



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 2020



聚力以億和  
齊之以和  
Gather and  
Harmonise Billions of Strengths

EVA Shenzhen (Shiyan) Electronic Industrial Park

# BUSINESS HIGHLIGHTS



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- 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, automotives, 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, Dongfeng, Faurecia, Brose, ZF, Gestamp, Webasto, Yamada and Segway-Ninebot**.
- Since the outbreak of COVID-19, we have taken various measures to ensure the health and safety of our staff and business partners, and to minimise the impact on our business performance. At the same time, due to the swift reaction of the Chinese government to the COVID-19 outbreak, the pandemic was brought under control in an efficient manner in China, and all of the Group’s industrial parks in China had **resumed production in March 2020**.

# BUSINESS HIGHLIGHTS (CONT'D)

- In the OA equipment sector, the Group's major customers 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 part of such long-term plans, these customers will select suppliers with proven track record ***such as the Group*** and concentrate more of their purchases on the selected suppliers. 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.
- 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.
- During the period, the Group continued to utilise the temporary factory which it had rented from the Weihai government since early 2018 to cope with the existing orders in Weihai. Apart from the temporary factory, the Group also has another production facility in Weihai which was acquired in December 2017 to cope with the existing and future orders.
- At present, the Group is in the process of gradually moving from this temporary factory to the new self-constructed Weihai industrial park, and the process is expected to be completed by the fourth quarter of 2020.
- In Vietnam, the impact of the COVID-19 outbreak was less serious. During the period, the Group's ***Vietnam*** industrial park, which is located in Haiphong, continued to record a ***robust growth in revenue***, a trend which we expect to continue into the second half of 2020 and the years after.

## BUSINESS HIGHLIGHTS (CONT'D)

- In the automotive sector, the Group's new industrial park in San Luis Potosí, **Mexico**, which commenced production operations in 2019, 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 Group remains confident about the development of its Mexico industrial park. It is because a lot of famous automakers and multi-national tier-one suppliers have already established production plants in Mexico. Therefore, an enormous demand exists for the precision manufacturing services offered by the Group in Mexico.
- In China, the automotive market underwent a slowdown during the period, which was primarily caused by the weakening of consumer sentiment in China following the COVID-19 outbreak.
- With a view to driving business growth under this unfavourable external environment, the Group continued to devote substantial resources to proactively sourcing more orders from the Chinese automotive market. At present, reputable automakers and tier-one suppliers which have already become our customers in China include **Dongfeng, Changan, SAIC-GM-Wuling, Great Wall Motors, 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.

Digit Mexico (SLP) Automotive 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 **automotives** and **high end consumer electronics** markets a few years ago.
- Actively sourcing new customers to widen the customer base.

## Market Position

- **Precision engineering expertise** and **laser welding technology** distinguish 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, ZF and Segway-Ninebot**.

## 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 automotive markets had also established assembly plants.
- Expansion of production facilities in Weihai, China.

## Business Scale

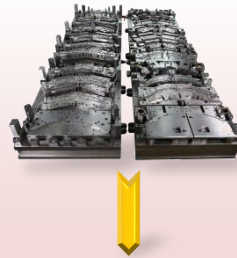
- **Eleven industrial parks in operations:** 3 in Shenzhen, 1 in Suzhou, 1 in Zhongshan, 1 in Chongqing, 1 in Wuhan, 2 in Weihai, 1 in Haiphong (Vietnam) and 1 in Mexico.

# VERTICALLY INTEGRATED ONE-STOP SERVICES

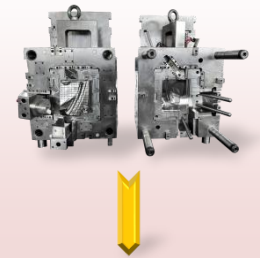
## 1. Mould design and production

- 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

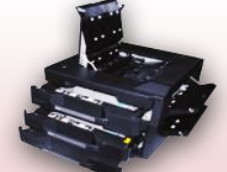


## 3. Individual components assembled into semi-finished products

- Assembly of various components into semi-finished modules through high precision laser welding and other assembly processes.



