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 2023

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2023 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Note	Unaudited Six months ended 30 June **2023** ***HK$'000***	2022 *HK$'000*
Revenue	*4*	**2,862,158**	2,939,731
Cost of sales	*5*	**(2,317,158)**	(2,374,683)
Gross profit		**545,000**	565,048
Other income		**30,063**	10,072
Other gains – net		**28,104**	3,110
Selling and marketing costs	*5*	**(125,250)**	(123,925)
General and administrative expenses	*5*	**(288,911)**	(333,117)
Operating profit		**189,006**	121,188
Finance income	*6*	**17,103**	4,988
Finance costs	*6*	**(61,668)**	(15,706)
Share of losses of associates		**(359)**	(232)
Profit before income tax		**144,082**	110,238
Income tax expense	*7*	**(21,458)**	(7,583)
Profit for the period		**122,624**	102,655
Other comprehensive loss for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(16,136)**	(47,680)
Items that may not be reclassified subsequently to profit or loss			
– Revaluation losses on financial assets at fair value through other comprehensive income		**(1,261)**	–
Total comprehensive income for the period		**105,227**	54,975
Profit for the period attributable to equity holders of the Company		**122,624**	102,655
Total comprehensive income for the period attributable to equity holders of the Company		**105,227**	54,975
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**7.0**	5.9
– diluted	*8*	**7.0**	5.8

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**Unaudited 30 June 2023 *HK$'000***	Audited 31 December 2022 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,556,450**	2,453,708
Right-of-use assets		**358,619**	377,546
Intangible assets		**4,951**	5,847
Investments in associates		**29,647**	30,591
Financial assets at fair value through other comprehensive income		**14,242**	28,647
Prepayments, deposits and other receivables		**42,937**	57,031
Deferred income tax assets		**6,550**	6,549
		3,013,396	2,959,919
Current assets			
Inventories		**711,682**	638,603
Trade receivables	*10*	**1,671,520**	1,681,160
Prepayments, deposits and other receivables		**175,725**	146,135
Restricted bank deposits		**74,668**	69,599
Short-term bank deposits		**11,035**	39,194
Cash and cash equivalents		**1,750,704**	1,722,162
		4,395,334	4,296,853
LIABILITIES			
Current liabilities			
Trade payables	*11*	**1,423,586**	1,489,832
Contract liabilities		**109,494**	99,288
Accruals and other payables		**228,774**	242,242
Bank borrowings		**1,257,010**	965,640
Lease liabilities		**41,569**	44,120
Current income tax liabilities		**11,331**	18,364
		3,071,764	2,859,486
Net current assets		**1,323,570**	1,437,367
Total assets less current liabilities		**4,336,966**	4,397,286

	Note	Unaudited 30 June 2023 *HK$'000*	Audited 31 December 2022 *HK$'000*
Non-current liabilities			
Bank borrowings		**1,330,164**	1,459,783
Lease liabilities		**66,051**	76,107
Deferred income tax liabilities		**22,517**	22,992
		1,418,732	1,558,882
Net assets		**2,918,234**	2,838,404
EQUITY			
Capital and reserves			
Share capital		**174,092**	174,092
Reserves		**2,744,142**	2,664,312
Total equity		**2,918,234**	2,838,404

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

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue by the Board of Directors on 29 August 2023. 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 2022, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2022, 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 new standard and amendments to existing standards effective for the financial year beginning 1 January 2023

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction

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

(b) Amendments to existing standards and interpretation issued but not yet effective for the financial year beginning of 1 January 2022 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2024
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 SEGMENT INFORMATION

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

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

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

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

The segment results and other segment items are as follows:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Office automation equipment	**Automotive components**	**Total**	Office automation equipment	Automotive components	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**2,007,246**	**854,912**	**2,862,158**	2,082,453	857,278	2,939,731
Segment results	**163,949**	**49,219**	**213,168**	80,747	74,385	155,132
Unallocated expenses			**(24,162)**			(33,944)
Finance income			**17,103**			4,988
Finance costs			**(61,668)**			(15,706)
Share of profits of associates			**(359)**			(232)
Profit before income tax			**144,082**			110,238
Income tax expense			**(21,458)**			(7,583)
Profit for the period			**122,624**			102,655
Depreciation	**60,057**	**70,619**	**130,676**	70,218	67,343	137,561
Amortisation	**896**	**–**	**896**	751	–	751

