



**EVA Precision Industrial Holdings Limited**

**億和精密工業控股有限公司**

Stock code: 838 HK

**Interim Results Presentation**

**August 2019**





# EVA Shenzhen (Shiyan) Electronic Industrial Park



**Business  
Highlights**

# 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 **Fuji Xerox, Canon, Kyocera, Ricoh, Hewlett-Packard, Tesla, Dongfeng, Faurecia, Brose, ZF, Gestamp, Webasto and Yamada**.
- ◆ The Group’s OA equipment customers are multi-national companies which have established assembly plants in different countries around the world. Since 2018, these OA equipment customers have embarked on **reorganising their internal production logistics** whereby the production of those products that were carried out in China and targeted at the United States market were transferred to other countries. At the same time, the production of those products that were carried out in other countries and targeted at markets outside the United States were transferred to China.
- ◆ Through such reorganisation, the total production volume of these OA equipment customers in China, and consequently our sales to their China assembly plants, **remained substantially unaffected by the United States-China trade dispute**.

# Business Highlights (Cont'd)

- ◆ Since a few years ago, the Group has started *building up production facilities in Vietnam and Mexico*. Further, the Group's *automobile business in China* is unlikely to be significantly affected by the United States-China trade dispute as *most of the cars manufactured in China are sold within China and are rarely sold to the United States*.
- ◆ Due to the above factors, the Group continued to record *turnover growth* in 1H2019 despite the United States-China trade dispute.
- ◆ The Group *completed the construction of phase two of its Vietnam industrial park* in 1H2019. During the period, the Group's *revenue from its Vietnam industrial park increased rapidly*, a trend which we expect to continue into the rest of 2019 and the years after.
- ◆ The Group's major OA equipment customers from Japan have long-term plans to gradually scale down their own production lines in China with a view to focusing more resources on product design and market development. As the first step of such long-term plans, these customers will *select supplier with proven track record such as the Group and concentrate more of their purchases on the selected supplier*. Accordingly, the Group expects to see *voluminous new orders from the OA equipment sector* which are driven by *accelerated outsourcing in China* in the years ahead.
- ◆ The Group was invited by *Hewlett-Packard ("HP")*, one of the largest corporations in the OA equipment sector, to construct a new industrial park in *Weihai, Shandong Province*. The new Weihai industrial park is scheduled for production by end of 2019.

# Business Highlights (Cont'd)

- ◆ To cope with the imminent demand from HP, the Group acquired an existing component manufacturer and rented a temporary factory in Weihai last year to serve HP before the self-constructed Weihai industrial park is completed. During 1H2019, *these existing production facilities in Weihai recorded a notable increase in revenue*, which was driven by the increasing orders from HP.
- ◆ As the production demand from HP in Weihai is voluminous, the new self-constructed Weihai industrial park is very likely to deliver *robust sales performance upon completion*. Apart from HP, the new Weihai industrial park *can also be used for serving other OA equipment customers from Japan* in the future, since increasing sales orders are expected from them in China as mentioned above.
- ◆ During the period, the construction of a new automobile industrial park in *San Luis Potosí, Mexico* was completed. The new Mexico industrial park was constructed at the invitation of one of the Group's existing automobile customers for the purpose of serving their existing plants in Mexico.
- ◆ The new Mexico industrial park is now under *trial production*. Apart from the said existing customer, a lot of famous automakers and multi-national tier-one suppliers have also established production plants in Mexico. Therefore, an enormous demand exists for the Group's new Mexico industrial park.



# Business Highlights (Cont'd)

- ◆ We continued to take conscious steps to add new automobile customers in China, and have successfully become a qualified supplier of **Tesla** in 1H2019. Other reputable automakers and tie-one suppliers which have become our customers in China include **Dongfeng, Changan, SAIC-GM-Wuling, Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-tech**.
- ◆ The Group will also actively seek new manufacturing orders from the **high technology sector** in China.
- ◆ Turnover in 1H2019 increased by 3.4% to HK\$1,782,589,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period.
- ◆ Profitability was temporarily affected by (i) the initial loss of the new Mexico business, and (ii) the increase in finance costs which was caused by the rise in market interest rates during the period. Net profit in 1H2019 decreased by 23.9% to HK\$35,058,000. However, profitability is likely to rebound later as an increasing turnover will bring about economies of scale to improve the returns of the Group, and market interest rates have shown signs of decrease since July 2019.
- ◆ From January to July 2019, the Company purchased its own 1,442,000 shares with a view to **enhancing earnings and net asset value per share for all existing shareholders of the Company**.



