, or between the RMB and the US$, to generate any significant impact on the Group's foreign exchange gain or loss. Accordingly, the Group only recorded an insignificant exchange loss amounting to approximately HK$26,000 and HK$13,000 for the year ended 31 December 2002 and 2003, respectively, and an exchange gain amounting to approximately HK$85,000 for the year ended 31 December 2004, respectively. For further information regarding the exchange rates, please see the section headed "Risk Factors – Foreign exchange rates fluctuation" in this prospectus.

TAXATION

Cayman Islands

As an exempted company incorporated in the Cayman Islands, the Company is exempted from the Cayman Islands taxation.

The PRC

Preferential tax treatments and tax rates

Yihe Precision Hardware

Pursuant to《中華人民共和國外貿投資企業和外國企業所得稅法》(the Income Tax Law of China for Foreign Investment Enterprise and Foreign Enterprise) (the "PRC Income Tax Law"), Yihe Precision Hardware obtained a tax exemption confirmation (《關於億和精密金屬制品(深圳)有限公司申請減免企業所得稅問題的覆函》) from 深圳市地方稅務局第五檢查分局 (Shenzhen Municipality Local Tax Bureau (the Fifth Branch)), the relevant authority responsible for issuing such confirmation, dated 2 January 2003 stating that Yihe Precision Hardware is entitled to an exemption from PRC enterprise income tax (the "EIT") for the first two years commencing from the first year of profitable operations after offsetting prior year losses, and entitled to a 50% tax reduction in PRC enterprise income tax for the following three years (the "Tax Reduction Period"). Moreover, Yihe Precision Hardware received a《獲利年度確認通知書》(Notice of first Profit-making year) in June 2004 from 深圳市地方稅務局第五檢查分局 (Shenzhen Municipality Local Tax Bureau (the Fifth Branch)) confirming that 2003 is the first profit-making year of Yihe Precision Hardware. Therefore, according to the PRC Income Tax Law and the relevant approval, Yihe Precision Hardware was entitled for EIT exemption for two years ending 31 December 2004 and a 7.5% tax rate for three years period from 1 January 2005 to 31 December 2007.

Yihe Plastic & Electronic

Pursuant to the PRC Income Tax Law, Yihe Plastic & Electronic obtained a tax exemption confirmation (《深圳市國家稅務局減、免稅批准通知書》) from 深圳市寶安區國家稅務局龍華分局 (Shenzhen Municipality Bao'an District State Tax Bureau (Longhua Branch)), the relevant authority responsible for issuing such confirmation, dated 27 September 2004 stating that Yihe Plastic & Electronic is entitled to the Tax Reduction Period as mentioned above. However, as Yihe Plastic & Electronic was still at the trial production stage during the Track Record Period, it did not generate any taxable profit during the Track Record Period.

Yihe Metal Products

Pursuant to the PRC Income Tax Law, Yihe Metal Products obtained a tax exemption confirmation (《關於"深圳億和精密模具五金制品有限公司"申請減免企業所得稅問題的批覆》) from 深圳市地方稅務局南山徵收分局 (Shenzhen Municipality Local Tax Bureau (Nanshan Branch)), the relevant authority responsible for issuing such confirmation, dated 6 May 1996 stating that Yihe Metal Products is entitled to the Tax Reduction Period. According to the financial statements and tax filing documents of Yihe Metal Products, after offsetting previous years' losses, the first profitable year of Yihe Metal

Products was year 2000. Therefore according to the PRC Income Tax Law and the tax exemption confirmation (《關於"深圳億和精密模具五金制品有限公司"申請減免企業所得税問題的批覆》), Yihe Metal Products was eligible for EIT exemption for the two years ended 31 December 2001 and was entitled to a 50% reduction in the EIT rate of 7.5% for the three years ended 31 December 2004.

Each of Yihe Precision Hardware, Yihe Plastic & Electronic and Yihe Metal Products has obtained the relevant tax concession approvals from the local tax departments as mentioned above which are the relevant government authorities for granting such approvals, and consequently the preferential tax treatments to which Yihe Precision Hardware, Yihe Plastic & Electronic and Yihe Metal Products are currently entitled are in compliance with the PRC Income Tax Law.

In additions, Yihe Precision Hardware has obtained a confirmation from the Shenzhen Municipal Tax Department (深圳市地方税務局) dated 24 August 2004 and a confirmation from the National Tax Bureau of Shenzhen (Bao'an District) (深圳市寶安區國家税務局) dated 20 August 2004 confirming (i) the applicable tax rates of Yihe Precision Hardware; (ii) that Yihe Precision Hardware has been filing tax returns in accordance with the relevant tax rules since its incorporation; and (iii) Yihe Precision Hardware having no previous record of punishment as a result of violating any tax rules.

Yihe Metal Products has also obtained a confirmation from Shenzhen Municipal Tax Department (深圳市地方税務局) dated 31 August 2004 and a confirmation from the National Tax Bureau of Shenzhen (Nanshan District) (深圳市南山區國家税務局) dated 30 August 2004 confirming (i) the applicable tax rates of Yihe Metal Products; and (ii) that Yihe Metal Products has been filing tax return in accordance with the relevant tax rules since its incorporation.

Filing of tax returns

Yihe Precision Hardware

Pursuant to a confirmation from the Shenzhen Municipal Tax Department (深圳市地方税務局) dated 24 August 2004 and a confirmation from the National Tax Bureau of Shenzhen (Bao'an District) (深圳市寶安區國家税務局) dated 20 August 2004, Yihe Precision Hardware has been filing tax returns in accordance with the relevant tax rules since its incorporation and Yihe Precision Hardware has no previous record of punishment as a result of violating any tax rules.

Yihe Plastic & Electronic

As Yihe Plastic & Electronic was incorporated in July 2004, it has filed quarterly tax returns for the last two quarters of the year ended 31 December 2004. However, as Yihe Plastic & Electronic was still at the trial production stage, it therefore did not generate any taxable profit during the relevant period.

Yihe Metal Products

Pursuant to a confirmation from Shenzhen Municipal Tax Department (深圳市地方税務局) dated 31 August 2004 and a confirmation from the National Tax Bureau of Shenzhen (Nanshan District) (深圳市南山區國家税務局) dated 30 August 2004, Yihe Metal Products has been filing tax returns in accordance with the relevant tax rules since its incorporation.

The major operating entities of the Group have been operating in the PRC and Hong Kong during the Track Record Period with the Group's PRC entities acting as the manufacturing arm. During the Track Record Period, the Group's Hong Kong entities namely, EVA Limited, EVA Group, EVA Holdings and EVA Miyagawa, were mainly responsible for sales and marketing and sourcing of materials from independent suppliers for onward sales to the Group's PRC manufacturing arms, Yihe Metal Products and Yihe Precision Hardware. The Group's PRC entities were responsible for the manufacturing of the Group's products, which were then sold to the Group's Hong Kong entities for onward sale to the Group's customers. Yihe Metal Products and Yihe Precision Hardware charged the Group's Hong Kong entities a certain mark-up margin in return for the manufacturing services. Such inter-company arrangements remain unchanged as at the Latest Practicable Date.

The aforesaid business model of the Group constitutes an inter-company pricing arrangement (hereinafter the "Inter-company Arrangements") with an objective of achieving reasonable operating results for both of its Hong Kong and PRC entities.

Pursuant to《關聯企業間業務往來稅務管理規程》(the "Related Parties Transaction Tax Regulation") promulgated by 國家稅務總局 (State Administration of Taxation), companies with related parties transactions should file the《中華人民共和國國家稅務總局外商投資企業和外國企業與其關聯企業業務往來情況年度申報表》(Annual Declaration for Transactions with Related Parties for Foreign-own and Foreign-invested Enterprises) (the "Related Parties Transaction Declaration") to the relevant tax authority within four months from the end of each financial year, and the relevant tax authority should review all the information provided by the enterprise within two months and analyse whether such related parties transaction are under normal business activities, and prepare《企業基本情況表》(the Enterprise Basic Condition Declaration) and《歷年生產經營狀況分析表》(the Production and Operation Status Report) and obtain a confirmation from the enterprise for such reports.

According to the tax advice issued by 深圳市鵬信稅務師事務所有限公司, a licensed tax adviser established in the PRC engaged by the Group (the "PRC Tax Advisers") dated 25 February 2005, prior to 2003 (2003 inclusive), the relevant tax authority of the Shenzhen municipality did not explicitly request enterprises to file the Related Parties Transaction Declaration. However, as when deemed necessary during tax appraisal, the tax bureau will request the filing of the Related Parties Transaction Declaration. The Directors have advised that, as they had considered that the filing was not compulsory, Yihe Precision Hardware and Yihe Metal Products therefore did not do the filing for the years ended 31 December 2002 and 2003 during the Track Record Period. However, the Directors confirmed that the tax bureau did not request Yihe Precision Hardware and Yihe Metal Products to file the Related Parities Transaction Declaration during the Track Record Period. Therefore, the PRC Tax Advisers are of the opinion that the Group's non-filing of 中華人民共和國國家稅務總局外商投資企業和外國企業與其關聯企業業務往來情況年度申報表 (the Annual Declaration for Transactions with Related Parties for Foreign-own and Foreign-invested Enterprises) before 2003 (2003 inclusive) as mentioned above did not violate the relevant tax laws in the PRC.

Nevertheless, commencing from 2004, the Related Parties Transaction Declaration has been included in, and form part of , the annual tax filing form. The Directors confirm that Yihe Precision Hardware and Yihe Plastic & Electronic will file the Related Parties Translation Declaration for the financial year ended 31 December 2004 and thereafter in accordance with the Related Parties Transaction Tax Regulation. Moreover, the Directors also confirmed that they will procure the current shareholders of Yihe Metal Products to file the Related Parties Transaction Declaration for the financial year ended 31 December 2004.

Other tax issues

Inter-Company Arrangements

As advised by the PRC Legal Advisers, there is no restriction under the prevailing regulations in the PRC against inter-company transactions such as those of the Group, and therefore the Inter-company Arrangements are legal and valid. However, whether the pricing terms of the Inter-company Arrangements violate《關聯企業間業務往來稅務管理規程》(the Related Parties Transaction Tax Regulation) will be subject to the judgment of the relevant tax bureau in the event that the relevant tax department decides to revisit the Group's inter-company pricing arrangements mentioned above.

The PRC Tax Advisers consider that the fairness and reasonableness of the Inter-company Arrangements involve an element of judgment and may be subject to uncertainty in that relevant PRC tax authorities may take a different view on a reasonableness of the inter-company pricing policy. In the event that the Group fails to successfully defend its position against the PRC tax authorities regarding the fairness and reasonableness of the pricing level of the Inter-company Arrangements, the Group may become liable to pay additional PRC income tax. The relevant PRC tax authorities may adjust the pricing level of the related parties transactions based on the determination criteria prescribed under Article 51 of the《中華人民共和國外商投資企業和外國企業所得稅法實施細中華人民共和國外商投資企業和外國企業所得稅法實施細則》. However, the export price of goods sold from the Group's PRC entity to the Group's Hong Kong entities has been according to the export price declared to the PRC customs, and moreover Yihe Precision Hardware and Yihe Metal Products have generated reasonable profit returns that were comparable to the industry average during the Track Record Period. Therefore, the PRC Tax Advisers are of the view that the pricing level of the Inter-company Arrangements is reasonable and that the possibility of such pricing level being challenged and subject to fine by the relevant PRC tax authorities is very remote.

The Directors are of the view that in the event that the reasonableness of the pricing level of the Inter-company Arrangements are being challenged by the relevant tax authorities, the Group will have sufficient evidence to defend its position. Although the Directors consider that the Group has legitimate bases on which to defend any transfer pricing claims by the relevant tax authorities with respect to the Inter-company Arrangements, the Group will perform the following procedures to closely monitor the Inter-company Arrangements in the future:

– review semi-annually the pricing terms of sales and purchase transactions between the Group's Hong Kong and PRC entities and the basis of determining such pricing terms to ensure that they are in compliance with relevant tax laws and regulations in the PRC;

– review semi-annually the pricing terms of the sales and purchase transactions between the Group's Hong Kong and PRC entities from time to time to adhere to any changes of the relevant tax laws and regulations in the PRC and make adjustment to the pricing terms of the Inter-company Arrangements, if and when appropriate;

– seek periodic advice from the reporting accountants in relation to the reasonableness of the pricing terms of the Inter-company Arrangements after taking into account the risk and responsibilities undertaken by the Group's Hong Kong and PRC entities;

– the executive Directors will inform the independent non-executive Directors of the results of the aforesaid reviews of the Inter-company Arrangements with reasons and assumptions and, if and when appropriate, remedy in the event of any material potential tax liability arising from the Inter-company Arrangements or any breach of relevant PRC tax laws and regulations; and

– make public disclosure for the results of the aforesaid reviews and particulars of the remedy, if and when appropriate, as required under the Listing Rules.

Tax filing of Yihe Metal Products of year 2002

In 2004, the Group reviewed the financial position of each of the companies comprising the Group during the Track Record Period and noted that the profit of Yihe Metal Products has been under-reported in 2002. The Group took positive action to rectify the situation and filed voluntarily in 2004 a return to 市地方稅務局西麗分局 (Regional Office of Inland Revenue Department of Shenzhen (XiLi Branch)), the PRC governmental authority regulating tax issues of the Group's PRC subsidiaries, indicating an additional profit for Yihe Metal Products in respect of the year ended 31 December 2002 of approximately RMB20,790,000. Based on its relevant tax rate of 7.5% in 2002, Yihe Metal Products paid a tax of approximately RMB1,559,000 in August 2004 together with a late filing charge totaled to approximately RMB318,000 and pursuant to a Tax Payment Confirmation《中華人民共和國稅收完稅證》dated 29 July 2004, the Group also paid a fine for such late filing amounted to RMB600 as imposed by 深圳市地方稅務局西麗分局 (Regional Office of Inland Revenue Department of Shenzhen (XiLi Branch)), the government authority competent to impose such fine.

The PRC Legal Advisers are of the view that, pursuant to the relevant PRC tax law, 深圳市地方稅務局西麗分局 (Regional Office of Inland Revenue Department of Shenzhen (XiLi Branch)) should not impose further penalty on the same matter after the Group paid up the required tax and fine. Therefore, having paid up the aforesaid belated tax payment and fine, the Group is not exposed to other legal liability regarding the same issue.

Hong Kong

For Hong Kong group companies incorporated prior to 31 December 2003, namely, EVA Limited, EVA Holdings, EVA Group and EVA Miyagawa, Hong Kong profits tax has been provided at the rates of 16% and the tax returns from their respective dates of incorporation to 31 December 2003 were filed. The tax positions of EVA Limited and EVA Holdings have been agreed by the IRD up to financial year 2002. EVA Limited and EVA Holdings have not received assessment from the IRD in respect of their 2003 tax returns, which were filed in September 2004. Notices from the IRD exempting EVA Miyagawa from filing profits tax returns have been received in 2001 whilst EVA Group has not been required by the IRD to file any tax return since its incorporation. EVA Group was still making losses up to 31 December 2004, while the trading activities of EVA Miyagawa were offshore from a Hong Kong tax perspective. As such, EVA Group and EVA Miyagawa are still entitled to the exemption of profits tax filing. The other group companies, which were incorporated in Hong Kong during 2004, namely, EVA Mould Design (HK), EVA Plastic Products (HK) and Okuno Precision, are not yet due for any profits tax filing.

As advised by the Directors, the Group is currently in the process of gathering documentary evidence for filing to the IRD to substantiate the claim made by EVA Holdings for a 50% reduction in profit tax given that a substantial portion of the Group's activities is outside Hong Kong for the assessment year 2003/2004. Notwithstanding the above, the maximum exposure of the above claim is only approximately HK$30,000. Except for the above, the Directors confirm that there are no outstanding enquiries from the IRD.

The BVI

The group companies established in the BVI during the Track Record Period, namely, Offspin, EVA Design (BVI), EVA Metal (BVI) and EVA Plastic (BVI), were incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from the BVI income tax.

Effective tax rates of the Group during the Track Record Period

The effective tax rates for the years ended 31 December 2002, 2003 and 2004 were 10.9%, 2.0% and 7.6% respectively.

During the year ended 31 December 2001, a substantial portion of the Group's profit was reported by Offspin. Although the activities provided by Offspin were primarily offshore in nature from a Hong Kong profits tax perspective, the Group provided for Hong Kong profits tax in respect of the consultancy fees received by Offspin at a rate of 16% which amounted to HK$2,809,000. And during the year, Yihe Metal Products was enjoying its second year of tax exemption and no tax expenses was recorded. Accordingly, the Group's effective tax rate approximated the statutory Hong Kong profits tax rate of 16% for the year ended 31 December 2001.

As part of the process to streamline the Group's operations, the production supervision function of Offspin was transferred to Yihe Precision Hardware by mid-2002 and Offspin finally ceased operations by mid 2002. During the year, the Group has taken a conservative approach and has made a tax provision of HK$1,392,000. In addition, the Group's first block of factory buildings was completed and the related production facilities were subsequently transferred from Yihe Metal Products to Yihe Precision Hardware in June 2002. However, Yihe Precision Hardware recorded a loss during the initial phase of its operations and no taxation was provided. And Yihe Metal Products, enjoyed a preferential tax rate of 7.5% during the year ended 31 December 2002. With the tax benefits enjoyed by Yihe Metal Products, coupled with the reduction in activities of Offspin and the loss recorded by Yihe Precision Hardware, the Group recorded an effective tax rate of 10.9% for the year ended 31 December 2002, which was lower than the statutory Hong Kong and PRC tax rate of 16% and 15% respectively.

During the year ended 31 December 2003, a substantial portion of the Group's profit was reported by Yihe Precision Hardware as a combined result of the migration of the production supervisory function from Offspin and the business transfer from Yihe Metal Products. In accordance with relevant PRC regulations, Yihe Precision Hardware was exempted from payment of PRC enterprise income tax for two years starting from its first year of profitable operation. As Yihe Precision Hardware was exempted from payment of the PRC enterprise income tax during the year ended 31 December 2003, the Group recorded an effective tax rate of 2.0% for the year ended 31 December 2003.

For the year ended 31 December 2004, the Group successful negotiated with the customers' senior management for an increase in selling price and managed to transfer the increased cost due to the rise in steel and other metal prices to its customers. The benefit from the increase in selling prices was mainly captured by EVA Limited, a subsidiary responsible for negotiating with the senior management of the customers. As EVA Limited is subject to Hong Kong profits tax at the rate of 17.5%, the Group's effective tax rate for the year ended 31 December 2004 increased as compared to that for the year ended 31 December 2003. However, as Yihe Precision Hardware, the Group's principal PRC operating entity, was within its tax exemption period during the year ended 31 December 2004, the Group's effective tax rate was still lower than the statutory Hong Kong and PRC tax rate of 17.5% and 15% respectively.

Tax provision

During the years ended 31 December 2001 and the six months ended 30 June 2002, Offspin provided production supervisory services to EVA Limited and received service fees thereon.

The service fees paid to Offspin were deductible from the perspective of EVA Limited as such expense was incurred in the production process of Yihe Metal Product, the subsidiary and production arm of EVA Limited, which was directly related to the generation of assessable profits of EVA Limited.

