



Business Highlights

- We are one of the few high end manufacturers in China capable of producing moulds and components with high precision and dimensional accuracies which are key to high quality office automation ("OA") equipment, automobiles, smart devices and consumer electronics products.
- Our unique one-stop services covering a wide range of production processes provides strong incentives for customers to increase their procurements from us, as this can effectively reduce the additional costs and excess production lead time that arise from outsourcing different production processes to different suppliers.
- ▼ Our excellent engineering expertise and services are well recognised by world renowned companies including *Canon, Fuji Xerox, Kyocera, Ricoh, Dongfeng, Faurecia, Brose and Yamada*.
- The Group's OA equipment customer base mainly consists of internationally renowned corporations with flexible worldwide production network. Should the current trade disputes between the United States and China escalate, they can reorganise their internal production logistics whereby the production of those products that are currently carried out in China and targeted at the United States market will be transferred to assembly plants in other countries such as the Southeast Asia. At the same time, the production of those products that are currently carried out in other countries and targeted at markets outside the United States will be transferred to China, leaving the total volume of production in China substantially unchanged.
- ✓ Since a few years ago, the Group has adopted a strategy of expanding into the huge automobile sector in China. As most of the cars manufactured in China are sold within China and are rarely sold to the United States, it is unlikely that the Group's business in the automobile sector will be affected by the United States-China trade dispute.



Business Highlights (Cont'd)

- The Group also embarked on overseas expansion a few years ago, and completed the construction of an industrial park in *Haiphong, Vietnam* back in 2016 which had already commenced production operations. It is also in the process of constructing another new industrial park in *San Luis Potosí, Mexico*.
- ▼ As a result of the above, the Group's exposure to the United States-China trade dispute is greatly mitigated.
- ▼ The Group was invited by Hewlett-Packard, a new OA equipment customer, to establish a new industrial park in Weihai, Shandong Province to serve their existing assembly plant there.
- The new Weihai industrial park is scheduled for production in the second half of 2019. However, as *the growth in the production demand of Hewlett-Packard in Weihai is imminent*, the Group acquired a component manufacturer in Weihai in December 2017 to accelerate our development and serve Hewlett-Packard better. We also rented a temporary factory in Weihai to serve Hewlett-Packard before the new self-constructed Weihai industrial park is completed. Both the newly acquired component manufacturer and the rented factory *started to contribute revenue* in the first half of 2018.
- ▼ We have seen *rapidly growing demand for our Vietnam industrial park*. Therefore, we are in the process of constructing phase two of the Vietnam industrial park, which we target to complete before the end of 2018 to cope with the robust growth in orders from customers.



Business Highlights (Cont'd)

- We continued to take conscious steps to strengthen the relationships with automobile customers in China, which include Dongfeng, Changan Suzuki, Great Wall, GAC Changfeng (Leopaard) Motor, Faurecia, Brose, Yamada, Webasto and F-tech. Positive feedback and increasing sale orders were received, and we saw a sustained revenue growth in our automobile business in China.
- We were also invited by a major customer in automobile business to establish a new industrial park in **San Luis Potosí**, **Mexico**, which is one of the major automobile production hubs in the world. Phase one of the new Mexico industrial park is scheduled for completion by end of 2018. Additional capacity can be added should a surge in turnover be seen.
- ▼ Turnover growth remained unaffected by the United States-China trade disputes, and increased by 13.7% to HK\$1,724,694,000 in 1H2018 which was caused by increasing orders from new and existing customers and the revenue contribution from the new production operations in Weihai.
- However, profitability was temporarily affected by (i) the initial loss of the new Weihai business and (ii) the appreciation of Renminbi in 1H2018 which increased our operating costs in China. Net profit in 1H2018 decreased by 38.9% to HK\$46,087,000. However, profitability is likely to improve later as production ramps up in Weihai, and taking into account the fact that Renminbi started to depreciate since mid-June 2018.
- ✓ In 1H2018 and July 2018, a total of 67,072,000 shares of the Company were repurchased, which leads to an enhancement of earnings and net asset value per share for all existing shareholders of the Company.