EVA Vietnam (Haiphong) Electronic Industrial Park



**Corporate  
Overview**



# 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 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.
- ◆ Reputable customers in other sectors e.g. **Dongfeng, Tesla, Faurecia, Brose, Gestamp and ZF**.

## Growth Drivers

- ◆ Market share gain in OA equipment market through vertically integrated one stop solution and an accelerating trend for the customers to concentrate more of their purchases on high quality suppliers like the Group.
- ◆ 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

- ◆ **Eleven industrial parks in operations:** 3 in Shenzhen, 1 in Suzhou, 1 in Zhongshan, 1 in Chongqing, 1 in Wuhan, 2 in Weihai, 1 in Haiphong (Vietnam) and 1 in Mexico.
- ◆ Building up new production facilities in Weihai which are scheduled for production by end of 2019.



# Vertically Integrated One-stop Services

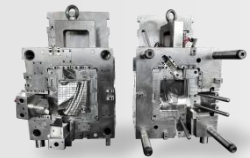
## 1. Mould design and production

- ◆ 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.

Metal stamping moulds



Plastic injection moulds



## 2. Component production using completed moulds

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

Metal stamping components



Lathing products  
(Principally used as paper rollers)



Plastic injection components



## 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.



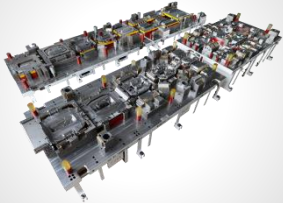
Semi-finished modules



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

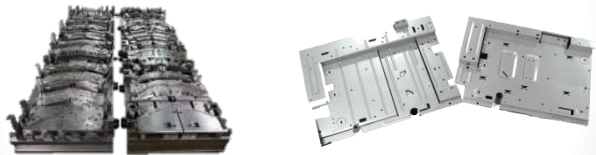
- ◆ EVA introduces innovative automation solutions to its production lines to streamline headcount and reduce costs.
- ◆ Remarkably improve efficiency and reduce product deficiency rate by eliminating manual errors.



# Industry Leading Technologies (Cont'd)

## Products

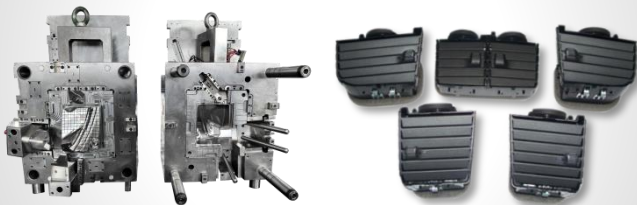
### Metal stamping moulds and components



## Product Sophistication

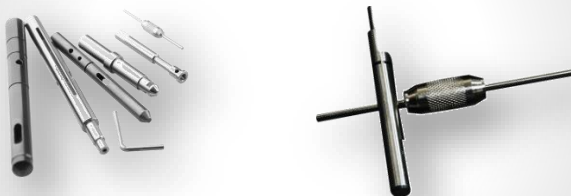
- ◆ High-precision metal stamping moulds of 0.005mm precision.
- ◆ Deficiency rate of below 10 PPM (<10 defected outputs for every 1 million units of components produced).
- ◆ 30-45 days production lead-time for moulds (market average 90-120 days).

### Plastic injection moulds and components



- ◆ Moulds for thin-walled plastic products with thickness of only 0.2mm.
- ◆ Moulds for high-precision plastic gears.
- ◆ Light-weight and high-precision plastic rollers for paper pickup and image forming.
- ◆ 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

### Laser welding



## 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  $< 0.2\text{mm}$  i.e. small heat-affected zones suitable for handling highly precise components.

### Robotic assembly



- ◆ 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  $0.01\text{mm}$ .
- ◆ Remarkably reduce product deficiency rate and eliminate manual inspection error.
- ◆ Accelerate product inspection time by 70% compared to manual inspection.



# Office Automation (OA) Equipment

## 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.

## Increasing involvement in product design

- ◆ Necessary for the customers to obtain production feasibility advices from the Group when they design new products.
- ◆ The Group has already set up a new product development team to work closely with the customers' product design departments in Japan.
- ◆ Additional team members will be added when business volume increases in the future.

## 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***.
- ◆ Major customers also have plans to gradually scale down their internal production lines in China and increase the purchases from reliable suppliers like EVA.

