



EVA ANNOUNCES FY2016 ANNUAL RESULTS

Actively Exploring New Opportunities in Both China and Overseas Markets

Highlights

- Turnover was down to HK\$3,209,290,000 (2015: HK\$3,533,026,000) due to temporary slowdown in market demand
- Gross profit margin fell to 23.3% (2015: 26.5%) attributable to decrease in revenue from higher margin mould products and declining economies of scale
- Share option costs, initial costs incurred by the new Vietnam industrial park, and reduction in both finance income and non-recurrent government subsidies also contributed to the drop in net profit to HK\$53,486,000 (2015: HK\$ 205,469,000)
- Basic earnings per share was HK2.9 cents
- Final dividend of HK0.51 cent per share, adhering to the dividend payout policy of approximately 30% of net profit since 2005
- The Group achieved outstanding results in cash flows management. Cash flows from operations increased despite a reduction in profit, allowing the Group to pay down its debts and repurchase its shares from the market at the same time
- The Group was in net cash position as at 31 December 2016, a strong appeal to existing and target customers looking for manufacturing partners
- The Group has been actively exploring new business opportunities from overseas markets. It was invited by a major automobile customer to establish a new industrial park in Mexico in 2017
- Construction of new Vietnam industrial park was completed by the end of 2016 and is now under trial production
- The Group's leading position in the office automation ("OA") equipment market remains unparalleled despite temporary slowdown in market demand. The Group is poised to be a major beneficiary should market demand show any sign of recovery.

(Hong Kong, 27 March 2017) - **EVA Precision Industrial Holdings Limited** ("EVA" or the "Group"; stock code: 838) announces its annual results for the year ended 31 December 2016.

Establishment of a new industrial park in Mexico

In 2017, the Group was invited by one of its major automobile customers, which is an international leader for producing automobile seats, interiors and exhaust systems, to set up a new industrial park in Mexico. The new Mexico industrial park is planned to be located at San

Luis Potosí, Mexico, and will have a land area of approximately 83,000 square metres. Taking into account the current uncertainties in international politics clouding over the trade relations between the United States and Mexico, the development of the new Mexico industrial park will be divided into phases, and the planned floor area of phase one will be approximately 15,000 square metres. Phase one is scheduled for completion in late 2018. Having said that, the Group is optimistic about the prospects of the new Mexico industrial park because Mexico is one of the major automobile hubs in the world. A lot of reputable automakers and multinational tier-one suppliers, including BMW, Volkswagen, Audi, Fiat-Chrysler and Faurecia, have already established assembly plants in San Luis Potosí or its adjacent states in Mexico, and therefore there is a huge existing demand for the precision manufacturing services offered by the Group. Should the production capacity be unable to cope with a surge in orders, the new Mexico industrial park has adequate land area for future capacity expansion.

New Vietnam industrial park to generate additional stream of revenue

Under the invitation of certain of the Group's major customers in the OA equipment market, EVA had established a new industrial park in Haiphong, Vietnam. The construction of the new Vietnam industrial park, which has a land area of approximately 37,000 square metres and floor area of approximately 12,000 square metres, was completed by the end of 2016 and is now under trial production. By entering into customers' supply chain in Vietnam through the establishment of a new industrial park there, the Group's addressable market within the OA equipment industry is enlarged. Therefore, after production commences, the new Vietnam industrial park will generate a new stream of revenue from the OA equipment sector for the Group. In addition, although the new Vietnam industrial park will initially focus on tapping businesses from the OA equipment customers, it can also expand into other sectors such as the high end consumer electronics sector at a later stage, as Vietnam is also well known as one of the major manufacturing hubs for high end consumer electronics products.

Dedicated efforts to reinforce technology edge with a view to benefiting from China's increasing concentration on higher value products

In recent years, the Chinese government has taken conscious efforts to nurture a higher value economy focusing on innovation, productivity and technology, and significant progresses have been made. This has presented the Chinese manufacturers with a lot of opportunities. Operating costs in China such as salaries are expected to continue an upward trend, but at the same time the quality of its labour force has improved to an unprecedented level. Products with higher value and sophistication are increasingly produced in China, and the emergence of local high technology industries creates an increasing demand for the high end manufacturing services offered by the Group. To benefit from this new industry environment, the Group devoted substantial efforts to sharpen its technology edge and improve productivity during the year, which included production automation and increasing the proportion of engineers to its total workforce.