Company at a Glance

Major Business

- A vertically-integrated precision metal and plastic mould and component manufacturing service provider.
- Started off in 1993 in OA equipment market, which is oligopolised by Japanese brand owners and requires very high dimensional accuracy standards to prevent paper jam and distorted images.
- Expansion into automobiles and high end consumer electronics markets a few years ago.
- Actively sourcing new customers to widen our customer base.

Market Position

- Precision engineering expertise and laser welding technology distinguished ourselves from other low end manufacturers.
- ▼ Well recognised by renowned Japanese brand owners, including Canon, Ricoh, Fuji Xerox, Kyocera, Epson and Konica Minolta etc, which are well known for their demanding quality and production management requirements.
- Successful track record in substituting Japanese suppliers in OA equipment market.
- ▼ Certifications from brand owners in other sectors e.g. *Dongfeng, FAW-Volkswagen, Faurecia, Brose and Yamada.*

Growth Drivers

- Market share gain in OA equipment market through vertically integrated one stop solution.
- Utilised precision engineering expertise to capture the increasing demand for sophisticated moulds and components tailored for high quality vehicles, smart devices and high end consumer electronics products.
- Geographical expansion into Vietnam and Mexico where our customers in OA equipment and automobile markets had also established assembly plants.
- Establishment of the new Weihai industrial park under the invitation of *Hewlett-Packard*.

Business Scale

- Nine completed industrial parks in China and Vietnam: 3 in Shenzhen, 1 in Suzhou, 1 in Zhongshan, 1 in Chongqing, 1 in Wuhan, 1 in Weihai and 1 in Haiphong.
- New industrial park for automobiles in San Luis Potosí, Mexico is scheduled for completion in late 2018.
- Another new industrial park in Weihai is scheduled for production in the second half of 2019 to expand our business there.



Vertically Integrated One-stop Services

1. Mould design and production

- Joint co-development of moulds with customers during customers' product development stages.
- Production and testing of moulds by EVA.
- Upon completion of moulds, fees are charged to the customers for the design and production of moulds i.e. titles of moulds are transferred to customers. However, the completed moulds are consigned in EVA's industrial parks for the future mass production of components.

2. Component production using completed moulds

Mass production of components by using the completed moulds consigned at EVA's industrial parks.

3. Individual components assembled into semi-finished products

Assembly of various components into semi-finished modules through high precision laser welding and other assembly processes.

Metal stamping moulds



Metal stamping components



Lathing products (Principally used as paper rollers)





Plastic injection

components

Plastic injection moulds

Semi-finished modules



Finished products













Industry Leading Technologies

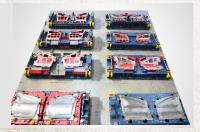
Mould is the "Mother Tool" of manufacturing

- Products are replicated from moulds.
- Quality of a mould has a decisive impact on the quality of a product.
- A 1/1,000th mm defect in a mould will result in a 1/100th mm defect in the product.
- Demand very high level of engineering skills, sophistication and technology.



Shorten production lead time

- ▼ High quality moulds eliminate the needs for subsequently fine-tuning or repairing products that would otherwise be required if low quality moulds are used.
- Essential for hi-tech and consumer electronics markets as product life cycle becomes shorter and shorter.



In a different league from low end OEMs

EVA is one of the few hi-tech companies in China capable of producing moulds with precision and dimensional accuracies comparable to overseas peers such as Japanese or German manufacturers.



Production automation to improve efficiency

- EVA introduces innovative automation solutions to its production lines to streamline headcount and reduce costs.
- Remarkably improve efficiency and reduce product deficiency rate by eliminating manual errors.





Industry Leading Technologies (Cont'd)

Products

Product Sophistication

Metal stamping moulds and components



- ▼ High-precision metal stamping moulds of 0.005mm precision.
- Deficiency rate of below 10 PPM
 (<10 defected outputs for every 1 million units of components produced).
- 30-45 days production lead-time for moulds (market average 90-120 days).

