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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 2021

FINANCIAL RESULTS

The board (the "Board") of directors (the "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 2021 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**2,386,869**	1,700,320
Cost of sales	*5*	**(1,900,606)**	(1,403,822)
Gross profit		**486,263**	296,498
Other income		**17,044**	17,087
Other losses – net		**(1,048)**	(20,880)
Selling and marketing costs	*5*	**(133,129)**	(96,499)
General and administrative expenses	*5*	**(286,851)**	(242,024)
Operating profit/(loss)		**82,279**	(45,818)
Finance income	*6*	**5,307**	5,993
Finance costs	*6*	**(13,829)**	(26,429)
Share of profits/(losses) of associates		**90**	(2,973)
Profit/(loss) before income tax		**73,847**	(69,227)
Income tax (expense)/credit	*7*	**(5,929)**	3,473
Profit/(loss) for the period		**67,918**	(65,754)
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**34,596**	(29,942)
– Release of exchange reserve upon partial disposal of an associate		**–**	677
Item that will not be reclassified subsequently to profit or loss			
– Revaluation gains on financial assets at fair value through other comprehensive income		**–**	650
Total comprehensive income/(loss) for the period		**102,514**	(94,369)

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Profit/(loss) for the period attributable to equity holders of the Company		**67,918**	(65,754)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company		**102,514**	(94,369)
Earnings/(loss) per share for profit attributable to equity holders of the Company during the period (expressed in Hong Kong cents per share)			
– basic	*8*	**4.0**	(3.8)
– diluted	*8*	**3.9**	(3.8)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	**Unaudited 30 June 2021 *HK$'000***	Audited 31 December 2020 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,338,381**	2,280,762
Right-of-use assets		**402,261**	372,968
Intangible assets		**13,251**	7,695
Investments in associates		**34,276**	32,990
Financial assets at fair value through other comprehensive income		**73,429**	87,110
Prepayments, deposits and other receivables		**52,273**	42,152
Deferred income tax assets		**5,298**	7,296
		2,919,169	2,830,973
Current assets			
Inventories		**636,101**	541,385
Trade receivables	*10*	**1,158,890**	1,028,051
Prepayments, deposits and other receivables		**161,341**	168,472
Restricted bank deposits		**110,839**	93,574
Short-term bank deposits		**162,136**	33,336
Cash and cash equivalents		**1,402,361**	1,405,694
		3,631,668	3,270,512
LIABILITIES			
Current liabilities			
Trade payables	*11*	**1,305,998**	1,158,890
Contract liabilities		**49,022**	81,502
Accruals and other payables		**292,776**	227,584
Bank borrowings		**1,109,119**	1,276,548
Lease liabilities		**31,592**	18,333
Current income tax liabilities		**8,099**	11,047
		2,796,606	2,773,904
Net current assets		**835,062**	496,608
Total assets less current liabilities		**3,754,231**	3,327,581

	Note	Unaudited 30 June 2021 HK$'000	Audited 31 December 2020 HK$'000
Non-current liabilities			
Bank borrowings		**922,812**	625,313
Lease liabilities		**93,655**	72,933
Deferred income tax liabilities		**24,174**	19,643
		1,040,641	717,889
Net assets		**2,713,590**	2,609,692
EQUITY			
Capital and reserves			
Share capital		**171,858**	171,658
Reserves		**2,541,732**	2,438,034
Total equity		**2,713,590**	2,609,692

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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 of the Company on 26 August 2021. 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 2020, as described in those annual financial statements except for the adoption of amendments to HKFRSs 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 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 (amendments)
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

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 have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021	1 April 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 (Amendments)	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Int 5 (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 standards, amendments, 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.

There are differences in the basis of reportable segments from the condensed consolidated interim financial information for the six months ended 30 June 2020. The Group has undergone a revamp of their organisational structure during the second half of 2020 in order to strengthen their industry positioning, and to better assess their business performance, and to allocate and manage resources effectively. As a result, 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 comparative segment information for the six months ended 30 June 2020 has been restated to align with the presentation of the current period's segment information disclosure.