For the six months ended 30 June 2022 and 2023, unallocated expenses represent corporate expenses and share-based payment expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2023				As at 31 December 2022			
	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	**4,180,723**	**3,143,491**	**84,516**	**7,408,730**	4,044,457	3,135,168	77,147	7,256,772
Liabilities	**1,076,847**	**790,608**	**2,623,041**	**4,490,496**	1,184,422	765,765	2,468,181	4,418,368

The segment capital expenditure is as follows:

	Six months ended 30 June 2023				Six months ended 30 June 2022			
	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	**141,086**	**85,741**	**–**	**226,827**	76,490	129,816	–	206,306

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

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

Capital expenditure comprises additions to property, plant and equipment.

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 30 June 2023 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	**7,324,214**	**1,867,455**
Unallocated:		
Investments in associates	**29,647**	**–**
Financial assets at fair value through other comprehensive income	**14,242**	**–**
Cash and cash equivalents	**33,418**	**–**
Deferred income tax assets	**6,550**	**–**
Prepayments, deposits and other receivables	**659**	**–**
Current income tax liabilities	**–**	**11,331**
Deferred income tax liabilities	**–**	**22,517**
Bank borrowings	**–**	**2,587,174**
Accruals and other payables	**–**	**2,019**
Total	**7,408,730**	**4,490,496**

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2022 as follows:

	Assets *HK$'000*	Liabilities *HK$'000*
Segment assets/liabilities	7,179,625	1,950,187
Unallocated:		
Investments in associates	30,591	–
Financial assets at fair value through other comprehensive income	28,647	–
Cash and cash equivalents	4,644	–
Deferred income tax assets	6,549	–
Prepayments, deposits and other receivables	6,716	–
Current income tax liabilities	–	18,364
Deferred income tax liabilities	–	22,992
Bank borrowings	–	2,425,423
Accruals and other payables	–	1,402
Total	7,256,772	4,418,368

During the six months ended 30 June 2023, the aggregated revenue from the top two customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$1,274,198,000 (six months ended 30 June 2022: top two customers: HK$1,349,958,000).

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 2023				Six months ended 30 June 2022			
	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	**2,158,566**	**385,430**	**318,162**	**2,862,158**	2,263,005	409,778	266,948	2,939,731

Assets by geographical region

	As at 30 June 2023				As at 31 December 2022			
	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	**2,308,489**	**278,448**	**426,459**	**3,013,396**	2,278,956	255,849	425,114	2,959,919
Total assets	**5,865,913**	**732,829**	**809,988**	**7,408,730**	5,825,587	683,634	747,551	7,256,772

4 REVENUE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Sale of moulds and components	**2,795,264**	2,860,804
Others *(Note)*	**66,894**	78,927
	2,862,158	2,939,731

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 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

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	
	2023	2022
	HK$'000	*HK$'000*
Raw materials used	**1,745,980**	1,826,572
Production overhead costs (excluding labour and depreciation expenses)	**164,753**	150,844
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**449,921**	464,089
– Staff welfare	**26,002**	26,068
– Retirement benefit – defined contribution plans	**34,999**	33,370
– Share option granted	**5,227**	15,638
Depreciation		
– Property, plant and equipment	**114,239**	120,932
– Right-of-use assets	**16,437**	16,629
Amortisation of intangible assets	**896**	751
Provision for inventory obsolescence	**22,205**	27,357
Operating lease rental for short-term and low-value leases	**973**	427

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**17,103**	4,988
Finance costs		
Interest expense on:		
Bank borrowings	**79,188**	20,730
Lease liabilities – Plant and machinery	**23**	106
Lease liabilities – Factory and office premises	**2,132**	2,115
Interest capitalised	**(19,675)**	(7,245)
	61,668	15,706

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
Current taxation		
– Mainland China corporate income tax	**(18,152)**	(20,130)
– Overseas corporate income tax	**(12,047)**	–
Over-provision in prior years	**8,265**	12,192
Deferred income tax	**476**	355
	(21,458)	(7,583)

(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 2023 (six months ended 30 June 2022: 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 2022: 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, Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Weihai) 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 2022 and 2023.

