



EVA ANNOUNCES FY2017 INTERIM RESULTS

New Weihai Industrial Park to Bring About Enormous Growth Potentials Net Profit Surged by 227.8% to HK\$75.4 Million Due to Productivity Enhancement

Highlights

- Invited by Samsung Printing Solutions to set up a new industrial park in Weihai, Shandong Province to serve their enlarged production demand there after the acquisition of Samsung Printing Solutions by HP. The new Weihai industrial park can bring about enormous growth potentials for the Group
- Production ramp-up was smooth for the newly completed Vietnam industrial park
- Significant progress in automobile business line, and the construction of the new Mexico industrial park for automobile business is underway
- Strong improvement in profitability due to various cost control measures and production automation
- Gross profit margin increased to 27.2% (1H2016: 24.5%)
- Net profit rebounded sharply and increased by 227.8% to HK\$75,389,000 (1H2016: HK\$22,998,000)
- Interim dividend of HK1.27 cents per share, adhering to the dividend payout policy of approximately 30% of net profit since 2005
- Net debt-to-equity ratio was low at only 0.5%
- Repurchased 69,332,000 shares from the market to enhance earnings and net asset value per share for all existing shareholders

(Hong Kong, 28 August 2017) – **EVA Precision Industrial Holdings Limited** (“EVA” or the “Group”; stock code: 838) has announced its interim results for the six months ended 30 June 2017.

Establishment of the new Weihai industrial park provides enormous growth potentials

In September 2016, the office automation (“OA”) equipment division of Samsung Electronics (“Samsung Printing Solutions”), which had been one of the customers of the Group’s Suzhou industrial park since 2012, was acquired by Hewlett-Packard (“HP”). Thereafter, Samsung Printing Solutions moved the production of their OA equipment products from Suzhou and consolidated such production in their manufacturing facilities in Weihai, Shandong Province, leading to a slight reduction in the Group’s turnover for the six months ended 30 June 2017.

However, the Group has been informed by Samsung Printing Solutions that the production volume of their Weihai manufacturing facilities increased significantly after the acquisition by Hewlett-Packard (“HP”). Given the excellent track record of the Group in serving Samsung Printing Solutions in Suzhou, EVA has been invited by Samsung Printing Solutions to set up a new industrial park in Weihai to serve their significantly enlarged production demand there. Taking into account the significantly enlarged production demand of Samsung Printing Solutions in Weihai, it is believed that the potential sales volume of the Group’s future Weihai industrial park, when completed, would be significantly higher than that previously made by the Suzhou industrial park to Samsung Printing Solutions in Suzhou.

The new Weihai industrial park is planned to have a land area of 380,000 square metres and a floor area (phase one) of 70,000 square metres, and is scheduled for completion in the second half of 2019. Further, as the growth in the production demand of Samsung Printing Solutions in Weihai is imminent, the Group will rent a temporary factory in Weihai to serve Samsung Printing Solutions before the new Weihai industrial park is completed.

Production ramp-up progressing well at Vietnam industrial park

The Group’s new Vietnam industrial park, which was completed in late 2016, was in the process of ramping up its production during the period. The production ramp-up was smooth. This new industrial park was built at the invitation of certain of the Group’s major customers in the OA equipment industry which had already set up assembly plants in Vietnam for a long time. However, in the past, the Group only had production facilities in China and was therefore unable to serve the assembly plants of its OA equipment customers in Vietnam, as these customers adopt just-in-time production system which requires their suppliers to be located in their proximity. By entering into the customers’ supply chain in Vietnam through setting up a new industrial park there, the Group has enlarged its addressable market within the OA equipment industry. During the period, the majority of the turnover of this industrial park was generated from the OA equipment customers. However, the new Vietnam industrial park can also expand into other sectors such as the high end consumer electronics sector at a later stage, as Vietnam is also one of the major manufacturing hubs for high end consumer electronics products.

Substantial growth in the automobile business line

During the period, the Group continued to see significant progress in its automobile business line. Given its excellent track record in China, the Group has been invited by one of its existing automobile customers to establish a new industrial park in Mexico to serve their existing plants there. The new industrial park will be located at San Luis Potosí, Mexico where a lot of famous automakers and multinational tier-one suppliers, such as BMW, Volkswagen, Audi, Fiat-Chrysler and Faurecia, have production bases either locally or in the adjacent states. The new Mexico industrial park is planned to have a land area of approximately 83,000 square metres and its development is divided into phases. Phase one will have a floor area of approximately 16,000

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square metres, and is scheduled for completion in late 2018. Additional capacity can be added should its production capacity be unable to cope with the huge demand for high quality automobile moulds and components in Mexico, which is one of the world's major automobile production hubs.