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 2021			Six months ended 30 June 2020 (restated)		
	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	**1,830,347**	**556,522**	**2,386,869**	1,352,312	348,008	1,700,320
Segment results	**55,285**	**48,396**	**103,681**	(10,121)	(13,180)	(23,301)
Unallocated expenses			**(21,402)**			(22,517)
Finance income			**5,307**			5,993
Finance costs			**(13,829)**			(26,429)
Share of profits/(losses) of associates			**90**			(2,973)
Profit/(loss) before income tax			**73,847**			(69,227)
Income tax expense			**(5,929)**			3,473
Profit/(loss) for the period			**67,918**			(65,754)
Depreciation	**67,379**	**66,477**	**133,856**	59,740	54,834	114,574
Amortisation	**751**	**–**	**751**	619	–	619

For the six months ended 30 June 2020 and 2021, unallocated expenses represent corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2021				As at 31 December 2020			
	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	**4,009,920**	**2,376,431**	**164,486**	**6,550,837**	3,466,698	2,459,253	175,534	6,101,485
Liabilities	**1,241,246**	**530,078**	**2,065,923**	**3,837,247**	1,061,991	493,684	1,936,118	3,491,793

The segment capital expenditure is as follows:

	Six months ended 30 June 2021				Six months ended 30 June 2020 (restated)			
	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	**70,258**	**95,920**	**–**	**166,178**	45,551	41,662	–	87,213

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, inventories, trade receivables, restricted bank deposits, short-term 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 2021 as follows:

	Assets	**Liabilities**
	HK$'000	***HK$'000***
Segment assets/liabilities	**6,386,351**	**1,771,324**
Unallocated:		
Investments in associates	**34,276**	**–**
Financial assets at fair value through other comprehensive income	**73,429**	**–**
Cash and cash equivalents	**5,534**	**–**
Deferred income tax assets	**5,298**	**–**
Prepayments, deposits and other receivables	**45,949**	**–**
Current income tax liabilities	**–**	**8,099**
Deferred income tax liabilities	**–**	**24,174**
Bank borrowings	**–**	**2,031,931**
Accruals and other payables	**–**	**1,719**
Total	**6,550,837**	**3,837,247**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2020 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	5,925,951	1,555,675
Unallocated:		
Investments in associates	32,990	–
Financial assets at fair value through other comprehensive income	87,110	–
Cash and cash equivalents	5,843	–
Deferred income tax assets	7,296	–
Prepayments, deposits and other receivables	42,295	–
Current income tax liabilities	–	11,047
Deferred income tax liabilities	–	19,643
Bank borrowings	–	1,901,861
Accruals and other payables	–	3,567
Total	6,101,485	3,491,793

During the six months ended 30 June 2021, the aggregated revenue from the top two customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$1,045,215,000 (six months ended 30 June 2020: Top two customers: HK$617,358,000).

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 2021				Six months ended 30 June 2020			
	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	**2,069,765**	**201,487**	**115,617**	**2,386,869**	1,528,856	160,802	10,662	1,700,320

Assets by geographical region

	30 June 2021				31 December 2020			
	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	**2,326,848**	**253,325**	**338,996**	**2,919,169**	2,295,957	254,092	280,924	2,830,973
Total assets	**5,612,710**	**470,461**	**467,666**	**6,550,837**	5,312,863	413,486	375,136	6,101,485

4 REVENUE

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Sale of moulds and components	**2,325,692**	1,670,936
Others *(Note)*	**61,177**	29,384
	2,386,869	1,700,320

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/(LOSS)

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	
	2021	2020
	HK$'000	*HK$'000*
Raw materials used	**1,399,039**	997,912
Production overhead costs (excluding labour and depreciation expenses)	**134,988**	101,756
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**430,950**	359,241
– Staff welfare	**22,157**	17,940
– Retirement benefit – defined contribution plans	**35,393**	14,194
– Share option granted	**–**	67
Depreciation		
– Property, plant and equipment	**118,578**	102,623
– Right-of-use assets	**15,278**	11,951
Amortisation of intangible assets	**751**	619
Provision for inventory obsolescence	**13,301**	12,528
Operating lease rental for short-term and low-value leases	**345**	365

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**5,307**	5,993
Finance costs		
Interest expense on:		
Bank borrowings	**16,722**	33,027
Lease liabilities – Plant and machinery	**216**	540
Lease liabilities – Factory and office premises	**1,625**	1,704
Interest capitalised	**(4,734)**	(8,842)
	13,829	26,429

7 INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Current taxation		
– Mainland China corporate income tax	**(14,338)**	(4,555)
– Withholding tax	**–**	(10,000)
Over-provision in prior years	**10,094**	7,716
Deferred income tax	**(1,685)**	10,312
	(5,929)	3,473

(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 2021 (six months ended 30 June 2020: 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 2020: 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 2020 and 2021.

(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.

