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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)

VOLUNTARY ANNOUNCEMENT
NON-BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO
ACQUISITION OF LAND AND CONSTRUCTION OF PRODUCTION
FACILITIES IN WEIHAI, SHANDONG PROVINCE

This announcement is made by EVA Precision Industrial Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on voluntary basis.

BACKGROUND

The Company is an investment holding company. The subsidiaries of the Company focus on the production of moulds and components and automated assembly services with high quality standard and dimensional accuracy.

The office automation equipment division of Samsung Electronics (“**Samsung Printing Solutions**”) had been a customer of EVA Precision Industrial (Suzhou) Limited* (億和精密工業(蘇州)有限公司) (“**Suzhou Subsidiary**”), a wholly owned subsidiary of the Company, since 2012. Samsung Printing Solutions was acquired by Hewlett-Packard (“**HP**”) as announced by Samsung Electronics in September 2016. Thereafter, Samsung Printing Solutions moved the production of its office automation equipment products from Suzhou and consolidated such production in its Weihai manufacturing facilities. As a result, sales to Samsung Printing Solutions by the Suzhou Subsidiary decreased during the six months ended 30 June 2017. At present, the Suzhou Subsidiary continues to serve other reputable office automation equipment brand names, which include Canon, Fuji Xerox, Konica Minolta and Ricoh.

The Company has been informed by Samsung Printing Solutions that its production volume increased significantly after the said acquisition. Given the excellent track record of the Group in serving Samsung Printing Solutions in Suzhou, the Group was invited by Samsung Printing Solutions to set up manufacturing facilities in Weihai, Shandong Province to serve its enlarged production demand there. With a view to establishing production facilities in Weihai, the Company has reached a non-binding memorandum of understanding (“**MOU**”) with the Management Committee of Weihai Torch

High Technology Industrial Development Zone* (威海火炬高技術產業開發區管委會) (“Committee”) as summarised in the section headed “Non-binding Memorandum of Understanding in relation to the acquisition of land and construction of production facilities” below.

NON-BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO ACQUISITION OF LAND AND CONSTRUCTION OF PRODUCTION FACILITIES

Set out below is a summary of the principal terms of the MOU:

- (a) the Company will establish the R&D and production facilities for office automation equipment business in the Weihai Torch High Technology Industrial Development Zone (“Project”);
- (b) the Committee will assist the Company to acquire a parcel of land with an area of approximately 570 mu (畝) (“Land”) for the purpose of the Project;
- (c) the Company will be given certain government subsidies to assist its R&D activities; and
- (d) the Committee will assist the Company to apply for the status of high and new technology enterprise.

REASONS FOR ENTERING INTO THE MOU

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the provision of precision manufacturing services in China and Vietnam, focusing on the production of moulds and components and automated assembly services with high quality standard and dimensional accuracy.

As disclosed in the section headed “BACKGROUND” above, Samsung Printing Solutions moved the production of its office automation equipment products from Suzhou and consolidated such production in its Weihai manufacturing facilities, and the production volume of Samsung Printing Solutions increased significantly after the acquisition by HP. The Group was invited by Samsung Printing Solutions to set up manufacturing facilities in Weihai, Shandong Province to serve its enlarged production demand there. The Company therefore intended to build production facilities in Weihai. As at the date of this announcement, the Group expects that the total investments in the Project will be approximately US\$100,000,000, which will be invested by phases. After taking into account the significantly enlarged production volume of the manufacturing facilities of Samsung Printing Solutions in Weihai, the Board believes that the potential sales volume of the Group’s future Weihai production facilities, if complete, will be significantly higher than that previously made by the Suzhou Subsidiary to Samsung Printing Solutions in Suzhou.

After taking into account the factors set out above, the directors of the Company (including all the independent non-executive directors) consider that the terms of the MOU are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

As at the date of this announcement, no legally binding agreement(s) in relation to the subject matters of this announcement, whether in relation to the acquisition of the Land, the construction of production facilities on the Land or purchase orders from Samsung Printing Solutions has been entered into by the Group and there is no guarantee that the acquisition of the Land and the construction of production facilities thereon will occur. The Company will issue further announcement(s) in relation to the subject matters of this announcement as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 26 July 2017

As at the date of this announcement, the Board comprises three executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice Chairman), Mr. Zhang Yaohua (Chief Executive Officer) and three independent non-executive directors, being Mr. Choy Tak Ho, Mr. Leung Tai Chiu and Mr. Lam Hiu Lo.

* *For identification purpose only*