Semi-finished modules

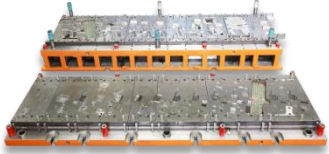


Finished products





# 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.



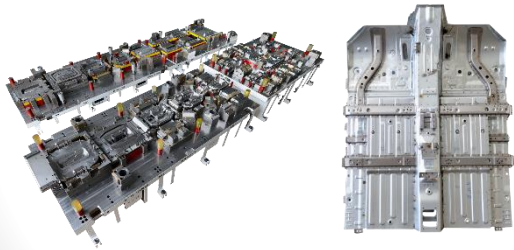
## Production automation to improve efficiency

- 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.

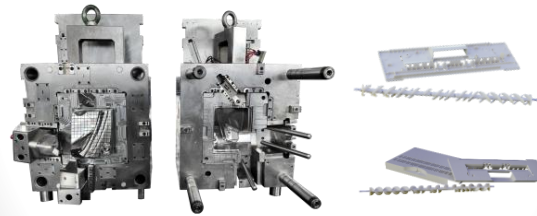
# INDUSTRY LEADING TECHNOLOGIES (CONT'D)

## Products

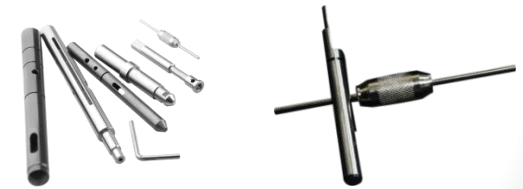
### Metal stamping moulds and components



### Plastic injection moulds and components



### Lathing 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).

- 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.

- High-precision shafts mainly used as paper rollers.
- Diameter distortion of 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

## Product Sophistication

### Laser welding



- Traditionally used in aviation and luxury sport car industries.
- Low temperature 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 automotives 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 product development team to work closely with the customers' product design departments in Japan.
- Solidify business relationships with the customers through involvement at the early stage of product development.

## 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**



**EVA**<sup>®</sup>

# 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 to serve the assembly plants of OA equipment customers in Vietnam.

# OFFICE AUTOMATION (OA) EQUIPMENT (CONT'D)



## Development of new production facilities in Weihai

- The construction of the new EVA Weihai (Double Islands Bay) Electronic Industrial Park was substantially completed by the end of 2019. However, internal renovation and production commencement were delayed by the COVID-19 outbreak in early 2020.
- During the first half of 2020, the Group continued to use the temporary factory which it had rented from the Weihai government since early 2018 to cope with the existing orders. At present, the Group is in the process of gradually moving from this temporary factory to the new EVA Weihai (Double Islands Bay) Electronic Industrial Park, and the process is expected to be completed by the fourth quarter of 2020.
- The Group also has another production facility in Weihai named EVA Weihai (Intops) Electronic Industrial Park to serve the existing and future orders.

# AUTOMOTIVES

## Overview

In accordance with China Industry Information Network, China's automotive component industry is forecast to reach an annual revenue size of RMB5,700 billion in 2024. 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 automotive moulds and components. These factors create an increasing demand for the precision manufacturing services offered by EVA in the automotive industry.

## Digit Chongqing Automotive Industrial Park

- Acquired in 2011 through the purchase of an automotive mould company.
- To source orders from automakers and automotive tie-one suppliers in Chongqing and adjacent cities such as Changan, SAIC-GM-Wuling, Great Wall Motors, Brose and Faurecia.
- 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

# AUTOMOTIVES (CONT'D)

## Digit Wuhan Automotive 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.
- Existing customers include Dongfeng, Citroen, Peugeot, Honda, Faurecia and Gestamp.



Factory Building



Automated Stamping Production Line



2,700T Servo Line



# AUTOMOTIVES (CONT'D)

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



EVA (Guangming) Precision Manufacturing  
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 automotives. It is capable of producing moulds for various parts of automotives including car seat frames, exhausted systems and high tensile parts.
- Digit Zhongshan Automotive Industrial Park was merged into EVA's automotive business line in 2015, targeting at automotive components.
- These two industrial parks are set to serve the automotive market in Guangdong Province, in which reputable automakers and tier-one suppliers such as Guangzhou Automobile Group, Audi, Faurecia and Brose are located.