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

8 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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	
	2021	2020
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**67,918**	(65,754)
Weighted average number of ordinary shares in issue *('000)*	**1,717,073**	1,716,643
Basic earnings/(loss) per share *(Hong Kong cents per share)*	**4.0**	(3.8)

Diluted

Diluted earnings/(loss) 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	
	2021	2020
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**67,918**	(65,754)
Weighted average number of ordinary shares in issue *('000)*	**1,717,073**	1,716,643
Adjustment for share options *('000) (Note)*	**5,525**	–
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,722,598**	1,716,643
Diluted earnings/(loss) per share *(Hong Kong cents per share)*	**3.9**	(3.8)

Note: Diluted loss per share for the six months ended 30 June 2020 equals to the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

9 DIVIDEND

An interim dividend of HK1.2 cent (six months ended 30 June 2020: Nil) per ordinary share, amounting to HK$20,749,000 (six months ended 30 June 2020: Nil), was declared by the Directors of the Company for the six months ended 30 June 2021.

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	31 December
	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**985,680**	886,400
91 to 180 days	**174,398**	142,839
	1,160,078	1,029,239
Less: Loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,158,890**	1,028,051

The top five customers and the largest customer accounted for 48.8% (31 December 2020: 28.9%) and 21.7% (31 December 2020: 10.2%), respectively, of the trade receivables balance as at 30 June 2021. 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.

11 TRADE PAYABLES

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

	As at	
	30 June	31 December
	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**833,000**	715,685
91 to 180 days	**472,998**	443,205
	1,305,998	1,158,890

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half of 2021, the COVID-19 pandemic continued to cause disruption worldwide. However, thanks in large part to the positive progress of vaccine rollouts in various countries, the global economy has shown a gradual recovery while the domestic economy in China continued to maintain a steady growth momentum. In recent years, the Group has focused on developing business that generates a robust performance through its unique customer base and prudent strategies. As a result, having seized the opportunities brought about by the control of the pandemic, together with the Group's substantial efforts in developing strategic partnerships with both existing and new customers, the Group has recorded an increase in turnover of 40% to HK$2,386,869,000 (1H2020: HK$1,700,320,000). However, such growth was mainly hindered by the global chip shortage which had begun to hit industries worldwide, and the hardest on the consumer electronics and automotive industries. As a result, businesses (including our customers from the two main operating segments) had to reduce production and future orders. Moreover, since the outbreak of COVID-19, the transportation restrictions imposed in different countries have put supply chain under huge pressure and that situation prevailed in the first half of 2021, which in turn led to a shortage of shipping containers at the Chinese ports. In early 2020, with China imposing transportation restrictions, empty shipping containers started stacking up at overseas ports, and by the end of 2020, the global economy began to recover and demands for consumer goods followed. Owing to the rise in export demands, the Chinese ports faced a severe shortage of shipping containers. Consequently, during the first half of 2021, the Group's two main operating segments were adversely affected as we encountered cargo shipment disruption and surge in export logistics costs. Nevertheless, with a global production base, highly efficient and agile management strategies, quality supply chains and fewer production schedule delays as a result of resumption of economic activities resulting in the increased utilisation of our production facilities compared with the first half of 2020, our gross profit margin for the six months ended 30 June 2021 has seen an improvement of approximately 3 percentage points, and our gross profit has increased by 64% to HK$486,263,000.

BUSINESS REVIEW

Office Automation Equipment

Owing to the Group's efforts in developing the business potential of the office automation ("OA") equipment segment in the midst of the COVID-19 pandemic, the shipping disruptions, the global chip shortage and the Sino-US trade tensions, we have recorded a 35% increase in the segmental turnover, amounting to HK$1,830,347,000 (1H2020: HK$1,352,312,000). In Shenzhen, we have seen an increase in the relevant turnover of around 44%. One major reason for the substantial increase was a surge in order intake in the assembly service, which was driven by a part of our new focus – the Development and Electronic Manufacturing Service ("DEMS") model, leading to an increase of around 23% in turnover from our existing OA equipment customers in Shenzhen, 18% of which was directly attributable to the increase in assembly and DEMS service orders. Another major reason for the increase in the OA equipment segmental turnover was the contribution resulting from our acquisition of Futaba Metal Products (Shenzhen) Co., Ltd. (雙葉金屬製品（深圳）有限公司) ("Futaba Metal") in April 2021, giving rise to around 20% incremental turnover in Shenzhen after the Group gained control of the company since the date of acquisition. On 16 April 2021, a wholly owned subsidiary of the Company entered into an equity transfer agreement with Futaba Industrial Co., Ltd. to acquire the entire equity interest in Futaba Metal for a cash consideration amounting to approximately HK$58,157,000. Futaba Metal was then renamed Shenzhen EVA Technology Intelligent Manufacturing Co., Ltd. (深圳市億和科技智造有限公司) ("EVA Intelligent Manufacturing") in June 2021, pursuant to the official approvals obtained from the relevant PRC authorities. EVA Intelligent Manufacturing is principally engaged in the manufacturing and sale of OA equipment.