The Directors consider that the activities undertaken by Offspin were primarily offshore in nature from the Hong Kong profits tax perspective as such services were performed with respect to the Group's PRC manufacturing arm located outside Hong Kong. As such, Offspin was not subject to Hong Kong profits tax during the track record period. In respect of PRC tax, the Directors consider the possibility of such service fee income to be taxable in PRC to be slight as the parties to the agreement (being Offspin and EVA Limited) were overseas entities with no registration in the PRC and the services rendered and the payment of such services were outside the PRC. However, the Group has taken a conservative approach and tax provisions of HK$2,809,000 and HK$1,392,000 have been made during the years ended 31 December 2001 and 2002, respectively. Pursuant to a group reorganisation to rationalise the Group's structure in preparation for the listing of share on The Stock Exchange of Hong Kong Limited, Offspin will not become part of the listing Group as it has been inactive since the middle of 2002. Moreover, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, directors of Offspin and/or substantial beneficial shareholders of the listing Group, have provided indemnities to the listing Group over the tax exposures resulting from the Group's activities during the Track Record Period. Further, as explained above, as a company incorporated under the International Business Companies Act of the BVI, Offspin is not subject to the BVI income tax.

Regarding the business activities in the PRC, after taking into account the efforts and contributions undertaken by both of the Group's PRC and Hong Kong entities, the Directors consider that Inter-company Arrangements are fair and reasonable whereby a majority of the Group's profits are recorded in its PRC entities as a substantial portion of the Group's profit-generating processes, namely product design, production, quality assurance and product delivery, are carried out in the PRC. The Directors believe that the Group would be able to defend any challenge against the Inter-company Arrangements by the relevant authority and therefore, the Directors do not consider it necessary to make any additional PRC tax provision for possible challenge to the Inter-company Arrangements.

The Reporting Accountants have performed audit procedures which they considered necessary to assess the adequacy of the Group's tax provision during the Track Record Period. Such procedures included, among others, the following:

– they considered the nature of operations and the related tax liabilities arising from the Group's activities;

– they considered the reasonableness of inter-company pricing and resulting allocation of profit among group companies by reference to the efforts, risks and rewards of activities undertaken by each of the group companies;

– they reviewed the relevant tax filings and assessment notices (including 深圳市地方稅務局企業所得稅申報表 (including quarterly and annually filings) and 深圳市地方稅務局納稅證明), tax filings to the Inland Revenue Department ("IRD") and notice of assessment issued by the IRD);

– they considered the tax rates applicable to individual group companies taking into account the place of incorporation and operations, and the preferential tax treatments entitled by the respective group companies; and

– they reviewed the relevant confirmations for tax preferential treatment entitled by the respective group companies, including (i) tax exemption confirmation (《關於億和精密金屬制品(深圳)有限公司申請減免企業所得稅問題的覆函》) from 深圳市地方稅務局第五檢查分局 (Shenzhen Municipality Local Tax Bureau (the Fifth Branch)) and《獲利年度確認通知書》(Notice of first Profit-making year) issued by 深圳市地方稅務局第五檢查分局 (Shenzhen Municipality Local Tax Bureau (the Fifth Branch)) for Yihe Precision Hardware; (ii) tax exemption confirmation (《關於"深圳億和精密模具五金制品有限公司"申請減免企業所得稅問題的批覆》) issued by 深圳市地方稅務局南山徵收分局 (Shenzhen Municipality Local Tax Bureau (Nanshan Branch)) for Yihe Metal Products; and (iii) tax exemption confirmation (《深圳市國家稅務局減、免稅批准通知書》) issued by 深圳市寶安區國家稅務局龍華分局 (Shenzhen Municipality Bao'an District State Tax Bureau (Longhua Branch)) for Yihe Plastic & Electronic.

Based on the above and the audit procedures performed, the Reporting Accountants have advised that they have concurred with the Directors that the Inter-company Arrangement is fair and reasonable and that the amount of the Group's tax provision during the Track Record Period is appropriate in the circumstances.

Indemnity

Each of the Indemnifiers has jointly and severally undertaken to indemnity the Group in connection with, inter alia, any taxation falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters, things, or business (whether discontinued or not and including the businesses carried on by EVA Miyagawa, Offspin and Yihe Metal Products) earned, accrued, received, entered into, carried on, or occurring on or before the Listing Date. (Please also refer to the paragraph headed "Summary of material contracts" in Appendix V to this prospectus for further details.)

DIVIDEND POLICY

On 25 June 2004, Yihe Metal Products declared dividends of approximately HK$19,178,000 to its then shareholders, of which approximately HK$16,587,000 was payable to EVA Limited, and had been settled by way of offsetting inter-company balances. The remaining balance of HK$2,591,000, which was payable to Shenzhen Namshing, a minority shareholder, was to be settled by offsetting the amounts due from related parties at the instructions of the relevant shareholders.

In August 2004, EVA Limited and Offspin declared and paid a dividend of approximately HK$5,590,000 and HK$22,045,000, respectively to its then shareholders, namely, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua. The payment was financed by cash generated from operation.

In December 2004, EVA Limited declared a final dividend of approximately HK$901,000 to its then shareholders, namely Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua which will be settled by way of offsetting the balances with them.

It is the Directors' current intention to recommend a final dividend of not less than 30% of its distributable profit for the year ending 31 December 2005 subject to, among others, the Group's results of operations, cash flows, financial conditions and funding requirements, the discretion of the Directors, shareholders' approval and other relevant factors prevailing at the time in the coming years.

UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma combined net tangible assets of the Group is based on the audited combined net assets of the Group as at 31 December 2004, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net assets of the Group as at 31 December 2004	**Audited combined net tangible assets of the Group as at 31 December 2004** *(Note 1)*	**Estimated net proceeds from the Share Offer** *(Note 2)*	**Unaudited pro forma net tangible assets**	**Unaudited pro forma net tangible assets per Share** *(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.10 per Share	110,757	110,929	128,034	238,963	0.46

Notes:–

1. The audited combined net tangible assets of the Group as at 31 December 2004 extracted from the accountants' report set out in appendix I to this prospectus and is derived from excluding goodwill/negative goodwill of the Group as at 31 December 2004 from the audited combined net assets of the Group as at 31 December 2004.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.10 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be issued upon the exercise of Over-allotment Option.

3. Based on an independent valuation performed by CB Richard Ellis Limited, the market value of the property interest held by the Group as at 28 February 2005 was HK$121,100,000 (excluding a piece of land with approximately 10,294 sq.m. on which the staff quarters are executed as the Realty Title Certificate of the piece of land has not yet been obtained), which was HK$51,537,000 higher than the net book value of the related land and buildings and construction-in-progress as at 31 December 2004 of HK$69,563,000. It is the Group's accounting policy to state land and buildings at cost less accumulated depreciation and impairment losses, if any, and the effect of revaluation will not be incorporated in the Group's accounts. Also, such revaluation surplus of HK$51,537,000 has not been adjusted in the above unaudited pro forma net tangible assets and unaudited pro forma net tangible assets per Share. Should such revaluation surplus be taken into account, the unaudited pro forma net tangible assets per Share will be increased to HK$0.56.

4. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 520,000,000 Shares in issue after the Share Offer and the Capitalisation Issue on 31 December 2004.

DISTRIBUTABLE RESERVES

As at 31 December 2004, the Company had in issue one Share, which was not yet paid up. Accordingly, the Company had no reserve available for distribution to its shareholders as at 31 December 2004.

PROPERTY INTEREST

The property interests held by the Group are located in Hong Kong and the PRC. The property interest in Hong Kong comprises an office unit on the Sixth Floor of a 28-storey office building completed in 1994, with an address at Unit 8 on Sixth Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong.

The property interest in PRC is an industrial complex comprises various buildings of 5 to 8 storeys and various ancillary structures erected on a site having a site area of approximately 53,260.33 sq.m., with an address at EVA Industrial Estate, Shiyan Town, Bao'an District, Shenzhen, Guangdong Province, the PRC.

WORKING CAPITAL

The Directors are of the opinion that, taking into account the present available banking facilities and internal financial resources of the Group and the estimated net proceeds of the Share Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has not been any material adverse change in the financial or trading position or prospects of the Group since 31 December 2004, the date to which the latest published audited combined financial statements of the Group were made up.

UNDERWRITERS

Placing Underwriters

CAF Securities Company Limited
SBI Crosby Limited
SBI E2-Capital Securities Limited
Barits Securities (Hong Kong) Limited
Grand Vinco Capital Limited
Sinomax Securities Limited
TIS Securities (HK) Limited
Worldwide Finance (Securities) Limited

Public Offer Underwriters

CAF Securities Company Limited
SBI Crosby Limited
Barits Securities (Hong Kong) Limited
Grand Vinco Capital Limited
Sinomax Securities Limited
Worldwide Finance (Securities) Limited
YF Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement (a material contract under the paragraph headed "Material contracts" under the section headed "Further information about the business" in Appendix V to this prospectus), the Company is offering (i) the Public Offer Shares at the Offer Price for subscription by way of Public Offer on and subject to the terms and conditions set forth in this prospectus and the Application Forms; and (ii) the Placing Shares for subscription by way of Placing at the Offer Price.

In addition, the Company has granted the Over-allotment Option to the Joint Lead Managers exercisable at any time within 30 days after the date of this prospectus, to request the Company to issue up to an aggregate of 19,500,000 additional Shares, representing 15% of the sum of the Public Offer Shares and the Placing Shares for the sole purpose of covering over-allocations in the Placing and the obligations of CAF Securities and SBI Crosby to return the Shares borrowed under the Stock Borrowing Agreement.

Subject to, inter alia, (a) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the Underwriting Agreement, in each case on or before 8:00 a.m. on the Listing Date; and (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on or before 29 May 2005, the Underwriters have severally agreed, pursuant to the Underwriting Agreement, to procure subscription for, and failing which to subscribe for, the Offer Shares under the Share Offer. If the Underwriting Agreement does not become unconditional or is terminated in accordance with the terms therein, the Company will make an announcement as soon as possible.

Grounds for termination

The obligations of the Underwriters under the Underwriting Agreement to subscribe and procure applicants for the subscription of, the Offer Shares, are subject to termination by CAF Securities and SBI Crosby, the Joint Lead Managers (acting on behalf of the Underwriters), at their absolute discretion, if certain grounds arise prior to 8:00 a.m. on the Listing Date. The grounds for termination include, inter alia, circumstances where:

(1) if it has come to the notice of CAF Securities and SBI Crosby, acting for themselves and on behalf of the Underwriters:

i) any statement contained in this prospectus, considered by CAF Securities and SBI Crosby to be material, is discovered in the sole opinion of CAF Securities and SBI Crosby to be, or in their sole opinion to have become, untrue, incorrect or misleading in any material respect; or

ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute material omission therefrom; or

iii) any breach of the warranties contained in the Underwriting Agreement other than those given by the Joint Sponsors or Underwriters, which is considered by CAF Securities and SBI Crosby to be material in their absolute discretion; or

iv) any event, act or omission which gives or is likely to give rise to any material liability of the Company and/or the Covenantors pursuant to the indemnities given in the Underwriting Agreement; or

v) any breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Underwriters, the Joint Lead Managers or the Joint Sponsors), which is considered by CAF Securities and SBI Crosby to be material in their absolute discretion; or

vi) any adverse change in the business or in the financial or trading position of any member of the Group which is considered by CAF Securities and SBI Crosby to be material in their absolute discretion; or

vii) any event, act or omission of any member of the Group or the Directors, otherwise than in the ordinary course of business which would render any of the representations, warranties or undertakings contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect; or

(2) if there shall develop, occur, exist or come into effect:

i) any material adverse change or deterioration in the conditions of local, national or international securities markets; or

ii) any event, or series of events, beyond the reasonable control of the Underwriters (including, without limitation, the generality thereof, any act of God, act of government, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout, accident or interruption or delay in transportation); or

iii) any material change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange); or

iv) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the PRC, Hong Kong, the Cayman Islands, the BVI or any other jurisdiction relevant to the Group or any member thereof; or

v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the PRC, Hong Kong, the Cayman Islands, the BVI or any other jurisdiction relevant to the Group or any member thereof; or

vi) any litigation or claim of any third party threatened or instigated against any member of the Group; or

vii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange or securities settlement or clearing services in or affecting Hong Kong due to exceptional financial circumstances or otherwise; or

viii) any change or prospective change in business or in the financial or trading position of the Group; or

ix) a general moratorium on commercial banking activities or foreign exchange trading in Hong Kong declared by the relevant authorities; or

x) any outbreak, continuation or escalation of any outbreak of any infectious disease, virus or similar event in Hong Kong, the PRC or the refusal by any potential investor(s) to meet with any of the Underwriters as a result of any of the foregoing events,

which in each case, in the opinion of CAF Securities and SBI Crosby (for themselves and on behalf of the Underwriters)

i) is or will or could be materially adverse to the business, financial or other condition or prospects of the Group taken as a whole or, in the case of a change or development involving a prospective change in taxation or exchange control, or the implementation of any exchange control, in the PRC, Hong Kong, the Cayman Islands, the BVI or any other jurisdiction relevant to the Group or any member thereof, is or will or is likely to be materially adverse to any present or prospective shareholder of the Company in his capacity as such; or

ii) has or will or could or is likely to have a material adverse effect on the success of the Share Offer; or

iii) for any other reason makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer.

Undertakings

1. The Company undertakes to and covenants with each of CAF Securities and SBI Crosby (in their capacities as the Joint Sponsors and Joint Lead Managers and for themselves and on behalf of the Underwriters) that it shall not, and each of the Covenantors (except the Company) undertakes to and covenants with each of CAF Securities and SBI Crosby (in their capacities as the Joint Sponsors and Joint Lead Managers for themselves and on behalf of the Underwriters) to procure that neither the Company nor any of its subsidiaries shall (a) allot or issue or agree to allot or issue any Shares or other securities of the Company or any of its subsidiaries (including warrants or other convertible securities); or (b) grant or agree to grant any options or other rights carrying any right to subscribe for or otherwise acquire any securities, directly or indirectly, conditionally or unconditionally, of the Company or any of its subsidiaries (including warrants or other convertible securities), at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (whether or not such issue of shares or securities will be completed within the first six-month period), without the prior consent of CAF Securities and SBI Crosby and unless in compliance with the requirements of the Listing Rules, except pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option, the grant of options under the Share Option Scheme and the exercise of the subscription rights attaching to the options which may be granted under the Share Option Scheme.

2. Each of Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua undertakes to the Company and the Joint Lead Managers that except pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option, the grant of options under the Share Option Scheme and the exercise of the subscription rights attaching to the options which may be granted under the Share Option Scheme:

    (i) it/he shall not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, during the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares owned by it/him (including any interest in any shares in any company controlled by it/him which is, directly or indirectly, the beneficial owner of any of the shares); and

    (ii) it/he shall not, in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Prosper Empire Limited, Mr. Zhang Hwo Jie and/or Mr. Zhang Yaohua and/or Mr. Zhang Jian Hua (whether individually or collectively) would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

3. Each of Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua further undertakes to the Company and the Stock Exchange that during the First Six-Month Period and the Second Six-Month Period, it/he shall:

    (i) when it/he pledges or charges any securities or interests in the securities of the Company beneficially owned by it/him in favour of an authorized institution pursuant to Note (2) to rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

    (ii) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company of such indications.

The Company shall, upon receipt of notice of any matter in (i) or (ii) above from Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and/or Mr. Zhang Jian Hua (whether individually or collectively), notify the Stock Exchange and disclose such matters by way of an announcement to be published in the newspapers.

Commission and Expenses

The Underwriters will receive a commission of 2.5% of the Offer Price of all the Offer Shares, out of which each Underwriter will pay its own sub-underwriting commissions and selling concessions. In addition, each of CAF Securities and SBI Crosby will receive a financial advisory fee for providing financial advisory services and for acting as the Sponsors to the Share Offer. Such financial advisory fee and commission, together with the Stock Exchange listing fees, the Stock Exchange transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are estimated to amount to approximately HK$15 million in aggregate will be payable by the Company (assuming that the Over-allotment Option is not exercised).

Underwriters' and Sponsors' Interests in the Company

Save for their respective obligations under the Underwriting Agreement, none of the Underwriters or the Sponsors or any of their respective holding companies, or any of their respective subsidiaries was beneficially interested, directly or indirectly, in any shareholding in the Company or any of its subsidiaries or has any right, whether legally enforceable or not, to subscribe for or to nominate person to subscribe for securities in the Company or any of its subsidiaries.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price payable by the applicants per Offer Share is HK$1.10 plus 1% brokerage fee, 0.005% SFC transaction levy (per side), 0.002% SFC investor compensation levy (per side) and 0.005% Stock Exchange trading fee (per side), amounting to a total of HK$2,222.26 for every one board lot of 2,000 Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Share Offer will be conditional upon:

(i) the Listing Committee of the Stock Exchange granting a listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus (including Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme, subject only to allotment) and such listing and permission not subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by CAF Securities and SBI Crosby on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement, in each case on or before 29 May 2005.

If such conditions are not fulfilled or waived on or at or prior to the times and dates specified, the Share Offer with lapse and the Stock Exchange will be notified immediately. In such event, all application monies will be returned, without interest, on the terms set out in the section "How to apply for the Public Offer Shares" below. In the meantime, such monies will be held in a separate bank account with the receiving banker or other licensed bank(s) in Hong Kong.

OFFER MECHANISM – BASIS OF ALLOCATION OF SHARES

The Share Offer

The Share Offer consists of the Placing and the Public Offer. The 130,000,000 Offer Shares initially offered will comprise 117,000,000 Placing Shares being offered under the Placing and 13,000,000 Public Offer Shares being offered under the Public Offer, without taking into account the exercise of the Over-allotment Option. The 130,000,000 Offer Shares being offered under the Share Offer will represent approximately 25% of the Company's enlarged share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Over-allotment Option). Subject to possible reallocation on the basis set forth below, 13,000,000 Public Offer Shares, representing 10% of the total number of Shares initially being offered with the Share Offer, will be offered to the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Out of the total 130,000,000 Offer Shares offered pursuant to the Share Offer (without taking into account the exercise of Over-allotment Option), 117,000,000 Placing Shares, representing 90% of the total number of Shares initially being offered with the Share Offer, will be placed with professional and institutional investors in Hong Kong and elsewhere, under the Placing.

The Placing

The Company is initially offering 117,000,000 Placing Shares for subscription, representing 90% of the total number of the Offer Shares initially being offered under the Share Offer, for subscription by way of the Placing. The Placing is fully underwritten by the Placing Underwriters, subject to the price determination agreement and the other terms and conditions of the Underwriting Agreement.

The Placing Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring Placing Shares in the Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as "book building". In Hong Kong, retail investors should apply for Shares in the Public Offer, as retail investors applying for Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any Placing Shares.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the listing of the Shares on the Stock Exchange. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its shareholders as a whole.

If the Placing Shares are not fully subscribed, CAF Securities and SBI Crosby as the Joint Lead Managers may reallocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer.

The Placing Underwriters or selling agents nominated by the Placing Underwriters shall, on behalf of the Company, conditionally place the Placing Shares with professional and institutional investors in Hong Kong and elsewhere outside the United States. The placing of the Placing Shares shall be subject to the offering restrictions set out under the section "Information about this Prospectus and the Share Offer".

The Placing is conditional on the same conditions as set out in the section "Conditions" above. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of the clawback arrangement referred to in the section "The Public Offer" below, exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Public Offer.

