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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 Cayman Islands)

(Stock Code: 838)

(1) PLACING OF EXISTING SHARES

AND

(2) SUBSCRIPTION OF NEW SHARES AND

(3) RESUMPTION OF TRADING

PLACING AGENT

Morgan Stanley

PLACING OF SHARES

On 18 April 2007, after 12:30 p.m., Prosper Empire entered into the Placing Agreement with the Company and the Placing Agent pursuant to which the Placing Agent agreed with Prosper Empire to procure purchasers to purchase or, failing which, to purchase itself the Placing Shares at the Placing Price. The Placing Shares are fully underwritten by the Placing Agent. The Placing Agent will place the Placing Shares to more than six independent professional, institutional and/or individual investors who will be independent third parties and are not connected persons of the Company or any of its subsidiaries and are not or will not be acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with the Vendor, the Company or its subsidiaries (as defined under the Listing Rules).

The Placing Price represents (i) a discount of 9.76% to the closing price of HK\$2.97 per Share as quoted on the Stock Exchange on 17 April 2007, being the last full trading day immediately before the date of the Placing Agreement and the Subscription Agreement; (ii) a discount of approximately 8.16% to the average of the closing prices of approximately HK\$2.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 April 2007; and (iii) a premium of approximately 222.89% over net asset value per Share of approximately HK\$0.83 as at 31 December 2006 as shown in the audited consolidated balance sheet of the Group made up to 31 December 2006.

The Placing Price was arrived at after arm's length negotiations between the Company, Prosper Empire and the Placing Agent with reference to the market condition and the Share Price of the Company. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

SUBSCRIPTION OF SHARES

Pursuant to the Placing, on 18 April 2007, after 12:30 p.m., Prosper Empire also entered into the Subscription Agreement with the Company pursuant to which Prosper Empire agreed to subscribe for Subscription Shares, which is equal to the number of Placing Shares that are placed under the Placing, at the Subscription Price. The Subscription is conditional upon (i) the completion of the Placing; and (ii) the granting of approval for the listing of and permission to deal in all of the Subscription Shares by the Listing Committee of the Stock Exchange. An application will be made to the Listing Committee of the Stock Exchange for the granting of approval for the listing of and permission to deal in all of the Subscription Shares.

The Subscription Shares represent approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares are to be issued under the General Mandate.

The net proceeds of the Subscription of approximately HK\$311,000,000 will be applied by the Group to finance its capital expenditure.

As the Placing and Subscription are subject to the fulfillment of a number of conditions and may or may not proceed to completion, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 18 April 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 April 2007.

PLACING AGREEMENT (DATED 18 APRIL, 2007)

Pursuant to the Placing Agreement, the Placing Agent agreed with Prosper Empire to procure, as agent of Prosper Empire, purchasers to purchase or, failing which, to purchase itself, the Placing Shares at the Placing Price. The Placing Shares are fully underwritten by the Placing Agent.

SUBSCRIPTION AGREEMENT (DATED 18 APRIL, 2007)

Pursuant to the Subscription Agreement, on the Business Day after the date upon which all conditions for the Subscription have been fulfilled, and in any event no later than 14 days after the date of the Subscription Agreement, the Company will allot and issue 120,000,000 Subscription Shares to Prosper Empire, which is equal to the total number of Placing Shares that are placed under the Placing, at the Subscription Price.

Details of the Placing and the Subscription are set out below.

I. PLACING

The Vendor:

Prosper Empire, which currently holds 390,000,000 Shares or approximately 65% of the existing issued share capital of the Company.

The Placing Agent:

Morgan Stanley & Co. International plc. To the best knowledge and belief of the Directors, having made all reasonable enquiries, the Placing Agent is independent of the Company and the Company's connected person (as defined in the Listing Rules). As compensation for the Placing Agent's services as agent in the Placing and as underwriter, Prosper Empire will pay

the Placing Agent a management and underwriting commission of 2.875% of the aggregate Placing Price of the Placing Shares.

The Placing Agent is authorized to appoint one or more sub-placing or sub-underwriting or selling agents in the United States and/or elsewhere in performing its functions under the Placing Agreement.

Independence of the Placees:

Under the Placing Agreement, the Placing Agent has agreed to procure purchasers to purchase the Placing Shares, or failing which, to purchase the Placing Shares. There will be not less than six placees, who will be independent professional, institutional or other investors selected and procured by the Placing Agent.

