EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

(Incorporated with limited liability in the Cayman Islands)
(Stock Code: 838)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2022 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Unaudited Six months ended 30 June	
	Note	**2022**	2021
		HK$'000	*HK$'000*
Revenue	*4*	**2,939,731**	2,386,869
Cost of sales	*5*	**(2,374,683)**	(1,900,606)
Gross profit		**565,048**	486,263
Other income		**10,072**	17,044
Other gains/(losses) – net		**3,110**	(1,048)
Selling and marketing costs	*5*	**(123,925)**	(133,129)
General and administrative expenses	*5*	**(333,117)**	(286,851)
Operating profit		**121,188**	82,279
Finance income	*6*	**4,988**	5,307
Finance costs	*6*	**(15,706)**	(13,829)
Share of (losses)/profits of associates		**(232)**	90
Profit before income tax		**110,238**	73,847
Income tax expense	*7*	**(7,583)**	(5,929)
Profit for the period		**102,655**	67,918
Other comprehensive (loss)/income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(47,680)**	34,596
Total comprehensive income for the period		**54,975**	102,514
Profit for the period attributable to equity holders of the Company		**102,655**	67,918
Total comprehensive income for the period attributable to equity holders of the Company		**54,975**	102,514
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**5.9**	4.0
– diluted	*8*	**5.8**	3.9

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	Unaudited 30 June 2022 HK$'000	Audited 31 December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,474,195**	2,417,647
Right-of-use assets		**361,451**	384,467
Intangible assets		**6,888**	7,639
Investments in associates		**32,704**	34,633
Financial assets at fair value through other comprehensive income		**32,328**	32,328
Prepayments, deposits and other receivables		**36,505**	48,529
Deferred income tax assets		**6,555**	6,675
		2,950,626	2,931,918
Current assets			
Inventories		**631,384**	688,478
Trade receivables	*10*	**1,595,843**	1,381,951
Prepayments, deposits and other receivables		**151,147**	150,365
Restricted bank deposits		**74,734**	102,742
Cash and cash equivalents		**1,317,675**	1,318,182
		3,770,783	3,641,718
LIABILITIES			
Current liabilities			
Trade payables	*11*	**1,354,679**	1,372,815
Contract liabilities		**84,271**	67,778
Accruals and other payables		**225,940**	283,712
Bank borrowings		**1,563,483**	1,447,550
Lease liabilities		**28,679**	30,949
Current income tax liabilities		**19,310**	23,187
		3,276,362	3,225,991
Net current assets		**494,421**	415,727
Total assets less current liabilities		**3,445,047**	3,347,645

	Note	Unaudited 30 June 2022 *HK$'000*	Audited 31 December 2021 *HK$'000*
Non-current liabilities			
Bank borrowings		**537,500**	460,000
Lease liabilities		**61,887**	78,297
Deferred income tax liabilities		**20,432**	20,907
		619,819	559,204
Net assets		**2,825,228**	2,788,441
EQUITY			
Capital and reserves			
Share capital		**174,362**	174,912
Reserves		**2,650,866**	2,613,529
Total equity		**2,825,228**	2,788,441

Notes:

1 BASIS OF PRESENTATION

The Company is an investment holding company, and its subsidiaries are principally engaged in the provision of precision manufacturing services, focusing on the production of moulds and components with high quality standard and dimensional accuracy.

The Company was incorporated in the Cayman Islands on 12 July 2004 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 May 2005.

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue by the Board of Directors on 29 August 2022. The condensed consolidated interim financial information has not been audited.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2021, which are described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Relevant amendments to existing standards effective for the financial year beginning 1 January 2022

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 (Amendments)
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The adoption of the above amendments to standards does not have any significant impact to the results and financial position of the Group.

(b) New standards, amendments to existing standards, annual improvements, guideline and interpretation issued but not yet effective for the financial year beginning of 1 January 2022 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Int5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

There are no new standards, amendments to existing standards, annual improvements, guideline and interpretation that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors and senior management collectively. They review the Group's internal reporting in order to assess performance and allocate resources.

The Group is organised into two main business segments, namely, (i) Office automation equipment and (ii) Automotive components. Also, investments in associates and financial assets at fair value through other comprehensive income are reported as un-allocated assets in information provided to the chief operating decision-maker as they are not directly related to the segment performance.

The chief operating decision-maker assesses the performance of the operating segments based on a measure of revenue and profit before interest and tax.

Information provided to the chief operating decision-maker is measured in a manner consistent with that in the condensed consolidated interim financial information.

