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# **EVA Precision Industrial Holdings Limited**

## **億和精密工業控股有限公司**

*(incorporated with limited liability in the Cayman Islands)*

(Stock Code: 838)

### **PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES**

On 28 February 2006, the Vendor and the Placing Agent entered into the Placing Agreement pursuant to which the Placing Agent has agreed to place 80,000,000 existing Shares at a price of HK\$1.38 per Share owned by the Vendor to not less than six independent places. On the same day, the Vendor entered into a conditional agreement with the Company for the subscription of 80,000,000 Shares at the same price per Share. The net price of the Subscription Shares amounted to approximately HK\$1.34 per Share. The Placing Shares represent approximately 15.38% of the existing issued share capital of the Company and approximately 13.33% of the Company's issued share capital as enlarged by the Subscription and issue of 80,000,000 New Shares (see below).

The net proceeds from the Subscription are estimated to be approximately HK\$107.33 million. The aggregate expenses relating to the Placing and the Subscription amount to approximately HK\$3.07 million, including commissions, professional fees and other ancillary expenses. It is the intention of the Company to apply the net proceeds from the Subscription to expand the production capacity of the Company as to approximately HK\$92 million for the acquisition of new machineries and as to approximately HK\$15.33 million for general working capital of the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Friday, 24 February 2006, pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 1 March 2006.

#### **PLACING UNDER THE PLACING AGREEMENT DATED 28 FEBRUARY 2006**

##### **Vendor**

The Vendor, Prosper Empire Limited, was incorporated in the British Virgin Islands with limited liability. As at the date of the Placing Agreement, the Vendor beneficially owns 390,000,000 Shares, representing 75% of the existing issued share capital of the Company.

## **Placing Agent**

The Placing Agent is currently not a connected person of the Company under the Listing Rules. In consideration of the services provided by the Placing Agent in relation to the Placing, the Vendor will pay to the Placing Agent a commission of 2.5% of the amount equal to the Placing Price multiplied by the number of Shares that will have been placed by the Placing Agent and such amount will be reimbursed by the Company under the Subscription Agreement.

## **Total Number of Placing Shares**

80,000,000 Shares, representing approximately 15.38% of the existing issued share capital of the Company.

## **Placing Price**

HK\$1.38 per Share representing (i) a discount of approximately 7.38% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on 23 February 2006, being the last trading day prior to the release of this announcement and the terms of the Placing and the Subscription were fixed, and (ii) a discount of 7.63% to the average closing price of the Shares of approximately HK\$1.494 per Share over the last five consecutive trading days up to and including 23 February 2006. The Placing Price was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent by reference to the market condition and the Share price of the Company.

## **Rights**

The Placing Shares were sold free of any liens, charges and encumbrances and together with all rights attaching to them as at the closing of the Placing Agreement (the "Closing Date"), including the right to receive all dividends declared, made or paid on or after the Closing Date.

## **Placees**

The Placing Shares will be placed by the Placing Agent to not less than six placees who will be independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of their respective associates (as defined in the Listing Rules). The Company does not expect that any placees will become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing.

## **Completion of the Placing**

3 March 2006 or such later date as the parties may mutually agree.

## **SUBSCRIPTION AGREEMENT DATED 28 FEBRUARY 2006**

### **Subscriber**

The Vendor.

### **Issuer**

The Company.

### **Number of New Shares**

The number of New Shares to be subscribed by the Vendor under the Subscription Agreement will equal the number of Placing Shares, being 80,000,000 Shares, representing approximately 15.38% of the existing issued share capital of the Company and approximately 13.33% of the issued share capital of the Company as enlarged by the Subscription.

## **Subscription Price**

The Subscription Price is to be equivalent to the Placing Price of HK\$1.38. The net price of the New Shares will be approximately HK\$1.34 per Share.

## **General mandate to issue New Shares**

The New Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the sole shareholder of the Company on 20 April 2005. The Company has not issued any Shares pursuant to the general mandate previously. Under the general mandate the Directors may allot and issue up to 104,000,000 shares.

## **Ranking**

The New Shares, when fully paid, will rank pari passu in all respects with the existing Shares of the Company in issue as at the date of issue of the New Shares. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the New Shares.

## **Conditions**

The Subscription by the Vendor of the New Shares is conditional upon:

- (a) completion of the Placing; and
- (b) listing of, and permission to deal in, all the New Shares being granted by the Listing Committee (and such permission and listing not being subsequently revoked prior to the delivery of definitive share certificate(s) representing the New Shares).

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the New Shares.