Plastic injection moulds and components



- Moulds for thin-walled plastic products with thickness of only 0.2mm.
- Moulds for high-precision plastic gears.
- Meets Japan Industrial Standards (JIS) Grade 2 or below.
- In-mould decoration (IMD) and environmental friendly hot runner technologies.

Lathing components



- High-precision shafts mainly used as paper rollers.
- Diameter distortion less than 0.02mm.
- Efficient simultaneous processing of different lathing procedures.
- Capable of producing shafts from multiple materials including aluminum, plastic and steel.



Industry Leading Technologies (Cont'd)

Products

Product Sophistication





- Traditionally used in aviation and luxury sport car industries.
- Low temperate welding to minimise excessive melting and distortion during welding process, and thus eliminate the need for secondary processing.
- Concentrated laser beam with welding area of < 0.2mm i.e. small heat-affected zones suitable for handling highly precise components.



- Self-developed robotic systems to automate assembly process.
- Accelerate production lead time by 40% compared to manual assembly.
- Significantly reduce the cost of labour.
- Essential for producing high tensile structural parts for automobiles and precision equipment.

Computerised inspection device



- Self-developed devices with built-in red ray systems for testing dimensional accuracies.
- Capable of detecting defects of less than 0.01mm.
- Remarkably reduce product deficiency rate and eliminate manual inspection error.
- Accelerate product inspection time by 70% compared to manual inspection.



Office Automation (OA) Equipment





EPSON





RICOH





TOSHIBA



Leading position in the industry

- Customers include world-class OA equipment brand owners which are well known for their demanding quality requirements.
- Well established customer base covering all major brand owners which together dominate the market.

Market share gain

- The supplier base of OA equipment market is presently fragmented.
- Other suppliers in this market are highly specialised in product type i.e. they are unable to produce a wide range of components in OA equipment like EVA.
- Market share gain through vertically integrated one-stop solution.



Office Automation (OA) Equipment (Cont'd)







Geographical coverage

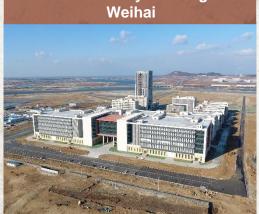
- ▼ In China, we have two industrial parks i.e. EVA Shenzhen (Shiyan) Electronic Industrial Park and EVA Suzhou Electronic Industrial Park to serve the major assembly plants of our OA equipment customers in Southern and Eastern China.
- We also have an industrial park in Haiphong, Vietnam which had commenced commercial production in early 2017 to serve the assembly plants of OA equipment customers in Vietnam.
- We are in the process of constructing phase two of the Vietnam industrial park. Upon completion of the phase two construction, the Vietnam industrial park will have adequate capacity to cope with the increasing demand from its existing OA equipment customers, and to develop new customers in other high growth sectors such as the high end consumer electronics sector in Vietnam.



Office Automation (OA) Equipment (Cont'd)







Rented factory building in

EVA Weihai (Double Islands Bay) Electronic Industrial Park

- ▼ In 2017, the Group was invited by Hewlett-Packard to establish a new industrial park in Weihai, Shandong Province, China. Construction started in early 2018 and production is scheduled to commence in the second half of 2019.
- In addition, as the production demand from Hewlett-Packard in Weihai was imminent, the Group acquired a component manufacturer named Intops (Weihai) Electronics Co., Ltd. ("Intops") at the end of December 2017 to accelerate our development in Weihai. We also rented a temporary factory in Weihai to serve Hewlett-Packard before the new self-constructed Weihai industrial park is completed. Both Intops and the rented factory in Weihai started to contribute revenue to the Group in the first half of 2018.



Automobiles

Overview

According to IBIS World, China's automobile component industry is forecast to grow at an average annualised rate of 6.3%, totaling US\$982.5 billion in 2023. At the same time, customers' demand is rapidly changing from low cost to higher quality vehicles and the Chinese government is nurturing higher end local suppliers with a view to reducing the reliance on foreign suppliers for sophisticated automobile moulds and components. These factors create an increasing demand for the precision manufacturing services offered by EVA in the automobile industry.