The segment results and other segment items are as follows:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Office automation equipment	**Automotive components**	**Total**	Office automation equipment	Automotive components	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**2,082,453**	**857,278**	**2,939,731**	1,830,347	556,522	2,386,869
Segment results	**80,747**	**74,385**	**155,132**	53,824	48,396	102,220
Unallocated expenses			**(33,944)**			(19,941)
Finance income			**4,988**			5,307
Finance costs			**(15,706)**			(13,829)
Share of profits of associates			**(232)**			90
Profit before income tax			**110,238**			73,847
Income tax expense			**(7,583)**			(5,929)
Profit for the period			**102,655**			67,918
Depreciation	**70,218**	**67,343**	**137,561**	67,379	66,477	133,856
Amortisation	**751**	**–**	**751**	751	–	751

For the six months ended 30 June 2021 and 2022, unallocated expenses represent corporate expenses and share-based payment expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2022				As at 31 December 2021			
	Office automation equipment	**Automotive components**	**Un-allocated**	**Total**	Office automation equipment	Automotive components	Un–allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,500,178**	**3,101,861**	**119,370**	**6,721,409**	3,454,922	3,018,296	100,418	6,573,636
Liabilities	**1,019,844**	**734,315**	**2,142,022**	**3,896,181**	1,093,149	736,946	1,955,100	3,785,195

The segment capital expenditure is as follows:

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	Office automation equipment	**Automotive components**	**Un-allocated**	**Total**	Office automation equipment	Automotive components	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	**76,490**	**129,816**	**–**	**206,306**	70,258	95,920	–	166,178

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, restricted bank deposits, certain prepayments, deposits and other receivables, and cash and cash equivalents.

Segment liabilities comprise operating liabilities but exclude bank borrowings, current income tax liabilities, deferred income tax liabilities and certain accruals and other payables.

Capital expenditure comprises additions to property, plant and equipment and acquisition of a subsidiary.

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 30 June 2022 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**6,602,039**	**1,754,159**
Unallocated:		
Investments in associates	**32,704**	**–**
Financial assets at fair value through other comprehensive income	**32,328**	**–**
Cash and cash equivalents	**28,986**	**–**
Deferred income tax assets	**6,555**	**–**
Prepayments, deposits and other receivables	**18,797**	**–**
Current income tax liabilities	**–**	**19,310**
Deferred income tax liabilities	**–**	**20,432**
Bank borrowings	**–**	**2,100,983**
Accruals and other payables	**–**	**1,297**
Total	**6,721,409**	**3,896,181**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2021 as follows:

	Assets *HK$'000*	Liabilities *HK$'000*
Segment assets/liabilities	6,473,218	1,830,095
Unallocated:		
Investments in associates	34,633	–
Financial assets at fair value through other comprehensive income	32,328	–
Cash and cash equivalents	7,714	–
Deferred income tax assets	6,675	–
Prepayments, deposits and other receivables	19,068	–
Current income tax liabilities	–	23,187
Deferred income tax liabilities	–	20,907
Bank borrowings	–	1,907,550
Accruals and other payables	–	3,456
Total	6,573,636	3,785,195

During the six months ended 30 June 2022, the aggregated revenue from the top two customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$1,349,958,000 (six months ended 30 June 2021: top two customers: HK$1,045,215,000).

Revenue from external customers, based on the destination of the shipment, and assets by geographical region are as follows:

Revenues by geographical region

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	The People's Republic of China ("PRC")	**Vietnam**	**Mexico**	**Total**	PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**2,263,005**	**409,778**	**266,948**	**2,939,731**	2,069,765	201,487	115,617	2,386,869

Assets by geographical region

	As at 30 June 2022				As at 31 December 2021			
	PRC	**Vietnam**	**Mexico**	**Total**	PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total non-current assets	**2,283,955**	**240,925**	**425,746**	**2,950,626**	2,304,504	246,066	381,348	2,931,918
Total assets	**5,423,768**	**566,826**	**730,815**	**6,721,409**	5,490,863	466,108	616,665	6,573,636

4 REVENUE

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Sale of moulds and components	**2,860,804**	2,325,692
Others *(Note)*	**78,927**	61,177
	2,939,731	2,386,869

The Group derives all revenue from the sales of goods at a point in time.

Note: Others mainly represent proceeds from sales of scrap materials.

5 OPERATING PROFIT

Statement of comprehensive income items included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Raw materials used	**1,826,572**	1,399,039
Production overhead costs (excluding labour and depreciation expenses)	**150,844**	134,988
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**464,089**	430,950
– Staff welfare	**26,068**	22,157
– Retirement benefit – defined contribution plans	**33,370**	35,393
– Share option granted	**15,638**	–
Depreciation		
– Property, plant and equipment	**120,932**	118,578
– Right-of-use assets	**16,629**	15,278
Amortisation of intangible assets	**751**	751
Provision for inventory obsolescence	**27,357**	13,301
Operating lease rental for short-term and low-value leases	**427**	345

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**4,988**	5,307
Finance costs		
Interest expense on:		
Bank borrowings	**20,730**	16,722
Lease liabilities – Plant and machinery	**106**	216
Lease liabilities – Factory and office premises	**2,115**	1,625
Interest capitalised	**(7,245)**	(4,734)
	15,706	13,829

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Current taxation		
– Mainland China corporate income tax	**(20,130)**	(14,338)
Over-provision in prior years	**12,192**	10,094
Deferred income tax	**355**	(1,685)
	(7,583)	(5,929)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%).

(b) Mainland China corporate income tax

Income tax for the subsidiaries of the Group established in Mainland China has been provided at the following tax rates:

(i) Provision for Mainland China corporate income tax was calculated at the statutory rate of 25% (six months ended 30 June 2021: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Digit Stamping Technology (Wuhan) Limited and Shenzhen Digit Automotive Technology Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2021 and 2022. EVA Precision Industrial (Weihai) Limited is newly recognised during the six months ended 30 June 2022.

