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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	4	**5,108,777**	4,008,459
Cost of sales	5	**(4,096,058)**	(3,270,159)
Gross profit		**1,012,719**	738,300
Other income		**31,759**	38,033
Other losses – net		**(4,904)**	(7,697)
Selling and marketing costs	5	**(314,933)**	(237,464)
General and administrative expenses	5	**(505,690)**	(462,717)
Net impairment losses on financial assets		**(24,350)**	(33,800)
Operating profit		**194,601**	34,655
Finance income	6	**12,665**	11,196
Finance costs	6	**(27,510)**	(42,929)
Share of profit/(loss) of associates		**358**	(16,076)

	Note	2021 HK$'000	2020 HK$'000
Profit/(loss) before income tax		**180,114**	(13,154)
Income tax expense	*7*	**(24,924)**	(2,217)
Profit/(loss) for the year		**155,190**	(15,371)
Other comprehensive income/(loss) for the year, net of tax			
Item that may be reclassified to profit or loss			
– Currency translation differences		**38,924**	71,354
Item that will not be reclassified to profit or loss			
– Revaluation (losses)/gains on financial assets at fair value through other comprehensive income		**(30,276)**	8,808
Total comprehensive income for the year		**163,838**	64,791
Profit/(loss) for the year attributable to equity holders of the Company		**155,190**	(15,371)
Total comprehensive income for the year attributable to equity holders of the Company		**163,838**	64,791
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**9.0**	(0.9)
– diluted	*8*	**9.0**	(0.9)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,417,647**	2,280,762
Right-of-use assets		**384,467**	372,968
Investment property under development		**–**	–
Intangible assets		**7,639**	7,695
Investments in associates		**34,633**	32,990
Prepayments, deposits and other receivables		**48,529**	42,152
Financial assets at fair value through other comprehensive income		**32,328**	87,110
Deferred income tax assets		**6,675**	7,296
		2,931,918	2,830,973
Current assets			
Inventories		**688,478**	541,385
Trade receivables	*10*	**1,381,951**	1,028,051
Prepayments, deposits and other receivables		**150,365**	168,472
Restricted bank deposits		**102,742**	93,574
Short-term bank deposits		**–**	33,336
Cash and cash equivalents		**1,318,182**	1,405,694
		3,641,718	3,270,512
LIABILITIES			
Current liabilities			
Trade payables	*11*	**1,372,815**	1,158,890
Contract liabilities		**67,778**	81,502
Accruals and other payables		**283,712**	227,584
Bank borrowings		**1,447,550**	1,276,548
Lease liabilities		**30,949**	18,333
Current income tax liabilities		**23,187**	11,047
		3,225,991	2,773,904
Net current assets		**415,727**	496,608

	Note	**2021**	2020
	Note	***HK$'000***	*HK$'000*
Total assets less current liabilities		**3,347,645**	3,327,581
LIABILITIES			
Non-current liabilities			
Bank borrowings		**460,000**	625,313
Lease liabilities		**78,297**	72,933
Deferred income tax liabilities		**20,907**	19,643
		559,204	717,889
Net assets		**2,788,441**	2,609,692
EQUITY			
Capital and reserves			
Share capital		**174,912**	171,658
Reserves		**2,632,612**	2,438,034
Total equity		**2,788,441**	2,609,692

Note:

1. BASIS OF PRESENTATION

The Company is an investment holding company. 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of the Hong Kong Company Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI") and investment property under development which are carried at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. ACCOUNTING POLICIES

(a) Relevant amendments to existing standards and conceptual framework adopted by the Group

The following amended standards and conceptual framework are mandatory for the first time for the financial year beginning 1 January 2021:

Amendments to HKFRS 9, HKAS39, 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 these amended standards and conceptual framework did not result in any substantial change to the Group's accounting policies. The amended standards and conceptual framework listed above had no material impact on the consolidated financial statements.

The Group has not applied any amended standards or conceptual framework that is not yet effective for the current accounting period.

(b) New standards and amendments to existing standards that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2021 and have not been early adopted

		Effective for annual 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
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

The directors of the Group are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards and do not expect them to have a material impact in the current or future reporting periods and on foreseeable future transactions. The directors of the Group will adopt the new standards and amendments to standards when they become effective.

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 FVOCI are reported as un-allocated assets as at 31 December 2021 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 segment 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 consolidated financial statements.