**EPSON**  
EXCEED YOUR VISION

**RICOH**  
imagine. change.

**Canon**

**brother**  
at your side

**KYOCERA**

**TOSHIBA**



**FUJI XEROX**

**KONICA MINOLTA**



# Office Automation (OA) Equipment (Cont'd)

EVA Shenzhen (Shiyan)  
Electronic Industrial Park



EVA Vietnam (Haiphong)  
Electronic Industrial Park



EVA Suzhou Electronic Industrial Park



## 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.
- ◆ A new phase two of the Vietnam industrial park was completed in 1H2019.



# Office Automation (OA) Equipment (Cont'd)

Weihai Torch High Technology Industrial Development Zone



Intops (Weihai) Electronics Co., Ltd.



Rented factory building in Weihai



## EVA Weihai (Double Islands Bay) Electronic Industrial Park

- ◆ In 2017, the Group was invited by HP to establish a new industrial park in Weihai, Shandong Province, China. Construction started in early 2018 and production is scheduled to commence by end of 2019.
- ◆ In addition, as the production demand from HP 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 HP before the new self-constructed Weihai industrial park is completed. Both Intops and the rented factory in Weihai experienced a notable increase in turnover in 1H2019.

# Automobiles

## Overview

According to IBIS World, China's automobile component industry is forecast to reach an annual revenue size of US\$758 billion in 2019. 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, 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.



Factory Building



Automated Robotic Welding



2,000T Servo Line



# 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 Leopard.



Factory Building



Automated Stamping Production Line



2,700T Servo Line

# Automobiles (Cont'd)

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



EVA (Guangming) Precision Manufacturing Industrial Park



Digit Zhongshan Automobile Industrial Park





# Automobiles (Cont'd)

## Digit Mexico (SLP) Automobile Industrial Park



TOYOTA



faurecia



- ◆ In 2017, we were invited by an existing automobile customer to establish a new industrial park in San Luis Potosí, Mexico.
- ◆ The development of the new Mexico industrial park will be divided into phases. Construction of phase one was completed in 1H2019 and is now under trial production. It is located at Parque Industrial Logistik, San Luis Potosí, Mexico.
- ◆ To source orders from automakers and multi-national 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.



Location of San Luis Potosí, Mexico



Factory building



# Hi-tech and Consumer Electronics Products

## Overview

According to Gartner, worldwide information technology spending will reach US\$3,740 billion in 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 25 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



## Technology



## Customer Accolades

- ◆ Solid track record in serving **world-class customers** such as **Canon, Fuji Xerox, Konica Minolta, Ricoh, HP, 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

- ◆ Invited by major customers to set up a new product development team to **work closely with the customers' product design departments in Japan**

## Management



- ◆ **Strong management and engineering team** with more than 25 years of experience in industry
- ◆ Conservative financial management and efficient cash conversion cycle<sup>1</sup> over the years
- ◆ Dedicated to streamlining costs and headcount through production automation and other cost control measures