Digit Zhongshan Automotive  
Industrial Park

**AISIN**

**brose**  
Excellence in Mechatronics

**ADIANT**

**faurecia**

**YACHIYO**



**Gestamp**

**CTS**

# AUTOMOTIVES (CONT'D)

## Digit Mexico (SLP) Automotive Industrial Park

- The construction of Digit Mexico (SLP) Automotive Industrial Park was completed in 2019. It is located at Logistik Industrial Park, 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 BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp.
- Additional capacity can be added should a surge in turnover be seen.



Stamping Production Line



Digit Mexico (SLP) Automotive Industrial Park

# HI-TECH AND CONSUMER ELECTRONICS PRODUCTS

## Overview

According to Gartner, worldwide information technology spending will reach US\$3,865 billion in 2020. 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

- 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.



Factory Building



Multi-layer coating system



SMT lamination

# 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



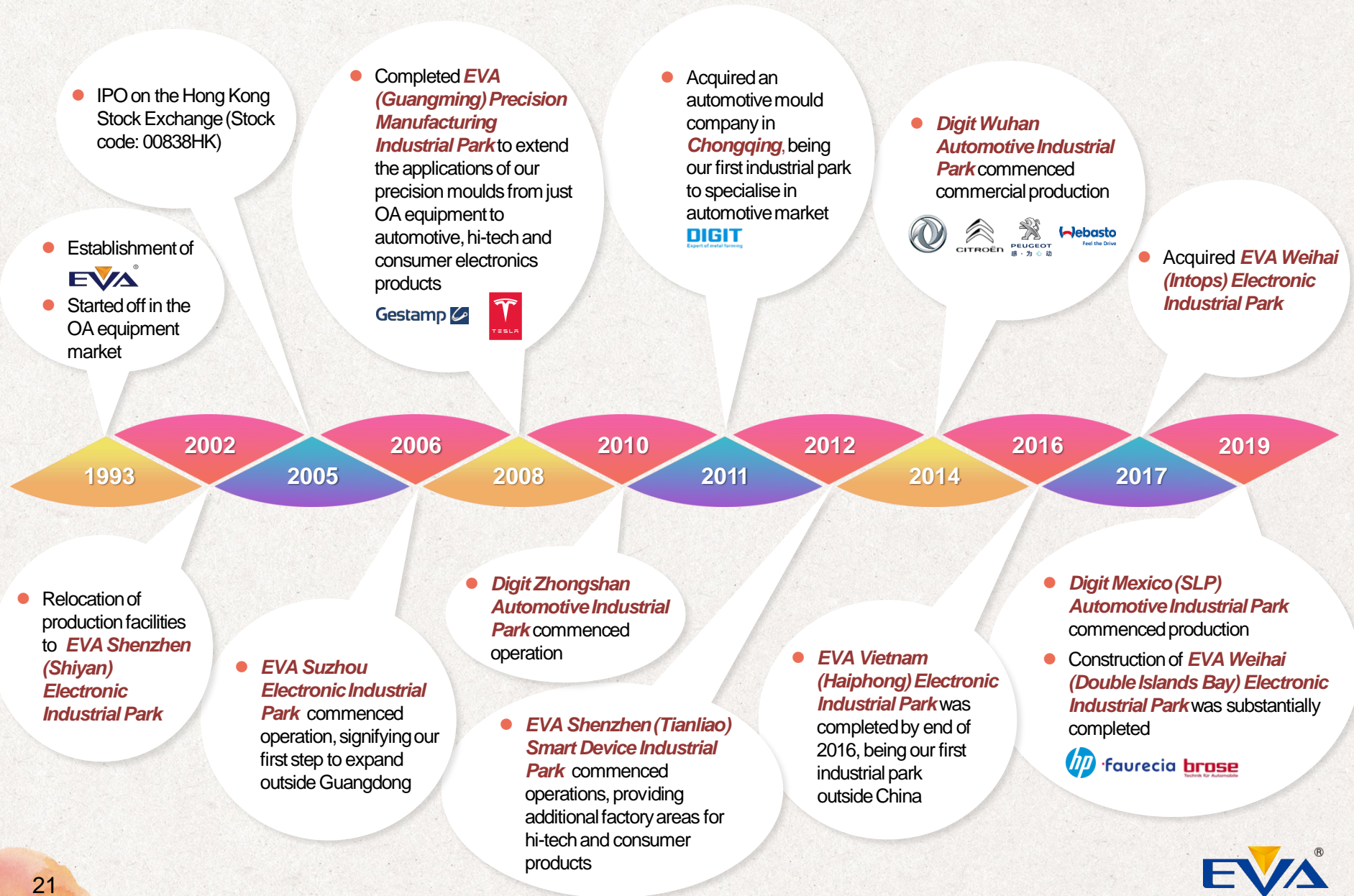
- **Strong management and engineering team** with more than 25 years of experience in industry
- Conservative financial management and efficient cash conversion cycle<sup>1</sup> over the years
- Dedicated to streamlining costs and headcount through production automation and other cost control measures