The segment results and other segment items are as follows:

	2021			2020		
	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	**3,743,273**	**1,365,504**	**5,108,777**	3,094,123	914,336	4,008,459
Segment results	**138,926**	**126,844**	**265,770**	89,370	29,805	119,175
Unallocated expenses			**(71,169)**			(84,520)
Finance income			**12,665**			11,196
Finance costs			**(27,510)**			(42,929)
Share of profit/(loss) of associates			**358**			(16,076)
Profit/(loss) before income tax			**180,114**			(13,154)
Income tax expense			**(24,924)**			(2,217)
Profit/(loss) for the year			**155,190**			(15,371)
Depreciation	**143,178**	**131,021**	**274,199**	119,001	114,694	233,695
Amortisation	**1,502**	**–**	**1,502**	1,468	–	1,468

For the years ended 31 December 2020 and 2021, unallocated expenses represent corporate expenses.

The segment assets, liabilities and capital expenditure are as follows:

	2021				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	**3,454,922**	**3,018,296**	**100,418**	**6,573,636**	3,466,698	2,459,253	175,534	6,101,485
Liabilities	**1,093,149**	**736,946**	**1,955,100**	**3,785,195**	1,061,991	493,684	1,936,118	3,491,793
Capital expenditure	**168,513**	**233,093**	**–**	**401,606**	116,078	107,288	–	223,366

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 and 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, right-of-use assets and intangible assets.

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	As at 31 December			
	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Segment assets/liabilities	**6,473,218**	**1,830,095**	5,925,951	1,555,675
Unallocated:				
Investments in associates	**34,633**	**–**	32,990	–
Financial assets at FVOCI	**32,328**	**–**	87,110	–
Cash and cash equivalents	**7,714**	**–**	5,843	–
Deferred income tax assets	**6,675**	**–**	7,296	–
Prepayments, deposits and other receivables	**19,068**	**–**	42,295	–
Current income tax liabilities	**–**	**23,187**	–	11,047
Deferred income tax liabilities	**–**	**20,907**	–	19,643
Bank borrowings	**–**	**1,907,550**	–	1,901,861
Accruals and other payables	**–**	**3,456**	–	3,567
Total	**6,573,636**	**3,785,195**	6,101,485	3,491,793

An analysis of the Group's two major customers (2020: two major customers), each of which accounts for 10% or more of the Group's external revenue, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Customer A	**1,593,335**	1,009,742
Customer B	**617,033**	510,012

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

	2021				2020			
	The People's Republic of China ("PRC")	**Vietnam**	**Mexico**	**Total**	The People's Republic of China ("PRC")	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**4,332,448**	**459,920**	**316,409**	**5,108,777**	3,602,186	315,935	90,338	4,008,459
Assets by geographical region								
Total non-current assets	**2,304,504**	**246,066**	**381,348**	**2,931,918**	2,295,957	254,092	280,924	2,830,973
Total assets	**5,490,863**	**466,108**	**616,665**	**6,573,636**	5,312,863	413,486	375,136	6,101,485

4 REVENUE

	2021	2020
	HK$'000	*HK$'000*
Sales of moulds and components	**4,975,773**	3,930,885
Others *(Note)*	**133,004**	77,574
	5,108,777	4,008,459

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

Expenses included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	2021	2020
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**240,825**	210,561
Depreciation of right-of-use assets	**33,374**	23,134
Amortisation of intangible assets	**1,502**	1,468
Employee benefit expenses	**1,013,143**	850,341
Auditor's remuneration		
– Audit services	**4,175**	4,175
– Non-audit services	**262**	686
Changes in inventories of finished goods and work-in- progress	**(74,253)**	100,968
Raw materials and consumables used	**3,145,305**	2,266,064
(Reversal of)/provision for inventory obsolescence	**(3,186)**	9,319
Write-off of irrecoverable mould development costs *(Note)*	**–**	11,431
Subcontracting expenses	**30,047**	71,128
Utilities expenses	**68,540**	45,993
Transportation expenses	**63,547**	47,703
Packaging expenses	**126,519**	111,226
Marketing expenses	**8,589**	6,643
Office expenses	**56,583**	56,639
Operating lease payments for short-term and low value leases	**721**	868
Others	**200,988**	151,993
	4,916,681	3,970,340

Note: The write-off of irrecoverable mould development costs is primarily due to the bankruptcy of the counterparty during the year ended 31 December 2020.