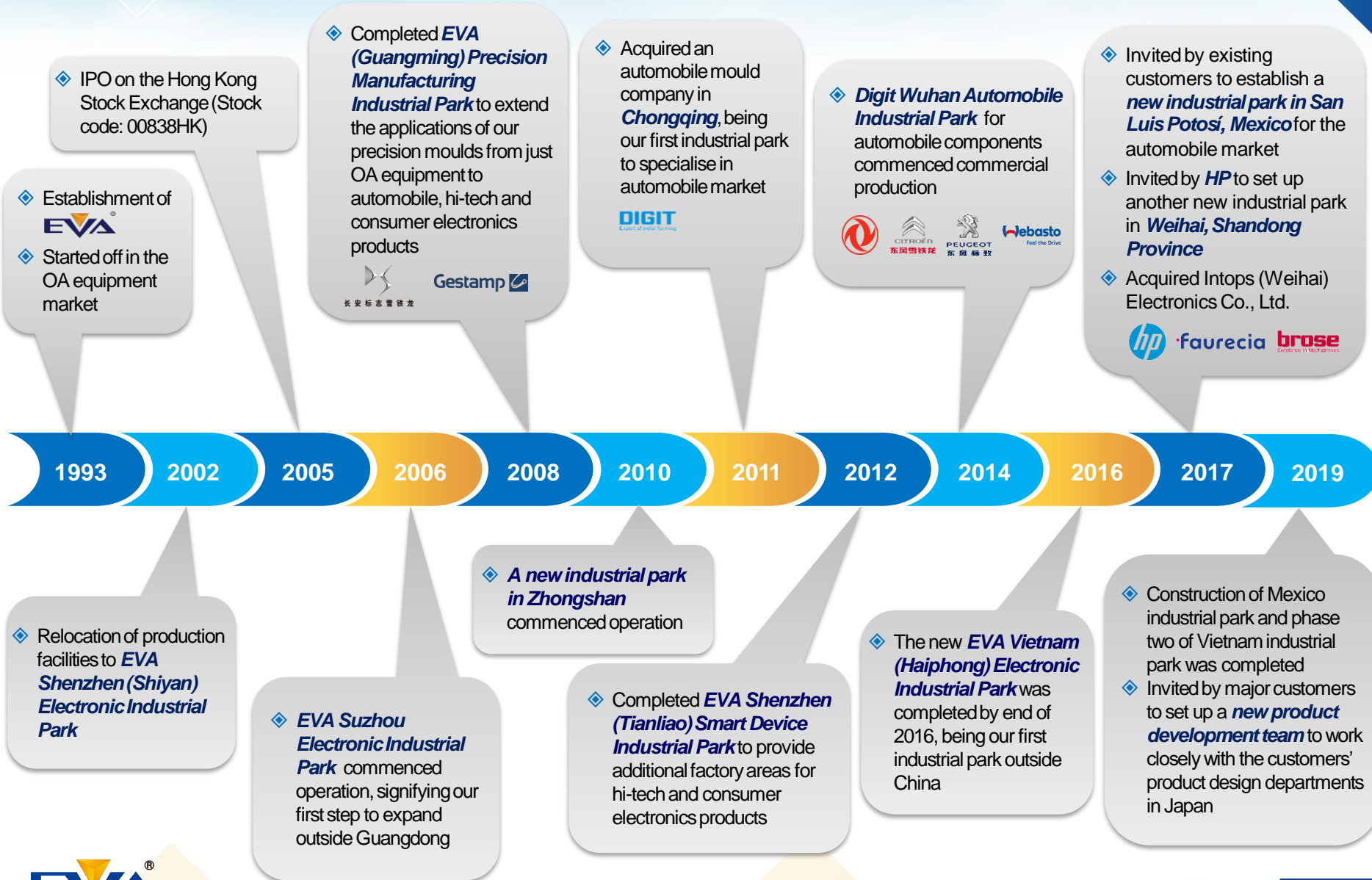
## Corporate Governance



- ◆ Committed to **creating values for shareholders and corporate social responsibilities**
- ◆ **Constant dividend payouts** of roughly 30% of net profits since IPO
- ◆ Repurchased 1.44 million shares from the market in 1H2019 and July 2019 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





# Industrial Parks



At present, the Group has eleven industrial parks in operations in China, Vietnam and Mexico. At the same time, the Group is in the process of adding new production facilities in Weihai to expand its business there.

## 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.



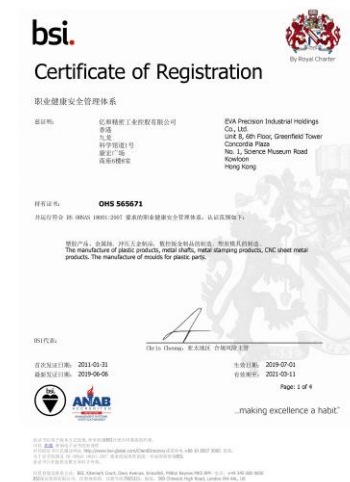
## EVA Shenzhen (Tianliao) Smart Device Industrial Park

**GFA:**  
48,000 sq.m.  
**Land area:**  
28,000 sq.m.



# Major Awards and Accolades

Year	Honors	Company / Organisation
2000-2019	ISO9001 Certification	BSI Group
2003-2019	ISO14001 Certification	BSI Group
2004	Excellent Supplier Award	Toshiba
2004	Certificate of Green Activity	Canon
2004-2019	Very Valuable Vendor Award	Canon
2005	Chemical Substances Management System Certificate	Ricoh
2005	Acclamation Certificate	Konica Minolta
2007	Supplier Special Improvement Award	Fuji Xerox
2007-2010	Environmental Collaboration Program Certificate	Konica Minolta
2007-2011	Part-Defect on Arrival Zero Award	Konica Minolta
2009-2015	Golden Quality Award	Konica Minolta
2009	Distinguished Supplier Award	General Electric
2009-2017	EQCD Remarkable Contribution Award	Canon
2009-2017	Supplier QCC Forum Award	Kyocera
2009-2019	<i>National High and New Technology Enterprise Certification</i>	Chinese Government
2010	Special Contribution Award	Midea
2010	Product Assembly Service Certification	Kyocera
2011	Certificate in Chemical Substance Management Standard	Brother



