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

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

PROPOSED NEW PRODUCTION FACILITIES

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Directors have recently resolved to establish a wholly foreign owned enterprise in Suzhou, the PRC for the purpose of setting up the Suzhou Production Plant to be located in the Suzhou National New and Hi-Tech Industrial Development Zone so as to capture new business opportunities that have arisen from the Group's existing clients' business expansion and also from target customers located in the Yangtze region.

On 11 July 2005, the Group entered into a memorandum of understanding with the management committee of the Suzhou National New and Hi-Tech Industrial Development Zone for the acquisition of a piece of land on which it is proposed that the Suzhou Production Plant will be constructed.

The Directors confirm that save as disclosed above, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

The Directors further confirm that there is no change to the Future Plans and Use of Proceeds as set out in the Prospectus.

This announcement is made by the order of the Board and the Directors individually and jointly accept responsibility for the accuracy of this statement.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

PROPOSED NEW PRODUCTION PLANT IN SUZHOU

The Directors have recently resolved to establish a wholly foreign owned enterprise in Suzhou, the PRC for the purpose of setting up the Suzhou Production Plant to be located in the Suzhou National New and Hi-Tech Industrial Development Zone so as to capture new business opportunities that have arisen from the Group's existing clients' business expansion and also from target customers located in the Yangtze region.

On 11 July 2005, the Group entered into a memorandum of understanding with the management committee of the Suzhou National New and Hi-Tech Industrial Development Zone for the acquisition of a piece of land on which it is proposed that the Suzhou Production Plant will be constructed. Formal agreement for the acquisition of the land will be entered into upon the Suzhou WFOE is formally established. The Group has already submitted an application to relevant authorities for the establishment of the Suzhou WFOE and it is expected that the approval will be obtained by the end of July 2005.

INFORMATION ABOUT THE SUZHOU PRODUCTION PLANT

(1) Location and site area

The Suzhou National New and Hi-Tech Industrial Development Zone with a site area of approximately 120,000 sq. m..

(2) Floor Area and Production Capacity

The first stage of the Suzhou Production Plant will have a gross floor area of 30,000 sq. m.. Approximately two-third of the floor area will be used for industrial production and offices and the other one-third will be used for staff quarters and other facilities. The first workshop will have a production capacity of about 40% of that of the Shenzhen Production Plant. Future expansion of the Suzhou Production Plant will depend on the business generated from the investment of the first workshop.

(3) Products and Services

The Suzhou Production Plant will provide products and services similar to that currently provided by the Shenzhen Production Plant, that is, (a) design and fabrication of precision metal stamping and plastic injection moulds; (b) manufacturing of metal stamping, plastic injection and lathing components; and (c) assembly of metal and plastic components.

(4) Investment Amount, Use of Capital and Timetable

The registered capital of the Suzhou WFOE is proposed to be approximately US\$20,000,000 (equivalent to approximately HK\$156 million), which will be financed by bank borrowings and/or lease financing and/or internal resources (excluding proceeds raised from the share offer in the Company's initial public offering in May 2005). The capital will be used for the following purposes in the time schedule set out below:

Purposes	Estimated Investment Amount (HK\$'m)	Completion Time Schedule
(a) Land Acquisition (120,000 sq. m.)	8.3	On or before end of August, 2005
(b) Production Plant (First stage with floor area of 30,000 sq. m.) Design and Construction	33.3	On or before end of 2005
(c) Production Equipment Purchase	88.4	Purchase order to be placed in the second half of 2005 with 20% down payment to be made upon delivery or placement of orders for a majority portion of such purchases. The balance of the purchase price will be paid within 180 days from delivery.
(d) General working capital	26	

To order to match with the production schedule of client(s), the Suzhou Production Plant is expected to commence operation by the end of 2005. The Group is in discussion with various banks on the terms of financing and with the management committee of the Suzhou National New and Hi-Tech Industrial Development Zone on the terms of the land acquisition. It is anticipated that the Group will enter into a formal agreement in respect of the land acquisition on or before the end of August 2005 and the construction of the Suzhou Production Plant will commence in August 2005 with an expected completion date by the end of 2005.