(c) Other income taxes

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from the Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands are exempted from the British Virgin Islands income tax.

The subsidiary established and operating in Vietnam is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group was under 50% reduction from corporate income tax in Vietnam for the six months ended 30 June 2022 (six months ended 30 June 2021: Same).

Provisions for income taxes in other jurisdictions are based on the assessable profits of the respective subsidiaries and the applicable tax rates.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic

	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company *(HK$'000)*	**102,655**	67,918
Weighted average number of ordinary shares in issue *('000)*	**1,748,178**	1,717,073
Basic earnings per share *(HK cents per share)*	**5.9**	4.0

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (i.e. share options). A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2022	2021
Profit attributable to equity holders of the Company *(HK$'000)*	**102,655**	67,918
Weighted average number of ordinary shares in issue *('000)*	**1,748,178**	1,717,073
Adjustment for share options *('000)*	**12,521**	5,525
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,760,699**	1,722,598
Diluted earnings per share *(HK cents per share)*	**5.8**	3.9

9 DIVIDEND

An interim dividend of HK 1.76 cent (2021: HK1.2 cent) per ordinary share, amounting to HK$30,693,000 (2021: HK$20,749,000), was declared by the directors of the Company for the six months ended 30 June 2022.

10 TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 to 180 days.

The aging of the trade receivables based on invoice date is as follows:

	As at	
	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
0 to 90 days	**1,372,451**	1,232,628
91 to 180 days	**224,580**	150,511
	1,597,031	1,383,139
Less: loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,595,843**	1,381,951

The top five customers and the largest customer accounted for 45.8% (31 December 2021: 44.8%) and 16.4% (31 December 2021: 12.4%), respectively, of the trade receivables balance as at 30 June 2022. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

During the six months ended 30 June 2022, no additional loss allowance was recorded for its trade receivables (six months ended 30 June 2021: Nil).

11 TRADE PAYABLES

The aging of trade payables is based on invoice date as follows:

	As at	
	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
0 to 90 days	**1,222,981**	1,269,900
91 to 180 days	**131,698**	102,915
	1,354,679	1,372,815

12 SUBSEQUENT EVENT

On 19 July 2022, the Group entered into an agreement for conditional acquisition of 100% equity interest of a PRC target company at an initial consideration of approximately RMB62M (approximately HK$72M) subject to subsequent adjustment. The target company is principally engaged in the manufacturing of digital laser printing devices, multi-function copiers and other printing devices in the PRC. Details of the acquisition of the target company are set out in the announcement of the Company dated 20 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

COVID-19 outbreaks around the world continued to impact international shipping and logistics during the review period. The situation is yet to return to pre-pandemic normal. Global supply chains and chip supply are still under pressure. At the same time, the rate hike cycle has begun in the US and European countries and exchange rates have started to fluctuate, driving production costs high. However, with more people getting vaccinated, the pandemic has come gradually under control. Hence the global economy started to recover in the first half of the year, driving revival of the business environment and sentiment in mainland China and overseas in the first half year. On the back of its long-term business strategy, good relationship with customers, and continuous effort to optimise strategic deployment and resource integration, the Group maintained satisfactory business growth during the period, with automotive component business doing exceptionally well. For the six months ended 30 June 2022, the Group continued to report impressive year-on-year growth in operations albeit the challenging operating environment.

During the period, turnover of the Group's two business segments, namely office automation ("OA") equipment and automotive components, both recorded year-on-year growth. Under the Group's effective cost control strategies, sales and administrative expenses were well managed. Coupled with the synergies from the acquisition of Shenzhen EVA Technology Intelligent Manufacturing Co., Ltd. ("EVA Intelligent Manufacturing", formerly known as "Futaba Metal Products (Shenzhen) Co., Ltd.") in April 2021, the Group's total turnover increased by 23% year-on-year to HK$2,939,731,000 (1H2021: HK$2,386,869,000). Thanks to the above-mentioned factors, the Group's profit attributable to shareholders improved notably in the first half of 2022, growing 51% year-on-year to HK$102,655,000 (1H2021: HK$67,918,000) with basic earnings per share at HK5.9 cents (1H2021: basic earnings per share of HK4.0 cents).

With the pandemic hitting certain areas in mainland China, including Shenzhen, Weihai and Shanghai, in the first half of the year, and lockdown measures implemented by local governments, certain equipment deployed earlier were affected and production capacity could not be put to full use and that led to delays in production and delivery. Hence, the Group's gross profit margin narrowed by 1.2 percentage points to 19.2% for the period against the previous same period (1H2021: 20.4%). Nevertheless, with overall orders and turnover risen markedly, gross profit continued to rise.

BUSINESS REVIEW

Office Automation Equipment

Having dedicated almost three decades to the development of the OA equipment business, the Group has a good reputation in the industry and long-standing trust of customers. During the period, the Group continued to actively drive growth of the business segment. Furthermore, with constant advancement of business models in the market and the aim to diversify business and increase market penetration, the Group has focused on developing Design and Electronic Manufacturing Service ("DEMS") operation in recent years. As such, turnover of the OA equipment business grew by 14% to HK$2,082,453,000 during the period (1H2021: HK$1,830,347,000), of which approximately 11% were owed to the rapid growth in Vietnam market's sales, reaching 103% growth year-on-year.