## **Completion of the Subscription**

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the conditions to be satisfied shall have been so satisfied provided that it shall take place on a date no later than a date falling within 14 days after the date of the Placing Agreement or such other time and/or date as the Vendor and the Company may agree in writing. In the event that the conditions are not fulfilled within 14 days following the date of the Placing Agreement, being 14 March 2006 (or such later date as may be agreed between the Vendor and the Company), the Subscription Agreement will terminate and neither the Vendor nor the Company will have any claim against the other for costs, damages, compensation or otherwise provided that the Company will reimburse the Vendor any legal fees and out-of-pocket expenses which the Vendor will be obliged to pay in connection with the Placing. Pursuant to Rule 14A.31(3)(d) of the Listing Rules, in the event that the Subscription is completed after 14 days following the date of the Placing Agreement, it will constitute a connected transaction of the Company and the Company will have to comply with the relevant requirements of the Listing Rules. An appropriate announcement will be made by the Company in compliance with the Listing Rules on this accordingly.

## EFFECT OF THE PLACING AND THE SUBSCRIPTION

Assuming that other than the New Shares, no Shares will be issued or purchased by the Company and other than the Placing Shares, no Shares will be sold or purchased by the Vendor, in each case after the date of this announcement up to the date of the completion of the Subscription, the shareholding structure of the Company immediately before and after the Placing and the Subscription is summarised as follows:

	<b>At present</b>		<b>Immediately after completion of the Placing but before Subscription</b>		<b>Immediately after completion of the Placing and Subscription</b>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Vendor	390,000,000	75	310,000,000	59.6	390,000,000	65.0
Public shareholders other than the placees	130,000,000	25	130,000,000	25.0	130,000,000	21.7
Placees under the Placing	N/A	N/A	80,000,000	15.4	80,000,000	13.3
Total	<u>520,000,000</u>	<u>100</u>	<u>520,000,000</u>	<u>100</u>	<u>600,000,000</u>	<u>100</u>

## REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Company estimates that the net proceeds of the Subscription will amount to approximately HK\$107.33 million. The Company intends to use the net proceeds from the Subscription for the purposes of expanding the production capacity of the Company, as to approximately HK\$92 million for the acquisition of new machineries and as to approximately HK\$15.33 million for general working capital of the Company.

The Directors have considered other types of fund raising arrangement and consider that the current arrangement is the most efficient way for funding the expansion of its production capacity, taking into account the current conditions of the capital market and the existing and expected future financial conditions of the Company and its subsidiaries.

The Directors consider that the terms of the Placing and Subscription are fair and reasonable and believe that the Placing and the Subscription are in the best interests of the Company and the Shareholders as a whole.

## FUND-RAISING EXERCISE IN THE LAST 12 MONTHS

The Company was listed on the Stock Exchange on 11 May 2005. The net proceeds from the listing of the Company after deducting the estimated underwriting commission and listing expenses were approximately HK\$125 million and were used largely as set out in the Company's prospectus (the "Prospectus") dated 29 April 2005. Details of the use of proceeds as at the date of this announcement are as follows:

	<b>Planned as per prospectus dated 29 April 2005 HK\$</b>	<b>Actual application as at 28 February 2006 HK\$</b>
For the purchase of equipment for the manufacture of plastic injection moulds and plastic injection components	32 million	32 million
For the purchases of additional stamping machines for the manufacture of metal stamping moulds and metal stamping components	25 million	25 million
For the setting up of a mould research and development centre	35 million	6 million
For repayment of bank loans	30 million	30 million
For general working capital	3 million	3 million
	<u>125 million</u>	<u>96 million</u>

The unutilised proceeds from listing of approximately HK\$29 million are related to the setting up of a mould research and development centre. The Company will continue to use the remaining HK\$29 million for the setting up of a mould research and development centre as stated in the Prospectus. Such remaining proceeds are currently placed on short-term deposits.

Save as disclosed above, the Company has not conducted any other fund-raising exercise for the past 12 months prior to the date of this announcement.

## SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Friday, 24 February 2006, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from Wednesday, 1 March 2006.

## DEFINITIONS

“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Company”	EVA Precision Industrial Holdings Limited, a company incorporated with limited liability in the Cayman Islands and the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	the new Shares to be subscribed by the Vendor under the Subscription Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent on behalf of the Vendor pursuant to the Placing Agreement
“Placing Agent”	CAF Securities Company Limited, a licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Placing Agreement”	the placing agreement dated 28 February 2006 between the Vendor and the Placing Agent in relation to the Placing
“Placing Price”	HK\$1.38 per Placing Share
“Placing Shares”	the 80,000,000 Shares currently owned by the Vendor and to be placed under the Placing
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the New Shares by the Vendor pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 28 February 2006 between the Vendor and the Company in relation to the Subscription

“Subscription Price”

an amount equal to the Placing Price

“Vendor”

Prosper Empire Limited, a company incorporated in the British Virgin Islands with limited liability, holding 75% of the issued share capital of the Company as at the date of the Placing and Subscription Agreement

By Order of the Board  
**EVA Precision Industrial Holdings Limited**  
**Zhang Hwo Jie**  
*Chairman*

Hong Kong, 28 February 2006

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Zhang Hwo Jie, Mr. Zhang Yaohua, Mr. Zhang Jian Hua and Mr. Nomo Kenshiro, and three independent non-executive Directors namely Mr. Choy Tak Ho, Dr. Lui Sun Wing and Mr. Chan Wai Dune.*

*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Journal.*