# Major Awards and Accolades (Cont'd)

Year	Honors	Company / Organisation
2011–2018	Premiere Partner Award	Fuji Xerox
2011–2018	Corporate Environmental Leadership Award	Federation of Hong Kong Industries
2011–2019	OHSAS18001 Certification	BSI Group
2012–2013	Special Contribution Award	Canon
2013–2017	Excellent Supplier Award	<i>Dongfeng</i>
2013–2019	Best Quality Award	Toshiba
2013	Mould Supplier Certification	<i>FAW-Volkswagen</i>
2014–2015	Excellent Supplier Award	Konica Minolta
2014–2016	Excellent Supplier Award	Canon
2014	Excellent Corporate Partner	<i>Dongfeng</i>
2014	Unit Improvement Contest Award	Canon
2015	Improvement Forum – Excellent Supplier Presentation Award	Fuji Xerox
2015	Gratitude Certificate	<i>Shenzhen Aerospace</i>
2016	Golden Quality Award	Samsung
2016	Excellent Improvement Award	Konica Minolta
2016	Excellent Supplier Award	Epson
2016	A Class Supplier Award	Brother
2016–2019	Comprehensive Assembly Capabilities Invitation Tournament Award	Canon
2016	Best Supplier Award	Toshiba





# Major Awards and Accolades (Cont'd)

Year	Honors	Company / Organisation
2017	Gratitude Certificate – External Component Procurement Activities	Konica Minolta
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	<i>Faurecia</i>
2017	Best Delivery Award	Toshiba
2017-2018	Excellent Supplier Award	<i>Faurecia</i>
2018	Quality Acclamation Award	Konica Minolta
2018	Quality Improvement Award	<i>Yamada</i>
2018	Craftsmanship Award	Segway-Ninebot
2018	Certificate of Participation	<i>Brose</i>
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
2019	Cooperated Supplier Award	Kyocera
2019	Best Cooperation Award	MiTAC



# Shareholding Structure



▼ Total number of shares in issue as at 27 August 2019 = 1,727,661,800 shares

▼ Outstanding share options of 137,350,000 options as at 27 August 2019

# Experienced Management Team

Management	Position	Credentials
Mr. ZHANG Hwo Jie	Chairman	<ul style="list-style-type: none"> <li>◆ Co-founder of the Group</li> <li>◆ More than 25 years of experience in marketing, strategic planning and corporate management in the precision moulding industry</li> <li>◆ Responsible for the Group's overall strategic planning and marketing development</li> <li>◆ Obtained "Young Industrialist Award of Hong Kong" in December 2008</li> <li>◆ President honoris causa of Hong Kong Young Industrialists Council</li> <li>◆ A member of the Chongqing Committee of the Chinese People's Political Consultative Conference</li> </ul>
Mr. ZHANG Jian Hua	Vice Chairman	<ul style="list-style-type: none"> <li>◆ Co-founder of the Group</li> <li>◆ Substantial experience in organisational planning, production facilities management and business risk monitoring in the precision moulding industry</li> <li>◆ Responsible for the Group's organisational structure, production facilities management and business risk monitoring</li> <li>◆ Previously worked for the tax bureau in Shenzhen and accumulated extensive experience in tax regulations and communications with government departments in China</li> </ul>
Mr. ZHANG Yaohua	CEO	<ul style="list-style-type: none"> <li>◆ Co-founder of the Group</li> <li>◆ More than 25 years of operational management experience in the precision moulding industry</li> <li>◆ Responsible for the operation and management of the Group</li> <li>◆ Chairman of Guangdong-Hong Kong-Macao Advanced Manufacturing Industry Alliance, executive president of Shenzhen Machinery Association, council member of Shenzhen General Chamber of Commerce, vice president of Guangdong Die &amp; Mould Industry Association, Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association</li> <li>◆ A member of the Shenzhen Committee of the Chinese People's Political Consultative Conference</li> </ul>



# Outlook

- ◆ At present, the outcome of the United States-China trade dispute is still uncertain. Accordingly, the Group expects that the international political and economic environment will continue to be volatile.
- ◆ However, the Group *remains confident about the development of China*, and expects that the acceleration of production outsourcing in China by the OA equipment customers will bring about *enormous business opportunities* for the Group.
- ◆ At the same time, the Group will continue to devote substantial efforts to develop new customers with high potential in China's automobile and high technology sectors.
- ◆ The Group also made the right decision to expand into Vietnam and Mexico a few years ago, and therefore the Group can now *benefit from the rapidly growing investments* by multi-national corporations in these countries.
- ◆ Since July 2019, the market interest rates have started to show a downward trend, which will reduce the finance costs of the Group.
- ◆ Therefore, the Group is *optimistic* about its prospects.