In China, the Group continued to strengthen its business partnership with key automobile customers during the period. It has earned the "Excellent Supplier" award from a leading automaker in China once again, the fifth consecutive accolade from them since becoming their supplier five years ago. This 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. Accordingly, turnover from the automobile industry continued to increase during the six months ended 30 June 2017.

Emerging high technology companies in China created new business opportunities for the Group

In recent years, the Chinese government has taken conscious efforts to transform China from a low cost processing centre into a high end manufacturing hub focusing on creativity, product quality and efficiency. As a result, a lot of local high technology companies emerged in China in recent years, which created many new business opportunities for the Group in the smart device and high end consumer electronics markets as product quality and engineering expertise are also essential for high technology products.

Continuous efforts on various cost control measures

Since 2016, the Group has been implementing various cost control measures and streamlining its workforce with a view to coping with the rising wage level in China and improving efficiency. 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. Such efforts started to bring about positive outcomes during the six months ended 30 June 2017. During the period, although the new Vietnam industrial park started to ramp up production, the Group's total headcount continued to reduce from 7,855 employees as at 31 December 2016 to 7,736 employees as at 30 June 2017. Employment and various operating expenses decreased, which has led to a strong improvement in the profit margin of the Group during the period.

Substantial efforts on maintaining healthy financial position

During the period, the Group continued to devote substantial efforts to maintaining a healthy balance sheet. The Group took steps to streamline its working capital requirements, and accordingly its cash conversion cycle¹ reduced from 36 days for the year ended 31 December 2016 to 33 days for the six months ended 30 June 2017. The net debt-to-equity ratio was low at

¹ Defined as the total sum of inventory and debtors' turnover days less creditors' turnover days

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0.5%, which has a strong appeal to existing and targeted customers looking for manufacturing partners as financial stability has become one of their key criteria for supplier selection to ensure a reliable supply chain. In addition, with a view to enhancing earnings and net asset value per share for all existing shareholders of the Company, the Company repurchased its own 69,332,000 shares from the market during the six months ended 30 June 2017.

During the period, the turnover of the Group decreased by 4.1% to HK\$1,516,472,000, which was primarily caused by the relocation of the manufacturing facilities of Samsung Printing Solutions as mentioned above. Gross profit margin, however, increased to 27.2%, which was mainly due to the various cost control measures adopted by the Group since 2016 which led to a decrease in employment and other production costs, and a reduction in depreciation expenses as certain of the Group's production equipment had been fully depreciated. Various other operating costs of the Group also decreased due to cost controls. In addition, for the previous financial period, the Group's profit margin was lower and certain of its subsidiaries incurred losses, which increased its overall effective tax rate in the first half of 2016 as such losses were not eligible for offsetting the taxable profits generated by other profitable subsidiaries. This situation changed as profit margin improved during the six months ended 30 June 2017, leading to a reduction in the effective tax rate of the Group. As a result, the Group's net profit rebounded sharply and increased by 227.8% to HK\$75,389,000 for the six months ended 30 June 2017.

Mr. Zhang Hwo Jie, Chairman of EVA, said, "The financial result for the first half of 2017 has provided another proof of our outstanding management capabilities in overcoming difficulties. Despite a temporary reduction in turnover caused by the relocation of Samsung Printing Solutions, we have managed to drive a sharp profit rebound through stringent cost control and other management measures. The foundation of our automobile business line became more solid, as evidenced by its sustained revenue growth. At the same time, we have also been actively seeking new business opportunities to accelerate our development. Our entry into Vietnam and Mexico has not only fortified our partnerships with key customers, but can also generate additional streams of revenue from new geographical markets. The new Weihai industrial park is built at the invitation of Samsung Printing Solutions, who was impressed by our excellent track record in serving them. Since the production demand of Samsung Printing Solutions has been significantly enlarged after its acquisition by HP, we expect the potential sales volume of the Group's new Weihai industrial park to be significantly larger than that previously made to Samsung Printing Solutions in the past. As the platform for significant business growth has now been set, we are confident in seeing a robust business performance ahead."

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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

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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, smart device as well as high end consumer electronic sectors.

The Group operates eight industrial parks in China and Vietnam, which are located at Shenzhen, Suzhou, Zhongshan, Chongqing, Wuhan and Haiphong. The Group is also in the process of establishing new industrial parks in Weihai, Shandong Province and San Luis Potosí, Mexico, which are destined for the office automation equipment and automobile businesses respectively. For more information, please visit <http://www.eva-group.com>.

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