6 FINANCE INCOME/COSTS

	2021	2020
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**12,665**	11,196
Finance costs		
Interest expense on:		
Bank borrowings	**33,183**	52,652
Lease liabilities – plant and machinery	**346**	805
Lease liabilities – factory and office premises	**4,778**	3,380
Interest capitalised	**(10,797)**	(13,908)
	27,510	42,929

7 INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current taxation		
– Mainland China corporate income tax	**34,118**	31,394
Over-provision in prior years	**(11,079)**	(8,938)
Deferred income tax	**1,885**	(20,239)
	24,924	2,217

(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 year (2020: 16.5%).

(b) Mainland China corporate income tax

Income tax of 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 is calculated at the statutory rate of 25% (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 year.

(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. and Digit Stamping Technology (Wuhan) 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 years ended 31 December 2020 and 2021. Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Weihai) Limited are newly recognized during the years ended 31 December 2021.

Under the Corporate Income Tax Law of Mainland China, dividend distributions out of profit of foreign invested enterprises earned after January 2008 are subject to corporate withholding income tax at 10%, or at a reduced rate of 5% for subsidiaries of Hong Kong incorporated holding companies.

(c) Other income taxes

The Company is 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 Cayman Islands income tax.

The Company's subsidiaries established in the British Virgin Islands are exempted from 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 year ended 31 December 2021 (2020: Exempted).

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 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 year.

Basic

	2021	2020
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**155,190**	(15,371)
Weighted average number of ordinary shares in issue *('000)*	**1,727,866**	1,716,591
Basic earnings/(loss) per share *(HK cents per share)*	**9.0**	(0.9)

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 quoted 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.

	2021	2020
Profit/(loss) attributable to equity holders of the Company *(HK$'000)*	**155,190**	(15,371)
Weighted average number of ordinary shares in issue *('000)*	**1,727,866**	1,716,591
Adjustment for share options *('000)*	**464**	–
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,728,330**	1,716,591
Diluted earnings/(loss) per share *(HK cents per share)*	**9.0**	(0.9)

9 DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Interim dividend paid of HK1.2 cents (2020: Nil) per share	**20,735**	–
Proposed final dividend of HK1.5 cents (2020: Nil) per share	**26,237**	–
	46,972	–

A final dividend in respect of the year ended 31 December 2021 of HK$1.5 cent per share, totalling of HK$26,237,000 (2020: Nil) has been proposed for approval at the upcoming annual general meeting. These financial statements have not reflected this dividend payable.

10 TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**1,383,139**	1,029,239
Less: Loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,381,951**	1,028,051

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:

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**1,232,628**	886,400
91 to 180 days	**150,511**	142,839
	1,383,139	1,029,239
Less: Loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,381,951**	1,028,051

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 44.8% (2020: 28.9%) and 12.4% (2020: 10.2%), respectively, of the trade receivables balance as at 31 December 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.

As at 31 December 2021, no trade receivables (2020: Nil) were past due.

Trade receivables are denominated in the following currencies:

	2021	2020
	HK$'000	*HK$'000*
HK$	**118,176**	82,678
US$	**638,622**	465,778
RMB	**609,665**	454,839
Others	**16,676**	25,944
	1,383,139	1,029,239

11 TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
0 to 90 days	**1,269,900**	715,685
91 to 180 days	**102,915**	443,205
	1,372,815	1,158,890

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies:

	2021	2020
	HK$'000	*HK$'000*
HK$	**20,186**	25,655
RMB	**871,901**	800,521
US$	**463,965**	329,835
Others	**16,763**	2,879
	1,372,815	1,158,890

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global market has been hit hard by the COVID-19 pandemic in the past two years. During the year ended 31 December 2021, the pandemic lingered on, with the Delta and Omicron variants raging around the world in the second half of the year. Nevertheless, the rollout of vaccination programmes in various countries has contributed to pandemic control. The mainland China was among the first countries to bring the pandemic under control, and this, coupled with the gradual resumption of global economic activity, has driven growth in the Group's orders and reduced production delays.

During the year, revenue from the office automation ("OA") equipment business increased significantly, while that of the automotive components business also recorded impressive growth, boosting the Group's overall turnover by 27.4% to HK$5,108,777,000 (2020: HK$4,008,459,000). During the year, transportation restrictions and container shortages seriously affected the industry's supply chains, resulting in persistently high material and transportation costs. To alleviate the tight supply, the Group made use of its strong supply chain capabilities to resolve the raw materials and components shortage issue, including diversifying the sourcing portfolio from non-designated suppliers, seeking other suppliers that were less affected by transportation restrictions both domestically and abroad, and re-arranging production schedules with customers through effective communication. These efforts enabled the Group to secure a sufficient supply of raw materials for its operations during the year. With the pandemic brought under control, the utilisation rates of the Group's domestic and overseas production facilities increased, in turn contributing to an improved gross profit margin, up 1.4 percentage points year-on-year to 19.8%. Driven by the above-mentioned factors, the Group's business turned around in 2021, with profit attributable to shareholders amounting to HK$155,190,000 (2020: loss attributable to shareholders of HK$15,371,000) and basic earnings per share of HK$9.0 cents.