The Public Offer

The Company is initially offering 13,000,000 Public Offer Shares, representing 10% of the total number of Offer Shares initially being offered in the Share Offer, for subscription by way of a public offer in Hong Kong. The Public Offer Shares are being offered at the Offer Price. The Public Offer is fully underwritten by the Public Offer Underwriters.

The total number of Shares available under the Public Offer (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the Placing and the Public Offer is subject to adjustment. If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available under the Public Offer will be 39,000,000 Shares, representing 30% of the Shares initially available under the Share Offer. If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will be 52,000,000 Shares, representing 40% of the Shares initially available under the Share Offer. If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Shares available under the Public Offer will be 65,000,000 Shares, representing 50% of the Shares initially available under the Share Offer. In each such case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

In addition, if the Public Offer Shares are not fully subscribed, CAF Securities and SBI Crosby as the Joint Lead Managers in its discretion may reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing.

CAF Securities and SBI Crosby are the Joint Lead Managers of the Public Offer which is underwritten at the Offer Price by the Public Offer Underwriters, on and subject to the terms and conditions of the Underwriting Agreement.

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro-rata basis, although this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

OVER-ALLOTMENT OPTION AND STABILISATION

Over-allotment Option

In connection with the Share Offer, the Company has granted to CAF Securities and SBI Crosby on behalf of the Underwriters the Over-allotment Option exercisable at any time within 30 days after the date of this prospectus to require the Company to issue up to an aggregate of additional 19,500,000 Shares representing 15% of the sum of Public Offer Shares and Placing Shares for the sole purpose of covering over-allocations in the Placing. CAF Securities and SBI Crosby as the Joint Lead Managers may also cover such over-allocations in the Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and exercise of the Over-allotment Option, in part or in full. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Share Offer, the Shares held by the public will represent approximately 27.71% of the Company's enlarged issued share capital.

If CAF Securities and SBI Crosby as the Joint Lead Managers decide to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the Placing. The Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange. The levels of indication of interest in the Placing and the basis of allotment and the results of application under the Public Offer are expected to be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese on or before 10 May 2005.

Stabilisation

In connection with the Share Offer, CAF Securities and SBI Crosby as the Joint Lead Managers (for themselves and on behalf of the Underwriters) may exercise the Over-allotment Option (and require the Company to issue up to an aggregate of 19,500,000 additional Shares) and over-allocate up to 19,500,000 additional Shares representing 15% of the sum of the Public Offer Shares and Placing Shares. Such over-allocations may be satisfied by CAF Securities and SBI Crosby as the Joint Lead Managers by exercising the Over-allotment Option in full or in part or by purchasing Shares in the secondary market, at any time up to 30 days after the date of this prospectus.

In particular, for the purpose of covering such over-allocations, CAF Securities and SBI Crosby as the Joint Lead Managers may borrow up to 19,500,000 Shares from Prosper Empire Limited, equivalent to the maximum number of Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. As a result of an application on behalf of the Company and Prosper Empire Limited, the Stock Exchange has granted a waiver to the Company and Prosper Empire Limited from strict compliance with Rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by the controlling shareholders following a new listing, in order to allow Prosper Empire Limited to enter into and perform its obligations under the Stock Borrowing Agreement on condition that:

- the stock borrowing arrangement with Prosper Empire Limited may only be effected by the Joint Lead Managers on behalf of the Placing Underwriters for settlement of over-allocations in the Placing;
- the maximum number of Shares borrowed from Prosper Empire Limited by the Joint Lead Managers on behalf of the Placing Underwriters must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- the same number of Shares borrowed shall be returned to Prosper Empire Limited no later than three business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised; or (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- no payment or benefit will be made to Prosper Empire Limited by the Joint Lead Managers under the stock borrowing arrangement.

In addition, CAF Securities and SBI Crosby as the Joint Lead Managers may (for themselves and on behalf of the Underwriters) effect transactions which stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail but which are not higher than the Offer Price. Any such over-allocations, purchase and stabilisation transactions will be made in compliance with all applicable laws and regulatory requirements. The stabilisation period is currently expected to expire on 4 June 2005. After that date, when no further stabilising action may be taken, demand for the Shares, and therefore their price, could fall.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid or purchase the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to avoid a decline in the initial public offer prices of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of the Offer Shares, they will be done at the absolute discretion of the Joint Lead Managers. The stabilisation price to cover the over-allocation will not be higher than the Offer Price. Relevant provisions of the SFO prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

WHICH APPLICATION FORM TO USE

Use a **WHITE** application form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** application form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your investor participant stock account or your designated CCASS participant's stock account maintained in CCASS.

Note: The Public Offer Shares offered for public subscription under the Public Offer are not available to the Directors or the chief executive of the Company or existing beneficial owners of the Shares, or their respective associates.

WHERE TO COLLECT THE PROSPECTUSES AND THE APPLICATION FORMS FOR THE PUBLIC OFFER SHARES

You can obtain a **WHITE** application form and a prospectus from:

Any participant of The Stock Exchange of Hong Kong Limited

SBI Crosby Limited
Suites 3711-3715 Jardine House
One Connaught Place
Central, Hong Kong

CAF Securities Company Limited
13th Floor, Fairmont House
8 Cotton Tree Drive
Central, Hong Kong

Barits Securities (Hong Kong) Limited
Room 3406, 34/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

Grand Vinco Capital Limited
Room 4909-4910, The Center
99 Queen's Road Central
Central
Hong Kong

Sinomax Securities Limited
Room 1601, 16th Floor
Far East Finance Centre
16 Harcourt Road
Central
Hong Kong

Worldwide Finance (Securities) Limited
16/F, Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

YF Securities Company Limited
11/F, CMA Building
64-66 Connaught Road Central
Hong Kong

or any of the following branches of the DBS Bank (Hong Kong) Limited Bank:

District	Branch	Address
Hong Kong Island:	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	United Centre Branch	1/F, United Centre, 95 Queensway, Admiralty
	Sheung Wan Branch	G/F, 259-265 Des Voeux Road Central, Sheung Wan
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon:	Nathan Road Branch	G/F, 742-744 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 22-24 Cameron Road, Tsimshatsui
	Yue Man Square Branch	Shop 3-5 & G/F, Mido Mansion, 51-63 Yue Man Square, Kwun Tong
New Territories:	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long
	New Town Plaza Branch	Shop No. 553, Level 5, New Town Plaza Phase 1, Shatin
	Tsuen Wan Branch	G/F, 23 Chung On Street, Tsuen Wan

You can collect a **YELLOW** application form and a prospectus from:

Depository Counter
Hong Kong Securities Clearing Company Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road
Central
Hong Kong

or

Customer Service Centre
Hong Kong Securities Clearing Company Limited
Upper Ground Floor, V-Heun Building
128-140 Queen's Road Central
Hong Kong

or your stockbroker may have the application forms available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicant(s)) at your own risk at the address stated in the application form.

If your application is made through a duly authorised attorney, the Joint Lead Managers (acting for themselves and on behalf of the Underwriters), in consultation with the Company, or its agents, may accept your application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Joint Lead Managers, in their capacity as agents for the Company, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

In order for the **YELLOW** application forms to be valid:

1. if the application is made through a designated CCASS participant, other than a CCASS investor participant:

   (i) the designated CCASS participant or its authorised signatories must sign in the appropriate box; and

   (ii) the designated CCASS participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box; or

2. if the application is made by an individual CCASS investor participant:

   (i) the application form must contain the CCASS investor participant's name and his/her Hong Kong Identity Card number; and

   (ii) the CCASS investor participant should insert its participant I.D. and sign in the appropriate box in the application form; or

3. if the application is made by a joint individual CCASS investor participant:

   (i) the application form must contain all joint CCASS investor participants' names and Hong Kong Identity Card numbers; and

   (ii) the participant I.D. should be inserted and the authorised signatory(ies) of the CCASS investor participant's stock account should sign in the appropriate box in the application form; or

4. if the application is made by a corporate CCASS investor participant:

   (i) the application form must contain the CCASS investor participant's company name and Hong Kong Business Registration number; and

   (ii) the participant I.D. and company chop, bearing the applicant's company name, endorsed by its authorised signatory(ies) should be inserted in the appropriate box in the application form; and

5. signature(s), number of signatories and form of chop, where appropriate, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different owners are requested to designate on each application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner.

Each **WHITE** or **YELLOW** application form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first applicant) on the relevant application form. All such cheques or banker's cashier orders must be made payable to "Ting Hong Nominees Limited – EVA Precision Share Offer" as set out in the application form and crossed "Account Payee Only".

HOW MANY APPLICATIONS MAY YOU MAKE

There is only one situation where you may make more than one application for the Public Offer Shares:

If you are a nominee, you may lodge more than one application in your own name on behalf of different beneficial owners. In the box on the application form marked "For nominees" you must include:

– an account number; or

– some other identification code

for **each** beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an application form, you:

– (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** application form; or

– (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form, and that you are duly authorised to sign the application form as that other person's agent.

Save as referred to above, **all** of your applications for Public Offer Shares will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

– make more than one application on a **WHITE** or **YELLOW** application form; or

– apply on one **WHITE** or **YELLOW** application form for more than 100% of the Public Offer Shares being initially available in either pool A or pool B to the public as referred to in the paragraph headed "Offer mechanism – basis of allocation of the Offer Shares" under this section of the prospectus; or

All of your applications for Public Offer Shares will also be rejected as multiple applications if more than one application for Public Offer Shares is made for **your benefit**. If an application is made by an unlisted company and;

– the only business of that company is dealing in securities; and

– you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

– control the composition of the board of directors of that company; or

– control more then half of the voting power of that company; or

– hold more than half of the issued share capital of that company, not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital.

HOW MUCH ARE THE PUBLIC OFFER SHARES

The Offer Price of the Public Offer Shares is HK$1.10 each. You must pay the price of HK$1.10 per Share together with brokerage of 1%, a SFC transaction levy of 0.005%, SFC investor compensation levy of 0.002% and a Stock Exchange trading fee of 0.005% in full when you apply for the Public Offer Shares. This means that for every board lot of 2,000 Shares, you will pay HK$2,222.26.

Each of the application form has a table showing the exact amount payable for certain multiples of Public Offer Shares. Your payment must be by one cheque or one banker's cashier order and must comply with the terms of the relevant application forms.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the SFC, the trading fee is paid to the Stock Exchange and the SFC investor compensation levy is paid to the investor compensation fund.

TIME FOR APPLICATION FOR PUBLIC OFFER SHARES

For **WHITE** and **YELLOW** Application Forms, completed forms, with payments attached, must be lodged by **12:00 noon on Thursday, 5 May 2005,** or, if the application lists are not open on that day, then by 12:00 noon on the day the lists are open.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any of the branches of DBS Bank (Hong Kong) Limited listed under the paragraph headed "Where to collect the Application Forms" of this prospectus at the following times:

Friday, 29 April 2005	**:**	**9:00 a.m. to 4:00 p.m.**
Saturday, 30 April 2005	**:**	**9:00 a.m. to 12:00 noon**
Tuesday, 3 May 2005	**:**	**9:00 a.m. to 4:00 p.m.**
Wednesday, 4 May 2005	**:**	**9:00 a.m. to 4:00 p.m.**
Thursday, 5 May 2005	**:**	**9:00 a.m. to 12:00 noon**

The application lists will be open **from 11:45 a.m. to 12:00 noon on Thursday, 5 May 2005.**

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or

- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 May 2005. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings signals in force at any time between 9:00 a.m. and 12:00 noon.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Public Offer Shares are set out in the notes attached to the application forms, and you should read them carefully.

You should note in particular the following three situations in which Public Offer Shares will not be allocated to you:

1. If your application is revoked

By completing an application form, you agree that you cannot revoke your application after the expiration of the fifth day (excluding Saturday, Sunday and public holiday in Hong Kong) after 5 May 2005 or other date as the application lists may close as described under the paragraph headed "Effect of bad weather on the opening of the application lists" above unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the basis of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot, respectively;

2. If the allocation of the Public Offer Shares is void

Your allocation of the Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

(i) within three weeks from the closing of the applications lists; or

(ii) within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists; or

3. If your application is rejected

The Joint Lead Managers (acting for themselves and on behalf of the Underwriters) have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance, if:

(i) your application is a multiple or a suspected multiple application; or

(ii) your application form is not completed correctly; or

(iii) your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or

(iv) you or the person for whose benefit you are applying have applied for and/ or received or will receive Shares under the Placing; or

(v) the Underwriting Agreement does not become unconditional or it is terminated in accordance with the terms thereof.

4. Refund of your money

If you do not receive any Public Offer Shares for any of, but not limited to, the above reasons, the Company will refund your application money together with brokerage, SFC transaction levy, SFC investor compensation levy and Stock Exchange trading fee to you without interest. If your application is accepted only in part, the Company will refund the appropriate portion of your application money, brokerage, SFC transaction levy, SFC investor compensation levy and Stock Exchange trading fee to you, without interest. All such interest will be retained for the benefit of the Company.

All refunds will be by a cheque crossed "Account Payee Only", made out to you, or, if you are joint applicants, to the first-named applicant on your application form. Part of your Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/ passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque."

PUBLICATION OF RESULTS

The Company expects to release an announcement on the level of interest in the Placing, results of applications and basis of allocation of Shares under the Public Offer, and the number of Shares, if any, reallocated between the Placing and the Public Offer on or before 10 May 2005 in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

DESPATCH AND COLLECTION OF SHARE CERTIFICATES AND, OR, REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

The Company will not issue temporary documents of title. No receipt will be issued for application monies received.

WHITE application forms:

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you will collect your share certificate(s) and, or, refund cheque, if any, in person, you may collect it, them, in person from:

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

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of despatch of share certificates and, or, refund cheques. This is expected to be on or before 10 May 2005.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificate(s) and, or, refund cheque, if any, in person within the time specified for collection, it/they will be sent to the address on your application form shortly after 1:00 p.m. on the date of despatch by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or more and have not indicated on your application form that you will collect your share certificate(s) and, or, refund cheque, if any, in person, or if you have applied for less than 1,000,000 Public Offer Shares, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer described under the paragraph headed "Conditions" in the section headed "Structure of the Share Offer" in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) and/or refund cheque, if any, in respect of the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, SFC investor compensation levy and Stock Exchange trading fee, if any, without interest, will be sent to the address on your application form on the date of despatch by ordinary post and at your own risk.

YELLOW application forms:

Your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS investor participant stock account or the stock account of your designated CCASS participant, as instructed by you, at the close of business on 10 May 2005, or under contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant, other than a CCASS investor participant:

– for Public Offer Shares credited to the stock account of your designated CCASS participant, other than a CCASS investor participant, you can check the number of Public Offer Shares allotted to you with that CCASS participant on 10 May 2005.

If you are applying as a CCASS investor participant:

– the Company expects to publish the results of CCASS investor participants' applications together with the results of the Public Offer in the newspapers on 10 May 2005. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 10 May 2005 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you will collect your refund cheque in person, please follow the instructions set out in the paragraph headed "**WHITE** application forms" above.

If you have applied for less than 1,000,000 Public Offer Shares, or if you have applied for 1,000,000 Public Offer Shares or more but have not indicated on you application form that you will collect your refund cheque in person, your refund cheque, if any, will be sent to the address on your application form on the date of despatch, which is expected to be on 10 May 2005, by ordinary post and at your own risk.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 11 May 2005.

The Shares will be traded in board lots of 2,000 Shares each. The Stock Exchange code for the Shares is 838.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares issued and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Share to be admitted into CCASS.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

29 April 2005

The Directors
EVA Precision Industrial Holdings Limited
CAF Securities Company Limited
SBI Crosby Limited

Dear Sirs,

We set out below our report on the financial information relating to EVA Precision Industrial Holdings Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") as at and for the years ended 31 December 2002, 2003 and 2004 ("the Relevant Periods") for inclusion in the prospectus of the Company dated 29 April 2005 ("the Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 20 April 2005, the Company acquired the entire issued share capital of EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited and EVA Plastic Mould Products Limited, companies incorporated in the British Virgin Islands, through share exchanges ("the Reorganisation") and consequently became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section I – Note 1 below.

No audited accounts have been prepared by the Company, EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited, EVA Plastic Mould Products Limited and Offspin Technology Limited as these companies were not subject to any statutory audit requirements in their jurisdictions of incorporation. We have, however, reviewed all relevant transactions undertaken by these companies for the years ended 31 December 2002, 2003 and 2004 and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

We have audited, in accordance with the Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, the combined accounts of the companies now comprising the Group, EVA-Miyagawa Company Limited, Shenzhen Heyixing Industrial Co., Ltd. and Offspin Technology Limited as at and for the years ended 31 December 2002, 2003 and 2004, or since their respective dates of incorporation where this is a shorter period, prepared in accordance with accounting principles generally accepted in Hong Kong. The accounts of EVA Holdings Limited and EVA-Miyagawa Company Limited as at and for the years ended 31 March 2002 and 2003, and as at and for the nine months ended 31 December 2003, the accounts of EVA-Miyagawa Company Limited as at and for the period from 1 January 2004 to 15 September 2004 (date of dissolution), the accounts of EVA Group Limited and EVA Limited as at and for the years ended 31 December 2002 and 2003, prepared in accordance with accounting principles generally accepted in Hong Kong, were audited by Charles H.C. Cheung & CPA Limited, Certified Public Accountants in Hong Kong. The accounts of Shenzhen Heyixing Industrial Co., Ltd. as at and for the years ended 31 December 2002, 2003 and 2004, prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the People's Republic of China ("PRC GAAP"), were audited by Shenzhen Asia Pacific Certified Public Accountants Co., Ltd. The accounts of Yihe Precision Hardware (Shenzhen) Co., Ltd. as at and for the year ended 31 December 2002, prepared in accordance with PRC GAAP, were audited by Shenzhen Zhong Xi Certified Public Accountants. The accounts of Yihe Precision Hardware (Shenzhen) Co., Ltd. as at and for the years ended 31 December 2003 and 2004, prepared in accordance with PRC GAAP, were audited by Shenzhen Asia Pacific Certified Public Accountants Co., Ltd. The accounts of Yihe Precison Plastic and Electronic Products (Shenzhen) Co., Ltd. as at 31 December 2004 and for the period from 9 July 2004 (date of incorporation) to 31 December 2004, prepared in accordance with PRC GAAP, were audited by Shenzhen Forever Certified Public Accountants. The audited accounts of EVA Group Limited, EVA Holdings Limited and EVA Limited as at and for the year ended 31 December 2004 have not yet been prepared at the date of this report, and no audited accounts have been prepared by EVA Plastic Mould Products (HK) Limited, EVA Mould Design & Manufacturing (HK) Limited and Okuno Precision Metal Co., Limited as at and for the period from their respective dates of incorporation to 31 December 2004 as these companies are newly incorporated and have not yet been subject to statutory audit requirements. We have, however, reviewed all relevant transactions of these companies covered by this report, and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

We have examined the audited accounts or unaudited management accounts, where applicable, of all companies now comprising the Group, EVA-Miyagawa Company Limited, Shenzhen Heyixing Industrial Co., Ltd. and Offspin Technology Limited for the Relevant Periods or since their respective dates of incorporation where this is a shorter period as described above, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information as set out in Sections I to II below ("the Financial Information") has been prepared based on the audited accounts or unaudited management accounts, where applicable, of all companies now comprising the Group, EVA-Miyagawa Company Limited, Shenzhen Heyixing Industrial Co., Ltd. and Offspin Technology Limited, on the basis set out in Section I – Note 1 below. The Directors of the respective group companies, during the Relevant Periods, are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, which are prepared on the basis set out in Section I – Note 1 below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2002, 2003 and 2004, and of the combined results and cash flows of the Group for the years ended 31 December 2002, 2003 and 2004.