(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 subjected to a preferential tax rate of 10% for the first 15 years from the year of commencing operations. It is also 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 75% reduction in total from corporate income tax in Vietnam for the six months ended 30 June 2023 (six months ended 30 June 2022: Same).

Provision for Mexico Corporate income tax was calculated at the statutory rate of 30% (six months ended 30 June 2022: same).

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

8 EARNINGS PER SHARE

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

Basic

	Six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company *(HK$'000)*	**122,624**	102,655
Weighted average number of ordinary shares in issue *('000)*	**1,740,920**	1,748,178
Basic earnings per share *(HK cents per share)*	**7.0**	5.9

Diluted

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

	Six months ended 30 June	
	2023	2022
Profit attributable to equity holders of the Company *(HK$'000)*	**122,624**	102,655
Weighted average number of ordinary shares in issue *('000)*	**1,740,920**	1,748,178
Adjustment for share options ('000) *(Note)*	**–**	12,521
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**1,740,920**	1,760,699
Diluted earnings per share *(HK cents per share)*	**7.0**	5.8

Notes: Diluted loss per share for the six months ended 30 June 2023 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 HK2.1 cents (six months ended 30 June 2022: HK1.76 cent) per ordinary share, amounting to HK$36,559,000 (six months ended 30 June 2022: HK$30,693,000), was declared by the directors of the Company for the six months ended 30 June 2023.

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 2023	31 December 2022
	HK$'000	*HK$'000*
0 to 90 days	**1,427,066**	1,447,054
91 to 180 days	**245,642**	235,294
	1,672,708	1,682,348
Less: loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,671,520**	1,681,160

The top five customers and the largest customer accounted for 44.5% (31 December 2022: 37.7%) and 16.1% (31 December 2022: 12.1%), respectively, of the trade receivables balance as at 30 June 2023. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

During the six months ended 30 June 2023, no additional loss allowance was recorded for its trade receivables (six months ended 30 June 2022: Nil).

11 TRADE PAYABLES

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

	As at	
	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
0 to 90 days	**1,278,902**	1,344,134
91 to 180 days	**144,342**	145,698
181 to 360 days	**342**	–
	1,423,586	1,489,832

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Impacted by an unstable external environment, 2023 is another difficult year for the Group. From early 2022, global economic activities have gradually resumed and orders from different industries have continued to increase. In 2023, a combination of external uncertainties such as inflation, interest rate hikes, and the Russia-Ukraine war have slowed global economic growth and recovery pace, causing many industries, especially those in electronics manufacturing, to oversupply. The impact of weakened global demand and excessive end-stocking also led office automation equipment customers to enter a period of inventory digestion. Coupled with underwhelmed demand in China's consumer market since the lifting of pandemic restrictions, the overall economic rebound in the first half year was not as fast as hoped.

In such a challenging economic environment, with uncertainties arising from international politics and a decline in client production intentions, the Group's office automation and automotive component businesses have been adversely impacted to varying degrees. For the six months ended 30 June 2023, the Group's turnover fell by approximately 2.6% year-on-year to HK$2,862,158,000 (1H2022: HK$2,939,731,000). Profit attributable to shareholders rose by 19.5% year-on-year to HK$122,624,000 (1H2022: HKD102,655,000), mainly attributed to adoption of effective cost control policies, plus the synergies reaped by the Group following the consolidation of production capacity after the Group acquired EVA Intelligent Manufacturing in 2021, including the reduction of operating costs like wages, rental and administrative expenses, as well as a one-off gain recognised in relation to the write-back of provisions related to staff compensations by EVA Intelligent Manufacturing, and the exchange gain from appreciation of the Mexican Peso. Excluding the one-off gain and exchange differences, operating profit from principal activities before share of losses of associates, interest and tax increased by 22.3% to HK$146,093,000 (1H2022: HK$119,422,000). Basic earnings per share were HK$7.0 cents (1H2022: basic earnings per share of HK$5.9 cents).