The placees will be third party independent of the Group and not connected persons (as defined in the Listing Rules) of the Group, and it is expected that no placee will become substantial Shareholder (as defined in the Listing Rules) as a result of the Placing.

Number of Placing Shares:

120,000,000 Shares. The Placing Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Placing Price:

HK\$2.68 per Placing Shares (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levy) which represents:

- (i) a discount of 9.76% to the closing price of HK\$2.97 per Share as quoted on the Stock Exchange on 17 April, 2007, being the last full trading day immediately before the date of the Placing Agreement and the Subscription Agreement;
- (ii) a discount of approximately 8.16% to the average of the closing prices of approximately HK\$2.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 17 April, 2007; and
- (iii) a premium of approximately 222.89% over net asset value per Share of approximately HK\$0.83 as at 31 December 2006 as shown in the audited consolidated balance sheet of the Group made up to 31 December 2006.

The Placing Price was arrived at after arm's length negotiations between the Company, Prosper Empire and the Placing Agent by reference to market conditions and the Share price of the Company. The Directors (including independent non-executive directors) consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Rights:

The Placing Shares will be sold free of any liens, charges, encumbrances and other third party rights, and rank pari passu with all other issued Shares as at closing of the Placing Agreement (the "Closing Date") in all respects, including the right to receive all dividends declared, made or paid on or after the Closing Date.

Conditions of the Placing:

Completion of the Placing is conditional upon the following conditions being fulfilled:

- (a) there shall not have occurred any breach of, or any event rendering untrue or inaccurate, any of the representations, warranties or undertakings under the Placing Agreement;
- (b) trading generally not having been suspended or materially limited on, or by, the stock exchanges of New York and Hong Kong;
- (c) trading of any securities of the Company not being suspended on any exchange or in any over the counter market (excluding suspension of trading pending the release of this announcement);
- (d) a material disruption in securities settlement, payment or clearance services in the United States, Hong Kong or the PRC not having occurred;
- (e) any moratorium on commercial banking activities not having been declared by the PRC, Federal or New York State or Hong Kong authorities;
- (f) there not having occurred any outbreak or escalation of hostilities, declaration of a national emergency or war, or any change in financial markets, currency exchange rates or controls or any calamity or crisis that, in the Placing Agent's judgment, is material and adverse and which, singly or together with any other conditions precedent, makes it, in the Placing Agent's judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Sale Shares on the terms and in the manner contemplated in the Placing Agreement;
- (g) the Subscription Agreement having been entered into on the date of the Placing Agreement and not subsequently having been revoked, terminated or modified; and
- (h) receipt by the Placing Agent of:
 - (i) one signed original of the legal opinion from Prosper Empire's British Virgin Islands legal counsel opining on Prosper Empire's due incorporation and valid existence, corporate power and authority to enter into and perform the Placing Agreement and the legal and binding effect and enforceability of the Placing Agreement against Prosper Empire, provided that, if and to the extent that a certificate of good standing cannot be obtained from the British Virgin Islands Companies Registry by Prosper Empire having used its best endeavours to do so, the part of the legal opinion based on such certificate shall be delivered to the Placing Agent as soon as practicable after completion;
 - (ii) facsimile copies of each of the board minutes of the Company approving, among others, the Placing Agreement and the Subscription and the board minutes of Prosper Empire approving the Placing and the Subscription with certified copies to be delivered to the Placing Agent within seven days from the date of the Placing Agreement;
 - (iii) a certified copy of the Subscription Agreement; and

- (iv) one original executed lock-up undertaking in favour of the Placing Agent from each of Mr. Zhang Hwo Jie, Mr. Zhang Yaohua and Mr. Zhang Jian Hua, each in a form satisfactory to the Placing Agent.

If any of the above conditions shall not have been fulfilled to the satisfaction of the Placing Agent or waived by the Placing Agent on 23 April 2007 (being the third Business Day after the date of the Placing Agreement), or at such other date and time as may be agreed between the Company and the Placing Agent, the Placing Agreement and the obligations of the Placing Agent under the Placing Agreement shall cease and terminate.

