



## **EVA ANNOUNCES FY2013 ANNUAL RESULTS**

**Turnover hits historical high up by 12.2% to HK\$2,655,715,000**

**Final dividend of HK0.51 cent per share**

**Completion of Wuhan production base signifies a breakthrough in the Group's expansion into automobile component business**

### ***Highlights***

- Turnover was HK\$2,655,715,000, increased by 12.2%
- Mould revenue hit historical high again and reached HK\$395,012,000, a growth of 59%. These moulds will be used for the production of components in later periods, driving future growth in component sales
- Net profit down by 21.8% to HK\$55,427,000, primarily caused by the one-off share option cost
- Basic earnings per share was HK3.3 cents
- Final dividend of HK0.51 cent per share, adhering to the dividend payout policy of approximately 30% of net profit since listing in 2005
- Completion of new production base in Wuhan by end of 2013, signifying a major breakthrough in the Group's strategic expansion into automobile market

(Hong Kong, 26 March 2014) — EVA Precision Industrial Holdings Limited (“EVA” or the “Group”; stock code: 838) announces its annual results for the year ended 31 December 2013.

### **Strategic expansion into the automobile market continues to make significant progress**

During the year, 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. As one of the milestone events in such expansion, the Group had completed the construction of its new automobile component production base in Wuhan by end of 2013, which is targeted at providing component production and welding services to automobile makers located in Wuhan and adjacent cities. Taking into account the concentration of automobile makers in that area and the Group's outstanding engineering expertise accumulated through more than 20 years of experience in serving the precision equipment industry which is also essential for high quality automobile products, the Group is confident that 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.

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Prior to the completion of the new Wuhan production base, the Group's businesses in automobile sector were primarily derived from the production of moulds. Accordingly, the completion of the new Wuhan production base signifies the Group's first step toward supplying automobile components on a large scale basis, a business which is much more voluminous than supplying moulds. To drive revenue growth, the Group's existing production base in Chongqing (which primarily produces automobile moulds at present) is also steered toward this direction. To this end, the Group has recently completed the construction of phase 2 of Chongqing production base, which is planned to be fitted out with equipment for automobile component production gradually. The expansion of Chongqing production base into manufacturing automobile components on a large scale basis greatly magnifies its capability to receive sale orders, since it is an industry practice for customers to request mould producers to also take up subsequent component production for quality and logistics reasons.

**Mould revenue hit another historical high, driving future growth in component revenue**

The year 2013 witnessed an acceleration of new product development activities by the Group's customers. Since late 2012, the economy in developed countries started to show stronger signs of recovery, and therefore new product development activities of the Group's customers in OA equipment sector had been active. 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 when new products are launched to the market. Accordingly, driven by the new product development activities of the Group's customers, mould revenue for the year increased by 59% and reached HK\$395,012,000, another historical high. Certain of the moulds produced by the Group in 1H2013 had also started to be used for mass production of components since late 2013. Therefore, despite a decline in component revenue in 1H2013, component revenue rebounded sharply in 2H2013 and finally component revenue for the full year of 2013 exceeded that of 2012.

Total turnover of the Group for the year was HK\$2,655,715,000, representing an increase of 12.2% from the previous year. Gross profit margin also improved to 24.1% (2012: 21.6%), thanks to the strong growth in the sales of moulds (which are higher margin products) that raised the percentage of mould revenue to total turnover for the year. However, depreciation and other fixed costs increased following the commencement of operations of the Group's new production base in Tianliao, Shenzhen in 2H2012 and the completion of the Group's new management headquarter in its existing Shenzhen (Shiyan) production base in early 2013. Further, the Group incurred one-off share option cost of HK\$39,648,000 in relation to share options granted in 2012 and 2013. Coupled with a general increase in employment and other costs in China's manufacturing industry, the

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Group's net profit reduced by 21.8% to HK\$55,427,000.

Despite the aforesaid, the Group's revenue from the manufacture of moulds was robust throughout the year of 2013 and reached historical high again. This is very likely to lead to a substantial increase in the Group's future component revenue, which can outweigh the above-mentioned costs, being either semi-fixed or non-recurring in nature, and enable the Group to revitalise profit growth.

**Mr. Zhang Hwo Jie, Chairman of EVA**, said, "At present, the automobile industry in China is undergoing a rapid transition from previously focusing on low cost vehicles to vehicles with higher quality and performance. Equipped with a solid engineering foundation accumulated through more than 20 years of experience in serving the precision equipment industry, the Group is well positioned to capture the increasing demand for more sophisticated moulds and components tailored for higher quality vehicles. The Group's Wuhan and Chongqing production bases also enable it to extend its precision manufacturing services from the coastal area of China to two other major automobile hubs in the interior region. Taking into account the concentration of automobile makers in these areas and the Group's proven engineering expertise which differentiates itself from other domestic suppliers, the Group believes its investment in automobile business in the past few years will translate into a quantum leap in profitability in the future."

"Last but not the least, the Group's traditional OA business is still on a growth track, which is evidenced by the robust growth in mould revenue in 2013. It is worth noting that, although the moulds produced by the Group in 1H2013 only started to be used for component production in late 2013, we already saw a sharp rebound in the Group's component revenue in 2H2013. Since more moulds will be put into use as the launch of new products by the Group's customers continues, the Group expects to see a more prominent growth in its revenue going forward."

"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 2013 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 bases 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 for its products.

At present, a majority of the Group's revenue is generated from 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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