



EVA ANNOUNCES FY2020 ANNUAL RESULTS

**Sales of Automotive Component Segment Hit Record High
Maintains Overall Sales Performance and Healthy Financial Position Amid the Adversity**

Results Highlights

- As a result of China's economic turnaround and aided by the Group's continuous investment in differentiation and quality enhancement, as well as its commitment to reliability as a business partner, the Group achieved a 7% increase in turnover, reaching HK\$4,008,459,000.
- OA equipment segment maintained steady performance with segmental turnover at HK\$3,094,123,000, comparable to last year's level.
- Sales of automotive component segment hit a record high, with a significant increase in turnover of 37%, reaching HK\$914,336,000.
- In 2020, the Group managed to reinforce its financial health by maintaining a strong cash reserve with an improved net debt-to-equity ratio, decreasing from 22% to 15%.

(Hong Kong, 29 March 2021) - **EVA Precision Industrial Holdings Limited** ("EVA" or the "Group"; stock code: 838) announces its annual results for the year ended 31 December 2020 ("the Year").

With the US-China trade tension and the outbreak of COVID-19, 2020 was a challenging year for many businesses, the Group continued to remain cautious and prudent in its management decisions. Leveraged by the solid foundations of the product development and manufacturing sciences that EVA has built over the past 27 years, the Group managed to end the year stronger than when the scourge started.

New DEMS for the OA equipment business

In the office automation ("OA") equipment segment the Group recorded a turnover comparable to last year's level, amounting to HK\$3,094,123,000 in 2020. This was primarily attributable to the Group's increasing market share in the OA equipment sector as a result of its advantage being a long term reliable business partner of certain key players in the sector, which are starting to gradually scale down their own production lines in China in order to focus on marketing and business development, and hence they have been more willing to outsource their internal production to enlisted top-rated suppliers. The Group did, however, endure difficulties in Suzhou, where orders on OA equipment had dropped significantly as a result of the global suspension of offices and workforces during the year.

The primary competitive advantage that the Group has over its competitors in this sector is the ability to provide vertically integrated one-stop services starting from product conceptualisation and design, development of moulds, to production of components and parts, assembly of semi-products, testing and quality control. The Group is not just a mould and component maker, but a project owner of the "Development and Electronic Manufacturing Service" ("DEMS"). With the DEMS model, EVA is able to provide high customisation on products and assist its customers to effectively reduce the additional logistics costs and excess production lead time arising from outsourcing. In 2020, EVA has successfully leveraged

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its ability to integrate DEMS into its business model offering customers an end-to-end manufacturing programme. It is believed that DEMS will not only help the Group to grow its market share, but will also lay the foundation for the diversification of business streams and the proliferation in the high-end electronics market.

Exceptional results for the automotive component business

During the year, sales of the automotive component segment hit a record high, with a significant increase in turnover of 37%, reaching HK\$914,336,000. This was primarily attributable to the increased orders from its existing customers, such as Faurecia, Brose, Great Wall Motors and Shanghai General Motors Wuling.

In 2020, the Group acquired a direct “Tier-one Supplier” status from Tesla at both the Shenzhen and Mexico industrial parks, mainly for the production of their automobile seats. Hence, the Group is able to directly contract with this American electric car giant to receive its production orders, while maintain positive cooperative relationship with the suppliers of Tesla. It marks a significant milestone for the automotive component business. In 2020, majority of the mould design and development, testing and commissioning work had been completed in Shenzhen and Mexico and the Group expects mass production of the component products for direct contracted orders from Tesla to commence in July 2021. With the mass production kicking off, EVA is able to gain economies of scale by improving our efficiency and lowering the production costs in our Mexico industrial park.

Expansion of production facilities worldwide to strengthen the economies of scales

The Group’s Mexico industrial park commenced production in 2019. With its remarkable competitive advantages in the local area and highly mature technologies in manufacturing moulds and components, the Group has earned the trust and recognition from its customers after only round one year of operation. Based on the current sales orders and production schedule, the Group is expecting a significant bottleneck in production capacity by 2022. Hence, in 2020 the Group commenced the construction of the second phase of the industrial park in order to cater to the high demand and low supply in Mexico. The new second phase of the industrial park is expected to be completed by the first quarter of 2022 and production is expected to commence in the second half of 2022.

In China, the construction of the new industrial park in Weihai, which was built at the invitation of Hewlett-Packard (“HP”), was substantially completed before the start of 2020. During the year 2020, the Group has undergone transition from the temporary factory to the new self-constructed industrial park. The new industrial park in Weihai has already started to use DEMS model to design, develop and manufacture products with high customisation.

Meanwhile, the automotive component segment in China has experienced a strong momentum since the second half of 2020. In Chongqing, the Group has strengthened its strategic partnership with Great Wall Motors and has been invited by the customer to build a new production site in the city, as a workstation mainly responsible for high-precision welding in order to provide support services for Great Wall Motors. Due to their common application to various car models, it is expected to see voluminous orders of components, and mass production shall generate a significant amount of turnover at a relatively low cost. At present, as certain orders in Chongqing are delivered to Chengdu city, in order to make use of the geographical advantage and to enable better resource planning within the Group, the Group has started to move these orders from the Chongqing industrial park to the newly completed production plant in Lezhi county of Sichuan as of the first quarter of 2021. For the time being, the industrial plant in Sichuan is still operating on a small scale, but this will mark an important step as EVA develops its automobile market in Chengdu.

Healthy financial position amid the adversity

For the year ended 31 December 2020, the Group's turnover increased by 7% to HK\$4,008,459,000. The pandemic has indisputably brought about an adverse impact on the Group's overall performance, owing to production schedule delays and postponements in product development, while fixed operating costs in terms of manpower, equipment and utilities were still necessary to keep projects progressing as planned, causing a drop in operating profit, recorded declined to HK\$78,454,000. Gross profit margin was 18%. Loss for the year was to HK\$15,371,000. The Group continued to maintain a healthy financial position with a strong cash reserve and improved net debt-to-equity ratio from 22% to 15%.

Mr. Zhang Hwo Jie, Chairman of EVA, said, "As we head into 2021, the environment remains uncertain in view of the US-China tension and COVID-19 pandemic. Nevertheless, with a proven track record of our ability to rise to the challenge since 1993, the Group remains highly confident that the OA equipment sector will return to normal after a temporary downturn in 2020, and will see a certain growth potential over the next couple of years. We believe our new DEMS model will become a key growth driver, and will enable us to improve our business processes and to better serve our customers. The automobile sector will continue to grow with high expectations on the economic rebound in China. Moving forward, we will strive for innovation and transformation of a traditional business into an intelligent business by following a 3-step roadmap: 'Step 1 – integration and optimisation', which we have already embarked on by introducing vertical integration through our DEMS business model; 'Step 2 – automation and intelligence' that will improve efficiency in our production lines and help us develop better strategies in the changing landscapes; and 'Step 3 – growth and expansion', where we will adopt our technology and competitive edge across industries and bring value to the society and our shareholders."

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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 a 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, automotive and smart device as well as high end consumer electronic sectors.

At present, the Group's two main revenue streams are namely, the office automation ("OA") equipment business and the automotive components business. Currently, the Group operates six industrial parks in Shenzhen, Suzhou, Weihai and Vietnam for the OA equipment business, and its other five industrial parks in Shenzhen, Zhongshan, Chongqing, Wuhan and Mexico are serving the automotive component sector. For more information, please visit <http://www.eva-group.com>.

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