During the period, turnover from the Shenzhen operation increased by approximately 13% year-on-year, approximately 4% of which were from the increase in orders obtained after the acquisition of EVA Intelligent Manufacturing, and the remaining approximately 9% growth were from existing business and mainly from Fujifilm and Kyocera businesses. Specifically, the turnover from Fujifilm assembly services increased by approximately 3% year-on-year, reflecting the stable performance of the business. At the end of June 2022, the Group completed relocating EVA Intelligent Manufacturing and merged its production capacity with that of the Shenzhen industrial park, thereby reduced operating costs and markedly improved overall operational efficiency, and also the production capacity utilisation as well as profit margin of its Shenzhen operation.

In addition, in Suzhou, as a result of the epidemic outbreak in Shanghai during the period forcing several major customers to suspend production for several months, operating conditions were overall unfavourable, and both orders and shipments slipped. Turnover from the region declined by approximately 38% year-on-year. The Group is currently actively exploring new business with customers. Canon and Ricoh, among others, resumed investment in new projects at the end of last year. This year, the two customers have already started to invest in developing five new models. Furthermore, in the first half of the year, the Group adjusted internal resources allocation, reduced staff to streamline structure and lowered fixed operating expenses, which we expect will have a positive impact on the Group's business performance in Suzhou. The Group is cautiously optimistic about the outlook of its business in Suzhou and will continue to flexibly formulate appropriate market strategies heeding changes in the market and its business performance.

During the period, turnover of the Group's business in Weihai rose by approximately 8% year-on-year, driven mainly by DEMS business. In July this year, the Group's wholly-owned subsidiary EVA Precision Industrial (Weihai) Limited entered into an agreement for conditional acquisition of the entire equity interest in Fujifilm Business Innovation (China) Co., Ltd. for approximately RMB62 million, subject to subsequent adjustments. The company boasts leading printer research and development and production technology in China and has been a leader in the A3 printing devices market in the country. It is principally engaged in the manufacturing of digital laser printing devices, multi-function copiers and other printing devices. With the Group dedicated to developing OA equipment business and continuing to strategically expand the business segment, the acquisition has brought to the segment the strengths, resources and capabilities of the company, which will be conducive to the Group implementing its DEMS development strategy and better servicing long-standing customers. The Group also expects to reap strong synergies from the acquired business with its existing OA equipment business, helpful for it to grow its high value-added A3 printing machinery and devices business and strengthen its own research and development team.

During the period, the team continued to provide end-to-end services to DEMS business customers. The Group expects to deliver DEMS orders for A3 multi-function printers of close to US$300,000,000 worth within three years. Apart from developing existing markets, the Group is committed to expanding the mainland market and tapping into the information technology application innovation ("ITAI") industry. With the support of national policies, the ITAI industry has grown rapidly. According to the "Market research report on the information technology application innovation ecosystem in China in 2021" released by the China Software Industry Association, the industry will have a market worth RMB800 billion by 2025, growing at a CAGR of 37.7%. Printers and copiers are a niche market in the industry and producing printers locally is an important part of localising ITAI, and that means the outlook of industry demand is promising. As a market leader in providing fundamental hardware, the Group prides top-notch manufacturing technologies and DEMS product advantages and on-going cooperation with customers such as Lenovo, Huawei, TOEC and Great Wall Information in co-developing and introducing more related products to the market. Such efforts are expected to help increase substantially the Group's market share in mainland China.

The Group's Vietnam industrial park commenced operation in 2017. At the team's efforts to develop business in the years since then, the industrial park has gradually entered investment harvest stage. The turnover from Vietnam grew about 103% year-on-year, owed mainly to the significant increase in orders and delivery from two key customers Fujifilm and Kyocera. Although, when the pandemic first hit, the Vietnamese government adopted preventive and control measures such as lockdowns and closing factories, when the pandemic entered later stage, those measures were gradually relaxed and commercial activities began to resume, and that greatly boosted the Group's business in Vietnam during the period. Also, as the industrial park is located in Haiphong City, which was relatively less impacted by COVID-19, operation of the Group's factory was not severely affected. At the same time, with overall demand in the global market increasing, economic activities in Vietnam have gradually returned. The Group thus quickly stepped up production and output in Vietnam and handled lagging orders. As the Group expected orders for its factory in Vietnam to exceed the existing production capacity there, the Group plans to expand the production facilities in Haiphong City, so as to meet the large number of orders on hand.

The OA equipment segment reported profit amounting to HK$80,747,000 for the period (1H2021: HK$53,824,000). The growth was primarily attributable to a surge in segment turnover from the economic recovery and the Group's strong business momentum aforementioned. Utilisation rates of the Group's production facilities returning to normal also helped widened the segment profit margin to approximately 3.9% (1H2021: 2.9%). A new normal has emerged in the post-pandemic era, and many companies are letting their employees work from home and OA equipment are not limited to printers or photocopiers as in the past, but evolving and fitting into an "automated office" ecosystem. The Group will continue to develop and launch more related and practical products and solutions that can meet demand in the changing new office environment. We believe the OA equipment market has huge development potential, thus will speed up deployment for tapping business in overseas markets.