Digit Chongqing Automobile Industrial Park

- Acquired in 2011 through the purchase of an automobile mould company.
- To source orders from automobile makers in Chongqing and adjacent cities such as Ford, Mazda, Suzuki, Changan, SAIC-GM-Wuling, FAW-Volkswagen and Great Wall.
- 2,000T fully automated servo line and robotic welding lines capable of producing components for high tensile parts of automobiles, which require high safety and anti-collision standards.





























Automobiles (Cont'd)

Digit Wuhan Automobile Industrial Park



- Commenced commercial production in early 2014.
- Currently produces moulds and components and provides automated welding for high tensile parts primarily used for passenger cars such as the Dongfeng Citroen and Peugeot series.
- Other existing and targeted customers include the automakers located in Wuhan and adjacent cities, such as Dongfeng, Honda, Renault, General Motors and Leopaard.



















Automobiles (Cont'd)

EVA (Guangming) Precision Manufacturing Industrial Park and Digit Zhongshan Automobile Industrial Park



EVA (Guangming) Precision Manufacturing Industrial Park

- EVA (Guangming) Precision Manufacturing Industrial Park was purposely built in 2008 to extend the application of our precision moulds from just OA equipment to a wider range of applications such as automobiles. It is capable of producing moulds for various parts of automobiles including car seat frames, exhausted systems and high tensile parts.
- Digit Zhongshan Automobile Industrial Park was merged into EVA's automobile business line in 2015, targeting at automobile components.
- These two industrial parks are set to serve the automobile market in Guangdong Province, in which reputable automakers and tier-one suppliers such as Guangzhou Automobile Group, Audi, Faurecia and Brose are located.



Digit Zhongshan Automobile Industrial Park

















Automobiles (Cont'd)

Digit Mexico (SLP) Automobile Industrial Park



























Location of San Luis Potosí, Mexico



Factory building under construction

- In 2017, we were invited by existing automobile customers to establish a new industrial park in San Luis Potosí, Mexico.
- The development of the new Mexico industrial park will be divided into phases, and phase one is scheduled for completion in late 2018. It is located at Pargue Industrial Logistik, San Luis Potosí, Mexico.
- To source orders from automakers and multinational tier-one suppliers located at San Luis Potosí and its adjacent states, such as Faurecia, Brose, BMW, Volkswagen, Audi, Nissan and Fiat-Chrysler.
- Additional capacity can be added should a surge in turnover be seen.



Hi-tech and Consumer Electronics Products

Overview

According to Gartner, worldwide information technology spending will reach US\$3,846 billion by end of 2019. At the same time, China is expected to increasingly concentrate on the production of higher value products. Together with the emergence of high technology industries in China, they create a rapidly growing demand for the high quality precision manufacturing services offered by EVA.

EVA Shenzhen (Tianliao) Smart Device Industrial Park



Factory Building

Multi-layer coating system

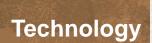
- **SMT lamination**
- ▼ Established in 2012 and was assigned as EVA's principal production base for hi-tech and consumer electronics products.
- ▼ Comprehensive technologies which include multi-layer color coating, insert moulding, SMT lamination and laser engraving etc.
- For more than 20 years, EVA has been reputed for its high quality manufacturing services which are attractive to a lot of high technology companies as dimensional accuracy and product quality are essential for high technology products.



Our Competitive Strength

- One of the few manufacturers in China capable of producing moulds with high precision and dimensional accuracies
- State-of-the-art technology and equipment
- Strategic partnership with numerous universities for research and development

- Strong management and engineering team with more than 25 years of experience in industry
- Conservative financial management and efficient cash conversion cycle¹ over the years
- Dedicated to streamlining costs and headcount through production automation and other cost control measures



-Management

Customer Accolades

Corporate Governance

- Solid track record in serving world-class customers such as Canon, Fuji Xerox, Konica Minolta, Ricoh, Dongfeng, Faurecia and Brose, which are well known for their demanding quality requirements
- Long-term partnership with renowned customers clearly demonstrated by their invitation of us to establish new industrial parks in Weihai, Vietnam and Mexico
- Committed to creating values for shareholders and corporate social responsibilities
- ▼ Constant dividend payouts of roughly 30% of net profits since IPO
- Repurchased 67 million shares from the market in 1H2018 and July 2018 to enhance earnings and net asset value per share for all existing shareholders
- Received numerous accolades for corporate social responsibilities and environmental protection