- Solid track record in serving **world-class customers** such as **Canon, Fuji Xerox, Konica Minolta, Ricoh, Hewlett-Packard, Dongfeng, Faurecia and Brose**, which are well known for their demanding quality requirements
- Numerous **accolades from major customers** for outstanding product quality and services
- Invited by major customers to set up a product development team to **work closely with the customers' product design departments in Japan**
- **Constant dividend payouts** of roughly 30% of net profits since IPO<sup>2</sup>
- 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

Note 2: For the six months ended 30 June 2020, the Group recorded its first loss since its IPO in 2005 and therefore no dividend was declared. However, the Group has a plan to resume dividend payments when its profitability turns around.

# KEY MILESTONES



# INDUSTRIAL PARKS

At present, the Group has eleven industrial parks in China, Vietnam and Mexico.



**Digit Mexico (SLP) Automotive 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:**  
80,000 sq.m.  
(Phase 1)  
**Land area:**  
349,000 sq.m.



**Digit Wuhan Automotive Industrial Park**

**GFA:**  
87,000 sq.m.  
**Land area:**  
360,000 sq.m.



**EVA Vietnam (Haiphong) Electronic Industrial Park**

**GFA:**  
58,000 sq.m.  
**Land area:**  
37,000 sq.m.



**Digit Zhongshan Automotive 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 Automotive 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
2000-2020	ISO9001 Certification	BSI Group
2003-2020	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
2009-2020	<b>National High and New Technology Enterprise Certification</b>	Chinese Government
2010	Special Contribution Award	Midea
2010	Product Assembly Service Certification	Kyocera
2011	Certificate in Chemical Substance Management Standard	Brother
2011-2020	Premiere Partner Award	Fuji Xerox



# MAJOR AWARDS AND ACCOLADES (CONT'D)

Year	Honors	Company / Organisation
2011-2019	Corporate Environmental Leadership Award	Federation of Hong Kong Industries
2011-2020	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
2017	Gratitude Certificate – External Component Procurement Activities	Konica Minolta