Automotive Components

In the first half of 2022, the Group's automotive component segment continued to record significant growth, mainly due to a more than one-fold surge in sales in Mexico during the period, as well as sales growth in Chongqing and Wuhan, which pushed up segment turnover by about 54% year-on-year to HK$857,278,000 (1H2021: HK$556,522,000). During the period, the Group continued to, via integrating strategic resources, and increasing investment in innovation and raising technology standards, fully release its production capacity. As the global economy hopefully will gradually recover following the epidemic lull, the Group expects consumption sentiment to revive and sees the automotive components segment still having much room for growth.

The Group's automotive component business mainly focuses on the development and mass production of moulds and products for various components, including automobile seats, automotive body structures and chassis. Its headquarters and R&D centre are located in the Group's industrial park in Shenzhen. It renders support to technological R&D and mould design and development of all automobile seats and related businesses of the Group, including development and production of moulds for the Mexico site. Boosted by the increase in orders in Mexico, mould sales of the Shenzhen operation continued to grow, leading to higher production efficiency and lower production costs. Having completed the mass production of moulds for the Mexico industrial park, the Group's export business in Shenzhen has started to recover and also expand into the European and Japanese markets. In the first half of 2022, turnover of the automotive component business in Shenzhen increased by approximately 50% year-on-year. While continuing to support development of the Mexico industrial park, the Shenzhen industrial park has been actively expanding business in the mainland and Japanese markets.

In Zhongshan, the Group recorded a 14% increase in turnover. Although orders from several of the Group's top customers (such as automobile suppliers Brose, Aisin and Yachiyo in Europe and Japan) decreased due to the epidemic in mainland China, thanks to the Group bringing in a good number of new projects such as new energy electronic control and electronic engineering projects, and sales of door locks and skylight assembly parts, segment turnover grew steadily during the period, offsetting the impact from decrease in orders from major customers. The Group believes, with industrial structure upgraded and project scope widened, Zhongshan industrial park will have new impetus to grow its business and profit. The Group has also deepened cooperation with a renowned Chinese company, which has expanded its automotive onboard storage battery system business to Zhongshan. When the company steps up development of its automotive business there, the Group's related business will see strong growth.

In Chongqing, despite the epidemic disrupting production activities at factories in Shanghai, the Group still recorded turnover growth of approximately 29%. Affected by automotive chip shortage and the epidemic being erratic in China, the Group's major customer Great Wall Motors had to delay production and shipment of certain projects. However, during the period, the increase in orders from Great Wall Motors was still the key turnover growth driver for Chongqing. During the period, the Group continued to work more closely with Great Wall Motors, SAIC-GM-Wuling and Changan Automobile and was able to markedly enhance its product development, manufacturing and quality capabilities, and management standard. It also cooperated with Changan Automobile, Huawei and CATL to jointly develop mould business related to the high-end new energy brand "AVATR". The parties concerned have also integrated their technological and resource advantages to further expand business in the new energy vehicle ("NEV") sector in the southwestern region in China, which is favourable for maintaining strong and high-quality growth.

Impacted by the epidemic in mainland China and automotive chips shortage, mass production for orders from Great Wall Motors in 2021 were delayed, resulting in a decline in the existing business in Wuhan during the period. However, the operation in Wuhan recorded growth in relation to the NEV sector. During the period, the Group has carried out R&D and preparation for mass production for a large number of new projects, as such, its turnover from related business surged by approximately 88% year-on-year. Also, having secured NEV customers, Wuhan is expected to achieve business growth in 2023 of more than a fold of that of 2022. With the country aspiring to build Wuhan into an automobile manufacturing base, the Group integrated the advantageous technologies and resources of the Chongqing and Wuhan industrial parks during the period and established an automotive body structure, chassis parts and battery systems development centre in the Wuhan industrial park to speed up development of its automotive business in the city. Induced by the external environment, the Group made strategic reforms to its automotive clientele in Wuhan. While maintaining its share in the traditional fuel-engine vehicle market, the Group has shifted the focus of its business and technology strategies to NEVs, including continuing to take orders in relation to NEVs from General Motors in the US, the US NEV manufacturer Lucid Motors, and Dongfeng. At the same time, the Group also put major efforts on developing battery system business in Wuhan, especially battery system integration business, and subsequent technological R&D will aim at strengthening battery system integration technology and aluminum alloy integration technology. The Group already has voluminous orders on hand in Wuhan, which we expect to turn into sales returns gradually in five to seven years from 2022.

Mexico continues to serve the Group as an important bridge to reach customers in the US and European markets. The operation there relays mould development orders to the Group's Shenzhen plant, helping boost the utilisation rate of production facilities in Shenzhen. Thanks to its strategic business layout and competitive advantages, in the first half of 2022, the Group continued to win the trust of customers in Mexico and was able to tighten strategic cooperation with major customers. To meet increasing orders, the Group invested in 400T, 630T, 1250T and 2500T presses during the period and three Tesla-dedicated cleaning machines in the Mexico industrial park have been put into use gradually this year. Among automotive supplier customers, sales to Faurecia, Brose and Adient all increased substantially year-on-year, driving revenue in Mexico on a sharp climb of approximately 131%. With the completion of phase two and three of Mexico industrial park, and improvement of the mould technology, production efficiency and management system at the industrial park, the customer base there has been growing. The industrial park has secured more than HK$6,000,000,000 worth of customer orders. After the Group obtained tier-one supplier qualification from Tesla last year, orders from and shipments to the client both increased notably during the period. Since August 2022, Tesla's orders almost doubled year-on-year. The Group expects to see Mexico continuing to deliver encouraging business performance in the future.