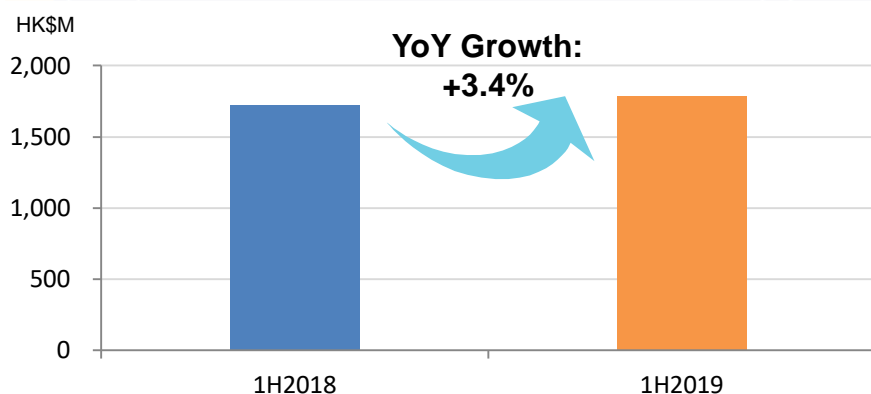


**Financial  
Information**

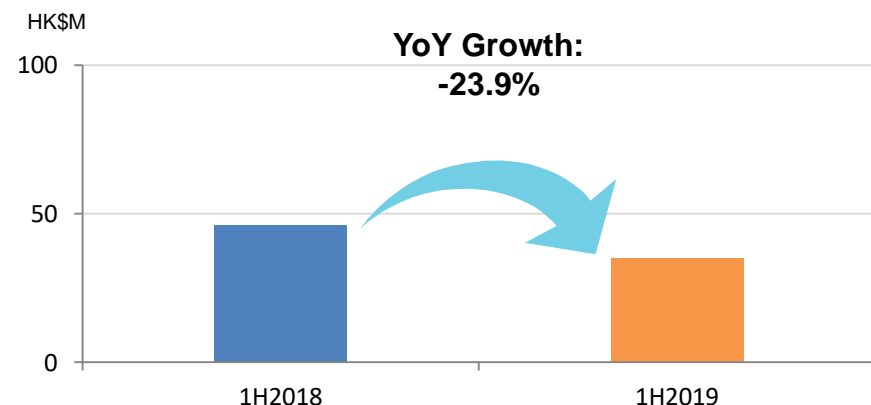


# 1H2019 Business Results

## Turnover



## Net Profit



- ◆ Despite a lackluster economic environment brought by the United States-China trade dispute, the Group's turnover increased by 3.4% to HK\$1,782,589,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period.
- ◆ Gross profit margin for the period decreased slightly to 23.4% (1H2018: 24.9%), as the new Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margins at the initial stage of operations.
- ◆ During the period, the Group's new business in Mexico incurred an initial loss of HK\$9,150,000. In addition, there was a rise in market interest rates during the period, which resulted in an increase in finance costs to HK\$35,619,000 (1H2018: HK\$22,074,000).
- ◆ As a result, the Group's net profit decreased by 23.9% to HK\$35,058,000.



# Financial Performance

Consolidated Income Statement			
Expressed in HK\$'000	1H2019	1H2018	YoY Chg
<b>Revenue</b>	<b>1,782,589</b>	<b>1,724,694</b>	<b>3%</b>
Cost of sales	(1,365,953)	(1,295,375)	<b>5%</b>
<b>Gross profit</b>	<b>416,636</b>	<b>429,319</b>	<b>-3%</b>
Other income	32,750	18,954	<b>73%</b>
Other losses - net	(7,615)	(4,451)	<b>71%</b>
Selling and marketing costs	(107,203)	(106,861)	<b>0%</b>
General and administrative expenses	(266,767)	(270,778)	<b>-1%</b>
<b>Operating profit</b>	<b>67,801</b>	<b>66,183</b>	<b>2%</b>
Finance income	13,241	5,826	<b>127%</b>
Finance costs	(35,619)	(22,074)	<b>61%</b>
Share of (losses) profits of associates	(4,301)	614	<b>-800%</b>
<b>Profit before income tax</b>	<b>41,122</b>	<b>50,549</b>	<b>-19%</b>
Income tax expense	(6,064)	(4,462)	<b>36%</b>
<b>Profit attributable to equity holders of the Company</b>	<b>35,058</b>	<b>46,087</b>	<b>-24%</b>
<b>Dividend</b>	<b>11,230</b>	<b>14,678</b>	
<b>Gross Margin</b>	<b>23.4%</b>	<b>24.9%</b>	
<b>Operating Margin</b>	<b>3.8%</b>	<b>3.8%</b>	
<b>Net Margin</b>	<b>2.0%</b>	<b>2.7%</b>	
<b>Dividend Payout Ratio</b>	<b>32.0%</b>	<b>31.8%</b>	

