



EVA ANNOUNCES FY2012 ANNUAL RESULTS

Turnover hit historical high up by 19.7% to HK\$2,367,023,000

Final dividend of HK 0.55 cents per share

Wuhan production base opens up a new phase of development

Highlights

- Turnover hit historical high and reached HK\$2,367,023,000, a growth of 19.7%
- Basic earnings per share was HK 4.1 cents
- Final dividend of HK 0.55 cents per share proposed
- Net profit attributable to equity holders down by 66.3% to HK\$70,889,000, mainly due to the initial costs incurred for the new automobile component business
- Adhered to a dividend payout at approximately 30% of net profit
- Net gearing ratio remained low at 7.9%
- Construction of new production base in Wuhan commenced in March 2012, signifying the Group's expansion into supplying automobile components on a large scale basis, and underscoring the next step forward into the automobile market

(Hong Kong, 27 March 2013) — **EVA Precision Industrial Holdings Limited** ("EVA" or the "Group"; stock code: 838) announces its annual results for the year ended 31 December 2012.

Turnover hitting new record high with strong growth in mould revenue

During the year under review, turnover of the Group hit historical high again and reached HK\$2,367,023,000, thanks to the on-going trend for brand owners to concentrate a growing percentage of their purchases from manufacturers with proven quality standards and financial stability like EVA. However, market sentiment about economic recovery remained fragile for most of the time in 2012. Cautious about the economic conditions in developed countries in 2012, the Group's customers in office automation ("OA") equipment business increased the production volume of relatively low end products for sales to emerging countries with a view to achieving business growth, which altered the type of orders received by the Group and adversely affected the Group's profit margin. Gross profit margin for the year fell to 21.6% (2011: 24.7%). At the same time, the Group incurred initial costs of approximately HK\$66,134,000 for its new automobile component business which included salaries for additional engineers and materials used for technology development and testing. Finance costs also 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 attributable to equity holders reduced by approximately 66.3% to HK\$70,889,000 during the year.

Despite the aforesaid, market sentiment started to improve since late 2012, which was also reflected in the Group's mould revenue. The production and sales of moulds had been robust in the second half of 2012. Under the Group's business model, brand owners would 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 bases for future mass production of components and semi-finished products. In other words, mould revenue is a leading indicator of the Group's future production volume of components and semi-finished products. It is worth noting that, despite a reduction of mould revenue by 22.1% in 1H2012 which was caused by the lackluster sentiment about the economy during the same period, the production and sales of moulds rebounded strongly in the second half of the year and finally mould revenue for the full year of 2012 increased by 15.8% as compared to that of 2011. The robust resurgence of mould development in the second half of 2012 is an evident reflection of revival of confidence in economic outlook among the Group's customers.

Business fundamentals continued to make progress

Since late 2009, the Group has been engaging in a strategic expansion from previously focusing on just office automation ("OA") equipment to also serving a diversity of products for the fast growing Chinese consumption market, with particular attention given to the huge automobile sector. During the year, the Group continued to make significant progress towards this direction. As one of the milestone events in such expansion, the Group commenced the construction of a new production base in Wuhan in March 2012 which 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 construction 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 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, including Dongfeng, Honda, Nissan, Citroen, Peugeot and General Motors, have established or are planning to establish production bases in Wuhan. The Group is confident that by establishing this new production base, and by utilising the precision engineering and production management expertise obtained through 20 years of experience in serving the precision equipment industry, 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.

At the same time, there is also a soaring demand from the Chinese consumers for high quality and sophisticated consumer electronic products in recent years. With an outstanding engineering expertise, the Group is well equipped to capture the growing demand in high end consumer electronic market, in which product precision and engineering expertise are also essential. On the other hand, to save logistic and quality control costs, brand owners in the Group's traditional OA equipment business continue to streamline their presently fragmented supplier bases and concentrate a higher percentage of their purchases from large scale manufacturers like EVA. Therefore, the Group continued to see substantial growth potential in this market. To cope with the increase in order flows from both OA equipment and high end consumer electronic markets, the Group added another new production base in Shenzhen in 2012, which can provide adequate floor areas for future capacity expansion.

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 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 us 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 profitability in the future."

"Last but not the least, turnover from our traditional OA business is still on a growth track, generating healthy cash flows for our new automobile business. Although our profitability was affected by the increase in production volume of lower end products for sales to emerging countries by our customers, we are optimistic that there will be a resurgence in our profitability as pace of economic recovery accelerates in developed countries, which are the primary market for higher end products." **Mr. Zhang concluded.**

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EVA announces 2012 Annual Results
27 March 2013

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>.

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