The explosive growth of the new energy market has presented the Group's new energy business with major opportunities for rapid growth. The Group's R&D achievements in the fields of new energy automotive high-strength structural parts, battery system, and electronic control systems are highly recognised by NEV giants Tesla and Lucid Motors, and have seen it become Tesla's exclusive back seat supplier for the North America market.

In addition, guided by the country's new energy strategies and aspiring to be a forerunner on the new energy "race track", starting from 2021, the Group has begun negotiations with a well-known Chinese enterprise covering including energy storage battery system, onboard storage battery system, photovoltaic inverters and smart cockpits, as well as internet server business. In the first half of 2022, the Group embarked on technological upgrade and established industry-first "multi-station production" and "automated nailing" exemplary production lines. These production lines can greatly enhance production efficiency, reduce production cost and raise production competitiveness. The automation technology has gained strong recognition from customers, and laid a good technological foundation for the Group to develop and expand its new energy projects. As such, the Group received HK$660,000,000 worth of new energy orders from the well-known company in mainland China as mentioned above, and mass production of them is expected to be in full swing in the fourth quarter of 2022. These orders are mainly for providing comprehensive manufacturing services for precision structural parts and product assembly for the customer's automotive component business and internet server business.

The mainland China automotive industry was temporarily impacted by the outbreak in the first half of 2022. Some domestic automotive production lines had to delay production due to component shortage, and production orders from many automobile manufacturers continued to shrink. The Group's automotive component business recorded profit of approximately HK$ 74,385,000 during the period (1H2021: HK$48,396,000). Segment profit margin remained relatively constant at around 8.7% (1H 2021: 8.7%). Yet the Group believes utilisation rates will significantly increase moving forward as it further tightens its strategic partnership with tier-one automotive suppliers and automotive manufacturers through improving technologies and management, plus the aforementioned improving consumption sentiments worldwide, and the strong growth of the Group's Mexico and Wuhan industrial parks.

OUTLOOK

At present, as the COVID-19 pandemic is not completely over yet, relatively strict prevention and control measures are still in place in China. Combining this with the recent tensions in Sino-US relations, the unstable situation between Russia and Ukraine, and interest rate hikes in Europe and the US have caused significant exchange rate fluctuation, and led to worsening global inflation. This is detrimental to the development of the industry and affects the raw material supply chain, including that of chips, which may prompt customers to reduce production, and will in turn directly affect the Group's shipments.

Despite the increase in raw material prices, the Group has managed to control costs at a certain level through strategic cooperation with customers and suppliers, adjusting inventory and making purchases in a timely manner. In addition, with the shortage of electronic and consumer product chips gradually easing, and orders inflow and sales remaining stable, the Group is cautiously optimistic about the outlook of its business in the second half year despite the macro environment still relatively challenging.

Many research institutions expect supply chain and chip shortage to alleviate next year. At the same time, the Group will continue to be prudent in decision making in the second half year, flexibly formulate development strategies heeding market trends, and actively control costs, thereby ensure steady growth of its business in the difficult environment.

In addition, as energy saving, emission reduction and low carbon concepts and environmental protection are gaining more and more attention, NEVs are set to become an important area of growth in the automotive industry. Recently, China Automobile Association announced that, between January and June this year, sales of pure electric vehicles and other NEVs continued to be strong at 2,600,000 units, approximately 2.2 times that of the same period last year. This shows that the industry has huge growth potential, so the Group will consider investing more resources in R&D of NEVs to help it seize market opportunities.

The Group will also adhere to a prudent treasury policy and maintain a healthy balance sheet. As at 30 June 2022, its net debt-to-equity ratio increased to 25.3% (as at 31 December 2021: 17.5%), primarily due to increase in bank borrowings and decrease in cash and bank balances. The Group's net cash flows from operating activities decreased to HK$29,769,000 (1H2021: HK$156,105,000), primarily because of stronger capital needs, in relation to accounts receivables and accounts payables, to meet increasing orders. Seeing signs of global rate hikes, the Group expects borrowing costs to increase in this fiscal year, and climbing still further next year. Therefore, it will closely monitor interest rate trend and, with interest rate forecasts taking into consideration, adjust its treasury policies when necessary.

Looking ahead to the second half, the global economy and business environment will continue to have many uncertainties. Although many factories are expecting orders to exceed their production capacity in the next three years, the Group will be prudent in considering the strategies and pace of capacity expansion. It will strive to enhance its competitive edges in the OA equipment and automotive component markets, insist on pursuing technological advancement, and adopt appropriate measures to expand its revenue sources. It will also continue to optimise its cost structure, so as to continue to create value for shareholders, as well as consolidate its market leadership. The Group will strive to reward its supporters and those who place their trust in it with sustainable and promising returns.