Business Review

Office Automation Equipment

During the year, the Group dedicated additional efforts in the development of its OA equipment business, and has been focusing on the expansion of the Design and Electronic Manufacturing Service ("DEMS") operation to enhance business diversification. The segment's turnover increased by 21% year-on-year to HK$3,743,273,000 (2020: HK$3,094,123,000). Turnover from the Shenzhen operation increased by approximately 24%, 18% of which came from the revenue generated from the acquisition of Futaba Metal Products (Shenzhen) Co., Ltd. ("Futaba Metal") in April 2021, and the remaining approximately 6% growth were from existing businesses, including the growth in assembly services of approximately 5%. In April 2021, a wholly owned subsidiary of the Group entered into an equity transfer agreement with Futaba Industrial Co., Ltd. to acquire the entire equity interest in Futaba Metal for a cash consideration of 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 and EVA Intelligent Manufacturing is principally engaged in the manufacture and sale of OA equipment. During the year, the Group began to gradually integrate EVA Intelligent Manufacturing's businesses, with the objective of integrating the resources of EVA Intelligent Manufacturing and merging its production capacity with that of the Group's existing production facilities in 2022. This will help improve the Group's overall operational efficiency and better realise the synergies generated from the acquisition.

During the year, we saw no signs of improvement in the business in Suzhou, primarily due to the decline in orders from several OA equipment customers as a result of order transfer to Southeast Asia. Relevant turnover decreased by approximately 15%. Even so, the Group is cautiously optimistic about the business prospect in Suzhou in the long term and will continue to flexibly formulate appropriate market strategies in response to market changes and business performance.

During the year, the turnover of the Group's business in Weihai increased by approximately 63%. This was mainly because, under the DEMS model, the Group's first series of printer products, including single-use printers and multi-function printers, jointly designed and developed with our customer commenced mass production in May 2021, resulting in sales growth of around 30% during the year. The product was also awarded "Pick of the Year 2022", which was a global award by Buyers Laboratory Inc (BLI) in the US in January this year, demonstrating international recognition of the product series' reliability, printing quality and efficiency and overall printing cost analysis. We believe that the proliferating DEMS business will win more new customers and orders for the Group in the future. Currently, the DEMS business accounts for around 20% of the overall production capacity of the Weihai Industrial Park. During the year, the team continued to provide end-to-end services to customers of the DEMS business and more new products are expected to begin mass production in the coming year. With the impressive growth achieved by Weihai plant's quality DEMS products, the Group is committed to expanding also the domestic market and developing the information technology application innovation ("ITAI") industry on top of existing markets, customers including Great Wall Electronics and Lenovo. The ITAI market in the mainland China is huge, with the Chinese government proposing in 2019 to speed up development of the ITAI industry, followed by a range of favourable policies, immense opportunities have been brought to market. Bloomberg also estimates the market size of the relevant industries to reach US$125 billion by 2025. Being a market leader in providing fundamental hardware, plus the Group's top-notch technology and DEMS product advantage, we have already secured customers such as Great Wall Electronics to co-develop and introduce more relevant products to the market. It is believed that such development will help increase the Group's market share in the mainland China substantially.

The Group's Vietnam industrial park commenced operation in 2017. As the team has been very dedicated in business development over the years, Vietnam industrial park is gradually starting to bear fruit. However, the epidemic in Vietnam remained volatile in 2021 causing business activities to decline. Although the Group's industrial park is located in Haiphong, which was relatively less impacted by the epidemic, the supply chains in other provinces across the country were disrupted, leading to unavoidable production schedule delays. Despite this, the Group's Vietnam industrial park still managed to deliver a robust turnover growth of around 46% in 2021, mainly attributable to the significant increase in orders from two key customers, Fujifilm and Kyocera. At the same time, the Group continued to transfer the production of certain products from China to Vietnam, contributing further to its business growth. During the year, the outbreak in regions across Vietnam forced factories to shut down and local governments continued to tighten social distancing measures. As such, the Vietnam operation was affected to various extents during the year. However, as key customers relocated their production bases to Vietnam, the utilisation rate of the production facilities increased significantly. Currently, the Group has already received large amounts of orders on hand in Vietnam. It is believed that these orders on hand will crystalise into sales and realise profits in one to two years' time. In addition, given the low-cost operating environment, the Group is confident about Vietnam's performance in the coming year.