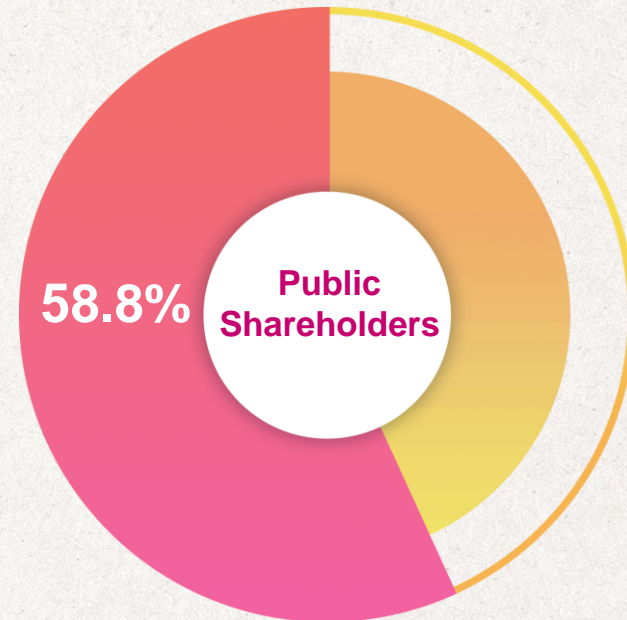
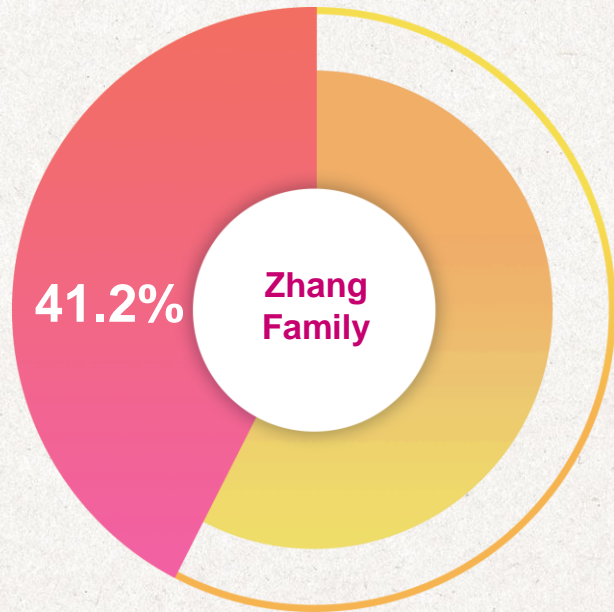


# MAJOR AWARDS AND ACCOLADES (CONT'D)

Year	Honors	Company / Organisation
2017	Sourcing Quality Assurance – Overall Excellence Award	Ricoh
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
2020	Best Supplier Award	Segway-Ninebot
2020	Joint Innovation Award	Segway-Ninebot



# SHAREHOLDING STRUCTURE



- Total number of shares in issue as at 28 August 2020 = 1,716,581,800 shares
- Outstanding share options of 137,350,000 options as at 28 August 2020

# EXPERIENCED MANAGEMENT TEAM

Management	Position	Credentials
<b>Mr. ZHANG Hwo Jie</b>	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 Hongkong" 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>
<b>Mr. ZHANG Jian Hua</b>	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>
<b>Mr. ZHANG Yaohua</b>	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, vice chairman of the 8th executive committee of Shenzhen Federation of Industry &amp; Commerce, executive president of Shenzhen Machinery Association, vice president of Guangdong Die &amp; Mould Industry Association, Shenzhen Enterprise Confederation, Shenzhen Entrepreneur Association and Shenzhen General Chamber of Commerce</li> <li>● Deputy supervisor of the Committee for Economic Affairs of the 6th Shenzhen Committee of the Chinese People's Political Consultative Conference</li> </ul>

# OUTLOOK

- 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, since it is uncertain about when the pandemic will come to an end and any future recurrence of a widespread COVID-19 outbreak will inevitably bring about an adverse impact on the business performance of the Group.
- 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, including investments in both China and overseas countries, and deepening 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.

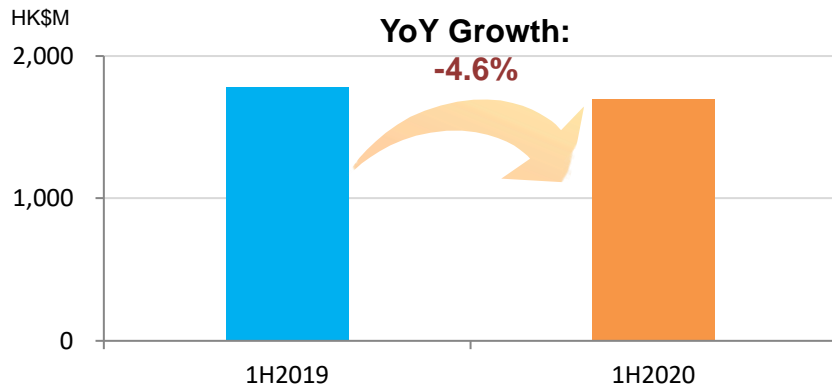
EVA Vietnam (Haiphong) Electronic Industrial Park

