



EVA ANNOUNCES FY2020 INTERIM RESULTS

**Commitment to Health and Safety of Working Environment
Continuous Technological Improvement to Maximise Shareholders' Value**

Highlights

- Since the COVID-19 outbreak, the Group has been committed to the health and safety of all our employees and business partners, and has proactively taken all measures to contain the spread of COVID-19
- All of the Group's industrial parks in China has resumed production
- Although the Group recorded its first loss since its IPO in 2005 due to the COVID-19 outbreak, the Group is now working diligently to catch up on the delay in production caused by the production stoppage during the COVID-19 outbreak in the first half of 2020
- Various business growth drivers are unlikely to be significantly altered by the short-term impact brought about by the COVID-19 outbreak
- Product development team in Japan actively involves in the customers' product design processes, elevating the Group's strategic partnership with its customers to the next and more synergic level
- Construction of the new Weihai industrial park was substantially completed, and the Group is now in the process of moving from the rented temporary factory to the new self-constructed Weihai industrial park. The moving process is expected to be completed by the fourth quarter of 2020
- Vietnam industrial park continued to record robust revenue growth, a trend which is expected to continue into the years ahead
- New industrial park in Mexico for the automotive sector is under production. Continuous business development with reputable tier-one suppliers and automakers in China and overseas countries

(Hong Kong, 28 August 2020) - **EVA Precision Industrial Holdings Limited** ("EVA" or the "Group"; stock code: 838) announces its interim results for the six months ended 30 June 2020.

Numerous precautionary measures to contain the spread of COVID-19

Since the outbreak of the COVID-19 in January 2020, the Group has been committed to the health and safety of all our employees and business partners and to maintaining a high level of hygiene in the community. In accordance with the relevant governmental instructions, we extended the Chinese New Year holidays of the employees at our industrial parks in China to 9 February 2020, and only resumed production thereafter. We also supported and adopted all protective and hygienic measures and guidelines laid out by the relevant government departments. Internally, we imposed restrictions on business travel, and required our staff to conduct business with customers, suppliers and other business partners through electronic

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means such as video conferencing whenever possible. We have also taken a wide range of other protective measures, such as requiring the staff who returned from epidemic regions to self-quarantine, the supply of protective face masks to employees, testing their body temperature before work and thorough sterilisation of production lines, with a view to containing the spread of the virus.

Accelerating trend of outsourcing from the Group's OA equipment customers

Despite the challenging environment, the Group remains confident in its longer-term outlook, as the various mid-to-long term growth factors of the Group remained unscathed by the short-term impact brought about by the COVID-19 outbreak. In the office automation ("OA") equipment sector, the Group's customers are increasingly shifting their focus from internal production management to devoting more resources on marketing and business development. These OA equipment customers have plans to gradually scale down their own assembly plants in China, and outsource more of their internal production to reliable suppliers with proven track record. They will also request the selected suppliers to get increasingly involved in their product design processes. At the request of the customers, the Group has already set up a product development team in Japan, which works closely with the customers' product design departments. Team members include experienced engineers and product design experts from Japan. Given this new business direction of the customers, production outsourcing in the OA equipment sector will accelerate and the Group expects to see voluminous new orders from the OA equipment sector in the years ahead.

Strategic geographical expansion to drive business growth

By the end of 2019, the construction of the Group's new industrial park in Weihai, which is primarily tailored for the OA equipment sector, was substantially completed. However, internal renovation and production commencement were delayed by the COVID-19 outbreak in early 2020. At present, the Group is in the process of gradually moving from a temporary rented factory in Weihai to the new self-constructed Weihai industrial park, and the process is expected to be completed by the fourth quarter of 2020. The new Weihai industrial park has a land area of 349,000 square metres and phase one floor area of 80,000 square metres, and can provide the Group with additional production capacity to cope with the voluminous production demand presently existing in Weihai, and the increasing new orders driven by accelerated production outsourcing from the OA equipment customers as mentioned above.