Lock Up:

- (a) Prosper Empire undertakes to the Placing Agent that (except for the sale of the Placing Shares pursuant to the Placing Agreement) from the date of the Placing Agreement and until and including the date being 180 days after the completion of the Placing it will not (without the prior written consent of the Placing Agent):
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any share of the Company (including but not limited to the Shares to be issued to Prosper Empire by the Company pursuant to the Subscription Agreement) or any interests therein or any securities convertible into or exercisable or exchangeable for any such shares or interests, or
 - (ii) enter into any swap or similar agreement that transfers to another, in whole or in part, the economic risk of ownership of such shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares in the Company or such other securities, in cash or otherwise, or
 - (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.
- (b) The Company undertakes to the Placing Agent, and the Vendor undertakes to the Placing Agent that it will procure the Company, not to, from the date of the Placing Agreement and on or prior to the date being 180 days after the completion of the Placing (without the prior written agreement of the Placing Agent):
 - (i) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any share of the Company or any interests therein or any securities convertible into or exercisable or exchangeable for any such shares or interests, or
 - (ii) enter into any swap or similar agreement that transfers to another, in whole or in part, the economic risk of ownership of such shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of shares in the Company or such other securities, in cash or otherwise, or

- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, provided that the Company may issue Shares to Prosper Empire pursuant to and in accordance with the terms and conditions of the Subscription Agreement and issue Shares in accordance with the terms and conditions of the Company's Share Option Scheme.

Completion of the Placing:

Completion of the Placing is expected to take place at or before 9:30 a.m. on the Business Day after the day on which all the conditions of the Placing have been fulfilled to the satisfaction of the Placing Agent or waived by the Placing Agent, but in any event no later than 23 April 2007 (being the third Business Day after the date of the Placing Agreement), or at such other time and date as may be agreed between the Company and the Placing Agent.

II. SUBSCRIPTION

The Issuer:

The Company

The Subscriber:

Prosper Empire, which, as at the date of this announcement, is interested in approximately 65% of the existing issued share capital of the Company. Immediately after completion of the Placing, Prosper Empire's total shareholding in the capital of the Company will be reduced to approximately 45% of the existing issued share capital of the Company. The Subscription will then increase Prosper Empire's total shareholding in the capital of the Company to approximately 54.17% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Number of Subscription Shares:

Equivalent to the number of Shares placed pursuant to the Placing. Assuming all the 120,000,000 Placing Shares have been placed, the Subscription Shares represent 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price:

HK\$2.68 per Subscription Share, which is equivalent to the Placing Price. In line with the market practice, the Company will bear all costs and expenses of the Subscription and will reimburse Prosper Empire all costs and expenses incurred by Prosper Empire in respect of the Placing because it is the fund raising conducted by the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$2.59 per Share.

Rights:

The Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares, including the right to receive all dividends and distributions declared, paid or made on or after the date of allotment.

General Mandate to issue the Subscription Shares:

The Subscription Shares are to be issued under the General Mandate. Under the General Mandate, up to 120,000,000 Shares, representing 20% of the issued Shares as at the date of the annual general meeting of the Company held on 24 May 2006, may be issued and allotted by the Company. As at 24 May 2006, the date of the passing of the resolution to grant the General Mandate, the issued share capital of the Company was 600,000,000 Shares. As at the date of this announcement, the General Mandate has not been exercised at all. Accordingly, the maximum number of Shares which can be issued and allotted pursuant to the General Mandate is 120,000,000 Shares.

Conditions of the Subscription:

The Subscription is conditional upon the following conditions having been fulfilled:

- (i) the completion of the Placing pursuant to the Placing Agreement; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Subscription Shares.

The Subscription Agreement has not provided for the right of the parties to waive the above conditions. If such conditions are not fulfilled within 14 days after the date of the Placing Agreement, the Company and Prosper Empire will, subject to compliance with the Listing Rules, take all necessary steps so that completion of the Subscription can take place as soon as practicable thereafter.

Completion of the Subscription:

Subject to the above, completion of the Subscription shall take place within two Business Days upon which the last of the conditions stated above shall have been satisfied, provided that it shall take place on a date no later than a date falling 14 days after the date of the Subscription Agreement. If completion of the Subscription takes place more than 14 days after the Placing Agreement, the Subscription would not fall within the exemption under Rule 14A.31(3)(d) of the Listing Rules and would be subject to the relevant requirements of the Listing Rules regarding connected transactions.

Application for listing:

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all of the Subscription Shares.

