



## EVA ANNOUNCES FY2013 INTERIM RESULTS

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**Strategic expansion in the automobile market continues to make progress**  
**Gross profit margin increased to 24.2%**  
**Mould revenue increased by 125.5%, providing a solid foundation**  
**for growth in future component revenue**

### **Highlights**

- The Group's new automobile component production base in Wuhan is now near completion and is planned for commercial production before the end of 2013
- Revenue from the manufacture of moulds, which will be used for the production of components in later periods, went up by 125.5% and reached a record high of HK\$187,238,000 in 1H2013
- Turnover of the Group was HK\$1,184,071,000
- Gross profit margin increased to 24.2% for the period (1H2012: 20.5%), benefitting from strong mould revenue and its high profit margin
- Net profit was HK\$27,005,000 (1H2012: HK\$40,201,000), the decrease was due to the increase in depreciation and other operating costs, share option costs, finance costs and also employment and other costs in China
- Basic earnings per share was HK1.6 cents
- An interim dividend of HK0.48 cents per share was declared, adhered to the dividend payout at approximately 30% of net profit

(Hong Kong, 28 August 2013) — **EVA Precision Industrial Holdings Limited** ("EVA" or the "Group"; stock code: 838) announces its unaudited interim results for the six months ended 30 June 2013.

### **Strategic expansion in the automobile market continues to make progress**

During the period, the Group continued to make progresses in its strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diversity of products for the Chinese consumption market, particularly the huge automobile sector. The Group's new automobile component production base in Wuhan, which started construction in 2012, is now near completion and is planned for commercial production before the end of 2013. The new Wuhan production base, which has land area of approximately 166,000 square metres and construction area (phase one) of approximately 49,000 square metres, is targeted at providing component production and welding services to automobile brand names located in Wuhan and adjacent cities. Since the Group's business in automobile sector was only confined to the production of moulds in the past, the forthcoming completion of the new Wuhan production base signifies the Group's expansion into supplying automobile components on a large scale basis, a business which is much more voluminous than just supplying moulds, and underscores the Group's next step forward into the automobile market.

Currently, Wuhan is one of the major production hubs in China for automobiles. A number of international automobile brand names have established or are planning to establish production bases in Wuhan or its adjacent cities, which includes Dongfeng, Honda, Nissan, Citroen, Peugeot and General Motors. The Group is confident that by establishing the new Wuhan production base, and by utilising the Group's precision engineering and production management expertise obtained through 20 years of experience in serving Japanese brand owners in the OA industry who are well known for their demanding quality requirements, the new Wuhan production base can stand out in the domestic automobile supply chain and open up a new phase of development for the benefit of the Group.

**Mould revenue hit another historical high and increased by 125.5%**

In 2012, cautious about the economic conditions of developed countries, the Group's customers in OA equipment business increased the production volume of low end products for sales to emerging countries, which had relatively low margin and adversely affected our gross profit margin last year. Fortunately, the economy started to show stronger signs of recovery since late 2012. Driven by the revival in business confidence, the customers started to change product types and develop new product models. Under the Group's business model, the customers would normally require the Group to jointly co-develop the relevant moulds with them during their product development stages. The completed moulds would then be consigned in the Group's production bases for future mass production of components and semi-finished products when new OA equipment models are launched to the market. Accordingly, the product development activities of the customers drove the Group's mould revenue to HK\$187,238,000 in 1H2013, another historical high. However, as these new models have yet to be launched to the market, component revenue decreased as existing models were gradually phased out, which offset the increase in mould revenue. Accordingly, the Group's turnover was stable at HK\$1,184,071,000 in 1H2013.

Since moulds are high margin products, the Group's gross profit margin increased to 24.2% for the period (1H2012: 20.5%). However, the Group had completed a new production base in Tianliao, Shenzhen in 2012, which commenced operations only after 1H2012. The Group's new management headquarter which is located at Shenzhen (Shiyan) production base was also put into use in early 2013. Therefore, depreciation and other operating costs in 1H2013 increased on a year-on-year basis. Further, the Group incurred share option costs of HK\$17,708,000 in relation to stock options granted in 2H2012 and 1H2013 (but recognition of such costs will end on 31 December 2013). At the same time, finance costs increased as the Group obtained new borrowings for its future capital expenditure and working capital requirements. Coupled with a general increase in employment and other costs in China's manufacturing industry, the Group's net profit declined by approximately 32.8% to HK\$27,005,000.

**Mr. Zhang Hwo Jie, Chairman of EVA**, said, "Despite a general expectation for slower growth as compared to the past, China's automobile market is still in its ascending channel and far from saturation. With an increasing demand for higher end and sophisticated products from Chinese customers, China's automobile market is most likely to face a structural adjustment from previously focusing on low cost vehicles to vehicles with higher quality and better performance. Whilst our outstanding engineering

expertise accumulated through 20 years of experience in precision equipment industry may be better than required for low cost vehicles, the shift in demand to higher quality vehicles opened up a doorway for the Group to enter into this huge but still expanding market. Going forward, we expect our investment in automobile business today will translate into a quantum leap in our future profitability.”

“At the same time, our OA equipment business is still on a growth track. During the period, our revenue from the manufacture of moulds went up by as much as 125.5% as compared to 1H2012. As the moulds will be used for the production of components and semi-finished products when new OA equipment models are launched to the market, it is very likely to lead to a substantial increase in our component revenue in later periods, which can outweigh the increase in operating costs, being either semi-fixed or non-recurring in nature, and enable us to revitalise profit growth.”

“As always, the Group is committed to maximising shareholders’ value. Since our listing in 2005, we have always been adhering to a dividend payout at approximately 30% of net profit, and 1H2013 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, whilst maximising returns to our shareholders.” **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.

Before 2010, the Group primarily focused on serving the office automation (“OA”) equipment industry. Whilst the OA equipment industry is expected to continue providing substantial growth momentum to the Group, the Group is also making conscious effort to expand into the fast growing China domestic market, with particular attention given to the huge automobile sector. To this end, the Group’s production facilities in Chongqing and Wuhan are destined for serving the automobile market. For more information, please visit <http://www.eva-group.com>.

#### **For more information:**

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