The OA equipment segment reported profit amounting to HK$138,926,000 (2020: HK$89,370,000) for the year. The growth was primarily attributable to a surge in segment turnover following economic recovery and the Group's strong business momentum mentioned above. In addition, the utilisation rates of the Group's production facilities returning to normal also drove the segment's profit margin to approximately 3.7% (2020: 2.9%). However, the macroeconomic environment and the pandemic have hindered the performance of the Group's OA equipment segment to a certain degree. Although most of the Group's OA equipment customers recorded an increase in revenue during the year, some of these customers have not resumed their orders to their usual level. Over the years, OA equipment has gradually evolved into an ecosystem of "automated office", instead of just a printing or photocopying machine in the past. The pandemic has accelerated the speed of such evolution as remote working has been promoted by numerous businesses. We thus believe the market still possesses immense potential.

Automotive Components

During the year, the Group continued to record strong growth in the automotive components segment, primarily due to the strengthening of strategic partnerships with a number of existing customers through optimising strategic deployment, resources integration, increased investment in innovation as well as technology enhancement. Also driven by the strong business momentum in the North American market since the beginning of 2021 and the robust consumption sentiment in China, the segment's turnover increased by 49% year-on-year to HK$1,365,504,000 (2020: HK$914,336,000).

The Group's automotive components business mainly focuses on the development and mass production of moulds and products for various components, including automobile seats, automotive body structures and chassis. For the purpose of technological research and development ("R&D"), the Group has established the "Automotive Components Technology Research Institute" during the year, housing the "Automobile Seat Framework R&D Centre" and the "Automotive Body Structure and Chassis Development Centre". These centres mainly focus on the technological R&D of related metal components of automotive seats, bodies and chassis, the development of new energy vehicle ("NEV") related business and the upgrade of mould, stamping, welding and related automated production technologies. During the year, the Group also started to integrate its resources, such as the integration of the mould engineering department of the Chongqing industrial park into the mould engineering department of the Wuhan industrial park. Through this integration, the Group can not only centralise its advantageous resources and better serve the domestic mould production market, but also reduce costs, maximise production capacity and enhance production efficiency.

The Group's industrial park in Shenzhen has always concentrated on the production and export of automobile seat moulds to markets in Europe and the US. Also serving as the headquarters and the R&D centre for the development of the automobile seat components business, the industrial park in Shenzhen plays an important role in carrying out technological research. As the first phase of the Group's industrial park in Mexico commenced operation in 2020 amid the outbreak of the pandemic, its operation was not as smooth as expected, so the Shenzhen site shifted its focus from direct export to the US and European markets to mass production of moulds for the Mexico site. Several US and European automobile suppliers and automakers (such as Faurecia, Adient, Brose and Tesla) placed their orders directly with the Shenzhen site, enabling the Shenzhen business to realise record-high turnover in 2020. However, since phase one of the industrial park in Mexico has largely resumed normal operations since 2021, the European and US automobile suppliers and automakers transferred their orders to our Mexico site and therefore the relevant sales were recognised in Mexico. As such, turnover from the Shenzhen business decreased by approximately 29%. While supporting the development of the industrial park in Mexico, the industrial park in Shenzhen has also started to expand its business to the domestic and Japanese markets.

In Zhongshan, the Group recorded an increase in turnover of approximately 29% as a result of the Group's strategic move to step up technological R&D and broaden its business scope with certain key customers including automobile suppliers in Europe and Japan such as Brose, Aisin and Yachiyo, thus resulting in satisfactory sales growth. During the year, the Group also started to establish strategic partnerships with domestic automobile suppliers, which contributed to the increase in turnover in Zhongshan. In addition, the industrial park in Zhongshan has made progress in the R&D of NEV battery. We commenced negotiations with a Japanese electrical control supplier, which is expected to generate growth for the NEV business in Zhongshan.

In Chongqing, the Group continued to work more closely with Great Wall Motors, SAIC-GM-Wuling and Changan, and received the "2021 Most Potential Supplier" award from Great Wall Motors during the year, further demonstrating customers' trust in the core technologies of the Chongqing site. The welding site in Yongchuan, Chongqing, commencing production in 2021, is well aligned with the development of Great Wall Motors, and boosted the turnover in Chongqing during the year. Driven by the strong sales to two major customers, Great Wall Motors and SAIC-GM-Wuling, especially the sales of certain new models from Great Wall Motors in 2021, the Group recorded impressive growth in turnover of approximately 48% for the Chongqing operation. The Group's new Sichuan site was also recently established in order to better serve its customers in Chongqing.

