



## **EVA ANNOUNCES FY2011 ANNUAL RESULTS**

### **Results affected by the Japan Earthquake but Business Fundamentals Remain Intact Significant Progresses in Automobile Sector**

#### ***Highlights***

- Growth temporarily slowed down by the Japan earthquake, but turnover continued to grow by 16.1% to historical high of HK\$1,977,845,000
- Profit margin affected by an unstable supply of parts from Japan after the earthquake. Net profit was HK\$210,379,000
- Basic earnings per share was HK12.8
- Final dividend of HK 1.6 cents per share declared
- Acquired an automobile mould company in Chongqing in mid 2011 and started construction of a new automobile component production base in Wuhan in March 2012, signifying our progresses into China automobile sector
- Expansion of Shenzhen production base completed by end of 2011, providing adequate floor area for future capacity growth

(Hong Kong, 27 March 2012) — **EVA Precision Industrial Holdings Limited** (“EVA” or the “Group”; stock code: 838) announces its annual results for the year ended 31 December 2011.

#### **Turnover hit new high despite temporary setbacks by Japan earthquake**

The Group underwent a period of challenges during 2011. EVA’s business growth was delayed by the earthquake in Japan and the nuclear emission and massive power disruption that followed, which hit the Group’s customers’ supply chain in Japan. As the components and mechanical modules sold by the Group to 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 slowdown of the order flow. Nevertheless, thanks to the on-going trend of the Group’s customers to concentrate more purchases on large manufacturers such as the Group, its turnover continued to record a 16.1% growth despite unfavourable external environment and amounted to approximately HK\$1,977,845,000 in 2011, its historical high.

However, as compared to the impact on turnover, the Japan earthquake had a more prominent impact on its profit margin. Shortly after the earthquake, the Group’s 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 these customers carrying on production under an opaque supply chain, the Group worked together with its customers to closely evaluate the supply of parts from Japan and scheduled its production accordingly. As the nuclear emission and power disruption that followed the earthquake had resulted in a fluctuating output of parts

from Japan, the Group needed to change its production schedules frequently and were unable to enjoy the benefits from detailed production planning. This situation continued until the end of 2011. Accordingly, production costs increased and, coupled with the increase in headcount which was recruited by the Group at the beginning of the year to cope with the growth originally expected before the earthquake, the Group's net profit for the year ended 31 December 2011 decreased by approximately 30.5% to HK\$210,379,000.

### **Significant progresses into China automobile sector**

Nevertheless, in spite of the challenges, EVA continued to make progresses on its business fundamentals. In mid 2011, the Group 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 RMB61,318,000. As mentioned in the 2009 and 2010 annual report, 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. EVA is 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.

Further, the Group is also in the process of establishing a new production base in Wuhan, another automobile hub in central China region. The Wuhan production base is targeted at providing components and welding services for automobile brand names located in Wuhan and its adjacent cities which include Dongfeng, Honda, Nissan, Citroen and Peugeot. The new Wuhan production base has a land area of approximately 166,000 square metres and its development is divided into phases. The construction of phase one of the Wuhan production base with a floor area of approximately 51,000 square metres had commenced in March 2012, and is scheduled for completion in 2013.

## **Traditional OA business continues to be a strong growth driver**

The Group's traditional OA equipment business also saw significant progresses during the year. 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, the Group 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 successful market launch of these new OA equipment models shortly after the earthquake demonstrated the Group's production capabilities, which are necessary credentials for it to obtain integrated orders of similar nature from other Japanese brand owners.

The Group had also completed the construction of a new factory building within the Group's existing production base in Shiyan Town, Shenzhen, China. Currently, certain of its production equipment had been relocated to this new factory building. However, should its production capacity be unable to cope with the surge in orders, the new factory building can provide adequate production floor area for further capacity expansion.

**Mr. Zhang Hwo Jie, Chairman of EVA**, said, "Although the catastrophic earthquake in Japan had brought about negative impacts on our 2011 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 in May 2011 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 mid 2011 and started construction of a new production base in Wuhan in March 2012 for automobile sector, evidencing our progress toward the fast growing China domestic consumption sector. At the same time, our balance sheet remained strong despite our expansion."

"Looking forward, the year 2012 is not without challenges. Cautious about the economic outlook in developed countries, certain of our OA equipment customers had already publicised their plan to shift their near term growth drivers to lower end products for sales to emerging countries. This will definitely drive our turnover growth, but at the same time alter our product mix in 2012 which requires a change in production management. However, the launch of higher end OA equipment is only delayed, but remains necessary due to technological advancement and competition among brand owners." **Mr. Zhang concluded.**

~ End ~

**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 for developing into the fast growing China domestic market, with particular attention given to the huge automotive 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:**

***EVA Precision Industrial Holdings Limited***

Francis Wong +852 2620 6488  
Fax: +852 2191 9978

Email: [franciswong@eva-group.com](mailto:franciswong@eva-group.com)

***Strategic Financial Relations Limited***

Cindy Lung +852 2864 4867 / 9282 4640  
Tiffany Cheung +852 2864 4817 / 9288 3940  
Rebecca Yu +852 2114 4862 / 5661 1985  
Fax: +852 2804 2789 / 2527 1196

Email: [cindy.lung@sprg.com.hk](mailto:cindy.lung@sprg.com.hk)

Email: [tiffany.cheung@sprg.com.hk](mailto:tiffany.cheung@sprg.com.hk)

Email : [rebecca.yu@sprg.com.hk](mailto:rebecca.yu@sprg.com.hk)