Streamlining workforce and controlling costs

During the year, the Group continued to implement various cost control measures and streamline its workforce with a view to coping with the rising wages in China and improving productivity. The roles of various departments were carefully revisited, and administrative responsibilities were reassigned to optimise performance. At the same time, innovative automation solutions and new robotic equipment were brought into the production lines. Accordingly, the total headcount of the Group was reduced from 8,804 employees as at 31 December 2015 to 7,855 employees as at 31 December 2016 despite the construction of a new industrial park in Vietnam. In addition, for the purpose of focusing resources on the core manufacturing business, the Group reduced the shareholding interest in its micro lending company in Shenzhen from 60% to 40% in August 2016, and thereafter the micro lending company ceased to be a subsidiary of the Group.

Outstanding results in working capital and cash flows management

During the year, the Group continued to devote substantial resources on working capital management. Accordingly, the Group's cash conversion cycle (defined as the total sum of inventory and debtors' turnover days less creditors' turnover days) decreased significantly from 63 days in 2015 to 36 days in 2016. Cash flows from operations increased despite the reduction in profit, which enabled the Group to pay down its debts and repurchased its own shares from the market at the same time. In 2016 and early 2017, a total of 87,000,000 shares were repurchased, which leads to an enhancement of earnings and net asset value per share for all existing shareholders. In the expectation of interest rate hikes from 2017 onwards, the Group also used its operating cash flows to pay down the debts, and therefore the Group was in net cash position as at 31 December 2016.

The year 2016 saw a very challenging start for the Group. For most part of 2016, the global economy was clouded by uncertainties in both international politics and economic growth, which resulted in a reduction in orders from customers in the OA equipment and consumer electronics sectors. Although the economy had shown signs of recovery by the end of 2016, the Group were unable to make up for the revenue reduction earlier. Total turnover of the Group decreased by 9.2% to HK\$3,209,290,000, which was primarily caused by the reduction in orders from customers in the OA equipment and consumer electronics sectors as mentioned above. Gross profit margin decreased to 23.3%, which was mainly attributable to the slowdown in new product development activities of the customers which resulted in a decrease in the revenue contribution from the production of moulds (higher margin products manufactured during new product development stages) to the Group's total turnover and declining economies of scale brought by the reduction in turnover. Further, with a view to minimising Renminbi exchange rate risks, the Group converted a significant portion of its bank deposits in Renminbi into bank deposits in Hong Kong and United States dollars in the second half of 2015. Although such action safeguarded the Group from the instability caused by

EVA announces 2016 Annual Results
27 March 2017

Renminbi exchange rate fluctuations, it led to a reduction in the Group's finance income to HK\$5,378,000 (2015: HK\$18,478,000) as the interest rates from bank deposits in Hong Kong and United States dollars were lower than those from bank deposits in Renminbi. During the year, the Group incurred share option costs of HK\$3,318,000 relating to new share options granted in 2016, and non-recurrent subsidies from the Chinese government reduced to HK\$746,000 (2015: HK\$7,838,000). Coupled with the initial costs of HK\$10,111,000 incurred by the Group's new industrial park in Vietnam, the Group's net profit decreased by 74.0% to HK\$53,486,000 despite the various cost control measures implemented by the Group.

Mr. Zhang Hwo Jie, Chairman of EVA, said, "Over the years, our outstanding engineering and production management expertise have differentiated ourselves from other low end manufacturers in China. Whilst the increasing costs in China will undoubtedly cause many weaker manufacturers to lose their advantages and finally go out of business, the resulting consolidation of China's manufacturing industry provides a much less crowded marketplace for surviving companies. At the same time, China's increasing concentration on higher value products creates an even stronger demand for the precision manufacturing services offered by the Group. In addition, we have been actively exploring new business opportunities, and our entry into Vietnam and Mexico not only fortifies our partnerships with key customers, but can also provide the Group with new streams of revenue from overseas markets. We possess the management capability to overcome difficulties, and our ability to significantly improve our cash flows despite a difficult external environment in 2016 was an evident proof of that."

"Last but not the least, the Group's leading position in the OA equipment industry remains unparalleled despite the temporary slowdown in market demand, and our customer base covers all major brand owners which together dominates the market. Accordingly, the Group is poised to be a major beneficiary should market demand show any sign of recovery. Therefore, we remain optimistic about the Group's prospect." **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 industrial parks 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, the businesses of the Group cover office automation equipment, automobile, as well as the hi-tech and consumer electronic sectors.

The Group operates eight industrial parks in China and Vietnam, which are located at Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Haiphong. In 2017, the Group also plans to establish a new industrial park in San Luis Potosí, Mexico, which is destined for automobile business. 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

Strategic Financial Relations Limited

Cindy Lung +852 2864 4867

Kylie Chan +852 2114 4990

Fax: +852 2527 1196

Email: cindy.lung@sprg.com.hk

Email: kylie.chan@sprg.com.hk