In 2020, the Group's Wuhan business experienced significant decline as a result of the COVID-19 outbreak. However, while the industrial park in Wuhan has been going through R&D and production preparation for a large number of new projects during the year, the relevant turnover rebounded by approximately 17%. The increase was primarily attributable to the steady growth in orders from certain new and existing customers. In fact, in order to minimise the impact of the pandemic, the Group made several strategic changes to its customer portfolio in Wuhan during the year, including withdrawing from some unprofitable projects and introducing new customers. At the same time, the Group continued to strengthen its relationships with various automakers such as Great Wall Motors. We have set up a new welding site in Jingmen, Hubei Province in 2021 and secured a number of new projects and orders with Great Wall Motors. The Group has also achieved breakthroughs in market expansion during the year and its Wuhan operation has received a huge number of orders, including new projects from certain NEV manufacturers like Lucid Motors, an NEV manufacturer in the US. Some of the NEV related component orders, such as components for battery cover, commenced delivery at the end of 2021. Based on the forecasted life cycle of customer orders, the Group expects these orders to turn into sales in five to seven years from 2022 and to bring significant contribution to the Group between 2022 and 2025.

The Group considers its production base in Mexico an important bridge to customers in the US and European markets. Not only does it complement customers' local production projects, but, as previously mentioned, it can also bring in a large number of mould development orders for the Group's production base in China through internal deployment. Such orders can consequently improve the utilisation rate of the Group's production facilities in China. With its strategic layout and competitive advantages, the Group continued to win the trust of its customers and was able to strengthen its strategic partnerships in Mexico. Among the automobile supplier customers, the sales of Faurecia and Adient increased by more than two to three folds year-on-year, leading to an increase in turnover of approximately 250% in Mexico. In addition, after obtaining Tier 1 supplier status from Tesla last year, the Group began to receive orders from Tesla directly since July 2021, and has thus started to record sales directly from Tesla during the year, on top of those through other Tier 1 suppliers. Thus, as a result of a surge in orders, the utilisation rate of the production facilities in phase one of the industrial park in Mexico increased significantly. Meanwhile, the investment in phases one and two of the Mexico industrial park is almost complete, and the Group has also started to prepare for the construction of and the investment in equipment for phase three of the industrial park in view of the faster-than-expected development in Mexico.

With the generally optimistic outlook for the automotive components industry and a slight easing of container supply issue in the second half of the year, coupled with a significant resumption of consumption activities in China, the Group's automotive components segment recorded satisfactory profit of approximately HK$126,844,000 during the year (2020: HK$29,805,000). The growth was also attributable to the Group's own competitive advantages, stable partnerships with customers and the rebound in global consumer sentiment, which also led to an increase in the utilisation rate of production facilities, resulting in an improvement in segment profit margin to 9.3% (2020: 3.3%).

OUTLOOK

Today, the COVID-19 pandemic is still impacting business activities worldwide, with the Delta and Omicron variants continuing their impacts in 2022 and spreading in countries across the globe. The recent conflict between Russia and Ukraine also poses threats to the global economy, as well as the financial and commodities markets, and may intensify global inflationary pressures, exacerbate the supply chain disruption and the chip shortage issue, in turn affecting the development of technology companies as well as the automobile industry. To tackle these challenges, the Group will remain cautious and conscientious when making operating, investment and financing decisions. We will also flexibly adapt to geopolitical changes and continue to implement more stringent cost control measures and ensure effective management of our resources.

In addition, the Group will continue to make use of its strong supply chain capabilities and focus on selecting projects with higher returns by realigning its production and market strategies with market changes. In terms of investment, since 2020, the Group has prioritised mitigating the impacts of the pandemic and has adopted a prudent approach to capital expansion. It will consider comprehensive factors when making investment decisions and invest primarily in projects that are related to the Group's principal businesses, unless they are projects with high growth potential and low risk. As for financing, the Group has adopted a prudent treasury policy and maintained a healthy balance sheet. As at 31 December 2021, the Group's net debt-to-equity ratio was 17.5% (31 December 2020: 15.0%). Looking ahead, as the Group decelerates its capital expansion, it will aim to reduce its borrowing level, thereby lowering finance costs. The Group will also closely monitor the interest rate trend and make reference to interest rate forecasts to make necessary adjustments to treasury decisions.