Against the odds in 2023, the management focused on internal governance through flexibly adjusting its Group strategies with a view of adapting to market changes. During the reporting period, the Group effectively enhanced cost control efforts in its operations and has substantially lowered the general operating costs with a much lower general and administrative expense to sales ratio as compared to the six months ended 30 June 2022. It has also made efforts in optimising project management, strengthening product quality control and is gradually reducing the number of low-profit projects with a view to improve the overall value of its products. However, due to turnover decline, which had an impact on the utilisation of production capacity, the overall gross profit margin had a slight decline by 0.2 percentage points year-on-year to 19.0% (1H 2022: 19.2%). The continued interest rate hikes in the United States had a significant impact on the Group's interest costs. For the six months ended 30 June 2023, the Group's total bank borrowings amounted to HK$2.6 billion, with an effective interest rate in excess of 6% per annum, and total borrowing costs three times higher than the same period last year.

Office automation equipment

The Group has been in the office automation equipment business for nearly 30 years. With extensive experience in the industry and excellent product quality, the Group has gained high reputation and trust from customers who favour the Group's products. In addition to its core business, the Group has also been exploring the design and electronic manufacturing services ("D-EMS") business, as well as assembly business and assembly component sales business in recent years in order to increase market penetration and diversify business. Turnover from the office automation equipment business declined by 3.6% to HK$2,007,246,000 (1H2022: HK$2,082,453,000) during the period as a result of weak overall market conditions.

During the reporting period, the performance of the office automation equipment business in Weihai was outstanding, with turnover surging by 113.3% year-on-year. Annual sales over the next few years is expected to exceed HK$1 billion. This is mainly attributed to a deepening of the Group's strategic cooperation with long-term customer, Fujifilm, which has resulted in a surge in orders and a significant rise in turnover; as well as a significant boost in the capacity utilisation of the Weihai production base. The Group's industrial park in Weihai's Double Islands Bay is one of the largest in the portfolio and serves as the D-EMS service base in Eastern China. It continues to provide one-stop, vertically integrated services – "D-EMS Services" – from mould design to complete machine assembly for customers such as Fujifilm, TOEC, Lenovo and Great Wall Electronics, supplying customers with moulds, metal components, plastic components as well as complete A4 duplicators and peripheral equipment for A3 duplicators. The Group is currently in discussion for more in-depth co-operation with leading customers in the market, such as Hewlett-Packard and Fujifilm, and expects the D-EMS orders for A3 copiers to achieve significant growth over the next three years. At the same time, the Group's office automation equipment business in Weihai is currently undergoing a gradual expansion with strong support from regional government policies, and has already commenced construction of its phase II factory since late 2022, in order to meet the upcoming order growth. The phase II factory is expected to complete construction and commence operation in the first half of 2024.

In Shenzhen, turnover declined by approximately 26.5% due to the impact of stock absorption by customers, which started in the second half of 2022 and continued into this year, mainly due to a significant slowdown in shipments from customers in the United States and Japan. In Vietnam, the Group was also affected by customers' stock absorption, with a slight decline in turnover of approximately 5.9%, but the Group believes that the situation will gradually improve in the second half year or the next year. The Group began active deployment of shifting orders from Japanese customers to Vietnam a few years ago, in line with the strategic development of Japanese customers expanding their production bases to Southeast Asia. The Group believes this trend will continue to provide strong business impetus, and enable the Group to take advantage of Vietnam's low labour costs and tax incentives in order to expand its office automation equipment business and increase revenue. The Group remains confident in Vietnam's development in coming years and expects the country to continue to drive the development of the entire office automation equipment business.

As for Suzhou, many orders were lost from its two largest customers, Ricoh and Canon, during the three-year pandemic period. However, with continuous improvement in operating policies and business strategies, Suzhou's turnover improved slightly in the first half of 2023 and saw a 3.2% increase. In the long run, the Group is cautious about the prospects of its Suzhou business and will continue to flexibly formulate appropriate marketing strategies in response to market changes and business performance.

Overall, though impacted by the external environment and slowdown of end-demand, the office automation equipment segment still benefited from the enhanced internal policies and management, the continuous synergies achieved and one-off gain recognised from the consolidation of EVA Intelligent Manufacturing, recording profit of HK$163,949,000 (1H2022: HK$80,747,000) and a segment profit margin of 8.2% (1H2022: 3.9%) for the period. In the second half year, the Group will rise to the challenge and continue to stabilise the office automation equipment business, and strive to develop and launch more relevant and practical products and solutions in response to market needs, as there is still ample room for the development of the office automation equipment business.