In the first half of 2021, the Sino-US trade tensions showed no signs of easing. In recent years, the Group has, following the footprints of its major OA equipment customers, begun reorganising its internal production logistics such that the manufacturing that was carried out in China (such as in Shenzhen) and targeted at the US and European markets were gradually transferred to our production facilities located in Southeast Asia (such as in Vietnam). In 2021, the Group continued this strategic move, with more orders that were aimed at the US and European markets being transferred to Vietnam, enabling the production capacity of the Shenzhen site to be used to support the expansion of the Asian and domestic markets.

Following a period of lacklustre performance, primarily caused by a decline in orders from several OA equipment customers in 2020, the Group has seen some improvements in the total order intake in Suzhou, as considerable efforts were made to diversify its customer portfolio and to revamp its business and operational strategies, leading to an increase in the relevant turnover of around 11%. The Group remains confident in its ability to recover the business momentum in Suzhou in the mid to long term and will continue to closely monitor its performance and respond to market changes in a timely and efficient manner.

During the six months ended 30 June 2021, the Group's business in Weihai recorded an increase in turnover of around 48%. This was largely due to its new industrial park, built at the invitation of Hewlett-Packard ("HP"), having commenced full operations towards the end of 2020 and subsequently venturing into the new DEMS model, under which products are designed, developed, manufactured with high levels of customisation, assembled and quality tested by the Group in a streamlined process. In May 2021, the Group began to roll out the initial mass production of its first DEMS product, contributing around 18% incremental turnover in Weihai. During the first half of 2021, the production demand from HP continued to rise which has enabled the utilisation rate of the production capacity in the new industrial park to steadily increase. Meanwhile, the Group is also serving other new OA equipment customers in the Japanese and domestic markets from its site in Weihai.

In 2020, the Group's operation in Vietnam was relatively less affected by the COVID-19 pandemic. However, during the first half of 2021, Vietnam suffered from several new waves of COVID-19. Although located in Haiphong, which was relatively less impacted during the six months ended 30 June 2021, our supply chains in other provinces in Vietnam were disrupted, leading to a number of unavoidable production schedule delays. However, our industrial park in Vietnam still managed to deliver a robust turnover growth of around 25% as compared with the first half of 2020, primarily because certain OA equipment customers have been expanding their production scale in Southeast Asia and in Vietnam particularly, while at the same time, as mentioned above, the Group has also begun to transfer the production that are targeted at the US and European markets from China to Vietnam. However, we were unable to implement this strategic move to the full extent as the COVID-19 outbreak in Vietnam during the first half of 2021 and up to date has disrupted the Group's production planning in the country. In addition, a record surge in COVID-19 cases in Vietnam has forced factories in various provinces to shut down and seen social distancing measures continuously tightened in southern Vietnam. As a result of the uncertainty in COVID-19 pandemic developments, the Group remains cautious in the performance of its Vietnamese operation in the second half of 2021.

The OA equipment segment reported profit amounting to HK$55,285,000 for the first half of 2021, as compared with a loss of HK$10,121,000 for the first half of 2020. This turnaround is primarily attributable to a surge in the segmental turnover following economic recovery and our strong business momentum as mentioned above. These factors, together with the Group's position as a market leader, which was established through more than 27 years of experience, and the trust earned from our OA equipment customers, our highly efficient and agile management strategies and quality supply chains, have caused the utilisation of our production facilities to gradually return to normal, and thus improving the segment's profit margin to around 3% (1H2020: loss margin around 1%). However, as previously mentioned, the shipping disruptions, the global chip shortage and the emergence of new COVID-19 outbreak in Vietnam during the first half of 2021 have hindered the performance of our OA equipment segment to a certain degree. In particular, the global chip shortage problem persistently restricted supply of consumer electronics and OA equipment in our target markets, thus causing our OA equipment customers to reduce their planned production. The shipping container shortage at the Chinese ports has also disrupted our cargo shipments and affected our sales to customers. Consequently, although the Group recorded an increase in revenue from the majority of its OA equipment customers in the first half of 2021, some of these customers have not resumed their orders to the usual level.