Note 1: Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days



Key Milestones

- IPO on the Hong Kong Stock Exchange (Stock code: 00838HK)
- Establishment of EVA
- Started off in the OA equipment market

- Completed **EVA** (Guangming) Precision **Manufacturing** Industrial Park to extend the applications of our precision moulds from just OA equipment to automobile, hi-tech and consumer electronics products
- CIPSA Gestamp
- Acquired an automobile mould company in **Chongging**, being our first industrial park to specialise in automobile market
 - - DIGIT 数個線

Digit Wuhan Automobile **Industrial** Park for automobile components commenced commercial production









- Invited by existing customers to establish a new industrial park in San Luis Potosí, Mexico for the automobile market
- Invited by Hewlett-Packard to set up another new industrial park in Weihai, **Shandong Province**
- Acquired Intops (Weihai) Electronics Co., Ltd.





2005 2006 1993 2002 2008 2010 2011 2012 2014 2016 2017

- Relocation of production facilities to EVA Shenzhen (Shiyan) Electronic Industrial Park
- **EVA Suzhou** Electronic Industrial Park commenced operation, signifying our first step to expand outside Guangdong
- A new industrial park in Zhongshan commenced operation
- Completed EVA Shenzhen (Tianliao) Smart Device Industrial **Park** to provide additional factory areas for hi-tech and consumer electronics products
- The new **EVA Vietnam** (Haiphong) Electronic Industrial Park was completed by end of 2016, being our first industrial park outside China



Industrial Parks



At present, the Group operated nine industrial parks in China (Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Weihai) and Vietnam (Haiphong). At the same time, the Group is in the process of constructing another new industrial park in Weihai to expand its business there. Further, a new industrial park located at San Luis Potosí, Mexico is also under construction.



Digit Mexico (SLP) Automobile Industrial Park*

GFA: 17,000 sq.m. (Phase 1)

Land area: 83,000 sq.m.



EVA Weihai (Intops) Electronic Industrial Park

GFA: 21,000 sq.m.

Land area: 33,000 sq.m.



EVA Weihai (Double Islands Bay) Electronic Industrial Park*

GFA: 79,000 sq.m. (Phase 1)

Land area: 349,000 sq.m.



Digit Wuhan Automobile Industrial Park

GFA: 87,000 sq.m.

Land area: 360,000 sq.m.



EVA Vietnam (Haiphong) Electronic Industrial Park

GFA: 12,000 sq.m. (Phase 1) 46.000 sq.m. (Phase 2) Land area: 37.000 sq.m.



Digit Zhongshan Automobile Industrial Park

GFA: 35,000 sq.m.

Land area: 34,000 sq.m.



EVA (Guangming) Precision Manufacturing Industrial Park

GFA: 55,000 sq.m.

Land area: 54,000 sq.m.



Digit Chongqing Automobile Industrial Park

GFA: 31,000 sq.m.

Land area: 100,000 sq.m.



EVA Suzhou Electronic Industrial Park

GFA: 82,000 sq.m.

Land area: 120,000 sq.m.



EVA Shenzhen (Shiyan) Electronic Industrial Park

GFA: 95,000 sq.m.

Land area: 65,000 sq.m.



EVA Shenzhen (Tianliao) Smart Device Industrial Park

GFA: 48,000 sq.m.

Land area: 28,000 sq.m.