I FINANCIAL INFORMATION ABOUT THE GROUP

The following is the combined accounts of the Group as at and for the years ended 31 December 2002, 2003 and 2004, prepared on the basis set out in Note 1 below:

Combined profit and loss accounts

		Year ended 31 December		
		2002	**2003**	**2004**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*3*	122,845	167,729	296,860
Cost of sales		(74,863)	(112,670)	(180,725)
Gross profit		47,982	55,059	116,135
Other revenue	*3*	72	37	35
Selling and distribution expenses		(3,419)	(5,297)	(15,073)
General and administrative expenses		(12,927)	(16,821)	(25,651)
Operating profit	*4*	31,708	32,978	75,446
Finance costs	*5*	(2,429)	(2,195)	(4,008)
Profit before taxation		29,279	30,783	71,438
Taxation	*6*	(3,196)	(627)	(5,445)
Profit after taxation		26,083	30,156	65,993
Minority interests		(2,491)	10	(230)
Profit for the year		23,592	30,166	65,763
Dividends	*10*	–	–	31,127

Combined balance sheets

		As at 31 December		
		2002	**2003**	**2004**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Fixed assets	*12*	87,469	136,459	226,233
Goodwill/(Negative goodwill)	*13*	(220)	(194)	(172)
Total non-current assets		87,249	136,265	226,061
Current assets				
Inventories	*14*	8,247	14,147	35,347
Trade receivables	*15*	25,662	38,828	80,286
Prepayments, deposits and other receivables	*16*	1,602	4,624	6,313
Due from a related company	*27*	763	763	–
Due from related parties	*27*	–	–	4,588
Cash and bank deposits	*17*	17,287	10,319	18,987
Total current assets		53,561	68,681	145,521
Current liabilities				
Bank borrowings – current portion	*18*	(19,431)	(24,716)	(61,530)
Finance lease obligations – current portion	*19*	(6,631)	(9,361)	(26,502)
Trade payables	*20*	(15,568)	(30,414)	(62,544)
Accruals and other payables	*21*	(6,495)	(18,670)	(14,870)
Due to related parties	*27*	(25,455)	(26,172)	–
Tax payable		(5,594)	(5,625)	(10,695)
Total current liabilities		(79,174)	(114,958)	(176,141)
Net current liabilities		(25,613)	(46,277)	(30,620)
Total assets less current liabilities		61,636	89,988	195,441
Non-current liabilities				
Bank borrowings – non-current portion	*18*	–	–	(50,756)
Finance lease obligations – non-current portion	*19*	(8,882)	(6,482)	(33,928)
Deferred tax liabilities	*22*	(651)	(1,247)	–
Total non-current liabilities		(9,533)	(7,729)	(84,684)
Net assets		52,103	82,259	110,757
Representing –				
Share capital	*23*	1,625	1,625	2,335
Reserves	*24*	45,367	75,533	108,422
Equity		46,992	77,158	110,757
Minority interests		5,111	5,101	–
		52,103	82,259	110,757

Combined cash flow statements

		Year ended 31 December		
		2002	**2003**	**2004**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Net cash inflow generated from operations	*25(a)*	38,122	46,500	53,915
Interest received		66	30	29
Interest paid		(2,429)	(2,195)	(4,008)
Hong Kong profits tax paid		(285)	–	–
Net cash inflow from operating activities		35,474	44,335	49,936
Cash flows from investing activities				
Acquisition of fixed assets		(52,225)	(50,806)	(42,234)
Proceeds from disposal of fixed assets		82	1,096	689
Acquisition of additional interests in subsidiaries	*25(d)*	(2)	–	(30)
Disposal of a subsidiary	*25(e)*	–	–	(1,034)
Decrease in due from a related company		323	–	763
Increase in due from related parties		–	–	(4,588)
Net cash outflow from investing activities		(51,822)	(49,710)	(46,434)
Cash flows from financing activities	*25(b)*			
New bank borrowings		19,431	24,716	156,138
Repayment of bank borrowings		(4,716)	(19,431)	(68,568)
Inception of finance leases		75	–	–
Repayment of capital element of finance leases		(6,581)	(7,595)	(18,720)
Increase/(Decrease) in due to related parties		14,716	717	(32,271)
Proceeds from issue of shares of subsidiaries		–	–	560
Dividends paid		–	–	(27,635)
Share issuance costs		–	–	(4,338)
Net cash inflow/(outflow) from financing activities		22,925	(1,593)	5,166
Increase/(Decrease) in cash and cash equivalents		6,577	(6,968)	8,668
Cash and cash equivalents, beginning of year		10,710	17,287	10,319
Cash and cash equivalents, end of year	*25(f)*	17,287	10,319	18,987

Combined statements of changes in equity

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Total equity, beginning of year	23,398	46,992	77,158
Profit for the year	23,592	30,166	65,763
Dividends	–	–	(28,536)
Issue of shares of subsidiaries	–	–	560
Acquisition of additional interest in a subsidiary	2	–	150
Share issuance costs	–	–	(4,338)
Total equity, end of year	46,992	77,158	110,757

NOTES TO THE COMBINED ACCOUNTS

1 Basis of presentation

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are private limited liability companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as Hong Kong incorporated private limited liability companies.

Name	Place and date of incorporation/ operations	Issued/ Registered and fully paid up capital	Percentage of equity interest attributable to the Group *(i)*	Principal activities
EVA Metal Mould Products Limited	British Virgin Islands, 27 April 2004	US$1	100%	Investment holdings
EVA Mould Design & Manufacturing Limited	British Virgin Islands, 27 April 2004	US$1	100%	Investment holdings
EVA Plastic Mould Products Limited	British Virgin Islands, 27 April 2004	US$1	100%	Investment holdings
EVA Group Limited	Hong Kong, 8 September 2000	HK$15,000	100%	Investment holdings
EVA Holdings Limited	Hong Kong, 17 January 1997	HK$10,000	100% *(iii)*	Trading of metal parts
EVA Limited	Hong Kong, 14 January 1993	HK$680,000	100%	Trading of metal parts
EVA Plastic Mould Products (HK) Limited (formerly known as EVA Industrial Limited)	Hong Kong, 16 March 2004	HK$280,000	100%	Trading of plastic moulds
EVA Mould Design & Manufacturing (HK) Limited (formerly known as EVA Precision Industrial Holdings Limited)	Hong Kong, 27 May 2004	HK$1	100%	Trading of metal and plastic moulds
Okuno Precision Metal Co., Limited	Hong Kong, 16 March 2004	HK$280,000	100%	Trading of metal moulds
Yihe Precision Hardware (Shenzhen) Co., Ltd. (億和精密金屬製品(深圳)有限公司) *(ii)*	Mainland China, 21 May 2001	HK$91,880,000 *(vi)*	100%	Manufacturing of metal parts

Name	Place and date of incorporation/ operations	Issued/ Registered and fully paid up capital	Percentage of equity interest attributable to the Group *(i)*	Principal activities
Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. (億和塑膠電子制品(深圳)有限公司) *(ii)*	Mainland China, 9 July 2004	HK$16,665,900 *(vii)*	100%	Manufacturing of plastic moulds

The combined accounts also include the accounts of Shenzhen Heyixing Industrial Co., Ltd. up to 28 June 2004, the date of disposal *(see note (v) below)*, and the accounts of EVA-Miyagawa Company Limited, a company incorporated in Hong Kong, and Offspin Technology Limited, a company incorporated in the British Virgin Islands, which were not included under the current structure as these companies were inactive *(see notes (iv) and (viii) below)*.

Notes –

(i) The shares of EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited and EVA Plastic Mould Products Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.

(ii) Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. are wholly foreign owned enterprises established in Shenzhen, Guangdong Province, Mainland China for a term of 20 years up to May 2021 and July 2024, respectively.

(iii) During the period from 1 January 2002 to 4 January 2002, the Group had 80% interest in EVA Holdings Limited. On 5 January 2002, the Group acquired the remaining 20% interest in EVA Holdings Limited for HK$2,000.

(iv) During the period from 1 January 2002 to 27 June 2004, the combined accounts included 78% interest in EVA-Miyagawa Company Limited. During the period from 28 June 2004 to 31 December 2004, the combined accounts included 100% interest in EVA-Miyagawa Company Limited following the Group's acquisition of the remaining 22% interest in EVA-Miyagawa Company Limited for HK$30,000 on 28 June 2004. EVA-Miyagawa Company Limited ceased its operation on 1 May 2004.

(v) During the period from 1 January 2002 to 9 February 2004, the Group had 86.49% interest in Shenzhen Heyixing Industrial Co., Ltd. (formerly known as Shenzhen Yihe Precision Moulding Hardware Co., Ltd.), a sino-foreign equity joint venture established in Shenzhen, Guangdong Province, Mainland China for a term of 20 years up to April 2013. On 10 February 2004, the Group injected additional capital of HK$8,000,000 into Shenzhen Heyixing Industrial Co., Ltd. and thereafter, the Group's interest in Shenzhen Heyixing Industrial Co., Ltd. was increased to 90.57%. On 28 June 2004, the Group disposed of its entire interest in Shenzhen Heyixing Industrial Co., Ltd. to Mr. Zhang Yaohua, a director and a substantial beneficial shareholder of the Company, for approximately HK$23,770,000, representing the Group's share of net assets of Shenzhen Heyixing Industrial Co., Ltd. at the date of disposal.

(vi) In November 2004, the registered capital of Yihe Precision Hardware (Shenzhen) Co., Ltd. was increased from HK$91,880,000 to HK$121,880,000 and the Group is committed to injecting the additional capital of HK$30,000,000 by December 2005. As at the date of this report, such additional capital was not yet contributed.

(vii) In December 2004, the registered capital of Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was increased from HK$30,000,000 to HK$80,000,000. The Group is committed to injecting the original capital of HK$30,000,000 by July 2005 and the additional capital of HK$50,000,000 by December 2007. As at the date of this report, capital contribution of HK$16,665,900 has been made.

(viii) The combined accounts included 100% interest in Offspin Technology Limited, a company incorporated in the British Virgin Islands. Offspin Technology Limited ceased its operation on 1 July 2002.

The combined accounts of the Group as at and for the years ended 31 December 2002, 2003 and 2004 have been prepared to present the financial positions, results and cash flows of the companies now comprising the Group, EVA-Miyagawa Company Limited, Shenzhen Heyixing Industrial Co., Ltd. and Offspin Technology Limited, as if the current structure of the Group had been in existence throughout the Relevant Periods or since their respective dates of incorporation where this is a shorter period, except for the acquisition of additional interests in EVA Holdings Limited and EVA-Miyagawa Company Limited and the disposal of interests in Shenzhen Heyixing Industrial Co., Ltd. as described in notes (iii) to (v) above, which were accounted for under the acquisition accounting.

All significant intra-group transactions and balances have been eliminated on combination.

Minority interests represent the interests of outside shareholders in the results and net assets of subsidiaries.

2 Principal accounting policies

The Financial Information is prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and complies with accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred as the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the combined accounts during the Relevant Periods. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(a) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; or has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

(b) Goodwill/Negative goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of the net assets of the acquired subsidiaries at the date of acquisition. Goodwill is amortised on a straight-line basis over its estimated useful life of three years. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Negative goodwill represents the excess of the Group’s share of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over the cost of acquisition. It is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group’s plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair value of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful lives of those assets of ten years; negative goodwill in excess of the fair value of those non-monetary assets is recognised in the profit and loss account immediately.

(c) Revenue recognition

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are shipped/delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(d) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

The Group’s contributions to defined contribution retirement schemes are expensed as incurred.

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they are incurred.

(f) Research and development costs

Research costs are written off as incurred. Development costs are charged against income in the period incurred except for those incurred for specific projects where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) the enterprise intends to produce and market, or use, the product or process; (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the enterprise can be demonstrated; and (v) adequate resources exist, or their availability can be demonstrated to complete the product and market or use the product or process. Capitalised development costs are amortised on a straight line basis over the period in which the related products are expected to be sold, starting from the commencement of sales.

(g) Fixed assets

(i) Construction-in-progress

Construction-in-progress, representing buildings on which construction work has not been completed and machinery pending installation, is stated at cost, which includes construction expenditures incurred, cost of machinery, interest capitalised and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. On completion, the construction-in-progress is transferred to appropriate categories of fixed assets.

(ii) Other fixed assets

Fixed assets, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives.

(iii) Depreciation

No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed.

Land is depreciated over the period of the lease, while other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses and estimated residual value over their expected useful lives on a straight-line basis. The principal annual rates are as follows:

Land	2%
Buildings	5%
Plant and machinery	10%
Furniture and fixtures	20%
Motor vehicles	20%

The depreciation methods and useful lives are reviewed periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets.

Fixed assets held under finance leases are recorded and depreciated in the same basis as described above.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(h) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Accounts receivables

Provision is made against accounts receivables to the extent that they are considered to be doubtful. Accounts receivables in the balance sheet are stated net of such provision.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, while the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as movements in reserves.

(o) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories, receivables and other operating assets. Segment liabilities comprise operating liabilities and exclude tax payable. Capital expenditures comprise additions to fixed assets.

In respect of geographical segment reporting, turnover and segments results are determined based on the destination of shipment/delivery of goods. Total assets, liabilities, capital expenditures and depreciation and amortisation are based on where the assets and liabilities are located.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

3 Turnover, revenue and segment information

(a) Turnover and revenue

The Group is principally engaged in the design and fabrication of metal stamping moulds and manufacturing of metal stamping products. The Group's turnover and revenue were as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Design and fabrication of metal stamping moulds	11,283	21,638	55,034
Manufacturing of metal stamping products	110,079	138,807	222,901
Lathing of metal components	–	235	5,482
Others *(note)*	1,483	7,049	13,443
	122,845	167,729	296,860
Other revenue			
Interest income from bank deposits	66	30	29
Others	6	7	6
	72	37	35
Total revenue	122,917	167,766	296,895

Note: Others mainly represent sales of scrap materials.

(b) Segment information

No segment information by business segment is presented as the Group operates in one business segment – design and fabrication of metal stamping moulds and manufacturing of metal stamping products.

An analysis of the Group's turnover and segment results by geographical location, which is determined based on the destination of shipments/delivery of goods, is as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
– Mainland China/Hong Kong	120,432	164,705	296,101
– Others	2,413	3,024	759
	122,845	167,729	296,860
Segment results			
– Mainland China/Hong Kong	31,085	32,383	75,253
– Others	623	595	193
	31,708	32,978	75,446

No geographical analysis of assets, liabilities, capital expenditures, depreciation and amortisation is presented as substantially all of the Group's assets and liabilities were located in Mainland China/ Hong Kong.

4 Operating profit

Operating profit is stated after charging and crediting the following:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Charging –			
Cost of inventories	74,137	112,925	178,826
Staff costs (including directors' emoluments) *(Note 7)*	18,140	23,929	32,694
Less: Amount included in research and development costs	(534)	(939)	(1,193)
	17,606	22,990	31,501
Operating lease rental in respect of rented premises	64	–	–
Research and development costs	1,158	1,922	2,740
Depreciation of fixed assets			
– Owned fixed assets	2,625	5,333	9,281
– Leased fixed assets	3,467	3,365	4,804
Less: Amount included in research and development costs	(624)	(983)	(1,547)
	5,468	7,715	12,538
Loss on disposal of fixed assets	157	–	810
Provision for slow-moving and obsolete inventories	726	–	1,899
Provision for bad and doubtful debts and accounts receivable written off	93	133	796
Amortisation of goodwill (included in general and administrative expenses)	–	–	12
Loss on disposal of a subsidiary *(Note 25(e))*	–	–	74
Net exchange losses	26	13	–
Auditors' remuneration	52	65	650
Crediting –			
Gain on disposal of fixed assets	–	53	–
Amortisation of negative goodwill (included in general and administrative expenses)	26	26	194
Write-back of provision for slow-moving and obsolete inventories	–	255	–
Net exchange gains	–	–	85

5 Finance costs

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on bank borrowings wholly repayable within five years	900	975	2,203
Interest expense on bank borrowings not wholly repayable within five years	–	–	29
Interest element of finance leases	1,529	1,220	1,776
	2,429	2,195	4,008

6 Taxation

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Current taxation			
– Hong Kong profits tax	1,392	31	6,548
– Mainland China enterprise income tax	1,471	–	144
Deferred taxation relating to the origination and reversal of temporary differences	333	596	(1,247)
	3,196	627	5,445

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rates of 16%, 17.5% and 17.5%, on the estimated assessable profits for the years ended 31 December 2002, 2003 and 2004, respectively.

(ii) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Guangdong Province, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the years ended 31 December 2002, 2003 and 2004. Shenzhen Heyixing Industrial Co., Ltd. and Yihe Precision Hardware (Shenzhen) 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 fully 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 Shenzhen Heyixing Industrial Co., Ltd. and Yihe Precision Hardware (Shenzhen) Co., Ltd. were 2000 and 2003, respectively. Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. was established in July 2004 and had not commenced operations as at 31 December 2004.

(iii) Overseas income taxes

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax. The Company's subsidiaries established in the British Virgin Islands were incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the profits tax rates in Hong Kong (16% for the year ended 31 December 2002 and 17.5% for the years ended 31 December 2003 and 2004), the home country of the Group, and the reconciliation is as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	29,279	30,783	71,438
Calculated at profits tax rates in Hong Kong	4,685	5,387	12,501
Tax effect of			
– different taxation rates in other jurisdictions	(188)	(614)	(1,035)
– tax exemption	(1,471)	(3,627)	(6,112)
– income not subject to taxation	(80)	(267)	(18)
– tax losses not probable to be utilised in the foreseeable future and not recognised	453	39	225
– utilisation of previously unrecognised tax losses	(203)	(291)	(116)
Taxation	3,196	627	5,445

The Group has unrecognised tax losses of approximately HK$2,700,000, HK$1,029,000 and HK$1,438,000 as at 31 December 2002, 2003 and 2004, respectively, which can be carried forward to offset against future taxable profit. Included in the tax loss as at 31 December 2004 was a loss of approximately HK$797,000 that will expire in 2009, while other tax losses can be carried forward indefinitely.

7 Staff costs (including directors' emoluments)

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Wages, salaries and allowances	16,917	22,191	30,781
Discretionary bonus	672	995	695
Retirement benefit – defined contribution plans *(Note 9)*	551	743	1,218
	18,140	23,929	32,694

8 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to directors of the Company were as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Fees	–	–	–
Other emoluments			
Salaries and allowances	3,240	4,417	2,674
Discretionary bonus	80	110	156
Retirement benefit – defined contribution plan *(Note 9)*	7	7	12
	3,327	4,534	2,842

All of the directors during the Relevant Periods were executive directors. None of the directors waived any emoluments.

The emoluments of the directors fell within the following bands:

	Year ended 31 December		
	2002	**2003**	**2004**
Nil to HK$1,000,000	–	1	1
HK$1,000,001 to HK$1,500,000	–	–	2
HK$1,500,001 to HK$2,000,000	2	–	–
HK$2,000,001 to HK$2,500,000	–	2	–
	2	3	3

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest for the years ended 31 December 2002, 2003 and 2004, include two, three, three directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and allowances	1,826	2,294	1,459
Discretionary bonus	54	67	90
Retirement benefit – defined contribution plans *(Note 9)*	20	21	14
	1,900	2,382	1,563

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December		
	2002	**2003**	**2004**
Nil to HK$1,000,000	2	1	1
HK$1,000,001 to HK$1,500,000	–	–	1
HK$1,500,001 to HK$2,000,000	1	–	–
HK$2,000,001 to HK$2,500,000	–	1	–
	3	2	2

(c) During the Relevant Periods, no emoluments were paid to the directors of the Company or the five highest paid individuals as an inducement to join or as compensation for loss of office.