FINANCIAL REVIEW

An analysis of the Group's turnover and results by segment is as follows:

	Six months ended 30 June			
	2022		2021	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Office automation equipment division				
Design and fabrication of moulds	**81,998**	**2.8%**	148,205	6.2%
Manufacturing of components	**1,973,091**	**67.1%**	1,657,750	69.5%
Others *(Note 1)*	**27,364**	**0.9%**	24,392	1.0%
	2,082,453	**70.8%**	1,830,347	76.7%
Automotive component division				
Design and fabrication of moulds	**90,751**	**3.1%**	85,118	3.6%
Manufacturing of components	**714,964**	**24.3%**	434,619	18.2%
Others *(Note 1)*	**51,563**	**1.8%**	36,785	1.5%
	857,278	**29.2%**	556,522	23.3%
Total	**2,939,731**		2,386,869	
Segment results				
Office automation equipment division	**80,747**		53,824	
Automotive component division	**74,385**		48,396	
Operating profit	**155,132**		102,220	
Unallocated expenses	**(33,944)**		(19,941)	
Finance income	**4,988**		5,307	
Finance costs	**(15,706)**		(13,829)	
Share of (losses)/profits of associates	**(232)**		90	
Income tax expense	**(7,583)**		(5,929)	
Profit attributable to equity holders of the Company	**102,655**		67,918	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover increased by 23.2% to HK$2,939,731,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the period, as well as the additional contribution of revenue arisen from the acquisition of EVA Intelligent Manufacturing as aforementioned.

Gross profit

During the period, gross profit margin decreased to 19.2% (1H2021: 20.4%), which was mainly due to the following: (i) multiple waves of COVID-19 outbreak in mainland China causing domestic lockdowns in various cities; and (ii) the global chip shortage causing our production and delivery schedule to delay, both factors posing negative impacts on the Group's utilisation of its production facilities.

Segment results

For the six months ended 30 June 2022, as a result of the surge in segmental turnover in the Group's office automation equipment division, the operating profit margin went up to 3.9% from 2.9%. The operating profit margin of the Group's automotive component division remained relatively stable at 8.7%.

Unallocated expenses

During the period, unallocated expenses mainly represent corporate expenses of HK$18,306,000 (1H2021: HK$19,941,000) and share-based payment expenses of HK$15,638,000 (1H2021: nil).

Finance income and costs

For the six months ended 30 June 2022, the Group's finance costs increased mainly because the Group's average borrowing balance increased as compared to the first half of 2021. The Group's finance income decreased mainly because the Group's average cash and cash equivalent balance decreased as compared to the first half of 2021.

Share of (losses)/profits of associates

Share of (losses)/profits of associates represents the Group's share of 40% of the loss (1H2021: profit) of the micro lending business through equity pick-up.

Income tax expense

Income tax expense for the six months ended 30 June 2022 mainly represents current income tax charge amounting to HK$20,130,000 netted off by (i) over-provision in prior years amounting to HK$12,192,000 and (ii) deferred income tax credit of HK$355,000 mainly arising from temporary differences on depreciable assets.

Profit attributable to equity holders of the Company

During the period, the Group recorded profit attributable to equity holders of the Company amounting to HK$102,655,000 (1H2021: HK$67,918,000, which was primarily caused by the increase in operating profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the period ended 30 June 2022, the Group's net cash generated from operating activities decreased to HK$29,769,000 (1H2021: HK$156,105,000), which was primarily due to increase in working capital requirements such as the trade receivables and trade payables to cope with the increase in turnover. During the period, the Group's capital expenditure decreased to HK$187,512,000 as the major capital expansion had been completed and certain maintenance and renovation work on the existing production facilities continued in 2022. The increase was netted off by the decrease in the Group's short-term bank deposits amounting to HK$28,008,000. Therefore, the Group recorded net cash used in investing activities amounting to HK$155,850,000 (1H2021: HK$286,550,000). The Group had a net increase in bank borrowings of HK$193,433,000 and lease payments totaling HK$17,560,000 during the period. After repurchase of shares amounting to HK$7,672,000 and payment of dividend of HK$26,154,000, the Group recorded net cash generated form financing activities of HK$142,047,000 during the period (1H2021: HK$117,993,000).

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 30 June 2022 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong, as compared to those in China. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), almost all of the Group's borrowings as at 30 June 2022 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratios

	30 June 2022	31 December 2021
Inventory turnover days *(Notes 1 and 5)*	**48**	61
Debtors' turnover days *(Notes 2 and 5)*	**98**	99
Creditors' turnover days *(Notes 3 and 5)*	**103**	122
Cash conversion cycle *(Notes 4 and 5)*	**43**	38
Current ratio *(Notes 6 and 8)*	**1.15**	1.13
Net debt-to-equity ratio *(Notes 7 and 8)*	**25.3%**	17.5%

(b) Profitability ratios

	30 June 2022	30 June 2021
Net profit margin *(Notes 9 and 11)*	**3.5%**	2.8%
Return on shareholders' equity *(Notes 10 and 11)*	**3.6%**	2.5%

Notes:

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the period.