Under construction

Major Awards and Accolades

Year	Honors	Company / Organisation		
2004	Excellent Supplier Award	Toshiba		
2004	Certificate of Green Activity	Canon		
2005	Chemical Substances Management System Certificate	Ricoh		
2005	Acclamation Certificate	Konica Minolta		
2004–2018	Very Valuable Vendor Award	Canon		
2007	Supplier Special Improvement Award	Fuji Xerox		
2009–2015	Golden Quality Award	Konica Minolta		
2009	Distinguished Supplier Award	General Electric		
2009–2017	EQCD Remarkable Contribution Award	Canon		
2009–2016	National High and New Technology Enterprise Certification	Chinese Government		
2010	Special Contribution Award	Midea		
2010	Product Assembly Service Certification	Kyocera		
2010	Environmental Collaboration Program Certificate	Konica Minolta		
2011	Part-Defect on Arrival Zero Award	Konica Minolta		
2009–2017	Supplier QCC Forum Award	Kyocera		
2011	Certificate in Chemical Substance Management Standard	Brother		
2011–2018	Premiere Partner Award	Fuji Xerox		















Major Awards and Accolades (Cont'd)

Year	Honors	Company / Organisation		
2012–2013	Special Contribution Award	Canon		
2013–2017	Excellent Supplier Award	Dongfeng		
2013	Best Quality Award	Toshiba		
2013–2016	Mould Supplier Certification	FAW-Volkswagen		
2014–2015	Excellent Supplier Award	Konica Minolta		
2014–2016	Excellent Supplier Award	Canon		
2014	Excellent Corporate Partner	Dongfeng		
2014–2016	Unit Improvement Contest Award	Canon		
2015	Improvement Forum – Excellent Supplier Presentation Award	Fuji Xerox		
2015	Gratitude Certificate	Shenzhen Aerospace		
2016	Golden Quality Award	Samsung		
2016	Excellent Improvement Award	Konica Minolta		
2016	Excellent Supplier Award	Epson		
2016	A Class Supplier Award	Brother		
2016	Best Supplier Award	Toshiba		
2017	Gratitude Certificate – External Component Procurement Activities	Konica Minolta		

















Major Awards and Accolades (Cont'd)

Year	Honors	Company / Organisation		
2017	Sourcing Quality Assurance – Overall Excellence Award	Ricoh		
2017	Best Cooperative Supplier Award	Founder		
2017	Strategic Partner Award	Supvan		
2017	Fundamental Skills Invitation Tournament Award	Canon		
2017	Supplier Partnership Award	Faurecia		
2017	Excellent Supplier Award	Faurecia		
2018	Quality Acclamation Award	Konica Minolta		
2018	Quality Improvement Award	Yamada		
2018	Craftsmanship Award	Segway-Ninebot		
2018	Certificate of Participation	Brose		
2018	Procurement Premiere Partner – Bronze Award	Fuji Xerox		
2018	Best Partner Award	Toshiba		
2018	Outstanding Collaborative Supplier Award	Fuji Xerox		
2018	Procurement Partner Award	Canon		
2018	Supplier of the Year – Bronze Award	Chamberlain		



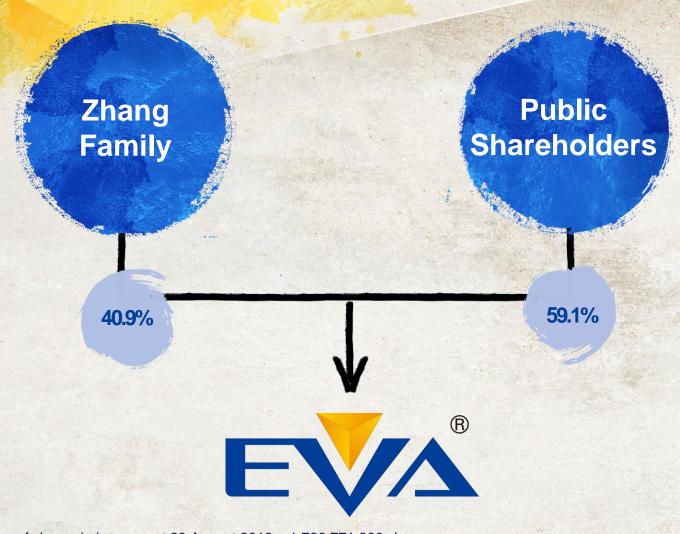








Shareholding Structure



- ▼ Total number of shares in issue as at 23 August 2018 = 1,726,771,800 shares
- Outstanding share options of 140,480,200 options as at 23 August 2018