9 Employee retirement benefits

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

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

During the years ended 31 December 2002, 2003 and 2004, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately HK$551,000, HK$743,000 and HK$1,218,000, respectively. As at 31 December 2002, 2003 and 2004, the Group was not entitled to any forfeited contributions to reduce the Group's future contributions.

10 Dividends

No dividend has been paid or declared by the Company since its incorporation.

The following dividends were paid by subsidiaries out of their retained earnings to their then shareholders during the year ended 31 December 2004.

	The Group	The other shareholders	Total
	HK$'000	*HK$'000*	*HK$'000*
EVA Limited	–	6,491	6,491
Offspin Technology Limited	–	22,045	22,045
Shenzhen Heyixing Industrial Co., Ltd.	16,587	2,591	19,178
	16,587	31,127	47,714

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

11 Earnings per share

No earnings per share information is presented as this would be hypothetical due to the Reorganisation and the presentation of results on a combined basis as described in Note 1.

12 Fixed assets

	Land and buildings *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
Cost						
At 1 January 2002	–	39,149	1,396	3,012	–	43,557
Additions	10,829	17,080	2,360	252	29,535	60,056
Transfers	29,478	–	–	–	(29,478)	–
Disposals	–	(240)	(8)	–	–	(248)
At 31 December 2002	40,307	55,989	3,748	3,264	57	103,365
Additions	112	35,539	621	2,561	19,898	58,731
Transfers	7,252	2,213	–	–	(9,465)	–
Disposals	–	(1,200)	(77)	(992)	–	(2,269)
At 31 December 2003	47,671	92,541	4,292	4,833	10,490	159,827
Additions	9,508	56,798	3,227	2,787	33,221	105,541
Transfers	15,102	15,364	–	–	(30,466)	–
Disposals	–	(2,411)	(73)	(1,067)	–	(3,551)
Disposal of a subsidiary	–	–	(603)	–	–	(603)
At 31 December 2004	72,281	162,292	6,843	6,553	13,245	261,214
Accumulated depreciation						
At 1 January 2002	–	8,485	349	979	–	9,813
Charge for the year	826	4,271	428	567	–	6,092
Disposals	–	(6)	(3)	–	–	(9)
At 31 December 2002	826	12,750	774	1,546	–	15,896
Charge for the year	1,549	5,774	732	643	–	8,698
Disposals	–	(568)	(23)	(635)	–	(1,226)
At 31 December 2003	2,375	17,956	1,483	1,554	–	23,368
Charge for the year	2,017	10,066	936	1,066	–	14,085
Disposals	–	(1,181)	(39)	(832)	–	(2,052)
Disposal of a subsidiary	–	–	(420)	–	–	(420)
At 31 December 2004	4,392	26,841	1,960	1,788	–	34,981
Net book value						
At 31 December 2004	67,889	135,451	4,883	4,765	13,245	226,233
At 31 December 2003	45,296	74,585	2,809	3,279	10,490	136,459
At 31 December 2002	39,481	43,239	2,974	1,718	57	87,469

Land and buildings of nil, nil and approximately HK$9,464,000 as at 31 December 2002, 2003 and 2004 are located in Hong Kong and are held under a lease expiring in June 2047.

All other land and buildings are located in Mainland China and are held under land use rights for a period of 50 years up to April 2052.

Land and buildings with an aggregate net book value of approximately HK$9,464,000 as at 31 December 2004 were pledged as collaterals for the Group's bank borrowings *(Note 18)*.

Analysis of construction-in-progress is:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Construction costs of buildings	57	9,599	12,453
Cost of machinery	–	891	792
	57	10,490	13,245

Analysis of net book values of plant and machinery and motor vehicles held under finance leases is:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Plant and machinery	24,951	30,349	88,965
Motor vehicles	449	1,046	2,312
	25,400	31,395	91,277

13 Goodwill/Negative goodwill

	Goodwill	Negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2002	–	–	–
Acquisition of additional interest in a subsidiary	–	(246)	(246)
At 31 December 2002 and 2003	–	(246)	(246)
Acquisition of additional interests in subsidiaries	86	(172)	(86)
Disposal of a subsidiary	(86)	–	(86)
At 31 December 2004	–	(418)	(418)
Accumulated amortisation			
At 1 January 2002	–	–	–
Charge for the year	–	26	26
At 31 December 2002	–	26	26
Charge for the year	–	26	26
At 31 December 2003	–	52	52
Charge for the year	(12)	194	182
Disposal of a subsidiary	12	–	12
At 31 December 2004	–	246	246
Net book value			
At 31 December 2004	–	(172)	(172)
At 31 December 2003	–	(194)	(194)
At 31 December 2002	–	(220)	(220)

14 Inventories

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	4,380	7,563	13,494
Work-in-progress	804	2,733	10,321
Finished goods	3,063	3,851	11,532
	8,247	14,147	35,347

All inventories as at 31 December 2002, 2003 and 2004 were stated at net realisable value.

15 Trade receivables

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

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	24,500	34,870	74,303
91 to 180 days	987	3,814	3,340
181 to 365 days	434	–	3,757
Over 365 days	–	536	74
	25,921	39,220	81,474
Less: Provision for bad and doubtful debts	(259)	(392)	(1,188)
	25,662	38,828	80,286

16 Prepayments, deposits and other receivables

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments for purchase of			
– fixed assets	370	127	2,420
– raw materials	116	231	208
Customs deposits	889	4,072	103
VAT recoverable	–	–	2,038
Other receivables	227	194	1,544
	1,602	4,624	6,313

17 Cash and bank deposits

As at 31 December 2002, 2003 and 2004, cash and bank deposits of approximately HK$6,067,000, HK$4,369,000 and HK$936,000 respectively, were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

18 Bank borrowings

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Bank borrowings, secured			
– short-term bank loans	19,431	24,716	24,147
– long-term bank loans	–	–	54,608
– trust receipts bank loans	–	–	27,265
– mortgage loan	–	–	6,266
	19,431	24,716	112,286
Less: Amount included in current liabilities	(19,431)	(24,716)	(61,530)
	–	–	50,756

The maturity dates of the above bank borrowings are as follows:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Within five years	19,431	24,716	106,020
Over five years	–	–	6,266
	19,431	24,716	112,286

The above bank borrowings were repayable as follows:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	19,431	24,716	61,530
In the second year	–	–	37,444
In the third to fifth year	–	–	8,927
After the fifth year	–	–	4,385
	19,431	24,716	112,286

Bank borrowings bear interest at rates ranging from 5.8% to 5.9% per annum, from 3.8% to 5.3% per annum and 1.8% to 7.2% per annum for the years ended 31 December 2002, 2003 and 2004, respectively.

As at 31 December 2002, bank borrowings were secured by corporate guarantees amounting to HK$10,000,000 provided by an unrelated third party. As at 31 December 2003, bank borrowings were secured by personal guarantees totalling of HK$15,000,000 provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, who have substantial beneficial interest in the Company. As at 31 December 2004, bank borrowings were secured by the following:

(i) pledge of the Group's office premises located in Hong Kong with a net book value of approximately HK$9,464,000 *(Note 12)*;

(ii) joint personal guarantees totalling of HK$22,512,000 provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua;

(iii) personal guarantee of HK$40,000,000 provided by Mr. Zhang Hwo Jie;

(iv) bank deposits totalling of HK$54,608,000 provided by Mr. Zhang Hwo Jie, Mr. Zhang Yao Hua and Mr. Zhang Jian Hua; and

(v) corporate guarantee of HK$10,000,000 provided by Shenzhen Heyixing Industrial Co., Ltd., a related company.

By April 2005, the relevant banks have agreed in principle that the personal guarantees and bank deposits provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua and the corporate guarantee provided by Shenzhen Heyixing Industrial Co., Ltd. will be released and replaced by guarantees or other collaterals from the Company and/or its subsidiaries upon listing of shares in the Company.

19 Finance lease obligations

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

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	7,705	10,116	28,516
In the second year	5,843	5,873	20,245
In the third to fifth year	3,681	830	15,025
	17,229	16,819	63,786
Less: Future finance charges on finance leases	(1,716)	(976)	(3,356)
Present value of finance lease obligations	15,513	15,843	60,430

The present value of finance lease obligations is as follows:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	6,631	9,361	26,502
In the second year	5,361	5,665	19,256
In the third to fifth year	3,521	817	14,672
Total finance lease obligations	15,513	15,843	60,430
Less: Amount included in current liabilities	(6,631)	(9,361)	(26,502)
	8,882	6,482	33,928

As at 31 December 2002 and 2003, finance lease obligations were secured by pledge of the Group's machinery and motor vehicles with a total net book value of approximately HK$25,400,000 and HK$31,395,000, respectively, and joint personal guarantees provided by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua of approximately HK$5,629,000 and HK$5,653,000, respectively. As at 31 December 2004, finance lease obligations were secured by the Group's machinery and motor vehicles with a total net book value of approximately HK$91,277,000, personal guarantees provided by Mr. Zhang Hwo Jie of approximately HK$21,761,000, joint personal guarantees provided by Mr. Zhang Hwo Jie and Mr. Zhang Jian Hua of approximately HK$4,324,000, joint personal guarantees provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua of approximately HK$2,161,000, and guarantee provided by the Government of Hong Kong Special Administration Region of approximately HK$1,127,000.

By April 2005, the relevant financial institutions have agreed in principle that the personal guarantees provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua will be released and replaced by guarantees or other collaterals from the Company and/or its subsidiaries upon listing of shares in the Company.

20 Trade payables

The aging analysis of trade payables is as follows:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
0 to 90 days	13,456	28,945	59,897
91 to 180 days	2,112	1,469	2,077
181 to 365 days	–	–	570
	15,568	30,414	62,544

21 Accruals and other payables

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Payable for purchase of land	3,612	3,612	3,612
Payable for construction of buildings and purchase of plant and machinery	–	10,771	3,926
Accrual for wages, salaries and welfare	2,776	3,881	5,512
Other accruals and payables	107	406	1,820
	6,495	18,670	14,870

22 Deferred tax liabilities

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 16%, 17.5% and 17.5% for the years ended 31 December 2002, 2003 and 2004, respectively.

The movements on the deferred tax liabilities account in respect of accelerated tax depreciation of fixed assets are as follows:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Beginning of year	318	651	1,247
Deferred taxation charged/(credited) to profit and loss account *(Note 6)*	333	596	(1,247)
End of year	651	1,247	–

23 Share capital

The combined share capital of the Group as at 31 December 2002, 2003 and 2004 represented the aggregate amount of the issued and paid up capital of the companies comprising the Group at those dates.

24 Reserves

	Statutory reserve *(i)* HK$'000	Share issuance costs HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2002	–	–	21,775	21,775
Profit for the year	–	–	23,592	23,592
At 31 December 2002	–	–	45,367	45,367
Transfer	2,418	–	(2,418)	–
Profit for the year	–	–	30,166	30,166
At 31 December 2003	2,418	–	73,115	75,533
Transfer	4,592	–	(4,592)	–
Share issuance costs	–	(4,338)	–	(4,338)
Profit for the year	–	–	65,763	65,763
Dividends paid	–	–	(28,536)	(28,536)
At 31 December 2004	7,010	(4,338)	105,750	108,422

Note:–

(i) According to the articles of association of Yihe Precision Hardware (Shenzhen) Co., Ltd. and Yihe Precision Plastic and Electronic Products (Shenzhen) Co., Ltd. and the Mainland China rules and regulations, these companies are required to transfer not less than 10% of their net profit as stated in the statutory accounts prepared under Mainland Chinese accounting regulations to the statutory reserves before these companies can distribute any dividend. Such a transfer is not required when the amount of the statutory reserves reaches 50% of the companies' registered capital.

The statutory reserve shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. Upon approval by a resolution of the companies' shareholders in general meeting, the companies may convert their statutory reserves into registered capital and issue bonus capital to existing owners in proportion to their existing ownership structure.

25 Combined cash flow statement

(a) Reconciliation of profit before taxation to net cash inflow generated from operations:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	29,279	30,783	71,438
Adjustment for –			
Depreciation of fixed assets	6,092	8,698	14,085
Loss/(Gain) on disposal of fixed assets	157	(53)	810
Amortisation of goodwill	–	–	12
Amortisation of negative goodwill	(26)	(26)	(194)
Loss on disposal of a subsidiary	–	–	74
Interest income	(66)	(30)	(29)
Interest expense	2,429	2,195	4,008
	37,865	41,567	90,204
Increase in inventories	(2,810)	(5,900)	(21,383)
Increase in trade receivables	(9,214)	(13,166)	(41,773)
Decrease/(Increase) in prepayments, deposits and other receivables	1,435	(3,022)	(2,185)
Increase in trade payables	6,489	14,846	32,760
Increase/(Decrease) in accruals and other payables	4,357	12,175	(3,708)
Net cash inflow generated from operations	38,122	46,500	53,915

(b) Analysis of changes in financing:

	Bank borrowings	**Finance lease obligations**
	HK$'000	*HK$'000*
At 1 January 2002	4,716	14,188
New bank borrowings	19,431	–
Inception of finance leases	–	7,906
Repayments	(4,716)	(6,581)
At 31 December 2002	19,431	15,513
New bank borrowings	24,716	–
Inception of finance leases	–	7,925
Repayments	(19,431)	(7,595)
At 31 December 2003	24,716	15,843
New bank borrowings	156,138	–
Inception of finance leases	–	63,307
Repayments	(68,568)	(18,720)
At 31 December 2004	112,286	60,430

(c) Major non-cash transactions:

During the years ended 31 December 2002, 2003 and 2004, the Group entered into finance lease arrangements in respect of fixed assets with total financed amount of approximately HK$7,831,000, HK$7,925,000 and HK$63,307,000, respectively.

On 28 June 2004, the Group disposed of its entire 90.57% interest in Shenzhen Heyixing Industrial Co., Ltd. to Mr. Zhang Yaohua, a director and a substantial beneficial shareholder of the Company, for approximately HK$23,770,000, which was satisfied by offsetting the amounts due to related parties at the instructions of the relevant related parties.

Dividends of HK$3,492,000 during the year ended 31 December 2004 payable to the other shareholders were settled by offsetting amounts due from related parties at the instructions of the relevant shareholders.

(d) Acquisition of additional interests in subsidiaries:

(i) On 5 January 2002, the Group acquired an additional 20% interest in EVA Holdings Limited for HK$2,000. Details of the acquisition are:

	HK$'000
Share of net assets by the then minority shareholder at the date of acquisition	248
Negative goodwill arising on acquisition	(246)
Consideration paid	2

(ii) On 28 June 2004, the Group acquired an additional 22% interest in Eva-Miyagawa Company Limited for HK$30,000. Details of the acquisition are:

	HK$'000
Share of net assets by the then minority shareholder at the date of acquisition	202
Negative goodwill arising on acquisition	(172)
Consideration paid	30

(e) Disposal of a subsidiary:

On 28 June 2004, the Group disposed of its entire 90.57% interest in Shenzhen Heyixing Industrial Co., Ltd. to Mr. Zhang Yaohua, a director and a substantial beneficial shareholder of the Company.

Details of the disposal are:

	HK$'000
Net assets disposed	
Fixed assets	183
Inventories	183
Trade receivables	315
Prepayments, deposits and other receivables	496
Due from related parties	28,966
Cash and bank deposits	1,034
Trade payable	(630)
Accruals and other payables	(92)
Due to a related company	(2,591)
Tax payable	(1,622)
	26,242
Less: minority interests	(2,472)
Net assets attributable to the Group at the date of disposal	23,770
Goodwill released upon disposal	(74)
Consideration satisfied by offsetting amounts due to related parties	(23,770)
Loss on disposal of a subsidiary	(74)
Cash and bank deposits disposed of	1,034

(f) Cash and cash equivalents:

Cash and cash equivalents represent cash and bank deposits.

26 Capital commitments

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Authorised and contracted but not provided for			
– Construction of buildings	1,471	1,078	3,368
– Purchase of plant and machinery	156	–	9,732
	1,627	1,078	13,100

27 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Discountinued:

(a) Amount due from a related company:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Shenzhen NamShing Industrial Co., Ltd. *(i)*	763	763	–

Maximum balances outstanding for an amount due from a related company during the Relevant Periods were:

	Year ended 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Shenzhen NamShing Industrial Co., Ltd. *(i)*	1,408	763	763

Balance with a related company arose from funds transferred to the related company and is unsecured, non-interest bearing and without pre-determined repayment terms.

Note: –

(i) Shenzhen NamShing Industrial Co., Ltd. is a minority shareholder of Shenzhen Heyixing Industrial Co., Ltd. for the period from 1 January 2002 to 27 June 2004. Mr. Zhang Yaohua and Mr. Zhang Jian Hua, substantial beneficial shareholders of the Company, are also directors and shareholders of Shenzhen NamShing Industrial Co., Ltd.

(b) Amounts due (to)/from related parties:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
– Mr. Zhang Hwo Jie	(9,164)	(9,422)	1,652
– Mr. Zhang Yaohua	(8,400)	(8,637)	1,514
– Mr. Zhang Jian Hua	(7,891)	(8,113)	1,422
	(25,455)	(26,172)	4,588

Maximum balances outstanding for amounts due from related parties during the Relevant Periods were:

	As at 31 December		
	2002	**2003**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
– Mr. Zhang Hwo Jie	–	–	1,976
– Mr. Zhang Yaohua	–	–	1,812
– Mr. Zhang Jian Hua	–	–	1,702
	–	–	5,490

Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua are substantial beneficial shareholders of the Company. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are also directors of the Company. Balances with related parties arose from funds transferred from/to the related parties and are unsecured, non-interest bearing and without pre-determined repayment terms.

(c) On 28 June 2004, the Group disposed of its 90.57% interest in Shenzhen Heyixing Industrial Co., Ltd. to Mr. Zhang Yaohua, a director and a substantial beneficial shareholder of the Company, for approximately HK$23,770,000 *(see Note 1(v))*.

(d) The Group's bank borrowings and finance lease obligations were secured by, among others, personal guarantees and bank deposits provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua and corporate guarantees provided by a related company *(see Notes 18 and 19)*.

By April 2005, the relevant banks and financial institutions have agreed in principle that such bank deposits, personal and corporate guarantees will be released and replaced by guarantees or other collaterals from the Company and/or its subsidiaries upon listing of shares in the Company.

(e) During the years ended 31 December 2002, 2003 and 2004, Mr. Zhang Hwo Jie, a director and a substantial beneficial shareholder of the Company, provided an office premises to the Group at no cost. Such arrangement was terminated in November 2004.

28 Subsequent events

Save as disclosed elsewhere in the Financial Information, the following significant events have taken place subsequent to 31 December 2004:

(a) On 21 January 2005, the Company passed a shareholders' resolution to effect the following transactions:

i. EVA Metal Mould Products Limited issued 12 shares of US$0.01 each as consideration for the acquisitions of EVA Limited, EVA Group Limited, EVA Holdings Limited and Okuno Precision Metal Co., Limited.

ii. EVA Plastic Mould Products Limited issued 3 shares of US$0.01 each as consideration for the acquisition of EVA Plastic Products Limited.