The increase in the Group's turnover was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period.

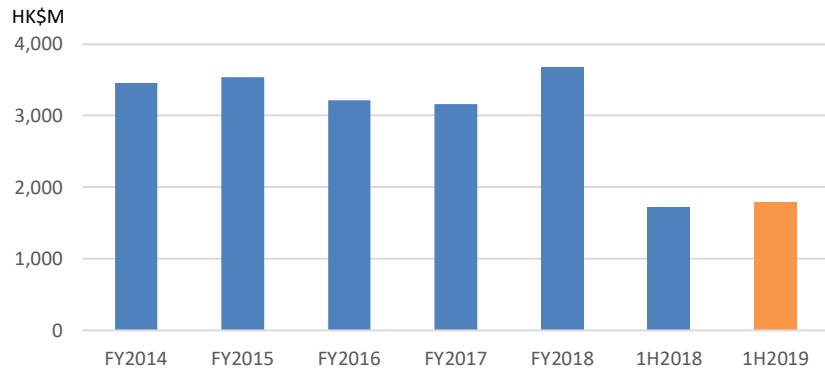
Gross profit margin decreased slightly to 23.4%. It was mainly because the Group's new businesses, namely, the new Mexico industrial park and phase two of the Vietnam industrial park operated at lower gross profit margins at the initial stage of operations.

The Group's finance costs increased, which was primarily caused by the increase in market interest rates during the period.

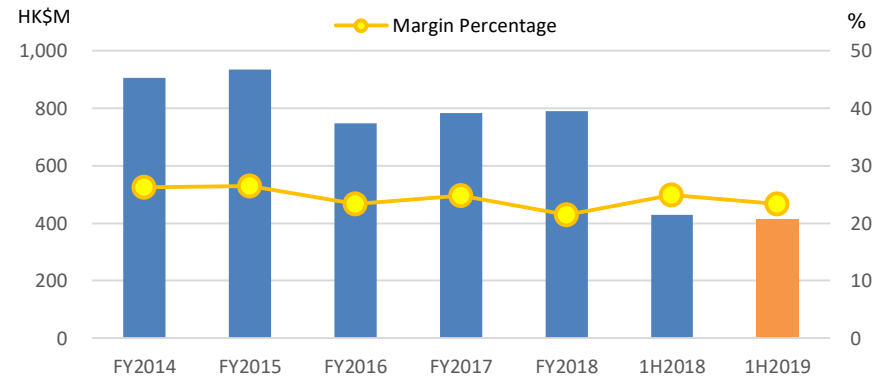
Effective tax rate for the period was 14.7%, which increased as compared to that in 1H2018. It was because (i) tax refunds from the tax authorities in China decreased, and (ii) certain subsidiaries such as the Group's new Mexico industrial park, and the micro lending business incurred losses during the period. Such losses were not eligible for offsetting the taxable profits generated by other profitable companies within the Group.