Experienced Management Team

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Management	Position	Credentials
Mr. ZHANG Hwo Jie	Chairman	 Co-founder of the Group More than 25 years of experience in marketing, strategic planning and corporate management in the precision moulding industry Responsible for the Group's overall strategic planning and marketing development Obtained "Young Industrialist Award of Hong Kong" in December 2008 Ex-officio advisor of Hong Kong Young Industrialists Council A member of the Chongqing Committee of the Chinese People's Political Consultative Conference
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Mr. ZHANG Jian Hua	Vice Chairman	 Co-founder of the Group Substantial experience in organisational planning, production facilities management and business risk monitoring in the precision moulding industry Responsible for the Group's organisational structure, production facilities management and business risk monitoring Previously worked for the tax bureau in Shenzhen and accumulated extensive experience in tax regulations and communications with government departments in China
Mr. ZHANG Yaohua	CEO	 Co-founder of the Group More than 25 years of operational management experience in the precision moulding industry Responsible for the operation and management of the Group Executive president of Shenzhen Machinery Association, council member of Shenzhen General Chamber of Commerce, vice president of Guangdong Die & Mould Industry Association, Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association A member of the Shenzhen Committee of the Chinese People's Political Consultative Conference



Outlook

- As of today, the trade and tariff disputes between the United States and China are still ongoing, and we are not yet in a position to ascertain the final impact of the trade and tariff disputes on the global economy.
- However, we are confident that the Group is well positioned to weather any negative outcome from the trade and tariff disputes as the Group possesses a unique customer base comprising customers with flexible worldwide production network, which can replace their current China's export to the United States with export to other countries.
- Further, the Group made a right decision a few years ago to expand into the China's automobile sector, a huge market which primarily sold domestically.
- ▼ Although the Group's performance for the first half of 2018 was temporarily affected by the initial costs incurred by the new Weihai business and the appreciation in Renminbi exchange rate, profitability is likely to improve as production ramps up in Weihai, and taking into account the fact that Renminbi started to depreciate since mid-June 2018.
- ▼ We remain confident about the Group's prospect, as evidenced by the share repurchases in 1H2018 and July 2018.





1H2018 Business Results





- During the period, the Group's turnover increased by 13.7% to HK\$1,724,694,000, which was primarily attributable to increasing orders from new and existing customers, and the revenue contribution from the Group's new production operations in Weihai.
- Gross profit margin decreased to 24.9%, which was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the period and diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations.
- Further, a substantial portion of the Group's operating expenses were incurred in China and were denominated in Renminbi. Accordingly, the appreciation in Renminbi exchange rate in 1H2018 as compared to the corresponding period last year led to an increase in various operating expenses of the Group.
- During the period, the Group's new Weihai business incurred initial loss of HK\$8,522,000, and there was an increase in share option costs to HK\$6,181,000 (1H2017: HK\$3,440,000) which was caused by the issuance of new share options to directors and employees in November 2017. Coupled with an increase in finance costs to HK\$22,074,000 (1H2017: HK\$16,807,000) as a result of higher borrowings and market interest rates, the Group's net profit decreased by 38.9% to HK\$46,087,000.



Financial Performance

Six months end		
OIX IIIOIILIIO CIIG	ed 30 June	
		YoY
2018	2017	Chg
1,724,694	1,516,472	14%
(1,295,375)	(1,103,871)	17%
429,319	412,601	4%
18,954	4,469	324%
(4,451)	707	-730%
(106,861)	(84,504)	26%
(270,778)	(231,652)	17%
66,183	101,621	-35%
5,826	3,398	71%
(22,074)	(16,807)	31%
614	1,794	-66%
50,549	90,006	-44%
(4,462)	(13,529)	-67%
46,087	76,477	-40%
-	(1,088)	
46,087	75,389	-39%
14,678	22,942	
24 9%	27 2%	
0.0.0		
31.8%	30.4%	
	1,724,694 (1,295,375) 429,319 18,954 (4,451) (106,861) (270,778) 66,183 5,826 (22,074) 614 50,549 (4,462) 46,087	1,724,694 1,516,472 (1,295,375) (1,103,871) 429,319 412,601 18,954 4,469 (4,451) 707 (106,861) (84,504) (270,778) (231,652) 66,183 101,621 5,826 3,398 (22,074) (16,807) 614 1,794 50,549 90,006 (4,462) (13,529) 46,087 76,477 - (1,088) 46,087 75,389 14,678 22,942 24.9% 27.2% 3.8% 6.7% 2.7% 5.0%