Automotive Components

For the six months ended 30 June 2021, the Group continued to record robust results in the automotive component segment, primarily because the Group was able to seize opportunities that emerged from the gradual recovery of the global economy and the continuously strong consumer sentiment in China through strategic consolidation of resources and use of innovative technologies when the COVID-19 pandemic started to ease at the beginning of 2021, as well as by expanding its strategic cooperation with customers, thus leading to a 60% increase in the segment's turnover. According to the International Monetary Fund, the global economy is expected to grow at 6.0% in 2021, compared to a drop of 3.2% in 2020. The US and China's GDP growth for 2021 is projected at 7.0% and 8.1% respectively, compared to a drop of 3.5% and growth of 2.3% in 2020 in the respective economies. Global consumption sentiments have been going strong in the first half of 2021, and accordingly, the Group saw a ramp up in its operations related to the automotive component sector at most of its industrial parks during the period. We expect the trend to continue throughout the year.

The Group's automotive component business mainly focuses on the development and mass production of moulds and products for a series of components, including automobile seats, automotive body structure and chassis. Its industrial park in Shenzhen primarily focuses on the production and export of automobile seat moulds to markets in the US and Europe. Serving as the headquarter as well as the research and development centre for the development of automobile seat components, the industrial park in Shenzhen has an important role in providing automobile seat moulds for the Group's automotive component business and carrying out technological research on related businesses. In 2020, as the phase one of our industrial park in Mexico had just commenced operation, its initial operation was subsequently disrupted by the COVID-19 outbreak. Consequently, the Group's Shenzhen site switched its main focus from the direct export of automobile seat moulds to the US and European markets to the mass production of moulds for the Mexico site. Therefore, some of the Group's automotive component customers, particularly certain US and European automobile suppliers and automakers (such as Faurecia, Brose and Tesla), placed their mould production orders directly with our Shenzhen site, which in turn recorded record-high turnover amid the COVID-19 outbreak in 2020. From 2021 onwards, as the operation of our new industrial park in Mexico largely returned to normal, the US and European automobile suppliers and automakers started to place their mould production orders with our Mexico site. The orders were then transferred to Shenzhen internally and the production of moulds were completed in Shenzhen and exported to the Mexico site where it would complete commissioning and acceptance check, and then delivered to customers in the US and Europe. Since the orders on mould production was placed with the Mexico site rather than with the Shenzhen site, and the relevant sales were recognised in Mexico instead of in Shenzhen during the first half of 2021, we have recorded a decrease in turnover from the Shenzhen business of around 51%. While supporting the development of the industrial park in Mexico and mass production of moulds for the related orders, the Group has also been developing its Shenzhen business in the domestic and Japanese markets.

In Zhongshan, the Group has recorded an increase in turnover of around 59%, primarily due to a surge in sales to several of its top customers, such as automobile suppliers in Europe and Japan, Brose, Aisin and Yachiyo, as a result of the broadening in the scope of business cooperation between the Group and these customers. The Group also began to build strategic partnerships with local automobile suppliers during the first half of 2021 in order to expand the domestic market, which also contributed to the increase in the relevant turnover in Zhongshan.

In addition to automobile suppliers, the Group also continued to earn customers' trust with its high-quality products and welding technologies in Chongqing and strengthen its business relationships with automakers, such as local automakers, Great Wall Motors and SAIC-GM-Wuling, which contributed to a growth in the relevant turnover in Chongqing of around 61%. To better cope with the development of Great Wall Motors, certain orders from these local automakers were produced in our newly established production facilities in Lezhi county of Sichuan due to its geographical convenience.

In Wuhan, following a significant decline in performance as a result of the COVID-19 outbreak in 2020, we have seen a recovery in the relevant turnover, with an increase of around 34% for the six months ended 30 June 2021. In the midst of the COVID-19 pandemic, the Group has made several strategic changes to its customer portfolio in Wuhan, including, but not limited to, withdrawing from some of the unprofitable projects and orders, and the introduction of new customers. At the same time, the Group also continued to strengthen its relationships with several automakers, such as Great Wall Motors, and secured a number of projects and orders during the first half of 2021. Since a normal product life cycle for a single car model is between five to seven years after one to two years of its mould development, once we have secured a project and the relevant orders for mould development, we will also be involved in the mass production of the components in the product life cycle. At present, we have already seen voluminous orders on hand in Wuhan arising from new projects with Great Wall Motors and certain new energy vehicle manufacturers (for example, Lucid Motors, a new energy vehicle manufacturer in the US), and we expect these orders to crystalise into sales in five to seven years from 2022.