Although the global economic outlook is uncertain, it is generally expected that the Chinese economy and the automobile industry will maintain stable growth and development. Recently, the State Council pointed out at the Two Sessions that China's economy resumed growth in the past year with the country's GDP reaching RMB114 trillion, an increase of 8.1%, and this year's target growth rate being 5.5%. The International Monetary Fund also expects China's GDP to grow at a rate of 4.8% this year. Thus it is expected that the consumption power of the Chinese citizens will rise continuously.

At the same time, with the society's focus on energy savings, reduced emissions and low-carbon footprints, NEVs are set to become a key business growth driver for the automotive components sector and demand is also expected to increase in the near term. The China Automobile Association predicts that total vehicle sales in 2022 will climb by 5% to 27,500,000 units, while total new energy vehicle sales will rise by 47% to 5,000,000 units, presenting enormous room for growth for the industry.

Although the pandemic has not yet subsided and uncertainties remain in the global economy and business environment, the Group will continue to uphold its core values, enhance its competitive advantages in the OA equipment and automotive components sectors and adhere to its philosophy of continuous technological improvement so as to strengthen its market leadership, achieve business growth and maximise returns to shareholders.

DIVIDEND

The Board recommends the payment of a final dividend of HK1.5 cent per ordinary share, totaling approximately HK$26,237,000, for the year ended 31 December 2021 which is subject to shareholders' approval at the Company's forthcoming annual general meeting to be held on 18 May 2022. Together with the interim dividend of HK$20,735,000 paid on 24 September 2021 in respect of the six months ended 30 June 2021, the interim and final dividends for the year ended 31 December 2021 will be approximately HK$46,972,000, which is in line with the Group's normal target payout ratio of about 30% of the net profit.

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

	2021		2020	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Office automation equipment division				
Design and fabrication of moulds	**256,198**	**5.0%**	279,287	7.0%
Manufacturing of components	**3,437,507**	**67.3%**	2,782,474	69.4%
Others *(Note 1)*	**49,567**	**1.0%**	32,362	0.8%
	3,743,273	**73.3%**	3,094,123	77.2%
Automotive component division				
Design and fabrication of moulds	**180,494**	**3.5%**	231,558	5.8%
Manufacturing of components	**1,101,574**	**21.6%**	637,566	15.9%
Others *(Note 1)*	**83,437**	**1.6%**	45,212	1.1%
	1,365,504	**26.7%**	914,336	22.8%
Total	**5,108,777**		4,008,459	
Segment results				
Office automation equipment division	**138,926**		89,370	
Automotive component division	**126,844**		29,805	
Operating profit	**265,770**		119,175	
Unallocated expenses	**(71,169)**		(84,520)	
Finance income	**12,665**		11,196	
Finance costs	**(27,510)**		(42,929)	
Share of profit/(loss) of associates	**358**		(16,076)	
Income tax expense	**(24,924)**		(2,217)	
Profit/(loss) attributable to equity holders of the Company	**155,190**		(15,371)	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the year, the Group's turnover increased by 27.4% to HK$5,108,777,000, which was primarily caused by an increase in orders from certain existing customers and the Group's effort to develop new customers during the year, as well as the direct contribution of revenue arisen from the acquisition of Futaba Metal as mentioned above.

Gross profit

During the year, gross profit margin slightly increased to 19.8% (2020: 18.4%), which was mainly driven by the increase in orders as mentioned above and fewer production delays as a result of the resumption of economic activities, thus achieving a better utilisation of the Group's production facilities.

Segment results

For the year ended 31 December 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 3.7% and 9.3% respectively (2020: operating profit margin 2.9% and 3.3% respectively). Hence, the operating profits amounted to HK$138,926,000 and HK$126,844,000 respectively (2020: operating profits HK$89,370,000 and HK$29,805,000 respectively).

Unallocated expenses

For the year ended 31 December 2021, unallocated expenses mainly represent corporate expenses of HK$41,849,000 (2020: HK$50,720,000), share-based payment expenses of HK$4,970,000 (2020: nil) and impairment losses on financial assets amounting to HK$24,350,000 (2020: HK$33,800,000).

Finance income and costs

Most of the Group's bank deposits are held with banks in the PRC. For the year ended 31 December 2021, the Group's finance income increased, primarily due to the increased interest rates from bank deposits held with banks in the PRC during the year.

