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HIGHWAY HOLDINGS REPORTS FISCAL 2021 SECOND QUARTER RESULTS

HONG KONG — October 7, 2020— Highway Holdings Limited (Nasdaq: HIHO) today reported results for its fiscal 2021 second quarter and six-months ended September 30, 2020.

Net sales for the fiscal 2021 second quarter were \$2.7 million compared with \$3.2 million a year earlier. Net income for the same period was \$229,000, or \$0.06 per diluted share, compared with a net loss of \$94,000, or \$0.02 per share, a year earlier.

Net sales for the first half of fiscal 2021 were \$4.8 million compared with \$6.0 million a year earlier. Net income for the same period was \$6,000, or \$0.00 per diluted share, compared with a net loss of \$196,000, or \$0.05 per share, a year ago.

“Results for the quarter and first half of fiscal 2021 reflect the worldwide the impact of the coronavirus pandemic. Nonetheless, despite unfavorable year-over-year sales comparisons, sales on a quarterly sequential basis actually increased 30 percent. Net income performance, though modest, was encouraging, despite the continued impact of the pandemic on operations and on our customers,” said Roland Kohl, chairman, president and chief executive officer.

Kohl noted that results for the quarter benefitted from various subsidies provided by the governments in Hong Kong and Shenzhen due to the continued impact of COVID-19, as well as from voluntary reductions of substantially all staff salaries.

Kohl emphasized the company expects to be effected by the coronavirus for at least another quarter, and potentially for the rest of the fiscal year -- reflecting the offset of certain customer business increases by other customers more sharply experiencing the impact of COVID 19 and reducing order activity.

“Nonetheless, new business opportunities are continuing and are encouraging, though the timing can be difficult to gauge and closing new business opportunities take longer due to the numerous travel restrictions caused by COVID 19. We remain optimistic about the future and believe the trade friction between the United States and China may actually be to our benefit because of our ability to manufacture in Myanmar,” Kohl said.

Gross profit for the second quarter of fiscal 2021 was \$931,000 compared with \$845,000 a year ago. Gross profit as a percentage of sales for the same period was 34.2 percent compared with 26.4 percent a year earlier. Gross profit for the six-month period of fiscal 2021 was \$1.5 million compared

(more)

with \$1.6 million a year ago. Gross profit as a percentage of sales for the same period was 30.4 percent compared with 26.3 percent a year earlier. “Gross profit for both the quarter and six months of 2021 is not truly representative of the company’s expected annualized financial performance due to the many operational constraints and extraordinary income from various governmental agencies,” Kohl said.

Net gain for the second quarter reflects a currency exchange loss of \$18,000 compared with a \$54,000 currency exchange gain for the same period last year -- mainly due to weakening of RMB. For the fiscal 2021 six-month period, the company reported a currency exchange loss of \$38,000 compared with a currency exchange gain of \$95,000 a year earlier. Since the company does not engage in currency exchange rate hedging, Highway Holdings will in the future continue to realize currency exchange gains and losses due to the fluctuation of currency exchange rates.

Kohl noted the company’s balance sheet remains strong, with cash and cash equivalents in excess of \$8.6 million, or approximately \$2.2 per diluted share, exceeding all of its short- and long-term liabilities by approximately \$2.4 million.

Current liabilities at September 30, 2020 totaled \$4.4 million and current assets were \$12.2 million. Total shareholders’ equity at September 30, 2020 was \$10.5 million, or \$2.64 per diluted share, compared with \$10.9 million, or \$2.80 per diluted share, at March 31, 2020.

About Highway Holdings Limited

Highway Holdings is an international manufacturer of a wide variety quality parts and products for blue chip equipment manufacturers based primarily in Germany. Highway Holdings’ administrative offices are located in Hong Kong and its manufacturing facilities are located in Yangon, Myanmar and Shenzhen, China.

Except for the historical information contained herein, the matters discussed in this press release are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, governmental, political and technological factors affecting the company’s revenues, operations, markets, products and prices, and other factors discussed in the company’s various filings with the Securities and Exchange Commission, including without limitation, the company’s annual reports on Form 20-F.

(Financial Tables Follow)

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HIGHWAY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statement of Income

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Net sales	\$2,719	\$3,195	\$4,776	\$6,040
Cost of sales	1,788	2,350	3,324	4,449
Gross profit	931	845	1452	1,591
Selling, general and administrative expenses	698	1,014	1,428	1,926
Operating income/(loss)	233	(169)	24	(335)
Non-operating items				
Exchange gain /(loss), net	(18)	54	(38)	95
Interest income	4	19	8	29
Gain/(Loss) on disposal of Asset	8	2	9	3
Other income/(expenses)	7	-	8	1
Total non-operating income/ (expenses)	1	75	(13)	128
Net income (loss) before income tax and non-controlling interests	234	(94)	11	(207)
Income taxes	0	0	0	0
Net income (loss) before non-controlling interests	234	(94)	11	(207)
Less: net gain/(loss) attributable to non-controlling interests	5	0	5	(11)
Net income/(loss) attributable to Highway Holdings Limited's shareholders	229	(94)	6	(196)
Net Gain/ (loss) per share – Basic	\$0.06	(\$0.02)	\$0.00	(\$0.05)
Net Gain/ (loss) per share - Diluted	\$0.06	(\$0.02)	\$0.00	(\$0.05)
Weighted average number of shares outstanding				
Basic	3,909	3,904	3,909	3,853
Diluted	3,981	3,904	3,981	3,853

IGHWAY HOLDINGS LIMITED AND SUBSIDIARIES**Consolidated Balance Sheet**

(Dollars in thousands, except per share data)

	<u>Sept 30</u> <u>2020</u>	<u>Mar 31</u> <u>2020</u>
Current assets:		
Cash and cash equivalents	\$8,642	\$8,827
Accounts receivable, net of doubtful accounts	1,800	2,008
Inventories	1,536	2,000
Prepaid expenses and other current assets	209	388
Total current assets	<u>12,187</u>	<u>13,223</u>
Property, plant and equipment, (net)	911	878
Operating lease right-of-use assets	3,288	3,710
Long-term deposits	263	263
Long-term loan receivable	95	95
Investments in equity method investees	-	-
Total assets	<u>\$16,744</u>	<u>\$18,169</u>
<u>Current liabilities:</u>		
Accounts payable	\$608	\$997
Operating lease liabilities, current	853	782
Other liabilities and accrued expenses	1,917	2,294
Income tax payable	588	564
Dividend payable	399	351
Total current liabilities	<u>4,365</u>	<u>4,988</u>
<u>Long term liabilities :</u>		
Operating lease liabilities, non-current	1,648	2,034
Deferred income taxes	229	229
Total liabilities	<u>6,242</u>	<u>7,251</u>
<u>Shareholders' equity:</u>		
Preferred shares, \$0.01 par value	-	-
Common shares, \$0.01 par value	40	40
Additional paid-in capital	11,574	11,537
Accumulated deficit	(1,257)	(865)
Accumulated other comprehensive income/(loss)	129	196
Treasury shares, at cost – Nil shares as of Sep 30, 2020; and on March 31, 2020	-	-
Non-controlling interest	16	10
Total shareholders' equity	<u>10,502</u>	<u>10,918</u>
Total liabilities and shareholders' equity	<u>\$16,744</u>	<u>\$18,169</u>