The Group considers its base in Mexico as an important bridge for reaching customers from the US and European markets. It not only can cater for local production projects of our US and European automotive component customers, but, as previously mentioned, can also attract a large number of mould development orders for the Group's production base in China (such as the Shenzhen site) through our internal redeployment. Such orders can consequently improve the utilisation rate of our production facilities in China. Hence, owing to an increase in mould production orders from various US and European customers placed at the Mexico site as a result of the Group's strategic deployment as abovementioned, together with the surge in direct orders on component production received in Mexico, we have recorded a 984% growth in its relevant turnover. During the first half of 2021, the phase one of the Group's industrial park in Mexico has seen a sharp increase in the utilisation rate of its production facilities as a result of a surge in direct orders on component production. At present, given the Group's competitive edges, we will be able to continue to earn the trust of our major customers in Mexico and strengthen our strategic partnership with customers, including Faurecia, Brose, Adient and Tesla. Since the Group obtained the tier-one supplier qualification from Tesla, apart from receiving indirect orders through other tier-one suppliers, it also began receiving direct orders from Tesla with mass production kicking off in July 2021. As the construction of the phase two of our industrial park in Mexico has already commenced in order to meet our increasing demand, the Group continues to expect an encouraging performance from its operation in Mexico.

While most factors support a prosperous outlook for the segment, the automotive industry has also been hard-hit by the global chip shortage problem. Automotive production lines around the world had to close for weeks at a time due to a lack of components. Hence, many automakers have been reducing their production orders. Moreover, in the first half of 2021, the shipping container disruption during the first half of 2021 has also adversely impacted the shipment of equipment and moulds to Mexico. As a result, our performance in the automotive component industry was hampered by these unfavourable factors to a certain degree. Overall, we recorded segmental profit amounting to HK$48,396,000 for the first half of 2021 in the automotive component segment, as compared with a segment loss of HK$13,180,000 for the first half of 2020. The turnaround was primarily attributable to our own competitive edges, stronger strategic partnerships with automobile suppliers and automakers and a general recovery of consumer sentiment on a global basis as mentioned above, causing the utilisation of our production facilities to increase, and hence improving the segment's profit margin to around 9% (1H2020: loss margin around 4%). Looking ahead, with energy savings, reduced emissions and low-carbon footprints strongly advocated by the society, new energy vehicles are destined to become a key business growth driver in the automotive component sector. As reported by the China Automobile Association in July 2021, the total vehicle sales in the first half of 2021 amounted to 12,891,000 units, representing a year-on-year increase of 25.6%, while total new energy vehicle sales amounted to 1,206,000 units, representing a year-on-year increase of two folds. It is also predicted that total new energy vehicles sales will climb to 2,400,000 units, reaching a year-on-year growth rate of 76%, presenting enormous room for growth for the industry. The Group will therefore continue to develop the new energy vehicle field and expand its strategic cooperation with customers.

OUTLOOK

Currently, the COVID-19 pandemic is destined to enter into a new phase with the Delta variant spreading in countries across the globe. In particular, the epidemic in Vietnam has been worrying. Whether the COVID-19 outbreak in southern Vietnam will spread to the entire country remains uncertain. Overcoming this and other uncertainties in 2021 will not be easy for the Group, and the global chip shortage will make the business landscape even more challenging. Some automakers are expecting more shutdowns in the coming months, while others are halving their sales expectations for 2021. Industry analysts predict semiconductor supply will not return to normal levels until the second quarter of 2022, while some even believed that it could last until 2023. At present, the shortage of empty shipping containers in China seems to have eased as manufacturers have increased their production capacities. By the end of June 2021, the shortage of empty shipping containers at major ports in China had declined to 1.4% as compared with 13.6% in the beginning of 2021. However, industry professionals have also pointed out that despite the easing of the container shortage in China, the shipping disarray may continue into 2022.

To tackle all of these challenges, the Group will remain cautious and meticulous when making in its operating, investment and financing decisions. We will seek growth and maximise returns by reinforcing our core values and enhancing our competitive edge in both our OA equipment and automotive component sectors. In addition, the Group will continue to implement more stringent cost control measures and manage its resources as effectively as possible. We will continue to realign our production strategies with the market changes by making use of our extensive supply chain capabilities and in the meantime we will focus on selecting projects with higher returns and optimising our customer base, eliminating those that offer lacklustre profits. Starting from 2020 and throughout the first half of 2021, the Group has been implementing various strategies to increase its net margin, including, but not limited to, evaluating and improving inventory management, reducing overheads, for example by streamlining corporate structure, and withdrawing from certain projects with low returns.