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the Placing and the Subscription, assuming all the Placing Shares are sold in full, are as follows:

Shareholder	Shareholding at the date of this announcement and immediately before completion of the Placing and the Subscription	Shareholding immediately after completion of the Placing but before completion of the Subscription	Shareholding immediately after completion of the Placing and the Subscription
Substantial Shareholder Prosper Empire (Note 1)	390,000,000 Shares (approximately 65%)	270,000,000 Shares (approximately 45%)	390,000,000 Shares (approximately 54.17%)
Public Shareholders The Placees	–	120,000,000 Shares (approximately 20%)	120,000,000 Shares (approximately 16.67%)
Public Shareholders other than the Placees	210,000,000 Shares (approximately 35%)	210,000,000 Shares (approximately 35%)	210,000,000 Shares (approximately 29.17%)
Total	600,000,000 Shares (100%)	600,000,000 Shares (100%)	720,000,000 Shares (100%)

Note:

1. The 390,000,000 Shares are held by Prosper Empire, a Shareholder of the Company, which is owned as to 36% by Mr. Zhang Hwo Jie, 33% by Mr. Zhang Yaohua and 31% by Mr. Zhang Jian Hua. All of them are executive directors of the Company.

REASONS FOR THE PLACING AND SUBSCRIPTION

The Group is principally engaged in (i) the design and fabrication of precision metal stamping and plastic injection moulds and (ii) manufacturing of precision metal stamping and plastic injection components and lathing products.

The Board considers that it is beneficial to the Company and the Shareholders as a whole to raise capital by way of the Placing and the Subscription as it will broaden the capital and shareholder base of the Company and thereby increasing the liquidity of the Shares. The net proceeds of the Subscription of approximately HK\$311,000,000 will be applied by the Group as to (i) HK\$180,000,000 to the setting up of the Group's new mould research and development centre, which is currently under construction and is expected to be completed in the latter half of 2007 and (ii) the balance HK\$131,000,000 to the establishment of a new production plant located in Zhongzhan, the PRC and phase two of the Group's production base in Suzhou, the PRC, both of which are expected to be completed in 2008.

The Directors (including independent non-executive Directors) consider that the Placing Agreement and the Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company, and the Placing Agent and that the terms of the Placing Agreement and the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Group has not conducted any fund raising activities during the 12 months immediately preceding the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 18 April 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 19 April 2007.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday and public holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong
“Company”	Eva Precision Industrial Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by the Shareholders by a resolution passed at the annual general meeting of the Company held on 24 May 2006
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing and/or purchase of the Placing Shares by the Placing Agent pursuant to the Placing Agreement
“Placing Agent”	Morgan Stanley & Co. International plc. whose ultimate beneficial parent company is Morgan Stanley, a public company incorporated in the state of Delaware, United States and whose shares are listed on the New York Stock Exchange. Insofar as the Placing Agent, in performing its functions under this Agreement, is “dealing in securities” as defined in Schedule 5 of the SFO, it shall only do so through its agent, Morgan Stanley Dean Witter Asia Limited and only in circumstances such that none of the sub-provisos (I), (II), (III), (IV), and (V) in sub-paragraph (iv) to the definition of “dealing in securities” in Part 2 of Schedule 5 of the SFO are applicable

“Placing Agreement”	the conditional placing agreement dated 18 April 2007 between Prosper Empire, the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price HK\$2.68 per Placing Share
“Placing Shares”	120,000,000 Shares beneficially owned by Prosper Empire and which will be placed by the Placing Agent on behalf of Prosper Empire to purchasers or failing which, purchased by itself, pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Prosper Empire”	Prosper Empire Limited, a Shareholder of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme of the Company in force at the date of the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by Prosper Empire pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 18 April 2007 between Prosper Empire and the Company in respect of the Subscription
“Subscription Price”	the subscription price of HK\$2.68 per Subscription Share
“Subscription Shares”	120,000,000 Shares for which Prosper Empire has conditionally agreed to subscribe pursuant to the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent

By order of the Board
Eva Precision Industrial Holdings Limited
Zhang Hwo Jie
Chairman

Hong Kong, 19 April 2007

As at the date of this announcement, the Board comprises four executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice-Chairman), Mr. Zhang Yaohua (Chief Executive Officer) and Mr. Nomo Kenshiro and three independent non-executive directors, being Dr. Lui Sun Wing, Mr. Choy Tak Ho and Mr. Leung Tai Chiu.

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