2. Calculation of debtors' turnover days is based on the ending balance of trade receivables divided by turnover and multiplied by the number of days during the period.

3. Calculation of creditors' turnover days is based on the ending balance of trade payables divided by cost of sales and multiplied by the number of days during the period.

4. Cash conversion cycle is defined as the total sum of inventory and debtors' turnover days less creditors' turnover days.

5. These ratios have a significant impact on the ability of the Group to generate cash flows from its operations. Therefore, they are selected as key financial performance indicators.

6. Current ratio is calculated based on the Group's total current assets divided by total current liabilities.

7. 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 amounting to HK$83,151,000 as at 30 June 2022 (as at 31 December 2021: HK$97,272,000). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

8. These ratios reflect the Group's financial stability and its ability to pay its debts as they fall due. Therefore, they are selected as key financial performance indicators.

9. Net profit margin is based on profit attributable to equity holders of the Company divided by turnover.

10. Return on shareholders' equity is based on profit attributable to equity holders of the Company divided by shareholders' equity.

11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators. Ratios for the six months ended 30 June 2021 and 2022 were calculated using the half-year profit of the Group for the respective periods.

Inventory turnover days

With a view to reducing the Group's working capital requirements to cope with the growth in orders, we devoted substantial effort on strengthening our inventory control during the period ended 30 June 2022. Inventories as at 30 June 2022 reduced by 8.3% to approximately HK$631,384,000, while the cost of sales for the period ended 30 June 2022 increased by 24.9% to approximately HK$2,374,683,000. Accordingly, the Group's inventory turnover days for the period ended 30 June 2022 was approximately 48 days, as compared to 61 days for the year ended 31 December 2021.

Debtors' and creditors' turnover days

Debtors' turnover days for the period remained relatively stable, which was 98 days. Creditors' turnover days for the period decreased to 103 days, as compared to 122 days for the year ended 31 December 2021, mainly because a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the period.

Cash conversion cycle

The increase in cash conversion cycle in the first half of 2022 was mainly caused by the decrease in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

The Group's current ratio remained relatively stable as at 30 June 2022. The Group's net debt-to-equity ratio as at 30 June 2022 increased as a result of increase in bank borrowings and decrease in cash and bank balances.

Net profit margin and return on shareholders' equity

The increase in net profit margin and return on shareholders' equity during the period as compared to the first half of 2021 was caused by the increase in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2022, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	**18.9%**	3.2%
US dollars	**56.2%**	58.6%
Renminbi	**23.6%**	38.1%
Other currencies	**1.3%**	0.1%

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 75.1% of the Group's sales and 61.8% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the period. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

At present, although the Group endeavours to transact sales and raw material purchases in matching currencies, the percentage of the Group's raw material purchases in Renminbi is still larger than the percentage of its sales in Renminbi due to the Group's substantial production operations in China. However, management is of the view that the exchange rate risk is not high because Renminbi is unlikely to resume a long-term appreciation trend in a foreseeable future. Further, the Group operates in China, Vietnam and Mexico, and therefore has assets and liabilities denominated in Renminbi, Vietnamese Dong and Mexican Peso. Any significant fluctuation in the exchange rates of these currencies against United States dollars and Hong Kong dollars may cause the Group to incur exchange gains or losses. To handle such risks, management will continue to evaluate the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

HUMAN RESOURCES

As at 30 June 2022, the total number of the Group's employees was 9,355. The Group considers its employees, in particular the skilled engineers and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option scheme was adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potentials is also important for attracting and retaining qualified staff for its future success. Training programmes are offered to employees for their continuous development. Besides, various employee activities are organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participate. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

As at 30 June 2022, the average length of services of the Group's employees below and above manager grade was 2.7 years and 8.2 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2022, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK$45,943,000 for securing lease liabilities.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the period ended 30 June 2022, the Company repurchased its 5,500,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the period ended 30 June 2022 are summarised as follows:

Month of repurchases	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
May 2022	5,500,000	1.56	1.21	7,654

The directors considered that the repurchases were made for the benefit of the shareholders as a whole as they uplifted the earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated.

DIVIDEND

The Board declared an interim dividend of HK1.76 cent per ordinary share, totaling HK$30,693,000 for the six months ended 30 June 2022 to eligible shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2022. The interim dividend will be payable in cash on Friday, 23 September 2022.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Tuesday, 13 September 2022 to Thursday, 15 September 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 September 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of all directors, the Company reported that all directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules during the six months ended 30 June 2022.

CHANGE OF DIRECTOR'S INFORMATION

Ms. Ling Kit Sum, an independent non-executive director of the Company, ceased as a member of Hospital Governing Committee of Hospital Authority on 1 April 2022.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process, risk management, internal control system and corporate governance matters of the Group. The audit committee comprises the three independent non-executive directors, namely Ms. Ling Kit Sum, as the chairman, and Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control, corporate governance and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2022.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises three executive directors, being Mr. Zhang Hwo Jie (Chairman), Mr. Zhang Jian Hua (Vice Chairman) and Mr. Zhang Yaohua (Chief Executive Officer) and three independent non-executive directors, being Mr. Lam Hiu Lo, Dr. Chai Ngai Chiu Sunny and Ms. Ling Kit Sum.