Since 2020, the Group has been slowing down its capital expansion, and, going forward, we expect to adopt a similarly prudent and careful approach to capital expansion. Meanwhile, the construction of the phase two of our industrial park in Mexico, designed to meet the production demand from our US and European automotive component customers, has already commenced. Upon its completion, capital expenditure will gradually decline and will mostly consist of maintenance costs. In making investment decisions, the Group will give comprehensive consideration to various factors, such as the business viabilities and potential returns of the projects, legal and regulatory requirements and the financial capabilities of the Group. Investments are primarily made in projects that are related to the Group's principal businesses and if they are not, they should be of high growth potential and the amount invested will be limited.

The Group will also adhere to a prudent treasury policy and maintain a healthy balance sheet. As at 30 June 2021, the Group's net debt-to-equity ratio was reduced to 13.8% (as at 31 December 2020: 15.0%) primarily because the Group was able to generate substantial operating cash flows for the repayment of debts. Moving ahead, as we decelerate our capital expansion, we will aim to reduce our borrowing level, thereby lowering finance costs. The Group will also closely monitor the interest rate trend and make reference to the interest rate forecast to make necessary adjustments to treasury decisions.

Last but not least, we have a philosophy centred on creating value for our shareholders. Therefore, since our listing in 2005, we have always adhered to a dividend payout policy at approximately 30% of net profit, and the first half of 2021 is no exception. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources to maximise the returns to our shareholders.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2021		2020	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Office automation equipment division				
Design and fabrication of moulds	**148,205**	**6.2%**	73,411	4.3%
Manufacturing of components	**1,657,750**	**69.5%**	1,265,402	74.4%
Others *(Note 1)*	**24,392**	**1.0%**	13,499	0.8%
	1,830,347	**76.7%**	1,352,312	79.5%
Automotive component division				
Design and fabrication of moulds	**85,118**	**3.6%**	116,706	6.9%
Manufacturing of components	**434,619**	**18.2%**	215,417	12.7%
Others *(Note 1)*	**36,785**	**1.5%**	15,885	0.9%
	556,522	**23.3%**	348,008	20.5%
Total	**2,386,869**		1,700,320	
Segment results				
Office automation equipment division	**55,285**		(10,121)	
Automotive component division	**48,396**		(13,180)	
Operating profit	**103,681**		(23,301)	
Unallocated expenses	**(21,402)**		(22,517)	
Finance income	**5,307**		5,993	
Finance costs	**(13,829)**		(26,429)	
Share of profits/(losses) of associates	**90**		(2,973)	
Income tax (expense)/credit	**(5,929)**		3,473	
Profit/(loss) attributable to equity holders of the Company	**67,918**		(65,754)	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover increased by 40.4% to HK$2,386,869,000, 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.

Gross profit

During the period, gross profit margin increased to 20.4% (1H2020: 17.4%), which was mainly driven by the increase in orders as mentioned above and fewer production delays as a result of resumption of economic activities, thus achieving a better utilisation of the Group's production facilities.

Segment results

As mentioned in the annual report for the year ended 31 December 2020, the basis of segment reporting has been amended to align with the organisational structure of the Group. This change is in accordance with HKFRS 8 which requires the Group to report operating segment information on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance.

For the six months ended 30 June 2021, as a result of a surge in turnover as well as improved gross profit margin as mentioned above, the operating profit margin of the Group's office automation equipment division and automotive component division went up to 3.0% and 8.7% respectively (1H2020: operating loss margin 0.7% and 3.8% respectively). Hence, the operating profits amounted to HK$55,285,000 and HK$48,396,000 respectively (1H2020: operating losses HK$10,121,000 and HK$13,180,000 respectively).

Unallocated expenses

During the period, unallocated expenses mainly represent corporate expenses of HK$21,402,000 (1H2020: HK$22,517,000).

Finance income and costs

For the six months ended 30 June 2021, the Group's finance income and finance costs decreased by 11.4% and 47.7% to HK$5,307,000 and HK$13,829,000 respectively, mainly attributable to declining interest rates for the Group as compared to the first half of 2020.

Share of profits/(losses) of associates

Share of profits/(losses) of associates represents the Group's share of 40% of the profit (1H2020: loss) of the micro lending business through equity pick-up.

Income tax (expense)/credit

Income tax expense for the six months ended 30 June 2021 mainly represents current income tax charge amounting to HK$14,338,000 and deferred income tax charge amounting to HK$1,685,000 netted off by over-provision in prior years amounting to HK$10,094,000.