# FINANCIAL INFORMATION

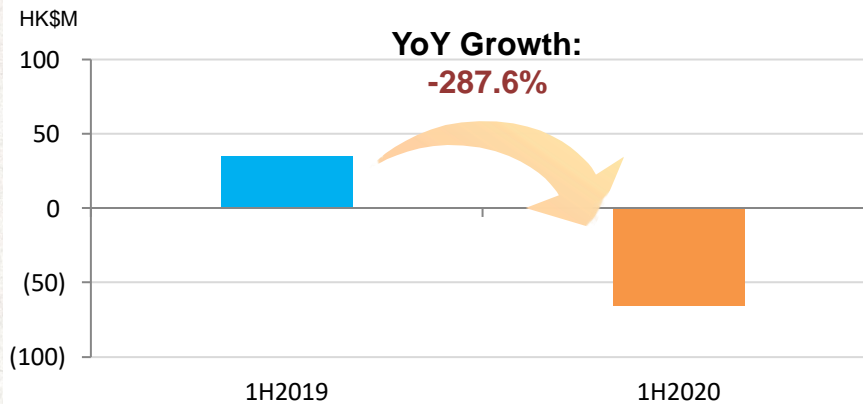


# 1H2020 BUSINESS RESULTS

## Turnover



## Net Profit (Loss)



- The Group's turnover decreased by 4.6% to HK\$1,700,320,000 in 1H2020, 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 in 1H2020.

# FINANCIAL PERFORMANCE

## Consolidated Income Statement

Expressed in HK\$'000	1H2020	1H2019	YoY Chg
<b>Revenue</b>	<b>1,700,320</b>	<b>1,782,589</b>	<b>-5%</b>
Cost of sales	(1,403,822)	(1,365,953)	3%
<b>Gross profit</b>	<b>296,498</b>	<b>416,636</b>	<b>-29%</b>
Other income	17,087	32,750	-48%
Other losses - net	(20,880)	(7,615)	174%
Selling and marketing costs	(96,499)	(107,203)	-10%
General and administrative expenses	(242,024)	(266,767)	-9%
<b>Operating (loss)/profit</b>	<b>(45,818)</b>	<b>67,801</b>	<b>-168%</b>
Finance income	5,993	13,241	-55%
Finance costs	(26,429)	(35,619)	-26%
Share of losses of associates	(2,973)	(4,301)	-31%
<b>(Loss)/Profit before income tax</b>	<b>(69,227)</b>	<b>41,122</b>	<b>-268%</b>
Income tax credit/(expense)	3,473	(6,064)	-157%
<b>(Loss)/Profit attributable to equity holders of the Company</b>	<b>(65,754)</b>	<b>35,058</b>	<b>-288%</b>
<b>Dividend</b>	<b>Nil</b>	<b>11,230</b>	
<b>Gross Margin</b>	<b>17.4%</b>	<b>23.4%</b>	
<b>Operating Margin</b>	<b>-2.7%</b>	<b>3.8%</b>	
<b>Net Margin</b>	<b>-3.9%</b>	<b>2.0%</b>	
<b>Dividend Payout Ratio</b>	<b>Nil</b>	<b>32.0%</b>	

During the period, 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.

During the period, the Group's production planning was disrupted by the COVID-19 outbreak, and therefore the Group was unable to enjoy the efficiency from planning its production ahead in a detailed manner. Further, additional procurement and transportation costs had been incurred since the COVID-19 outbreak. Gross profit margin decreased to 17.4%.