REASONS FOR SETTING UP THE SUZHOU PRODUCTION PLANT

Currently, the Group's Shenzhen Production Plant is serving customers located within the Pearl River Delta Region. As disclosed in the Prospectus, the Group's customer base comprises top-tier Japanese brand names for office automation 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 and Fuji-Xerox of Shenzhen Ltd. One of the major customers of the Group have recently indicated to the Group that it is constructing a new production plant in the Yangtze Region which would be in addition to their production base in the Pearl River Delta Region and that this new plant would also require the same type of products and services currently provided by the Group. However, due to their internal procurement guideline of sourcing suppliers within a prescribed distance from the relevant production base and taking into account the delivery costs from the Group's existing plant in Shenzhen to the customer's proposed new production base in the Yangtze Region, the Board considered it may not be cost-effective to cope with the increased demand of this customer by utilising the Group's Shenzhen Production Plant.

Having considered the risks and benefits associated with the proposed expansion, the Board believed that it would be in the interest of the Group to establish an additional production plant in the Yangtze Region so as to capture the business opportunities that have arisen from the expansion of business of its existing clients and from the other target clients located in Yangtze Region and also to deepen the Group's relationship with its existing clients. The Board took into account the followings in resolving to establish the Suzhou Production Plant:

- (a) The potential business volume offered by OA Manufacturers located in the Yangtze Region which has become the economic hub of China attracting multinational corporations, including some of the existing clients and target clients of the Group, to set up their bases in the region. A number of OA Manufacturers have either established or are about to have their new production bases established in Suzhou, Shanghai, Changshu and Wuxi. These include Fuji-Xerox and Ricoh in Shanghai; Canon and Lexmark in Suzhou; Sharp in Changshu and Konica Minolta in Wuxi. Some of these are existing core clients of the Group while the others are the Group's target clients. To the knowledge of the Directors, one of the Group's existing major clients' new production base in Yangtze Region will commence their operation in October 2005.
- (b) Based on public information available and personal knowledge of the Directors about the office automation industry in China, the Directors believed that, in the Yangtze Region, a majority of the service providers to OA Manufacturers are of medium to small size with a labour force of less than 500 employees (by way of comparison, by the end of May 2005, the Group had a total of approximately 1,800 employees) and a lot of them do not provide the same and comprehensive range of services and products that the Group is able to provide. The Directors are confident that with the competitive strength of the Group and the long established relationship with its existing customers, the Suzhou Production Plant will be able to capture business from its existing and target clients who have established or will establish a new production base in the Yangtze Region.
- (c) The Shenzhen Production Plant still have excess capacity and will be able to serve as a back up to ensure the smooth operation of the Suzhou Production Plant at its initial stage. Moreover, to minimize the risk associated with early stage of operation, the first stage of the Suzhou Production Plant will be on a scale smaller than the Shenzhen Production Plant but larger than most of the suppliers to OA Manufacturers currently operating in the Yangtze Region.
- (d) The establishment of the Suzhou Production Plant is in line with the business strategies and core business of the Group. It will help to deepen the Group's relationship with its existing customers who have or intended to establish a production base in the Yangtze Region.

STATEMENT OF FUTURE PLANS AND USE OF PROCEEDS IN THE PROSPECTUS

The Directors have confirmed that there has not and will not be any change to the statement of Future Plans and Use of Proceeds as set out in the Prospectus as a result of establishing the Suzhou Production Plant.

As the project is still at its initial stage and subject to negotiation with various parties, including banks and the management committee of the Suzhou National New and Hi-Tech Industrial Development Zone, the project may or may not proceed according to schedule. Shareholders and potential investors are therefore advised to exercise caution when dealing in shares of the Company.

The Directors confirm that save as disclosed above, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

GROUP'S PRINCIPAL BUSINESS

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

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Company”	EVA Precision Industrial Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“OA Manufacturers”	manufacturers of office automation equipment
“PRC”	People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 29 April 2005
“Shenzhen Production Plant”	the existing production plan of the Group located in Shenzhen, the PRC
“Suzhou Production Plant”	the production plan to be set up by the Group in the Suzhou National New and Hi-Tech Industrial Development Zone
“Suzhou WFOE”	the wholly foreign-owned enterprise to be established by the Group in Suzhou, the PRC for the purpose of setting up the Suzhou Production Plant

This announcement is made by the order of the Board and the Directors individually and jointly accept responsibility for the accuracy of this statement.

As at the date of this announcement, the executive Directors are Mr. ZHANG HWO Jie, Mr. ZHANG Yaohua, Mr. NOMO Kenshiro and independent non-executive Directors are Mr. CHOY Tak Ho, Dr. LUI Sun Wing, and Mr. CHAN Wai Dune.

By order of the Board of
EVA Precision Industrial Holdings Limited
ZHANG Hwo Jie
Director

Hong Kong, 14 July 2005