Profit/(loss) attributable to equity holders of the Company

During the period, the Group recorded profit attributable to equity holders of the Company amounting to HK$67,918,000 (1H2020: loss of HK$65,754,000), which was primarily caused by the increase in operating profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2021, the Group's net cash generated from operating activities increased to HK$156,105,000 (1H2020: HK$41,245,000), which was primarily due to increase in the Group's operating profit. During the period, the Group's capital expenditure increased to HK$190,025,000 as the construction on the phase two industrial park in Mexico has commenced and certain maintenance and renovation work on the existing production facilities continued during the first half of 2021. In addition, the Group's short-term and restricted bank deposits also increased significantly by HK$146,065,000. Therefore, the Group recorded net cash used in investing activities amounting to HK$286,550,000 (1H2020: net cash generated from investing activities HK$410,000). The Group had a net increase in bank borrowings of HK$130,070,000 during the period. As no dividends were paid, the Group recorded net cash generated from financing activities of HK$117,993,000 during the period (1H2020: net cash used in financing activities HK$13,835,000).

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 has sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given to the cost of borrowings. Accordingly, substantially all of the Group's bank borrowings as at 30 June 2021 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 2021 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 remains committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratios

	30 June 2021	31 December 2020
Inventory turnover days *(Notes 1 and 5)*	**61**	61
Debtors' turnover days *(Notes 2 and 5)*	**88**	94
Creditors' turnover days *(Notes 3 and 5)*	**124**	130
Cash conversion cycle *(Notes 4 and 5)*	**25**	25
Current ratio *(Notes 6 and 8)*	**1.30**	1.18
Net debt-to-equity ratio *(Notes 7 and 8)*	**13.8%**	15.0%

(b) Profitability ratios

	30 June 2021	30 June 2020
Net profit/(loss) margin *(Notes 9 and 11)*	**2.8%**	(3.9%)
Return/(loss) on shareholders' equity *(Notes 10 and 11)*	**2.5%**	(2.7%)

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$108,113,000 as at 30 June 2021 (as at 31 December 2020: HK$69,713,000). 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/(loss) margin is based on profit/(loss) attributable to equity holders of the Company divided by turnover.

10. Return/(loss) on shareholders' equity is based on profit/(loss) 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 2020 and 2021 were calculated using the half-year profit/(loss) of the Group for the respective periods.

Inventory turnover days

The Group's inventory turnover days for the period was 61 days, which was comparable to that for the year ended 31 December 2020.

Debtors' and creditors' turnover days

Debtors' turnover days for the period improved to 88 days, which was primarily due to the Group's stringent credit control. Creditors' turnover days for the period improved to 124 days, which was 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 cash conversion cycle in the first half of 2021 was comparable to that for the year ended 31 December 2020.

Current ratio and net debt-to-equity ratio

During the period, the Group obtained certain new long-term instalment loans to refinance certain of its long-term loans which were due for repayment within one year. In the meantime, inventory, trade receivables and cash and bank balances increased during the period due to an increase in orders from customers during the period, thus driving up the inventory level and resulting in a spike in turnover, which in turn increase the trade receivables and operating cash inflows to the Group. Accordingly, the current ratio improved to 1.30 as at 30 June 2021. As a result of increased cash and bank balances, the net debt-to-equity ratio improved to 13.8% as at 30 June 2021.

Net profit/(loss) margin and return/(loss) on shareholders' equity

The Group recorded net profit margin and return on shareholders' equity during the period as compared to the net loss margin and loss on shareholder's equity for the first half of 2020 which was caused by the profit (1H2020: loss) 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 2021, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	19.0%	4.3%
US dollars	54.4%	51.7%
Renminbi	25.8%	43.7%
Other currencies	0.8%	0.3%

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as the settlement currency. Accordingly, approximately 73.4% of the Group's sales and 56.0% 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 an ongoing basis and takes actions to minimise the Group's exposure whenever necessary.

HUMAN RESOURCES

As at 30 June 2021, the total number of the Group's employees decreased from 10,769 employees as at 31 December 2020 to 10,229 employees as at 30 June 2021. This was primarily because of certain layoffs in the existing factories as a result of the Group's efforts to revamp its operational strategies and the Group's more stringent cost control measures, in view of the growing uncertainty facing the industries.

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 2021, the average length of services of the Group's employees below and above manager grade was 2.7 years and 9.1 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK$52,041,000 for securing lease liabilities.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2021 and up to the date of this announcement.

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 was incorporated.

DIVIDEND

The Board declared an interim dividend of HK1.2 cent per ordinary share, totaling HK$20,749,000 for the six months ended 30 June 2021 to eligible shareholders whose names appear on the register of members of the Company on Wednesday, 15 September 2021. The interim dividend will be payable in cash on Friday, 24 September 2021.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Monday, 13 September 2021 to Wednesday, 15 September 2021, 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, 10 September 2021.

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 2021.

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 Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in 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 with Ms. Ling Kit Sum as the chairman. 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 2021.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 26 August 2021

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.