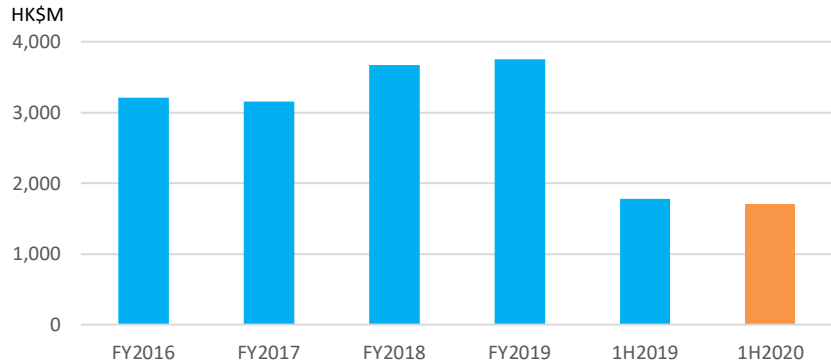
As mentioned above, the Group experienced a reduction in gross profit margin during the period. Further, there were an increase in net exchange loss and a reduction in government grants. Therefore, the Group recorded operating loss in 1H2020.

In 1H2020, the Group recorded a reduction in finance income and costs as a result of the decrease in market interest rates.

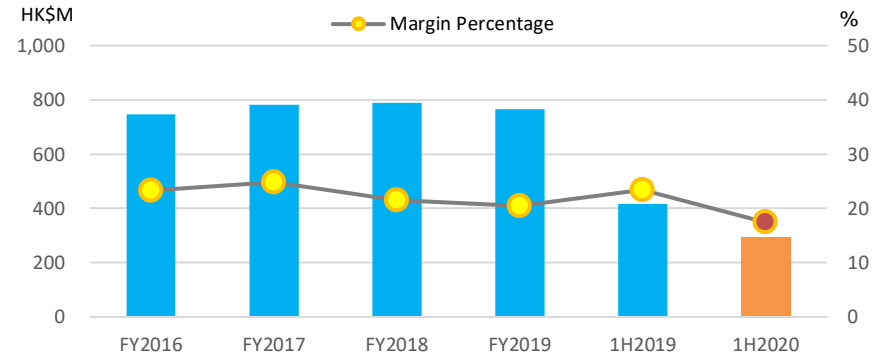
During the period, the Group's income tax expense decreased since certain of its subsidiaries incurred losses as result of the COVID-19 outbreak. At the same time, the Group received tax refunds of HK\$7,716,000 from the tax authorities in China. Accordingly, the Group recorded net income tax credit of HK\$3,473,000 in 1H2020.