In Vietnam, the impact of the COVID-19 outbreak was less serious. The Group's Vietnam industrial park, which is located in Haiphong, continued to record a robust growth in revenue during the six months ended 30 June 2020, a trend which we expect to continue into the second half of 2020 and the years after. At present, the Vietnam industrial park is primarily serving OA equipment customers which have assembly plants in Vietnam, but it can also expand into other high growth sectors such as the high-end consumer electronics sector in Vietnam at the later stages, as Vietnam is also well known as one of the global manufacturing hubs for high-end consumer electronics products.

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In the automotive sector, the Group's new industrial park in San Luis Potosí, Mexico, experienced a revenue growth for the period. However, the growth was slower than originally expected due to the various mobility and social restrictions imposed by the Mexican government following the COVID-19 outbreak. The Mexico industrial park was built at the invitation of one of the Group's existing automotive customers for the purpose of serving its existing plants in Mexico. This existing customer is a multi-national corporation engaging in the production of automotive seats, interiors and exhaust systems, and the demand from this customer in Mexico is huge. Besides, San Luis Potosí is also one of the major automotive production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers have production plants either locally or in the adjacent states. Therefore, an enormous demand exists for the precision manufacturing services offered by the Group in Mexico, and the Group remains confident about the mid-to-long term development of its Mexico industrial park despite the temporary setbacks brought by the COVID-19 outbreak.

Dedicated effort to expand customer base in China's automotive market

In China, the Group continued to devote substantial resources to proactively sourcing more orders from the Chinese automotive market, with particular attention given to internationally renowned tier-one suppliers in the automotive industry which have production plants in China. They have a huge and stable production demand which is less affected by the sales performance of a single car model. At present, reputable tier-one suppliers which have already become our customers in China include Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-Tech. At the same time, businesses with automakers were not ignored. During the period, the Group continued to deepen its business relationships with reputable automakers in China such as Dongfeng, Changan, SAIC-GM Wuling and Great Wall Motors.

Adhering to the Group's mission to maximise return for shareholders

During the six months ended 30 June 2020, the Group's turnover decreased by 4.6% to HK\$1,700,320,000, which was primarily caused by the production stoppage and the slowdown in business activities as a result of the COVID-19 outbreak. Further, the COVID-19 outbreak had disrupted the Group's production planning, and therefore the Group was unable to enjoy the efficiency from planning its production ahead in a detailed manner. Additional production costs had also been incurred since the COVID-19 outbreak, which included the costs of carrying out various hygiene measures in the Group's industrial parks and the extra costs for the procurement and transportation of raw materials and parts (especially those imported from overseas countries) under the transport restrictions imposed after the pandemic outbreak. Accordingly, the Group's gross profit margin for the period decreased to 17.4%. In addition, there were an increase in net exchange loss to HK\$18,648,000, which was caused by the weakening of foreign currencies against the Hong Kong dollar, and a reduction in government grants during the period. As a result, the Group recorded a net loss of HK\$65,754,000 for the six months ended 30 June 2020.

We have a philosophy of creating value for shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout policy at approximately 30% of net profit. Although no dividend was declared for the six months ended 30 June 2020 as the Group had incurred loss during the period, the

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Group has a plan to resume dividend payments when its profitability turns around. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources to maximise the returns to our shareholders.

Mr. Zhang Hwo Jie, Chairman of EVA, said, “At this point in time, the spread of COVID-19 shows signs of subsiding. However, there is no denying that the external environment in the second half of 2020 remains challenging. At present, we are working diligently to catch up on the delay in production caused by the production stoppage during the COVID-19 outbreak in the first half of 2020, whilst continuing to take measures to ensure the health and safety of our staff. In the longer term, we remain confident about the Group’s prospects, since the Group has taken sensible steps over the past few years to set up various business growth drivers for itself and deepen the business relationships with the existing and new customers. These business growth drivers are unlikely to be significantly altered by the short-term impact brought about by the COVID-19 outbreak.”

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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 operates eleven industrial parks in China, Vietnam and Mexico. For more information, please visit <http://www.eva-group.com>.

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