Automotive components

In the first half of 2023, turnover of the Group's automotive component segment remained relatively stable, with a slight decrease of 0.3% year-on-year to HK$854,912,000 (1H2012: HK$857,278,000). After three years of continuous strategic deployment, optimisation and integration of advantageous resources, the Group's automotive component segment's new energy vehicle ("NEV") industry strategy has begun to bear results, and the NEV strategic customer base is growing steadily. The automotive component segment has secured quite a number of NEV-related orders following the Group's implementation of its NEV industry strategy. In 2023, the Group's NEV orders were gradually put into production, and the production capacities of Zhongshan, Wuhan and Mexico Industrial Parks were gradually released, which also compensated for the decline of the traditional automotive business in the Chongqing Industrial Park.

The Group's industrial park in Shenzhen supports technological research and development, as well as mould design and production of all of the Group's automotive-related businesses, and also serves as the centralised production base for the Group's automobile seat moulds, which are mainly exported to the European and American markets. During the reporting period, turnover of the automotive component business in Shenzhen fell by approximately 44.3% year-on-year, which was mainly due to the persistently high inflation in Europe and the rapid decline in the Eurozone economy in 2023, which had a serious impact on the European export business of car seat moulds. During the period, the Group engaged in more in-depth contacts with customers in Japan and Europe, where its technology was widely recognised, and is actively seeking more new business orders when the European economy recovers.

In Zhongshan, the Group's turnover increased by approximately 19.1%, mainly attributed to an explosive growth of the NEV market, and commencement of mass production for a number of project orders from new customers of the "three-electric systems", namely, battery, electronic control and motor systems, of NEVs. Since customers' projects usually involve common parts used in various vehicle models, the Group's business with customers such as Brose and Aisin has continued to grow satisfactorily, as market focus has gradually shifted from fuel vehicles to new energy vehicles. At the same time, the Group will focus on projects with development potential in Zhongshan, and begin to make continuous efforts to focus on key customers and key projects. During the period, the Group also continued to promote cost reduction and efficiency measures in Zhongshan to enhance competitiveness. In terms of market development, the Group has been focusing on developing NEV customers, in which new projects have been set up with a certain "three-electric systems" customer; and integrating the Group's related industries. The related business in Zhongshan will continue to maintain strong growth.

As for Chongqing, turnover for the first half of 2023 decreased by 21.5% compared with the same period last year, impacted by the decline in fuel vehicles sales by certain major customers in the first quarter. With Chongqing being a key city in Central and Western China, the Group has introduced world-class intelligent production equipment to its operation, providing customers in the Southwestern China market with pre-development of car body parts and functional assembly components, as well as ancillary services manufactured and delivered with intelligent technology. During the period, the Group deepened its strategic partnership with quality automakers such as Great Wall Motor, Changan Automobile and SAIC-GM-Wuling, and was deeply involved in the development and ordering of Great Wall Motor's new energy hybrid models and Changan Automobile's new energy models. It is forecasted that the aforementioned models will achieve sales breakthrough when they are put into mass production successively; meanwhile, the Group also launched a continuous cost improvement project in Chongqing Industrial Park, and the standard of cost management has continued to improve. In the second half of 2023, the Group will continue to work on strategic co-operation with the mainstream automakers in Southwest China.

For Wuhan, turnover for the first half of 2023 was maintained at a similar level as that of the same period last year, due to the sluggish domestic and international economic environment. The Group has been actively implementing internal management reforms and has achieved significant results in cost reduction and efficiency enhancement. Great Wall Motor, Faurecia and Brose are still the major customers. According to the latest customer orders, Wuhan's sales in the second half of 2023 is expected to grow, mainly due to the mass production of various Great Wall Motor's fuel and hybrid models, as well as General Motors' third-generation battery electric vehicle platform (BEV3 platform) for electric models, with annual sales expected to increase notably compared with the same period last year. In the second half of 2023, Wuhan will continue to strengthen development of the NEV field. Apart from NEVs, it will also actively develop the energy storage business, and has so far successfully secured a number of NEV energy storage system-related small-volume projects, providing an ideal opportunity for Wuhan Industrial Park to enter the energy storage field in the future. The Group will continue to strengthen the research and development of battery pack assembly, NEV components and aluminium alloy assembly technologies, tap into the orders of popular NEV models from traditional customers, and continue to introduce new customers and NEV order opportunities in order to lay a solid foundation for future business growth.