# Financial Summary

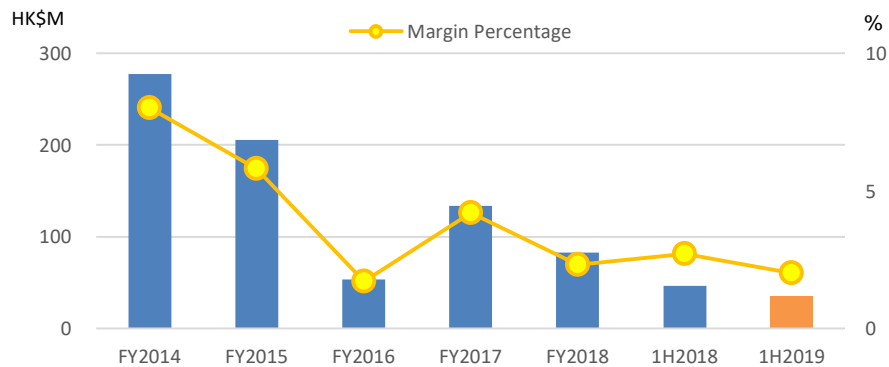
## Revenue



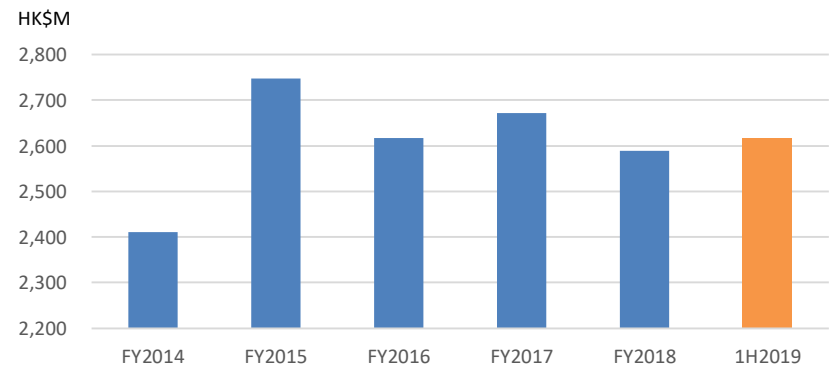
## Gross Profit and Margin



## Net Profit and Margin

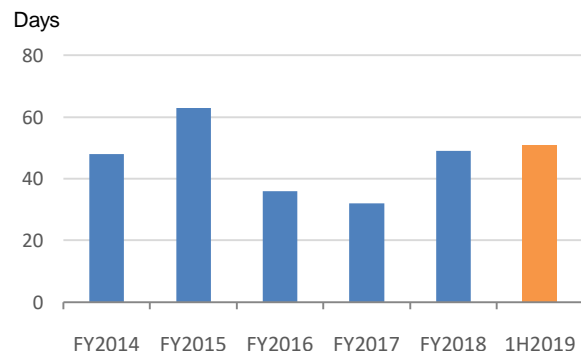


## Net Assets

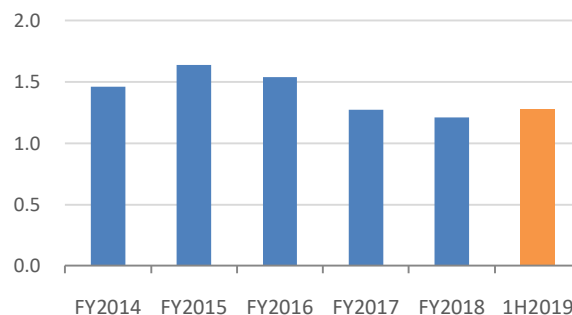


# Other Key Financial Ratios

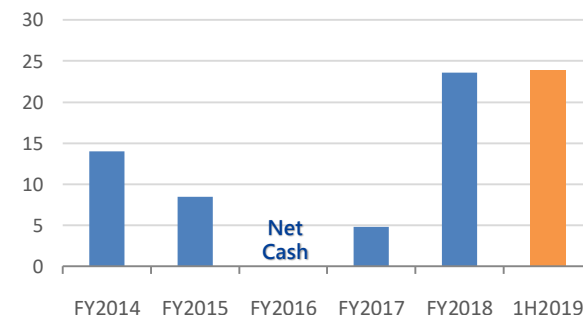
## Cash Conversion Cycle<sup>1</sup>



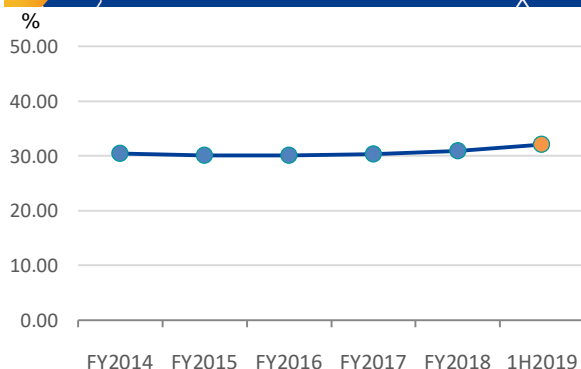
## Current Ratio



## Net Debt-to-Equity Ratio<sup>2</sup>



## Dividend Payout Ratio



- ◆ Cash conversion cycle at 51 days.
- ◆ Net debt-to-equity was at 23.9% as at 30 June 2019.
- ◆ 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 lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods which have not yet been incurred but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases".*





The End

# 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.

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