(b) On 20 April 2005, the Company passed a shareholders' resolution to effect the following transactions:

i. The authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000, by the creation of an additional 999,000,000 shares of HK$0.1 each.

ii. 20,000,000 shares of HK$0.1 each of the Company were issued as consideration for the acquisition of the entire interests in EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited and EVA Plastic Mould Products Limited.

(c) By April 2005, the relevant banks have agreed in principle that the personal guarantees and bank deposits provided by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua and the corporate guarantee provided by Shenzhan Heyixing Industrial Co., Ltd. will be released and replaced by guarantees or other collaterals from the Company and/or its subsidiaries upon listing of shares in the Company.

II FINANCIAL INFORMATION ABOUT THE COMPANY

The Company has not carried on any business since its incorporation on 12 July 2004, except for the acquisition of the entire share capital of EVA Metal Mould Products Limited, EVA Mould Design & Manufacturing Limited and EVA Plastic Mould Products Limited on 20 April 2005, through share exchanges as described in Section I above. No dividend has been paid or declared by the Company since its incorporation.

As at 31 December 2004, the Company had issued one ordinary share of HK$0.01 each, which was not yet paid up. The Company had no reserve available for distribution to its shareholders as at 31 December 2004.

Refer to Section I – Note 28 for subsequent events relating to the Company.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2004. In addition, no dividend or distribution has been declared or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2004.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

For illustrative purpose only, the unaudited pro forma financial information, prepared in accordance with Rule 4.29 of the Listing Rules, is set out here to illustrate the effect of the Share Offer and the Capitalisation Issue on (a) the unaudited pro forma earnings per share of the Group for the year ended 31 December 2004 as if the Share Offer and the Capitalisation Issue had taken place on 1 January 2004 and (b) the combined net tangible assets of the Group as if the Share Offer and the Capitalisation Issue had taken place on 31 December 2004.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the earnings per share and financial position of the Group following the Share Offer and the Capitalisation Issue.

A. UNAUDITED PRO FORMA EARNINGS PER SHARE

Combined profit after taxation and minority interests but before extraordinary items for the year ended 31 December 2004	HK$65,763,000
Shares in issue at the date of this prospectus	20,000,001
Shares to be issued pursuant to the Capitalisation Issue	369,999,999
Shares to be issued under the Share Offer	130,000,000
Total Shares already issued and to be issued under the Capitalisation Issue and the Share Offer (excluding any Shares which may be issued under the Over-allotment Option)	520,000,000
Unaudited pro forma earnings per Share *(Note 1)*	HK$0.126

Note:

1. The calculation of the unaudited pro forma earnings per share is based on audited combined profit after taxation and minority interests but before extraordinary items of the Group for the year ended 31 December 2004 assuming the Share Offer and the Capitalisation Issue had been completed on 1 January 2004 and a total of 520,000,000 Shares in issue during the entire year but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

B. UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma combined net tangible assets of the Group is based on the audited combined net assets of the Group as at 31 December 2004, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	Audited combined net assets of the Group as at 31 December 2004	Audited combined net tangible assets of the Group as at 31 December 2004 *(Note 1)*	Estimated net proceeds from the Share Offer *(Note 2)*	Unaudited pro forma net tangible assets *(Note 3)*	Unaudited pro forma net tangible assets per Share *(Note 3 and 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.10 per Share	110,757	110,929	128,034	238,963	0.46

Notes:

1. The audited combined net tangible assets of the Group as at 31 December 2004 is derived from excluding negative goodwill of the Group as at 31 December 2004 from the audited combined net assets of the Group as at 31 December 2004.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.10 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be issued upon the exercise of Over-allotment Option.

3. Based on an independent valuation performed by CB Richard Ellis Limited, the market value of the property interest held by the Group as at 28 February 2005 was HK$121,100,000 (excluding a piece of land with approximately 10,294 sq.m. on which the staff quarters are executed as the Realty Title Certificate of the piece of land has not yet been obtained), which was HK$51,537,000 higher than the net book value of the related land and buildings and construction-in-progress as at 31 December 2004 of HK$69,563,000. It is the Group's accounting policy to state land and buildings at cost less accumulated depreciation and impairment losses, if any, and the effect of revaluation will not be incorporated in the Group's accounts. Also, such revaluation surplus of HK$51,537,000 has not been adjusted in the above unaudited pro forma net tangible assets and unaudited pro forma net tangible assets per Share. Should such revaluation surplus be taken into account, the unaudited pro forma net tangible assets per Share will be increased to HK$0.56.

4. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that a total of 520,000,000 Shares in issue after the Share Offer and the Capitalisation Issue on 31 December 2004 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

C. LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

29 April 2005

The Directors
EVA Precision Industrial Holdings Limited

Dear Sirs

We report on the unaudited pro forma financial information of EVA Precision Industrial Holdings Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") set out under the headings of "Unaudited Pro Forma Earnings Per Share" and "Unaudited Pro Forma Combined Net Tangible Assets" in Appendix II of the Company's prospectus dated 29 April 2005 in connection with the share offering of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the share offer might have affected the relevant financial information of the Group.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 21 of Appendix 1A and paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and, accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information has been prepared on the bases set out in Appendix II of the Company’s prospectus dated 29 April 2005 for illustrative purpose only, and, because of its nature, it may not be indicative of:

- the earnings per share of the Group for any future periods, or
- the financial position of the Group at any future date.

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from CB Richard Ellis Limited, an independent valuer, in connection with its valuations as at 28 February 2005 of the property interests held by the Group.

CBRE
CB RICHARD ELLIS
世 邦 魏 理 仕

CB Richard Ellis Limited

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地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

29 April 2005

The Board of Directors
EVA Precision Industrial Holdings Limited
Unit 8, 6th Floor
Greenfield Tower
Concordia Plaza
No. 1 Science Museum Road
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter together known as the "Group") in Hong Kong and the People's Republic of China (referred hereinafter as the "PRC"). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 28 February 2005 (the "date of valuation").

We have valued the property interests on the basis of Market Value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Chapter 5, and Practice Note 12 of the Rules Governing the Listing of Securities (the "Exchange Listing Rules issued by The Stock Exchange of Hong Kong Limited").

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to increase the values of the property interests.

In valuing the property interest located in Hong Kong, we have adopted the market approach.

We have been provided with copies of the title documents relating to the property interest in Hong Kong, and we have also caused searches to be made at the Land Registry in Hong Kong. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies handed to us. All documents have been used for reference only.

In the course of our valuation for the property interest in the PRC, we have relied on the legal opinion provided by the Group's PRC legal adviser (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which do not appear on the copies handed to us. All documents have been used for reference only. All dimensions, measurements and areas are approximations.

In valuing the property interest in the PRC, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing buildings and structures standing on the land. In the valuation of the land portion, reference has been made to the standard land price in Shiyan Town of Bao'an District and the sales evidence as available to us in the locality.

Where due to the specific purpose for which the buildings and structures of the property interests have been constructed, or where the property interests are located in markets where there are no readily identifiable market comparable, the property interests have been valued on the basis of the depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economics causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

We have inspected the exterior of the properties and, where possible, the interior of the properties. However, we have not carried out any structural survey nor inspected other parts of the structures which are covered, unexposed or inaccessible. Therefore, we were not able to report whether the properties are free of rot, infestation or any other structural defects.

We have not carried out land survey to verify the site boundaries of the properties, we have not investigated the site to determine the suitability of soil conditions, the availability of services, etc. for future development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the lands, if any, which may have occurred as a result of past usage.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on matters such as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of those property interests in which the Group has a valid interest.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Hong Kong dollars (HK$). Where necessary, we have converted Renminbi ("RMB") into Hong Kong dollars ("HK$") at the average exchange rate of RMB1 = HK$0.9450, being the rate prevailing at the date of valuation.

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Yu Kam Hung
BSc(Hons) FHKIS FRICS RPS(GP) FHIREA
Executive Director
Valuation & Advisory Services

Note: Mr. Yu is the Chairman of General Practice Divisional Council of the Hong Kong Institute of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 23 years' valuation experience in both Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I – Property interest held and occupied by the Group in Hong Kong

	Property Interests	Market Value in existing state as at 28 February 2005 *(HK$)*	Interst attributable to the Group	Market Value attributable to the Group as at 28 February 2005 *(HK$)*
1.	Unit 8 on Sixth Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong	11,100,000	100%	11,100,000

Group II – Property interest held and occupied by the Group in the PRC

	Property Interests	Capital value in existing state as at 28 February 2005 (HK$)	Interst attributable to the Group	Capital value attributable to the Group as at 28 February 2005 *(HK$)*
2.	An Industrial Complex, EVA Industrial Estate, Shiyan Town, Bao'an District, Shenzhen City, Guangdong Province, The People's Republic of China	110,000,000	100%	110,000,000
	TOTAL:	**121,100,000**		**121,100,000**

VALUATION CERTIFICATE

Group I – Property interest held and occupied by the Group in Hong Kong

Property	**Description and tenure**	**Details of occupancy**	**Market value in existing state as at 28 February 2005** *(HK$)*
1. Unit 8 on Sixth Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong 2624/1000000 shares of and in the Kowloon Inland Lot No. 10999	The property comprises an office unit on the Sixth Floor of a 28-storey office building completed in 1994. The gross floor area of the property is approximately 1,891 sq.ft. The property is held under a Conditions of Sale for a term commencing from 15 January 1992 and due to expire on 31 October 2047. The Government rent payable is an amount equal to 3% of the rateable value of the property per annum.	The property is occupied by the Group as an office.	11,100,000

Notes:

1. The registered owner of the property is EVA Limited.

2. The property is subject to following encumbrances:

   (a) Deed of Mutual Covenant and Management Agreement vide Memorial No. 6299230 dated 28 April 1995.

   (b) Mortgage to secure all moneys in favour of Standard Chartered Bank (Hong Kong) Limited vide Memorial No. 9359557 dated 28 September 2004.

3. The property lies within an area zoned for Commercial (4) uses under the relevant outline zoning plan.

VALUATION CERTIFICATE

Group II – Property held and occupied by the Group in the PRC

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 28 February 2005 *(HK$)*
2. An Industrial Complex, EVA Industrial Estate, Shiyan Town, Bao'an District, Shenzhen City, Guangdong Province, The People's Republic of China	The property comprises various buildings of 5 to 8 storeys and various ancillary structures erected on a site having a site area of approximately 53,260.33 sq.m. Majority of buildings and various structures were completed during the years of 2002 to 2005. Workshop No. 3 is under construction and scheduled for completion in the first half of 2005. The floor area breakdown of the buildings is shown as follow.	The property is occupied by the Group for industrial production and ancillary purposes.	110,000,000

Building	**Gross Floor Area (sq.m.)**
Workshop #1	20,924.39
Workshop #2	19,795.00
Workshop #3	17,645.70
Staff Quarter A	7,650.87
Staff Quarter B	1,465.90
Staff Quarter C	1,652.19
Staff Quarter D	7,468.91

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 28 February 2005 *(HK$)*
	The buildings and structures include workshops, office, staff quarters, guard house, transformer room, landscaped garden, basketball court and various ancillary structures. The land with lot no. A704-0049 of the property was granted with land use rights for industrial use and for a term expiring on 8 April 2052.		

Notes:

1. Pursuant to the 土地合作協議書 (Property Cooperation Agreement) dated 18 January 2001 that was entered into between the Group and the Economic Cooperation Society of Langxin Village, Shiyan Town, Bao'an District, Shenzhen City together with three supplementary agreements that dated 4 July 2001, 12 November 2001 and 20 August 2004 respectively, the Group acquired the land use rights of the subject land located at the Economic Cooperation Society of Langxin Village, Shiyan Town, Shenzhen City, with a total site area of approximately 53,260 sq.m. for industrial purpose. The term of the land use rights is 50 years.

2. Pursuant to a Shenzhen City Land Use Rights Grant Contract No. Shen Di He Zi (2002) 4006 dated 9 April 2002 and its Supplmentary Agreement No. Shen Di He Zi (2002) 4006 dated 28 September 2002 entered into between Planning and State-owned Land Resources Bureau and Yihe Precision Hardware (Shenzhen) Co., Ltd., the land use rights of the subject land with lot no. A704-0049 with a site area of approximately 42,965.50 sq.m. out of 53,260 sq.m. from the land acquired from the Economic Cooperation Society of Langxin Village for industrial purpose have been granted to the Group at a consideration of RMB4,944,676.

3. Pursuant to a Realty Title Certificate No. Shen Fang Di Zi 5000149973 dated 28 February 2005 issued by Bao'an Branch of the Shenzhen State-owned Land Resources and Real Estate Management Bureau, the land use rights of the property for industrial purpose with a site area of approximately 42,965.5 sq.m. has been granted to Yihe Precision Hardware (Shenzhen) Co., Ltd. for a term of 50 years starting from 9 April 2002 to 8 April 2052.

4. Pursuant to a Construction Land Use Planning Permit No. Shen Gui Tu Gui Xu Zi 05-2001-0190 dated 29 April 2002 issued by the Bao'an Branch of the Shenzhen Planning and State-owned Land Resources Bureau (currently known as the Shenzhen State-owned Land Resources and Real Estate Management Bureau), the site for industrial purpose is approximately 42,965.5 sq.m. and the permitted gross floor area is approximately 62,100 sq.m..

5. Pursuant to Construction Works Planning Permit Nos. Shen Gui Tu Jian Xu Zi 2002B373, 2003B050 and 2004B155 dated 28 October 2002, 28 January 2003 and 25 March 2004 respectively issued by the Bao'an Branch of the Shenzhen Planning and State-owned Land Resources Bureau, the construction of Workshop Nos. 1, 2 and 3, with a total gross floor area of 20,924.39 sq.m., 19,795 sq.m. and 17,645.7 sq.m. respectively, had been approved.

6. Pursuant to Construction Works Commencement Permit Nos. 20020411, 20030085 and XK20040191 dated 12 December 2002, 4 March 2003 and 8 April 2004 respectively issued by the Construction Bureau of Bao'an District of Shenzhen, the commencement of the construction works of Workshop Nos. 1, 2 and 3 with a total gross floor area of 20,924.39 sq.m., 19,795 sq.m. and 17,645.7 sq.m. respectively, had been approved.

7. According to the 建設工程竣工驗收報告 No. 2003053 dated May 2003, workshop #1 has been certified. According to the 建設工程竣工驗收報告 dated March 2004, workshop #2 has been certified.

8. The external structure of the Workshop No. 3 has been substantially completed, and it is at the stage of applying the internal finishes. The construction of staff Quarter D has been completed in April 2005.

9. The Group has not yet obtained the Realty Title Certificate for the land with approximately 10,294 sq.m. on which the staff quarters are erected, due to the non-completion of the Staff Quarter D. As advised, the nature of the land use rights is granted land.

10. We have been provided with a legal opinion on the property prepared by the Group's legal advisors, which contains, inter alia, the following information:

(a) The consideration which amounts to RMB4,944,676 had been fully paid and the State-owned Land Use Rights Grant Contract signed on 9 April 2002 is legal and valid.

(b) According to the Section 63 of the Town Planning Ordinance of Shenzhen City (深圳經濟特區城市規劃條例), "the whole area of the industrial area should be certified upon inspection only after the certifications of individual construction works"; besides, according to the Real Estate Registration Ordinance of Shenzhen Special Economic Zone (深圳市經濟特區房地產登記條例), it stipulates that the registration of real estate should be granted on a whole lot basis.

(c) According to a Realty Title Certificate No. Shen Fang Di Zi 5000149973 dated 28 February 2005, only the land use rights of the property have been approved and registered. The building ownership rights of the three workshops will be incorporated into the Certificate until the completion of the Workshop #3 and the subsequent application made.

(d) The Realty Title Certificate issued with the land use rights of the property is legal and valid. The Group has the right to legally transfer, lease and mortgage the land use rights of the property.

(e) Workshop Nos. 1 to 3 are not subject to any mortgage or encumbrance, and there should be no legal impediment in obtaining the Realty Title Certificate for those buildings.

(f) According to the Tenancy Agreement of Shenzhen City (深圳市房地產租賃合同書) No. Bao GA001796 dated 12 May 2004, the Group leased out a portion of its workshop with a gross floor area of approximately 5,000 sq.m. to EVA Plastic Mould Products Limited. The Group had obtained 房屋租賃証 from the Office of the Tenancy Management of the People's Government of Bao'an District, Shenzhen City.

(g) The Tenancy Agreement is legal and valid as the Group had already obtained the 房屋租賃証 and had it registered.

(h) Pursuant to 寶安區建設工程登記備案表 dated 8 November 2001 that issued by City Construction Management Office of Shiyan Town, Bao'an District, Shenzhen City, the construction of staff quarters at Longxin Village, Shiyan Town had been agreed to be submitted for approval, with a construction area of approximately 6,965.06 sq.m..

For the remaining 10,294 sq.m. from the land acquired from the Economic Cooperation Society of Langxin Village where the quarters erected on, the legal procedure in transferring the land use rights is still undergoing.

(i) According to the written certificate dated 14 May 2004 that issued by Shiyan State-owned Land Department of Planning and State-owned Land Resources Bureau, the application of the Realty Title Certificates for the hostels, with the areas 7,650.87 sq.m., 1,465.90 sq.m. and 1,652.19 sq.m. for Hostels A, B and C respectively, is being processed.

(j) According to the enquiry made to the local authority responsible for processing the historical problems, the government will be lenient in processing application for the relevant certificates as the problem has already become a matter of fact. It has passed the initial stage of the reapplication for the title certificates for the hostels.

(k) According to the statements submitted by the Group, the construction of the hostels does not contravene any fire prevention and planning requirement and the quality of construction fulfills the relevant requirements, such that the Group should be able to apply for the title certificates after payment of the relevant fines and land premium.

(l) There will be no major legal impediment in the use of the staff quarters by the Group before completion of the relevant reapplication procedures. After the Group has obtained the relevant Realty Title Certificates, the relevant land use rights and building ownership rights can be legally transferred, leased, mortgaged or disposed of in accordance with other legal means.

12. As the Realty Title Certificate of the land with approximately 10,294 sq.m. on which the staff quarters are erected has not been obtained, in valuing the property, we have assigned no commercial value to that part of the property. However, for indicative purpose and based on assumptions that:-

(i) the property can be freely transferred, leased and mortgaged in the open market without any payment of premium or any of such incidental costs; and

(ii) all land premiums have been settled in full

, the capital value of the property as at 28 February 2005 would be HKD132,000,000.

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 July, 2004 under the Companies Law. The memorandum of association of the Company (the "Memorandum") and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted, and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The existing Articles were adopted on 20 April 2005. The following is a summary of certain provisions of the existing Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares.