The Mexican plant continues to be an important bridge for the Group's customers in Europe and the United States. In the first half of 2023, turnover grew by 19.2% as new project orders came on stream. Customer orders maintained strong growth momentum during the reporting period, with the Group selectively accepting higher value-added orders based on existing capacity. The Group attaches great importance to the development of its automotive business in Mexico. With support from the Group's advantageous resources and advanced technologies, the Group has gradually consolidated and strengthened its strategic partnerships with customers such as Tesla, Faurecia, Brose, Adient and Yanfeng. In order to meet a growing demand for orders, the Mexico Industrial Park invested in new 1250T and 2500T presses, as well as a new welding production line, which will come into operation by the end of 2023. In 2023, the Group will continue to focus its advantageous resources on solving the deficiencies in production efficiency and management system of the Mexican plant, and provide strong support with the primary objective of continuously improving the efficiency and profitability in Mexico, so as to substantially increase the capacity utilisation and production efficiency there while gradually expanding the customer base of the Group's services amidst a general trend which sees the manufacturing industry returning to North America. The Group expects the business performance in Mexico to continue to be encouraging, and the Group will respond proactively to changes in the market.

In the first half of 2023, the global industrial chain, especially the manufacturing industry, was greatly impacted by a series of external influences such as inflation, interest rate hikes, and the Russia-Ukraine war. Despite the unsatisfactory market conditions in the manufacturing industry, the Group's automotive component business maintained a generally stable level of orders on hand, hence its top line for the period remained relatively stable. However, the factories and equipment that had already been deployed continued to generate depreciation and other operating costs, which were further driven up by inflations and interest rate hikes during the period. These factors plus the under-utilisation of the production facilities deployed have inevitably impacted the segment's result. Accordingly, the Group's automotive component division recorded a segment profit of approximately HK$49,219,000 (1H2022: HK$74,385,000), and a segment profit margin of approximately 5.8%(1H2022: 8.7%) for the period. As the Group's advantageous position in the NEV industry gradually becomes apparent, it is expected that this segment will see relatively better performance in the second half of 2023.

OUTLOOK

In 2023, the office automation equipment business was subject to downward pressure due to global terminal inventory overhang, while the automotive industry was also affected by the unstable economic environment in Europe and China. As a result, the Group's weakness in the first half of 2023 was mirrored by that in the second half of 2022. Nevertheless, the Group continued to maintain a leading position in the market by leveraging on years of strategic planning, market leadership, technological and product strengths, good customer relationships and quality clientele. The management still has considerable confidence in its two major businesses, namely, office automation equipment and automotive component segments.

Analysts have highlighted that the office automation equipment inventory was being gradually digested in the first half of 2023, and it was expected that the inventory would be adjusted to a healthy level during the year, which would lead to a gradual recovery in demand and a certain degree of improvement in orders delivery in the second half of 2023. However, due to uncertainties in the pace of market adjustment and a slowdown in global economic growth, the Group expects the overall business momentum of office automation equipment to be affected for the whole year. Nevertheless, the Group remains cautiously optimistic on the outlook for the second half year. The Group will also make appropriate strategic adjustments and changes in response to changes in market conditions.

The Group's automotive component business was affected in 2023 by the sales volume of individual customers and models. Nonetheless, Mainland China's economy will remain on a solid, upward trend in the long run. The automotive industry improved significantly in the second quarter of 2023, and the industry maintained steady development in the first half year. The China Association of Automobile Manufacturers ("CAAM") announced earlier that in the first half of 2023, China's automobile production and sales volume reached 13.248 million and 13.239 million respectively, representing year-on-year growth of 9.3% and 9.8% respectively, while the production and sales volume of NEVs reached 3.788 million and 3.747 million respectively, representing year-on-year growth of 42.4% and 44.1%, and the market share of NEVs reached 28.3%. Looking into the second half of 2023, the good performance of NEVs and automobile exports in China as a whole will effectively drive market growth. With policy effect continuing to manifest, the consumption potential of the automotive market will be further unleashed, which will help drive the industry to achieve stable growth throughout the year, and this will have a certain positive effect on the Group's automotive component business. We are optimistic about the outlook of this business.