Almost all of the Group's bank borrowings are denominated in HKD and were obtained from banks in Hong Kong. The Group's finance costs decreased, mainly attributable to declining interest rates in Hong Kong as compared to 2020.

Share of profit/(loss) of associates

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

Income tax expense

Income tax expense for the year ended 31 December 2021 mainly represents current income tax charge amounting to HK$34,118,000 netted off by (i) over-provision in prior years amounting to HK$11,079,000 and (ii) deferred income tax charge of HK$1,885,000.

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

For the year ended 31 December 2021, the profit attributable to equity holders of the Company was HK$155,190,000 (2020: loss of HK$15,371,000), which was primarily caused by the increase in operating profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2021, the Group's net cash generated from operating activities decreased to HK$259,284,000 (2020: HK$453,089,000), which was primarily due to increase in working capital requirements such as inventories and trade receivables to cope with the increase in turnover. During the year, the Group's capital expenditure increased to HK$376,225,000 as the construction on the phase two industrial park in Mexico was completed during the year and certain maintenance and renovation work on the existing production facilities continued in 2021. The increase was netted off by the decrease in the Group's short-term bank deposits amounting to HK$33,336,000. Therefore, the Group recorded net cash used in investing activities amounting to HK$337,246,000 (2020: HK$54,341,000). The Group had a net increase in bank borrowings of HK$5,689,000 and lease payments totaling HK$34,063,000 during the year. After proceeds from issuance of shares upon exercise of share options amounting to HK$30,676,000 and payment of dividend of HK$20,735,000, the Group recorded net cash used in financing activities of HK$18,433,000 during the year (2020: HK$83,842,000).

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 31 December 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 31 December 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 remain committed to maintaining a healthy balance sheet.

Key financial performance indicators

	31 December 2021	31 December 2020
Inventory turnover days *(Note 1 and 5)*	**61**	61
Debtors' turnover days *(Note 2 and 5)*	**99**	94
Creditors' turnover days *(Note 3 and 5)*	**122**	130
Cash conversion cycle *(Note 4 and 5)*	**38**	25
Current ratio *(Note 6 and 8)*	**1.13**	1.18
Net debt-to-equity ratio *(Note 7 and 8)*	**17.5%**	15.0%
Net profit/(loss) margin *(Note 9 and 11)*	**3.0%**	(0.4%)
Return/(loss) on shareholders' equity *(Note 10 and 11)*	**5.6%**	(0.6%)

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 year.

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 year.

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 year.

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$97,272,000 as at 31 December 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.

Inventory turnover days

The Group's inventory turnover days for the year ended 31 December 2021 was 61 days, which was comparable to that for 2020.

Debtors' and creditors' turnover days

During the year, the Group's sales increased significantly with its growth spurt peaked at December 2021. As a result, trade receivables as at 31 December 2021 increased as a higher portion of sales in 2021 occurred in the last quarter, resulting in an increase in debtors' turnover days for the year to 99 days. Creditors' turnover days for the year decreased to 122 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the year.

Cash conversion cycle

The increase in cash conversion cycle in 2021 was mainly caused by the increase in debtor's turnover days and the decrease in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

The Group's current ratio decreased to 1.13 as at 31 December 2021, mainly because (i) certain new long-term loan facilities with the repayment on demand clause were drawn before year end; and (ii) short-term bank loans increased during the year. The Group's net debt-to-equity ratio as at 31 December 2021 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 reduction in the Group's net profit margin and return on shareholders' equity was caused by the decrease in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2021, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	**Purchases**
Hong Kong dollars	18.3%	3.1%
US dollars	55.2%	58.6%
Renminbi	25.6%	38.2%
Other currencies	0.9%	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 73.5% of the Group's sales and 61.7% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the year. 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. Going forward, 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

During the year, the total number of the Group's employees decreased from 10,769 employees as at 31 December 2020 to 9,289 employees as at 31 December 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 schemes were 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 31 December 2021, the average length of services of the Group's employees below and above manager grade was 3.7 years and 9.5 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK$48,992,000 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 year ended 31 December 2021 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 18 May 2022, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, 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 Thursday, 12 May 2022.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on Thursday, 9 June 2022 to shareholders whose names appear on the register of members on Thursday, 26 May 2022. To determine eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no share transfer will be registered. In order to qualify for the entitlement to the proposed final 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 Monday, 23 May 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 Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors have complied with the required standards set out in the Model Code during the year ended 31 December 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 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, namely, Ms. Ling Kit Sum, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny, 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 audited consolidated financial statements for the year ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2021 and up to the date of this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 30 March 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.