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20) per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20) per cent. per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 3 August, 2004.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the court or by a special resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five (75) per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Courts. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety (90) per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court of the Cayman Island within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12 July 2004. The Company has established a place of business in Hong Kong at Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong and was registered in Hong Kong under Part XI of the Companies Ordinance as an oversea company on 17 September 2004. In compliance with the requirements of the Companies Ordinance, Zhang Hwo Jie of Flat B, 7th Floor, Block 2, Villa Carlton, 369 Tai Po Road, Cheung Sha Wan, Kowloon, Hong Kong has been appointed as the agent of the Company for the acceptance of service of process and any notice required to be served on the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution, which comprises a memorandum of association and the Articles. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital

(a) As at the date of incorporation of the Company, its authorised share capital was HK$100,000 divided into 10,000,000 shares of HK$0.01 each, one of which was allotted and issued, nil paid, to the initial subscriber, and was transferred to Mr. Zhang Hwo Jie on 27 July 2004. On 9 August 2004, the share was further transferred to Prosper Empire Limited. On 27 August 2004, the Company further allotted and issued 9 shares of HK$0.01 each, nil-paid, to Prosper Empire Limited.

(b) By a written resolution of the sole Shareholder passed on 27 August 2004, every 10 shares of HK$0.01 each in the capital of the Company were consolidated into one share of HK$0.10 such that the Company had an authorised share capital of HK$100,000 divided into 1,000,000 Shares and an issued share capital of HK$0.10 divided into 1 Share which was held by Prosper Empire Limited.

(c) By written resolutions of the sole Shareholder passed on 20 April 2005, the authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by the creation of a further 999,000,000 Shares.

(d) On 20 April 2005, the Company credited as fully paid at par the 1 Share held by Prosper Empire Limited and allotted and issued 20,000,000 new Shares, credited as fully paid, to Prosper Empire Limited in consideration of Prosper Empire Limited transferring the entire issued share capital in EVA Metal (BVI), EVA Plastic (BVI) and EVA Design (BVI) held by it to the Company.

Assuming that the Share Offer becomes unconditional, the Capitalisation Issue is completed and the Offer Shares are issued but taking no account of any Share which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the authorized share capital of the Company will be HK$100,000,000 divided into 1,000,000,000 Shares and the issued share capital of the Company will be HK$52,000,000 divided into 520,000,000 Shares, fully paid or credited as fully paid, with 480,000,000 Shares remaining unissued.

Save as disclosed herein and as mentioned in the following paragraphs respectively headed "Written resolutions of the sole Shareholder passed on 20 April 2005" and "Corporate reorganization", there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder passed on 20 April 2005

Written resolutions were passed by the sole Shareholder on 20 April 2005 pursuant to which, among other matters:

(a) the Company approved and adopted the existing Articles;

(b) conditional on the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued (including any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) as mentioned in this prospectus and the obligation of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before 29 May 2005:

(i) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorized to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(c) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorized to capitalize HK$36,999,999.90 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 369,999,999 Shares for allotment and issue to the Shareholder(s) on the register of members of the Company at the close of business on 20 April 2005 (or as they may direct) in proportion as nearly as possible without involving the issue of fraction of Shares to its then existing shareholding in the Company;

(d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend or similar arrangements, or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme or pursuant to the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal value not exceeding the sum of:

   (i) 20% of the aggregate nominal value of the share capital of the Company in issue and to be issued immediately following completion of the Share Offer and the Capitalization Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option; and

   (ii) the aggregate nominal amount of Shares which may be repurchased by the Company pursuant to the authority granted to the Directors referred to in paragraph (e) below,

   until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by any applicable law or the Articles to be held, or the passing of an ordinary resolution by the Company in general meeting revoking or varying the authority given to the Director, whichever occurs first;

(e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Share Offer and the Capitalization Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and

(f) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be repurchased pursuant to sub-paragraph (e) above.

4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise its structure in preparation for the listing of the Shares on the Stock Exchange and as a result of which the Company became the holding company of the Group.

The corporate reorganisation involved the following:

(a) On 21 January 2005, EVA Metal (BVI) acquired from Mr. Zhang Hwo Jie, Mr. Zhang Yaohua Hua and Mr. Zhang Jian Hua an aggregate of 680,000 shares of HK$1 each in the capital of EVA Limited, being the entire issued share capital of EVA Limited, and in consideration thereof, EVA Metal (BVI) allotted and issued in aggregate 3 shares of US$0.01 each in the capital of EVA Metal (BVI), credited as fully paid, to Prosper Empire Limited.

(b) On 21 January 2005, EVA Metal (BVI) acquired from Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua an aggregate of 15,000 shares of HK$1 each in the capital of EVA Group, being the entire issued share capital of EVA Group, and in consideration thereof, EVA Metal (BVI) allotted and issued in aggregate 3 shares of US$0.01 each in the capital of EVA Metal (BVI), credited as fully paid, to Prosper Empire Limited.

(c) On 21 January 2005, EVA Metal (BVI) acquired from Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua an aggregate of 10,000 shares of HK$1 each in the capital of EVA Holdings, being the entire issued share capital of EVA Holdings, and in consideration thereof, EVA Metal (BVI) allotted and issued in aggregate 3 shares of US$0.01 each in the capital of EVA Metal (BVI), credited as fully paid, to Prosper Empire Limited.

(d) On 21 January 2005, EVA Metal (BVI) acquired from Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua an aggregate of 280,000 shares of HK$1 each in the capital of Okuno Precision, being the entire issued share capital of Okuno Precision, and in consideration thereof, EVA Metal (BVI) allotted and issued in aggregate 3 shares of US$0.01 each in the capital of EVA Metal (BVI), credited as fully paid, to Prosper Empire Limited.

(e) On 21 January 2005, EVA Plastic (BVI) acquired from Mr. Zhang Hwo Jie, Mr. Zhang Yaohua Hua and Mr. Zhang Jian Hua an aggregate of 280,000 shares of HK$1 each in the capital of EVA Plastic Products (HK), being the entire issued share capital of EVA Plastic Products (HK), and in consideration thereof, EVA Plastic (BVI) allotted and issued in aggregate 3 shares of US$0.01 each in the capital of EVA Plastic (BVI), credited as fully paid, to Prosper Empire Limited.

(f) On 21 January 2005, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua transferred in aggregate 100 shares of US$0.01 each in the capital of each of EVA Metal (BVI), EVA Plastic (BVI) and EVA Design (BVI) to Prosper Empire Limited in consideration of Prosper Empire Limited allotting and issuing in aggregate 108 shares, 99 shares and 93 shares, all of US$0.01 each in its capital, credited as fully paid, to Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua respectively.

(g) On 20 April 2005, the Company acquired the entire issued share capital of each of EVA Metal (BVI), EVA Plastic (BVI) and EVA Design (BVI) from Prosper Empire Limited, and in consideration thereof, the Company credited as fully paid 1 nil paid Share held by Prosper Empire Limited and allotted and issued 20,000,000 new Shares, credited as fully paid, to Prosper Empire Limited.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I. The following alterations in the share capital of the Company's subsidiaries have taken place within the two years immediately preceding the date of this prospectus.

EVA Metal (BVI)

On 27 April 2004, EVA Metal (BVI) was incorporated in BVI with an authorised share capital of US$5,000 divided into 500,000 shares of US$0.01 each. On 12 May 2004, EVA Metal (BVI) allotted and issued for cash at par an aggregate of 100 shares of US$0.01 each in its capital as to 36 shares to Mr. Zhang Hwo Jie, 33 shares to Mr. Zhang Yaohua and 31 shares to Mr. Zhang Jian Hua.

EVA Plastic (BVI)

On 27 April 2004, EVA Plastic (BVI) was incorporated in BVI with an authorised share capital of US$5,000 divided into 500,000 shares of US$0.01 each. On 12 May 2004, EVA Plastic (BVI) allotted and issued for cash at par an aggregate of 100 shares of US$0.01 each in its capital as to 36 shares to Mr. Zhang Hwo Jie, 33 shares to Mr. Zhang Yaohua and 31 shares to Mr. Zhang Jian Hua.

EVA Design (BVI)

On 27 April 2004, EVA Design (BVI) was incorporated in BVI with an authorised share capital of US$5,000 divided into 500,000 shares of US$0.01 each. On 12 May 2004, EVA Design (BVI) allotted and issued for cash at par an aggregate of 100 shares of US$0.01 each in its capital as to 36 shares to Mr. Zhang Hwo Jie, 33 shares to Mr. Zhang Yaohua and 31 shares to Mr. Zhang Jian Hua.

EVA Plastic Products (HK)

On 16 March 2004, EVA Plastic Products (HK) was incorporated in Hong Kong with an authorised share capital of HK$280,000 divided into 280,000 shares of HK$1 each and 100,800 shares, 92,400 shares and 86,800 shares, all of HK$1 each in the capital of EVA Plastic Products (HK) being subscribed by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, and Mr. Zhang Jian Hua respectively.

EVA Mould Design (HK)

On 27 May 2004, EVA Mould Design (HK) was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each and 1 share of HK$1 in the capital of EVA Mould Design (HK) being subscribed by the initial subscriber. On 16 June 2004, the subscriber share was transferred to EVA Design (BVI).

Okuno Precision

On 16 March 2004, Okuno Precision was incorporated in Hong Kong with an authorised share capital of HK$280,000 divided into 280,000 shares of HK$1 each and 100,800 shares, 92,400 shares, and 86,800 shares, all of HK$1 each in the capital of Okuno Precision being subscribed by Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua respectively.

Yihe Precision Hardware

On 26 June 2003 and 6 February 2004 respectively, the registered capital of Yihe Precision Hardware was resolved to be increased to HK$46,880,000 and then to HK$76,880,000, both by injection of equipment. On 9 July 2004, the registered capital of Yihe Precision Hardware was further resolved to be increased to HK$91,880,000 by injection of equipment. On 29 November 2004, the registered capital of Yihe Precision Hardware was resolved to be increased to HK$121,880,000 by injection of equipment with any shortfall to be paid by foreign currencies.

Yihe Plastic & Electronic

On 9 July 2004, Yihe Plastic & Electronic was incorporated with registered capital of HK$30,000,000 to be injected by way of cash. On 2 August 2004, it was resolved that the registered capital of HK$30,000,000 would be contributed as to HK$29,000,000 by injection of equipment and as to HK$1,000,000 by cash. On 21 December 2004, the articles of association of Yihe Plastic & Electronic were amended so that the registered capital of Yihe Plastic & Electronic was increased to HK$80,000,000 and the contribution of the initial registered capital of HK$30,000,000 would be injected in two instalments, with the first instalment of HK$10,000,000 being injected in the form of equipment within 3 months from the date of incorporation of Yihe Plastic & Electronic and the second instalment of HK$20,000,000 being injected in the form of equipment (with any shortfall to be paid by foreign currencies) within 1 year of its incorporation. The increased registered capital of HK$50,000,000 would be injected in the form of equipment (with any shortfall to be paid by foreign currencies).

Save as disclosed herein and in the paragraph headed "Corporate reorganisation" above, there has been no other alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the issue of this prospectus.

6. Repurchase by the Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of Shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to a written resolution passed by the sole Shareholder on 20 April 2005, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising the Directors to exercise all powers of the Company (including the power to determine the manner of repurchase) to repurchase on the Stock Exchange or any other stock exchange recognised by SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, at any time until the next annual general meeting of the Company or until such mandate is revoked or varied earlier by an ordinary resolution of the Company in general meeting or at the time when the next annual general meeting of the Company is required by the applicable laws or the Articles to be held, whichever is the earliest.

(b) Number of Shares which may be repurchased

On the basis of 520,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised) the Directors would be authorized under a general mandate given to the Directors pursuant to a written resolution of the sole Shareholders passed on 20 April 2005 to repurchase up to 52,000,000 Shares during the course of the period until:

i. the conclusion of the next annual general meeting of the Company; or

ii. the date by which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or

iii. the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Company in general meeting,

whichever is the earliest.

(c) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of shares will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(d) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the memorandum of association of the Company and the Articles and the laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) General

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates, has any present intention, if the Repurchase Mandate is exercised, to sell any Shares to the Company or any of its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers.

Information about PRC enterprises in which the Company has interests

Below are the particulars of the PRC entities in which the Company has interests:

(a) Yihe Precision Hardware

Nature	:	WFOE
Registered capital	:	HK$121,880,000
Total investment amount	:	HK$133,000,000
Attributable interest of the Company	:	100%
Date of establishment	:	21 May 2001
Term of WFOE	:	20 years expiring on 21 May 2021

(b) Yihe Plastic & Electronic

Nature	:	WFOE
Registered capital	:	HK$80,000,000
Total investment amount	:	HK$80,000,000
Attributable interest of the Company	:	100%
Date of establishment	:	9 July 2004
Term of WFOE	:	20 years expiring on 9 July 2024

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) An agreement for the transfer of assets and businesses dated 28 March 2004 supplemented by a supplemental agreement dated 23 October 2004 between EVA Group, Yihe Precision Hardware and Yihe Metal Products whereby Yihe Metal Products confirmed that it had transferred certain machinery and equipment to EVA Group for a consideration of US$1,059,802 and transferred all businesses relating to precision metal to Yihe Precision Hardware at nil consideration.

(b) An equity transfer agreement dated 28 June 2004 between EVA Limited and Mr. Zhang Yaohua whereby EVA Limited agreed to transfer its 90.57% equity interest in Yihe Metal Products to Mr. Zhang Yaohua for a consideration of RMB25,202,975.38.

(c) A share sale and purchase agreement relating to the sale and purchase of shares in the capitals of EVA Metal (BVI), EVA Plastic (BVI) and EVA Design (BVI) dated 20 April 2005 between (i) the Company, (ii) Prosper Empire Limited, (iii) Mr. Zhang Hwo Jie, (iv) Mr. Zhang Yaohua, and (v) Mr. Zhang Jian Hua, whereby Prosper Empire Limited agreed to transfer the entire issued share capital of each of EVA Metal (BVI), EVA Plastic (BVI) and EVA Design (BVI) to the Company in consideration of the Company crediting as fully paid 1 nil paid Shares held by Prosper Empire Limited and allotting and issuing 20,000,000 Shares, credited as fully paid, to Prosper Empire Limited.

(d) The Underwriting Agreement dated 28 April 2005 between the Company, Prosper Empire Limited, the executive Directors, the Joint Lead Managers, the Public Offer Underwriters and the Placing Underwriters, being the underwriting agreement relating to the Public Offer and Placing, details of which are set out in the section headed "Underwriting" of this prospectus.

(e) A deed of indemnity dated 28 April 2005 between Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua in favour of the Company and its subsidiaries in respect of certain tax liabilities as referred to in the paragraph headed "Estate duty, tax and other indemnities" below.

(f) An indemnity agreement dated 28 April 2005 between Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua in favour of the Group in respect of certain properties and other potential liabilities of the Group as referred to in the paragraph headed "Estate duty, tax and other indemnities" below.

2. Intellectual Property Rights of the Group

(a) As at the Latest Practicable Date, the Group has registered the following trademark in Hong Kong:

Trade Mark		Date of Registration	Trade Mark Number
EVA	6, 7, 12, 14, 16, 17, 20, 35, 36, 37, 39	7 April 2004	300192032

(b) As at the Latest Practicable Date, the Group has applied for registration of the following trademark in Hong Kong:

Trade Mark	Class No.	Application Date	Application Number
EVA	6, 7, 12, 14, 16, 17, 20, 35, 36, 37, 39	23 March 2005	300390951

(c) As at the Latest Practicable Date, the Group has applied for registration of the following trademarks in the PRC:

Trade Mark	Class No.	Application Date	Application Number
EVA	9	17 June 2004	1120042004
EVA	9	1 March 2005	1120050531

The following products and/or services are covered by the respective classes of trademarks:

Class	Specification
6	common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores; all included in Class 6.
7	machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs; all included in Class 7.
9	metal parts for use in printers, copiers, and facsimile machine; computer pheripheral equipment, electrical facsimile equipment; copier; digital processing equipment, computer game software; audio equipment; industrial emission equipment.
12	vehicles; apparatus for locomotion by land, air or water; all included in Class 12.
14	precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones, horological and chronometric instruments; all included in Class 14.

16	typewriters and office requisites (except furniture); printers' type; printing blocks; all included in Class 16.
17	rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastics in extruded form for use in manufacture; packing, stopping and insulating materials; flexible pipes, not of metal; all included in Class 17.
20	furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics; all included in Class 20.
35	advertising; all included in Class 35.
36	real estate affairs; all included in Class 36.
37	building construction; repair; installation services; all included in Class 37.
39	packaging; all included in Class 39.

(d) As at the Latest Practicable Date, the Group has registered the following domain names:

Domain Name	**Registration Date**
eva-sz.com *(Note)*	26 October 2001
eva-group.com *(Note)*	8 October 2003

Note: Contents in the domains do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors in the share capital of the Company and its associated corporations immediately following completion of Share Offer

Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of the Shares which may be allotted and issued pursuant to the Over-allotment Option and any Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may fall to be allotted and issued or repurchased by the Company pursuant to the mandates referred to in the section headed “Further information about the Company” in this Appendix, the interest of each of the Directors and chief executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange in each case, once the Shares are listed, will be as follows:

(i) Long position in Shares

Name of Director	Capacity	Number of shares	Approximate percentage of interests
Mr. Zhang Hwo Jie	Interest of a controlled corporation *(Note)*	390,000,000	75%

Note: Mr. Zhang Hwo Jie holds 36% of the entire issued capital of Prosper Empire Limited, which will be interested in 75% of the entire issued capital of the Company immediately upon completion of the Share Offer and Capitalisation Issue. Under SFO, Mr. Zhang Hwo Jie is deemed to be interested in the Shares held by Prosper Empire Limited.

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

Name of Director	Capacity	Approximate percentage of interests
Mr. Zhang Hwo Jie	Beneficial owner	36%
Mr. Zhang Yaohua	Beneficial owner	33%

(iii) Short position of Shares

Name of Director	Capacity	Approximate percentage in total share capital
Mr. Zhang Hwo Jie	Short position of a controlled corporation *(Note)*	3.75%

Note: Prosper Empire Limited entered into with the Joint Lead Managers the Stock Borrowing Agreement pursuant to which Prosper Empire Limited agreed to lend up to 19,500,000 Shares to the Joint Lead Managers for the purpose of facilitating settlement of any over-allocations in connection with the Placing. Since Mr. Zhang Hwo Jie holds 36% of the issued share capital of Prosper Empire Limited, under the SFO, he is deemed to have a short position of the Shares in which Prosper Empire Limited has a short position.

(b) Particulars of service agreements

Each of the executive Directors, namely Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Nomo Kenshiro has entered into a service agreement with the Company. Each agreement will take effect from the day on which the Shares are first admitted for trading on the Stock Exchange (the "Commencement Date").

Brief particulars of these service agreements are set out below:

(i) Each service agreement will be for a term of two years commencing on the Commencement Date and thereafter may be terminated by either party giving to the other not less than three months' written notice.

(ii) Each of Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Nomo Kenshiro shall be entitled to a basic monthly salary of HK$190,000, HK$190,000, and HK$40,000 respectively, which shall be subject to review by the Board and the relevant remuneration committee from time to time.

(iii) Each of the executive Directors shall be entitled to a discretionary year-end bonus of an amount to be determined by the Board or the relevant remuneration committee. The maximum aggregate amount of such discretionary bonus payable to all the executive Directors for any financial year shall not be more than 5% of the audited consolidated profit after taxation and minority interest but before extraordinary items and such bonus of the Group for the relevant financial year.

(iv) Each of the executive Directors shall be entitled to participate in any bonus scheme that may be introduced by the Company provided that such participation, including the basis for calculating any payments, shall be determined at the sole and absolute discretion of the Board and the relevant remuneration committee.