# FINANCIAL SUMMARY

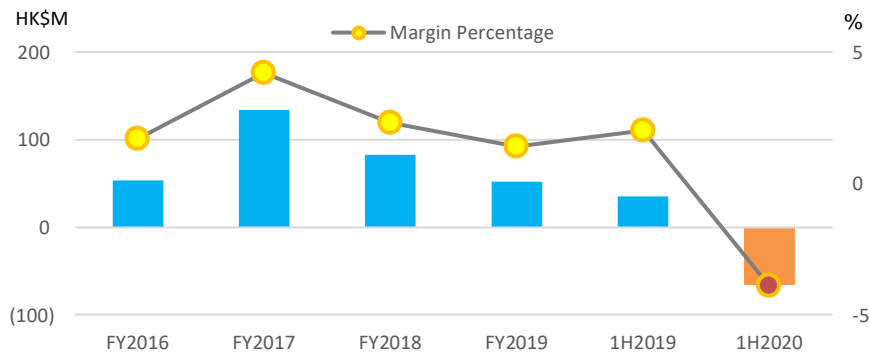
## Revenue



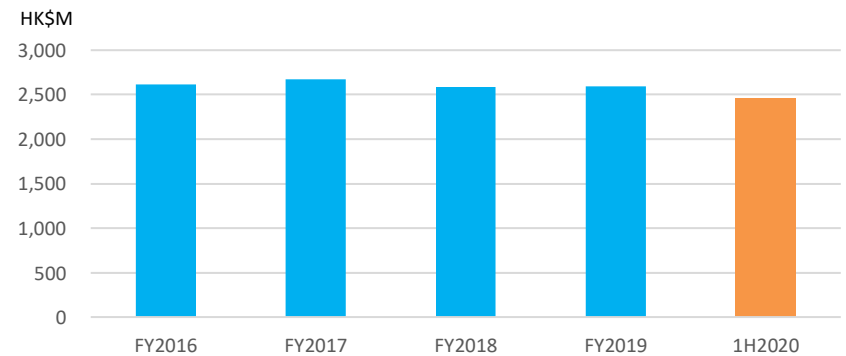
## Gross Profit and Margin



## Net Profit and Margin



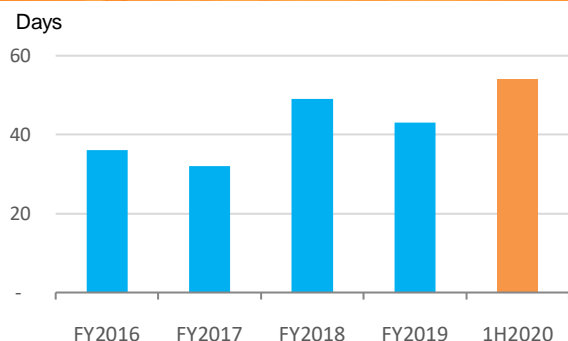
## Net Assets



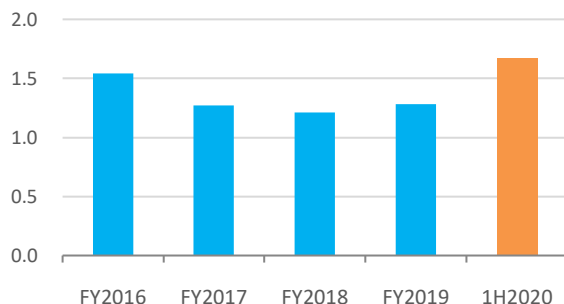


# OTHER KEY FINANCIAL RATIOS

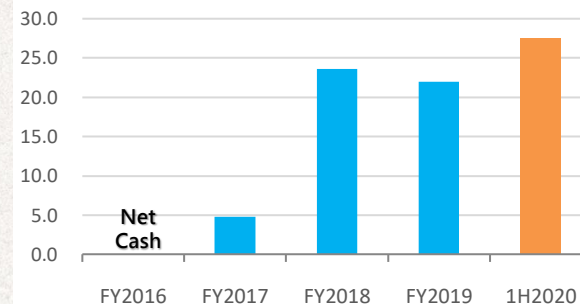
## Cash Conversion Cycle<sup>1</sup>



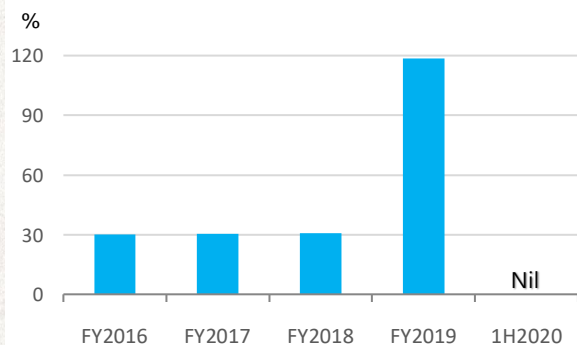
## Current Ratio



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



## Dividend Payout Ratio<sup>3 and 4</sup>



*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 Hong Kong Financial Reporting Standard 16 "Leases".*

*Note 3: Dividend payout ratio increased to 118.5% in 2019 due to special dividend declared to celebrate the 15th anniversary of the Group's IPO.*

*Note 4: For the six months ended 30 June 2020, the Group recorded its first loss since its IPO in 2005 and therefore no dividend was declared. However, the Group has a plan to resume dividend payments when its profitability turns around.*

Digit Chongqing Automotive Industrial Park

THE END



# DISCLAIMER

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For more information:

**EVA Precision Industrial Holdings Limited**

Francis Wong

Phone: +852 2620 6488

Email: [franciswong@eva-group.com](mailto:franciswong@eva-group.com)

Fax: +852 2191 9978