As we enter the second half of 2023, the global economy and business environment are full of opportunities and challenges. According to the latest forecast from International Monetary Fund (IMF), the global economic growth rate will drop from 3.4% in 2022 to 3.0% in 2023, while the forecast for 2024 is maintained at 3.0%, indicating that the global economy is facing a period of downward pressure. The Group will be cautiously optimistic in identifying opportunities for capacity and business expansion, and will endeavour to enhance its competitive edge in the hope of gaining greater market share and driving the Group's business growth in the long run. With years of experience in the industry, the management will endeavour to consolidate its leading position in the market in order to achieve sustainable business growth and bring satisfactory 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			
	2023		2022	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Office automation equipment division				
Design and fabrication of moulds	**75,649**	**2.6%**	81,998	2.8%
Manufacturing of components	**1,911,048**	**66.8%**	1,973,091	67.1%
Others *(Note 1)*	**20,549**	**0.7%**	27,364	0.9%
	2,007,246	**70.1%**	2,082,453	70.8%
Automotive component division				
Design and fabrication of moulds	**81,602**	**2.9%**	90,751	3.1%
Manufacturing of components	**726,965**	**25.4%**	714,964	24.3%
Others *(Note 1)*	**46,345**	**1.6%**	51,563	1.8%
	854,912	**29.9%**	857,278	29.2%
Total	**2,862,158**		2,939,731	
Segment results				
Office automation equipment division	**163,949**		80,747	
Automotive component division	**49,219**		74,385	
Operating profit	**213,168**		155,132	
Unallocated expenses	**(24,162)**		(33,944)	
Finance income	**17,103**		4,988	
Finance costs	**(61,668)**		(15,706)	
Share of losses of associates	**(359)**		(232)	
Income tax expense	**(21,458)**		(7,583)	
Profit attributable to equity holders of the Company	**122,624**		102,655	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover decreased slightly by 2.6% to HK$2,862,158,000, which was primarily due to unfavorable external market conditions causing a decline in client production intensions in both office automation equipment and automotive component businesses.

Gross profit

During the period, gross profit margin decreased to 19.0% (1H2022: 19.2%), which was mainly due to the decline in turnover as mentioned above.

Segment results

As a result of enhanced operational efficiency, plus the synergies reaped by the Group following the consolidation of production capacity after the Group acquired EVA Intelligent Manufacturing in 2021, including the reduction of operating costs like wages, rental and administrative expenses, as well as a one-off gain recognised in relation to the write-back of provisions related to staff compensations by EVA Intelligent Manufacturing, the Group's office automation equipment division recorded an increase in its operating profit margin to 8.2% (1H2022: 3.9%) for the six months ended 30 June 2023.

For the six months ended 30 June 2023, the operating profit margin of the Group's automotive component division went down to 5.8% (1H2022: 8.7%) due to adverse impacts from external market conditions causing a delay in production in the first half of 2023. Although the top line of the segment remained relatively stable as compared to the first half of 2022, the factories and equipment that had already been deployed continued to generate depreciation and other operating costs, hence impacting the operating profit margin of the automotive component division to a relatively greater extent.

Unallocated expenses

During the period, unallocated expenses mainly represent corporate expenses of HK$18,935,000 (1H2022: HK$21,402,000) and share-based payment expenses of HK$5,227,000 (1H2022: HK$15,638,000).

Finance income and costs

For the six months ended 30 June 2023, the Group's finance income and finance costs increased significantly to HK$17,103,000 and HK$61,668,000 respectively, mainly attributable to increasing interest rates for the Group as well as increased level of borrowings as compared to the first half of 2022.

Share of losses of associates

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

Income tax expense

Income tax expense for the six months ended 30 June 2023 mainly represents current income tax charge amounting to HK$30,199,000 netted off by (i) over-provision in prior years amounting to HK$8,265,000 and (ii) deferred income tax credit of HK$476,000 mainly resulted from fair value gains on land and buildings in previous acquisitions.