During the period, the Group's turnover increased by 13.7% to HK\$1,724,694,000, which was primarily attributable to increasing orders from new and existing customers, and the revenue contribution from the Group's new production operations in Weihai.

Gross profit margin decreased to 24.9%, which was mainly because (i) the percentage of sales of components, which are lower margin products, to total turnover increased during the period and diluted the overall gross profit margin, and (ii) the Group's new business in Weihai operated at a lower gross profit margin at its initial stage of operations.

Operating profit decreased because (i) there was a reduction in gross profit margin as mentioned above; (ii) various operating costs in China increased due to the appreciation of Renminbi during the period; (iii) the Group's new Weihai business incurred an initial loss; and (iv) there was an increase in share option costs during the period.

Finance costs increased because the Group obtained new borrowings to finance the construction of new industrial parks in Weihai and Mexico, and phase two of the Vietnam industrial park.

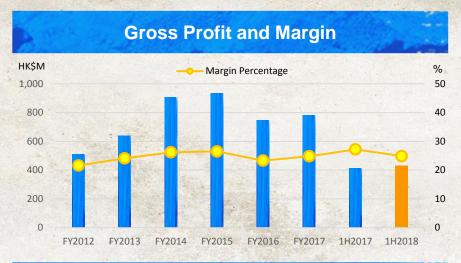
Effective tax rate decreased to 8.8% because the Group received tax refunds of HK\$7,984,000 from the tax authorities in China during the period.

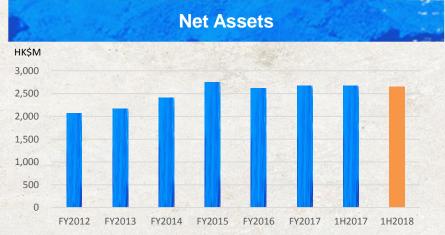


Financial Summary



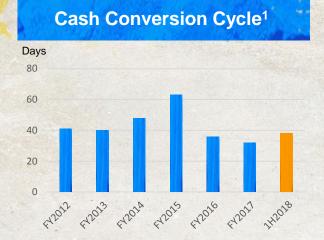








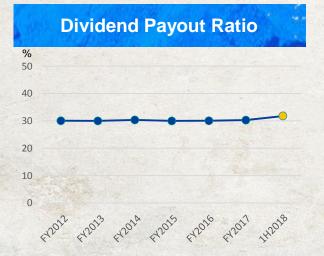
Other Key Financial Ratios







Net Debt-to-Equity Ratio²



- Cash conversion cycle at 38 days.
- Net debt-to-equity was at 23.8% as at 30 June 2018.
- Stable dividend payout ratio at roughly 30% of net profit over the years.
- Note 1: Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.
- Note 2: Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and finance lease liabilities less cash and bank balances and divided by shareholders' equity.





Disclaimer

Whilst all the projections and estimates given in this presentation have been made with assumptions considered by the Group's management to be most realistic at the relevant time, neither the Group nor its management can guarantee their accuracies or completeness. This presentation is not an investment advice, nor an offer or solicitation for the purchase or sale of any financial instrument. Past performance is not indicative of future results. Investors should make their own investment decisions without totally relying on the information contained herein. Only investors with sufficient knowledge and experience in financial matters to evaluate merits and risks should consider an investment in the Group. Other persons should not take any action on the basis of this presentation.

For more information:

EVA Precision Industrial Holdings Limited

Francis Wong

Phone: +852 2620 6488

Email: franciswong@eva-group.com

Fax: +852 2191 9978