(v) Each of the executive Directors shall be entitled to participate in the mandatory provident fund scheme of the Company and medical, life insurance or other provident fund scheme of the Company (if any) which may be in force from time to time. The executive Directors may also be entitled to other employees' benefits, including bonus and car allowance at the sole and absolute discretion of the Board and the relevant remuneration committee.

(vi) Each of the executive Directors shall also be entitled to reimbursement of traveling expenses and all reasonable out-of-pocket expenses properly incurred in the performance of his duties under the employment.

Save as disclosed herein, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

The Company's policies concerning the remuneration of the executive Directors are:

(i) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility and the time devoted to the business of the Group;

(ii) non-cash benefits are provided to the executive Directors under the remuneration package; and

(iii) subject to the requirements of the Listing Rules, the executive Directors may be granted, at the discretion of a committee comprising three independent non-executive Directors, share options under the Share Option Scheme as part of their remuneration package.

The independent non-executive Directors have been appointed for a term of 2 years commencing from 11 January 2005. The Company intends to pay a Director's fee of HK$120,000 per annum to each of the independent non-executive Directors. Save for the Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Directors.

(c) Directors' remuneration

(i) The aggregate of the remuneration paid and benefits in kind granted to the Directors by members of Group for the year ended 31 December 2004 was approximately HK$2,842,000. Further information in respect of Directors' remuneration is set out in Appendix I to this prospectus.

(ii) It is estimated that approximately HK$4,000,000 (excluding discretionary bonuses payable to the Directors) in aggregate will be payable to Directors or companies controlled by them as remuneration or in the form of benefits in kind pursuant to the present arrangements for the year ended 31 December 2005.

2. Substantial shareholders

Immediately following completion of the Share Offer and Capitalisation Issue and taking no account of the Shares which may be allotted and issued under the Over-allotment Option and any Shares which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may fall to be allotted or issued or repurchased by the Company pursuant to the mandates referred to in the section headed "Further Information about the Company" in this Appendix, so far as it is known to the Directors, the following persons, not being a Director or chief executive of the Company, will have an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(a) Long position in Shares

Name	Capacity	Number of shares	Approximate percentage of interests
Prosper Empire Limited	Beneficial owner	390,000,000	75%
Shen Chan Jie Lin	Interest of spouse *(Note 1)*	390,000,000	75%
Zhang Jian Hua	Corporate *(Note 2)*	120,900,000	23.25%

Notes: 1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the Shares held by Mr. Zhang Hwo Jie.

2. Mr. Zhang Jian Hua holds 31% of the entire issued capital of Prosper Empire Limited, which will be interested in 75% of the entire issued capital of the Company immediately upon completion of the Share Offer and Capitalisation Issue. Therefore, Mr. Zhang Jian Hua has an attributable interest of 23.25% of the entire issued capital of the Company.

(b) Short position in Shares

Name	**Capacity**	**Approximate percentage in total share capital**
Prosper Empire Limited	Beneficial owner	3.75%
Shen Chan Jie Lin	Short position of spouse *(Note)*	3.75%

Note: Under the SFO, Ms. Shen Chan Jie Lin is deemed to have a short position in the Shares in which Mr. Zhang Hwo Jie has a short position.

3. Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in the section headed "Underwriting" of this prospectus.

4. Related party transactions

During the two years preceding the date of this prospectus, the Group was engaged in related party transactions as described in the accountants' report set out in Appendix I and the paragraph headed "Exempt continuing connected transactions to be discontinued upon listing" in the section headed "Description of business" of this prospectus.

5. Disclaimers

Save as otherwise disclosed in this prospectus:

(i) none of the Directors nor any chief executive of the Company has any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV to the SFO (including interest and short position which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules once the Shares are listed;

(ii) none of the Directors nor any of the experts whose names are referred to in the paragraph headed "Consents of experts" of this Appendix has any direct or indirect interest in the promotion of the Company or in any assets which have been, within the two (2) years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group;

(iii) none of the Directors nor any of the experts whose names are listed in the paragraph headed "Consents" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(iv) taking no account of any Shares which may be taken up pursuant to the Share Offer, or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of any member of the Group;

(v) none of the experts whose names are referred to in the paragraph headed "Consents of experts" in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(vi) there are no existing or proposed service contracts (excluding contracts expiring or terminate by the employer within one year without payment of compensation other than statutory compensation) between the Company or any of its subsidiaries and any of the Directors;

(vii) none of the Directors or experts whose names are listed in the paragraph headed "Consents of experts" of this Appendix has received any agency fee or commission from the Group within the two years immediately preceding the date of this prospectus;

(viii) so far as known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers of the Group; and

(ix) so far as known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest suppliers of the Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

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

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the written resolutions of the sole Shareholder passed on 20 April 2005:

(a) Who may join

The Board may, at its absolute discretion, offer to any (i) full-time or part-time employees of the Group; (ii) directors (including any executive, non-executive and independent non-executive directors) of the Group; (iii) substantial shareholders of each member of the Group; (iv) Associates of directors or substantial shareholders of each member of the Group; and (v) the trustees of any trust pre-approved by the Board, the beneficiary (or in case of discretionary trust, the discretionary objects) of which includes any of the above-mentioned persons (together, the "Participants" and each, a "Participant") options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with sub-paragraph (c) below, and subject to the other terms of the Share Option Scheme summarised below.

Upon acceptance of the offer, the grantee shall pay HK$1 to the Company by way of consideration for the grant and the option shall be deemed to have been granted and to have taken effect with retrospective effect from the date on which the option is offered.

(b) Grant of options to connected persons or any of their associates

Any grant of options to a Participant who is a Director, chief executives, or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective Associates must be approved by the independent non-executive Directors, excluding any independent non-executive Director who is the grantee of the options.

Where the Board proposes to grant any option to a Participant who is a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director, or any of their respective Associates, and such option which if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12 month period up to and including the date of grant being proposed by the Board (the "Relevant Date"):

(i) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders by way of a poll in general meeting with all the connected persons of the Company (as defined in the Listing Rules) abstaining from voting in favour of the resolution at such general meeting.

(c) Price for Shares

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

(d) Maximum number of Shares

(i) The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme(s) of the Company) to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 52,000,000 Shares, representing 10% of the Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue (the "Scheme Mandate Limit"), unless the Company obtains a fresh approval from its Shareholders pursuant to sub-paragraph (ii) below or the options are granted pursuant to sub-paragraph (iii) below.

(ii) The Company may seek approval of its Shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10% (the "Renewal Limit") of the issued share capital of the Company at the date of approval to renew such limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Renewal Limit.

(iii) The Company may authorise the Directors to grant options to specified Participant(s) beyond the Scheme Mandate Limit or Renewal Limit if the grant of such options is specifically approved by the Shareholders in general meeting.

(iv) Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme or any other share option schemes if this will result in the said 30% limit being exceeded.

The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Group to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the approval of the Shareholders in general meeting at which such Participant and his associates must abstain from voting.

(e) Time of and restrictions on exercise of option

An option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the Shares may be taken up under the option must not be more than 10 years from the date of offer of the option.

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

(f) Rights are personal to grantee

Options granted under the Share Option Scheme must be personal to the grantee, which may not be sold, transferred, charged, mortgaged, encumbered or assigned by the grantee to or in favour of any third party over or in relation to any option.

(g) Termination of employment

In the event that the grantee ceases to be a Participant for any reason (other than on his death) including the termination of employment or appointment on one or more of the grounds specified in paragraph (o)(vi) below, the option granted to such grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the absolute discretion of the Board in which event the grantee may exercise the option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant or the relevant option period, whichever is earlier.

(h) Rights on cessation of employment by death

If the grantee of an option who is an individual dies before exercising the option in full and none of the event sets out in paragraph (o)(vi) below arises, his/her personal representative(s) may exercise the option up to the entitlement of the grantee as at the date of death (to the extent they have become exercisable and not already exercised) within a period of 12 months or such longer period as the Board may at its absolute discretion determine from the date of death (provided that such exercise is during the relevant option period).

(i) Effects of alterations to share capital

In the event of a Capitalisation Issue, rights issue, sub-division or consolidation of the Shares, or reduction of capital in the Company whilst any option remains exercisable (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) other than dividend paid out of the net profits attributable to its shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the option so far as unexercised and/or the subscription price for the Shares, or any combination thereof, as an independent financial adviser appointed by the Company or the auditors for the time being of the Company shall certify in writing to the Directors, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but so that no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

(j) Rights on a take-over or share repurchase

If a general or partial offer, whether by way of take-over or share repurchase offer (but other than by way of scheme of arrangement), is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant option period, the grantee (or his personal representative(s)) shall be entitled to exercise the option in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(k) Rights on winding up

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith after it despatches such notice to each of its members give notice thereof to the grantees (or his/her personal representative(s), who may, subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than two business days prior to the proposed general meeting) accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the option (to the extent they have become exercisable and not already exercised) either to its full extent or to the extent specified in such notice and the Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which falls to be issued on such exercise, credited as fully paid and register the grantee as holder thereof.

(l) Rights on a scheme of arrangement

If a general or partial offer by way of a scheme of arrangement is made to all Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not directly exercised) to its full extent or to the extent specified in the notice.

(m) Rights on compromise or arrangement

Other than a general offer or partial offer or a scheme of arrangement contemplated in paragraph (l) above, if a compromise or arrangement between the Company and its members or creditors is proposed in connection with the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees (or to their personal representatives) on the same day as it gives notice to the members or creditors of the Company summoning a meeting to consider such a compromise or arrangement, and the grantees (or his/her personal representative(s)) may, by notice in writing to the Company accompanied by the remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise his/her option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(n) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue (the "Exercise Date") and accordingly will entitle the holders of the Shares to participate in all dividends or other distributions declared paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the Exercise Date.

(o) Lapse of option

The right to exercise an option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of the periods referred to in paragraph (g), (h) or (m), where applicable;

(iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (j);

(iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l);

(v) subject to the expiry of the period of extension (if any) referred to in paragraph (g), the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;

(vi) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency, and conviction of any criminal offence;

(vii) subject to paragraph (k) the date of the commencement of the winding-up of the Company;

(viii) the date on which the grantee commits a breach of paragraph (f); or

(ix) the date on which the option is cancelled by the Board as set out in paragraph (t).

(p) Period of the Share Option Scheme

Subject to earlier termination by Shareholders' resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of ten years commencing from 20 April 2005, after which period no further Options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in respect of all options which remain exercisable at the end of such period.

(q) Price sensitive developments

No grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly, or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules).

and ending on the date of the results announcement, no option may be granted. Such period will cover any period of delay in the publication of a results announcement.

(r) Alterations to the Share Option Scheme and the terms of options granted under the Share Option Scheme

(i) Subject to (ii) below, the terms and conditions of the Share Option Scheme may altered by resolution of the Board from time to time except that the provisions relating to matters contained in rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or Participants except with the prior approval of the Shareholders in general meeting, with grantees and their Associates abstaining from voting, and no such alteration shall not operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares;

(ii) Any alterations of the terms and conditions of the Share Option Scheme, which are of a material nature or change the authority of the Board, shall be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(iii) The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules;

(iv) Any change to the authority of the Directors or scheme administrators, if any, in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting.

(s) Termination of Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted prior thereto but not yet exercised at the time of termination.

(t) Cancellation of Options

The Board may, with the consent of the relevant grantee, at any time cancel any option granted but not exercised. Where the Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (d) above.

2. Present status of the Share Option Scheme

As at the date of this prospectus, no option has been granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Each of Prosper Empire Limited, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua ("Indemnifiers") has given joint and several indemnities in connection with, inter alia, any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance of Hong Kong) to any member of the Group on or before the Listing Date and any taxation falling on any member of the Group resulting from or by reference to any income, profits, gains, transactions, events, matters, things, or business (whether discontinued or not and including the businesses carried on by EVA Miyagawa, Offspin and Yihe Metal Products) earned, accrued, received, entered into, carried on, or occurring on or before the Listing Date. However, the Indemnifiers will have no liability as aforesaid:

(i) to the extent that provision has been made for such taxation in the audited combined accounts of the Company or the audited accounts of any member of the Group for each of the three years ended 31 December 2004 ("Accounts");

(ii) for which any member of the Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 Decemebr 2004;

(iii) to the extent that such taxation or liability would not have arisen but for any act or omission or delay by any member of the Group voluntarily effected without the prior written consent or agreement of the Indemnifiers, other than such act or omission carried out or effected in the ordinary course of business after the date of execution of the deed of indemnity (the "Effective Date") or carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date;

(iv) to the extent that such taxation or liability is discharged by another person who is not a member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge of the taxation or liability;

(v) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities of the PRC, Japan, BVI, or any other authority in any part of the world coming into force after the Effective Date or to the extent such claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and

(vi) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such over-provision or reserve applied pursuant to any of the above provisions to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Each of the Indemnifiers further undertakes jointly and severally to indemnify and at all times keep each member of the Group indemnified against any costs, claims, damages, losses, liabilities, expenses, fines, or penalties which may be incurred or suffered by, or imposed on, any member of the Group and any other liabilities of whatever nature arising therefrom, whether direct or indirect, arising out of, in connection with, or as a result of:

(i) (a) the failure of the Group to complete the construction of the third factory building on a portion of land of approximately 43,000 sq.m. located at Shiyan Town, Bao'an District, Shenzhen, the PRC before the time limit prescribed in the relevant land use right agreement entered into between the Group and the Shenzhen Municipality Planning and State-owned Land Resources Bureau (including its amendments and supplements) in 2002; and (b) the failure of the Group to obtain a realty title certificate in respect of the three blocks of factory buildings referred to in (a), or any consequential claim or repossession of any of the three blocks of factory buildings;

(ii) (a) the defects in land titles of the four blocks of staff accommodation constructed or being constructed on a portion of land of approximately 10,000 sq.m. located at Shiyan Town, Bao'an District, Shenzhen, the PRC; and (b) the failure of the Group to obtain a realty title certificate in respect of the four blocks of staff accommodation referred to in (a) or any consequential claim or repossession of the four blocks of staff accommodation or any relocation of staff by the Group that may be required;

(iii) the procedural blemishes in respect of the change of mode of capital contribution of Yihe Metal Products whereby EVA Limited made contribution of HK$7,500,000 in cash and HK$500,000 by way of equipment to the registered capital of Yihe Metal Products as confirmed by the capital verification report in respect of Yihe Metal Products issued on 17 February 2004 instead of making contribution of HK$8,000,000 in the form of equipment as prescribed by the then articles of association of Yihe Metal Products.

(iv) the consolidation of the financial results of Yihe Precision Hardware and Yihe Plastic & Electronic into the consolidated account of the Group before the initial registered capital of Yihe Precision Hardware and Yihe Plastic & Electronic have been fully paid up and therefore a possible breach of the SFEJV Capital Contribution Regulations.

Each of the Indemnifiers will have no liability in respect of any costs , claims, damages, losses, liabilities, expenses, fines or penalties as aforesaid:

(i) to the extent that provision or reserve in respect thereof has been made in the Accounts or to the extent that payment or discharge of such claim has been taken into account therein;

(ii) to the extent that such costs, claims or compensation is discharged by an insurance company or another person who is not a member of the Group and that no member of the Group is required to reimburse such person in respect of the discharge of such claim; and

(iii) to the extent of any provision or reserve made in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such over-provision or excessive reserve applied to reduce the Indemnifiers liabilties in respect of any claim shall not be reapplied to any such liability arising thereafter.

2. Litigation

None of the Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

3. Potential liabilities in respect of properties in the PRC

As advised by the PRC Legal Advisers, the Group may be subject to a maximum fine of approximately RMB193,000 under the Land Use Right Agreements entered into between the Group and the Shenzhen Municipality Planning and State-owned Land Resources Bureau in 2002 for delay in completing certain construction work. Please refer to the paragraph headed "Land and property" in the section headed "Description of business" of this prospectus for details.

The Group has applied for Realty Ownership Certificates in respect of certain properties in the PRC. As advised by the PRC Legal Advisers, if the relevant authority processes the application as if they were historical illegal buildings, according to Certain Regulations relating to the Processing of Historical Illegal Manufacturing and Operating Structures (2001), the Group may be liable to pay a fine of RMB547,136.1 and a land premium of approximately RMB3,283,000. Please refer to the paragraph headed "Land and property" in the section headed "Description of business" of this prospectus for details.

4. Sponsors

The Sponsors have made an application on behalf of the Company to the Listing Committee for a listing of, and permission to deal in, all the Shares in issue, the Shares to be issued as mentioned in this prospectus and any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option and any options granted under the Share Option Scheme.

The Company will appoint the Sponsors, in accordance with Rule 3A.19 of the Listing Rules, as its Compliance Advisers for the period commencing on the Listing Date ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

5. Promoters

There is no promoter of the Company.

6. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US$8,000 which were paid by the Group.

7. Qualification of experts

The following are the qualifications of the experts which have given their opinion or advice which is contained in this prospectus:

Name of Expert	Qualification
CAF Securities	Licensed corporation for types 1 and 6 regulated activities under the SFO
SBI Crosby	Licensed corporation for types 1 and 6 regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
King and Wood PRC Lawyers	PRC Legal Advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
CB Richard Ellis Limited	Property valuers
深圳市鵬信稅務師事務所有限公司	PRC licensed tax advisers

8. Material changes

Save as disclosed under the paragraph headed "Indebtedness" in the section headed "Financial Information" in this Prospectus, there has been no material adverse change in the financial position of the Group since 31 December 2004 (being the date to which the latest audited combined financial statements of the Group was made up).

9. Miscellaneous

(a) Save as disclosed in this appendix, Appendix I to this prospectus, and the section headed "Share capital" and "Underwriting" of this prospectus:

(i) within the two (2) years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued as fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option to or is agreed conditionally or unconditionally to be put under option;

(iii) no founder shares, management shares or deferred shares of the Company have been issued or agreed to be issued;

(iv) within the two (2) years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;

(v) there has not been any interruption in the business of Group which may have or have had a significant effect on the financial position of Group in the twenty-four (24) months preceding the date of this prospectus; and

(vi) no company within the Group is presently listed on any stock exchange or traded on any trading system.

(b) All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

F. CONSENTS OF EXPERTS

Each of CAF Securities, SBI Crosby, PricewaterhouseCoopers, PRC Legal Advisers, Conyers Dill & Pearman, CB Richard Ellis Limited and 深圳市鵬信税務師事務所有限公司, at the date of this prospectus, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or the references to its name included herein in the form and context in which they are respectively included.

G. BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** application forms, the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus, and copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Heller Ehrman White & McAuliffe at 35th floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

– the memorandum of association of the Company and the Articles;

– the accountants' report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

– the audited combined financial statements as have been prepared for the companies comprising the Group for each of the three years ended 31 December 2004 or the period from their respective dates of incorporation up to 31 December 2004, where this is a shorter period;

– the letter on unaudited pro forma financial information prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

– the letter, summary of valuation and valuation certificates prepared by CB Richard Ellis Limited relating to the property interests of the Group, the text of which is set out in Appendix III to this prospectus;

– the rules of the Share Option Scheme;

– the Companies Law;

– the letter of advice issued by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law as referred to in the paragraph headed "General" in Appendix IV to this prospectus;

– the legal opinions issued by the PRC Legal Advisers in connection with the Share Offer;

– the letter of advice issued by 深圳市鵬信稅務師事務所有限公司 in relation to certain tax information of the Group in PRC;

– the service agreements referred to in the paragraph headed "Particulars of service agreements" in Appendix V to this prospectus;

– the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus; and

– the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus.