



## **EVA ANNOUNCES FY2011 INTERIM RESULTS**

### **Temporarily slowed down by the Japan Earthquake but Business Fundamentals Remain Intact**

#### ***Highlights***

- Growth temporarily slowed down by the Japan earthquake, but revenue continued to record an increase by 7.1% to HK\$879,071,000
- Profit margin affected by an unstable supply of parts from Japan after the earthquake. Net profit was HK\$104,232,000
- Basic earnings per share was HK6.0 cents
- Adhere to a dividend payout of 30% to 35% of net profit and pay interim dividend of HK1.8 cents per share
- Balance sheet at its strongest ever, with sufficient cash to accommodate additional orders on a large scale
- Completed an acquisition in July 2011, a step forward in the fast growing China domestic consumption sector
- Shenzhen (Shi Yan) production base under expansion, which is scheduled for completion by end of 2011
- Certain of the Group's major customers had already publicised their views that the worst of the Japan earthquake is now behind, and resurgent growth is likely in the aftermath

(Hong Kong, 23 August 2011) — **EVA Precision Industrial Holdings Limited** (“EVA” or the “Group”; stock code: 838) announces its interim results for the six months ended 30 June 2011.

#### **Growth and profit margin temporarily affected by the Japan earthquake**

The Group underwent a period of challenges during the first half of 2011. Our business growth was temporarily slowed down by the earthquake in Japan and the nuclear emission and massive power disruption that followed, which hit our customers' supply chain in Japan. As the components and mechanical modules sold by us to our customers' assembly plants require certain parts sourced from Japan to form the finished products, the disruption in the supply of such parts from Japan had inevitably resulted in a temporary slowdown of the order flow. Nevertheless, thanks to the on-going trend of our customers to concentrate more purchases on large manufacturers such as ourselves, our turnover continued to record a 7.1% growth despite unfavourable external environment and amounted to approximately HK\$879,071,000 in 1H2011.

However, as compared to the impact on turnover, the Japan earthquake had a more prominent impact on our profit margin. Shortly after the earthquake, our customers had committed to resuming their production, but they lost visibility on production planning which was caused by an unstable supply of parts from Japan. To assist our customers carrying on production under an opaque supply chain, we worked together with our customers to closely evaluate the supply of parts from Japan and scheduled our production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts from Japan, we needed to change our production schedules frequently and were unable to enjoy the benefits from detailed production planning. Production costs increased and, coupled with the increase in headcount which was recruited by us at the beginning of the year to cope with the growth originally expected before the earthquake, the Group's net profit for the six months ended 30 June 2011 decreased by approximately 25.6% to HK\$104,232,000 and basic earnings per share was HK6.0 cents

We adhere to a dividend pay-out of 30% to 35% of net profit, and accordingly an interim dividend of HK\$1.8 cents was declared.

### **Acquiring an automobile moulds company for expansion into the China consumption sector**

Nevertheless, in spite of the challenges in 1H2011, we continued to make progresses on our business fundamentals. In July 2011, we entered into agreements to acquire 100% interest in Chongqing Digidie Auto Body Ltd. ("Chongqing Digidie"), an automobile moulds company established in Chongqing, China, at a consideration of RMB61,020,092. As mentioned in our 2009 and 2010 annual reports, the Group is in the process of strategically expanding from its previous focus on just office automation (OA) equipment to devoting more resources on the fast growing China domestic market, with particular attention given to the huge automobile sector. Accordingly, the acquisition of Chongqing Digidie was executed as part of this strategic plan of the Group, with a view to strengthening the business foundation of the Group in the automotive sector and providing a platform for the expansion of the Group's business in Chongqing and other regions in western China.

Currently, Chongqing is one of the major production hubs in China for automobiles. A number of international automobile brand names have established production bases in Chongqing or its adjacent cities, which includes Ford, Mazda, Suzuki, Isuzu and Volvo. Some of these are existing customers of Chongqing Digidie, whilst others are its target customers. We are confident that by acquiring Chongqing Digidie, and by combining the precision engineering expertise of the Group for products with high dimensional accuracy requirements which is also necessary for high quality automobile products and the existing

engineering expertise of Chongqing Digidie, Chongqing Digidie can successfully serve as a platform for the Group to obtain businesses from its existing and target customers. At the same time, the acquisition of Chongqing Digidie can also facilitate the expansion of the Group geographically since the Group has no production base in the western region of China prior to the acquisition.

**Launching the production of new OA equipment models shortly after the Japan earthquake, a proof of our production capabilities**

Our traditional OA equipment business also saw significant progresses during the period. Despite the unstable supply of parts from Japan following the earthquake, the new OA equipment models which were related to a series of “integrated orders” obtained by the Group in 2010 were finally launched by the relevant customer to the market in May 2011. Under these integrated orders, we offered one-stop solution to produce mechanical modules of the new OA equipment models covering the production of relevant moulds, components and product assembly for the first time. The fact that we had successfully assisted our customer to launch these new OA equipment models shortly after the earthquake demonstrated our production capabilities, which are necessary credentials for us to obtain integrated orders of similar nature from other Japanese brand owners.

**Sound financial position – a strong appeal to both existing and target customers**

At the period end, the Group had net cash (defined as cash and bank balance less bank borrowings and finance lease liabilities) of approximately HK\$372,365,000, our historical high, which has a strong appeal to existing and target customers looking for manufacturing partners in China as financial stability had become one of the key criteria for supplier selection after the financial crisis in 2008/09.

**Optimism about the long term drove factory expansion**

Despite a temporary slowdown in order flow, we are optimistic that the impact of the Japan earthquake on the Group’s growth track is likely to be relatively short term. We continued our factory expansion and are currently in the process of constructing another factory building within the Group’s existing production base in Shi Yan Town, Shenzhen, which is scheduled for completion by end of 2011. The new factory building can provide adequate production floor area to cope with the rebound in orders following the normalisation of supply chain in Japan.

**Mr. Zhang Hwo Jie, Chairman of EVA**, said, “Although the catastrophic earthquake in Japan had brought about temporary impacts on our 1H2011 results, our business fundamentals remained intact. Our ability to assist the relevant customer launching the new OA equipment models relating to the “integrated orders” obtained by us in 2010

despite an unstable supply of parts from Japan was an obvious proof of our production capabilities, and our quick responses after the earthquake demonstrated to other existing and target customers the benefits of our unique one-stop production model. We completed an acquisition in July 2011, a step forward in the fast growing China domestic consumption sector. Last but not the least, our balance sheet is at its strongest ever, with cash position strong enough to accommodate additional orders on a large scale.”

“At the time of this result announcement, the post earthquake production has not been fully normalised. Whilst an unstable supply of parts from Japan that followed the earthquake may continue to have an impact on us in 2H2011, certain of our major customers had already publicised their views that the worst is now behind us. Though we may remain cautious in the near term, history always tells us that when restocking starts again in the aftermath, manufacturer with sound capabilities and proven track records is most likely to become the major beneficiary, and this is not without precedent.” **Mr. Zhang concluded.**

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**About EVA Precision Industrial Holdings Limited**

EVA is a vertically-integrated precision metal and plastic mould and component manufacturing service provider. The Group's existing services include mainly i) design and fabrication of precision metal stamping and plastic injection moulds; ii) manufacturing of precision metal stamping and plastic injection components by using tailor-made metal stamping and plastic injection moulds; iii) lathing of metal components and iv) assembly of precision metal and plastic components manufactured by the Group into semi-finished products through automated technologies such as laser welding.

The Group's business model is unique and different to ordinary OEMs/ODMs. Brand owners normally require the Group to jointly co-develop the relevant moulds with them right from their product development stages. Thereafter, the completed moulds would be consigned in the Group's production plants for future mass production of components and semi-finished products. Because of the high level of skills and technologies required to design and fabricate moulds with high degree of precision and dimensional accuracies, the Group has strong pricing power over its customers.

Whilst the office automation (“OA”) equipment industry is expected to continue providing substantial growth momentum to the Group, the Group is also making conscious effort for the consumer sector in China. In addition to the OA market, the Group has already made significant inroads into other products lines including consumer electronics/durables, automobiles and sophisticated medical equipment, all of which are destined for the fast growing domestic consumption market in China. For more information, please visit <http://www.eva-group.com>

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