



EVA ANNOUNCES FY2016 INTERIM RESULTS

Ample business opportunities in both China and overseas markets despite challenging start in 2016

Highlights

- Turnover was down to HK\$1,581,110,000 (1H2015: HK\$1,761,504,000) due to temporary slowdown in market demand
- Gross profit margin fell to 24.5% (1H2015: 27.4%) due to decrease in revenue from higher margin mould products and declining economies of scale
- Reduction in net exchange gain and finance income, and initial costs incurred by the new Vietnam industrial park also contributed to the drop in net profit to HK\$22,998,000 (1H2015: HK\$118,135,000)
- Basic earnings per share was HK1.2 cents
- Interim dividend of HK0.37 cent per share, adhering to the dividend payout policy of approximately 30% of net profit since 2005
- Net debt-to-equity ratio decreased to 6.4%
- Despite temporary slowdown in market demand, the Group's leading position in the OA equipment market remains unparalleled, and therefore the Group is poised to be a major beneficiary if the OA equipment shows any sign of recovery
- The Group also planned to revitalise profit growth through (1) the new Vietnam industrial park; (2) new customers in automobile sector; (3) actively sourcing new businesses from the burgeoning Chinese hi-tech market; and (4) the implementation of numerous cost control measures

(Hong Kong, 30 August 2016) - **EVA Precision Industrial Holdings Limited** ("EVA" or the "Group"; stock code: 838) announces its interim results for the six months ended 30 June 2016.

New Vietnam industrial park to generate additional stream of revenue after production commences in late 2016

By the invitation of certain major customers in the office automation ("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, is now nearly completed and is scheduled for production in late 2016. After production commences, the new Vietnam industrial park will provide the Group with an additional stream of revenue from a new geographical market. In

addition, although the new Vietnam industrial park would initially focus on tapping businesses from the OA equipment customers, it could also expand into other sectors such as the high end consumer electronic sector at a later stage, as Vietnam is also well known as one of the major manufacturing hubs for high end consumer electronic products.

Significant progress in automobile sector and new customers are expected to contribute revenue from 2017 onwards

During the period, significant progress was seen in the automobile business line of the Group, which is primarily operated by the Group's automobile industrial parks in Chongqing, Wuhan and Zhongshan. In particular, the Group has received the "Excellent Supplier" award from a leading automaker in China again, the Group's fourth accolade from them since EVA became their supplier four years ago. This has not only strengthened the Group's business partnership with them, but also provided the Group with the valuable credentials for sourcing other new orders in the automobile industry. Therefore, the automobile business line of the Group has been actively sourcing new customers to widen its customer base during the period. New customers included another leading automaker in China which had established a new production plant in Chongqing and a number of multinational tier-one suppliers in the automobile industry. These new customers are expected to contribute revenue to the Group from 2017 onwards.

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

Although wages continued to increase, the technological expertise and productivity of the labour force in China have also progressed to an unprecedented level in recent years. Therefore, despite the trend for low end manufacturers to migrate from China to other developing countries, China remains very attractive to companies whose products are of high quality and sophistication such as the Group's customers in the OA equipment sector, and China is very likely to become their major production hub for high value models. At the same time, numerous local high technology companies emerged in China in recent years, which created many new opportunities for Group's consumer electronics business line as the Group is reputed for its outstanding quality and engineering expertise which are essential for high technology products. With a view to benefiting from China's increasing concentration on higher value products, conscious steps were also taken by the Group to reinforce its technology edge during the period, which included production automation and increasing the proportion of engineers to its total work force.

Dedicated efforts to streamline resources and control costs

During the period, the Group continued to implement various cost control measures and streamline its workforce with a view to coping with the rising wage level 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,

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innovative automation solutions and new robotic equipment were brought into production lines. Accordingly, the total headcount of the Group was reduced from 8,804 employees as at 31 December 2015 to 8,658 employees as at 30 June 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 its shareholding interest in the Group's micro lending company in Shenzhen from 60% to 40% in August 2016. The Group also continued to devote substantial efforts on maintaining a healthy balance sheet, and net debt-to-equity ratio decreased to 6.4%.

The year 2016 saw a very challenging start for the Group. During the period, total turnover decreased by 10.2% to HK\$ 1,581,110,000, which was primarily caused by the reduction in orders from customers in the OA equipment and consumer electronics sectors due to slowdown in market demand. Gross profit margin decreased to 24.5%, 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 safeguards the Group from the instability caused by Renminbi exchange rate fluctuation, it led to a reduction in the Group's net exchange gain to HK\$3,266,000 during the period (1H2015: HK\$14,788,000). Finance income also decreased to HK\$1,917,000 (1H2015: HK\$8,681,000) as the interest rates from bank deposits in Hong Kong and United States dollars were lower than those from bank deposits in Renminbi. Coupled with the initial costs of HK\$4,083,000 incurred by the Group's new industrial park in Vietnam, the Group's net profit decreased by 80.5% to HK\$22,998,000 despite the various cost control measures implemented by the Group.

Mr. Zhang Hwo Jie, Chairman of EVA, said, "Looking ahead, China's economic growth is expected to be more moderate and global economic recovery will remain uncertain. Therefore, there is no denying that the second half of 2016 will continue to be challenging for the manufacturing industry. However, the market does not lack opportunities. Over the years, we have been devoting resources for technology improvement and strengthening our engineering teams. Such investments have given us the reputation as a leader in precision engineering and innovative production solutions in China. Accordingly, the Group sees ample business opportunities arising from the rapid development of high technology industries in China, as product quality and engineering expertise are essential for high technology products. Further, after production commences, the new Vietnam industrial park will provide us with an additional stream of revenue from a new geographical market. We also expect to see significant development in the Group's automobile business, as our outstanding production

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services have been acknowledged by leading automakers, which provides us with the valuable credentials for actively widening our customer base in the automobile industry.”

“At the same time, 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. Last but not least, we will continue to implement cost control measures and production automation with a view to improving productivity and are committed to maintaining a healthy balance sheet. Therefore, despite the challenges ahead, we remain confident about the Group’s prospects.”

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 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 seven industrial parks in China, which are located at Shenzhen, Suzhou, Zhongshan, Chongqing and Wuhan. The Group is also in the process of setting up a new industrial park in Haiphong, Vietnam, which is scheduled for production in late 2016. For more information, please visit <http://www.eva-group.com>.

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