Profit attributable to equity holders of the Company

During the period, the Group recorded profit attributable to equity holders of the Company amounting to HK$122,624,000 (1H2022: HK$102,655,000), which was primarily caused by the increase in operating profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2023, the Group's net cash generated from operating activities increased to HK$97,618,000 (1H2022: HK$29,769,000), which was primarily due to effective cost strategics adopted by management, continuous synergistic benefits as well as one-off gain from integration of EVA Intelligent Manufacturing acquired in 2021, and also exchange gains generated from operations. During the period, the Group's capital expenditure increased to HK$210,117,000 as the Group commenced the construction of the phase II of its Weihai industrial park, since the 4th quarter in 2022 and continued into 2023. Therefore, the Group recorded net cash used in investing activities amounting to HK$175,815,000 (1H2022: HK$155,850,000). The Group recorded a net increase in bank borrowings of HK$157,610,000 and lease payments of HK$13,279,000 during the period. After payment of dividends amounting to HK$30,624,000, the Group recorded net cash used in financing activities of HK$113,707,000 during the period (1H2022: HK$142,047,000).

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. We also consider impacts of interest rates fluctuation on our operations and financial condition, and take appropriate and timely measures accordingly. 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 2023 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratios

	30 June 2023	31 December 2022
Inventory turnover days *(Notes 1 and 5)*	**56**	46
Debtors' turnover days *(Notes 2 and 5)*	**106**	98
Creditors' turnover days *(Notes 3 and 5)*	**111**	108
Cash conversion cycle *(Notes 4 and 5)*	**51**	36
Current ratio *(Notes 6 and 8)*	**1.43**	1.50
Net debt-to-equity ratio *(Notes 7 and 8)*	**25.7%**	21.0%

(b) Profitability ratios

	30 June 2023	30 June 2022
Net profit margin *(Notes 9 and 11)*	**4.3%**	3.5%
Return on shareholders' equity *(Notes 10 and 11)*	**4.2%**	3.6%

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 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$107,404,000 as at 30 June 2023 (as at 31 December 2022: HK$117,598,000). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

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

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

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

11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators. Ratios for the six months ended 30 June 2022 and 2023 were calculated using the half-year profit of the Group for the respective periods.

Inventory turnover days

As a result of a slowdown in shipments to customers and production delay due to unfavourable market conditions, the Group's inventory turnover days for the six months ended 30 June 2023 were longer than those for the year ended 31 December 2022.

Debtors' and creditors' turnover days

Since the beginning of 2023, the weakened global demand and excessive end-stocking have slowed down the Group's business. Nevertheless, with the Group's efforts in making appropriate strategies to diversify to new opportunities and gradual improvement in the terminal market demand, the Group's orders improved during the second quarter, and hence substantial amount of sales, as well as purchases, were made in May and June 2023 which remained unpaid as at 30 June 2023 and were within normal credit periods. Therefore, the debtors' and creditors' turnover days were both longer than those for the year ended 31 December 2022.

Cash conversion cycle

The increase in cash conversion cycle in the first half of 2023 was mainly caused by the increase in inventory and debtors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

To better cope with increased working capital demand, the Group had drawn down additional short term bank loans during the six months ended 30 June 2023. As a result, the Group's current ratio decreased to 1.43 as at 30 June 2023. As a result of higher level of bank borrowings but relatively stable cash and bank balances, the Group's net debt-to-equity ratio also increased.

Net profit margin and return on shareholders' equity

The increase in net profit margin and return on shareholders' equity during the period as compared to the first half of 2022 was caused by the increase in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2023, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	17.2%	1.2%
US dollars	56.7%	61.3%
Renminbi	24.9%	36.9%
Other currencies	1.2%	0.6%

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 74.2% of the Group's sales and 62.5% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the period. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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

HUMAN RESOURCES

As at 30 June 2023, the total number of the Group's employees was 10,379. 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 2023, the average length of services of the Group's employees below and above manager grade was 2.8 years and 8.7 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2023, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK$40,004,000 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 2023 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 is incorporated.

DIVIDEND

The Board declared an interim dividend of HK2.1 cents per ordinary share, totaling HK$36,559,000 for the six months ended 30 June 2023 to eligible shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2023. The interim dividend will be payable in cash on Monday, 25 September 2023.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Tuesday, 12 September 2023 to Thursday, 14 September 2023, 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 Monday, 11 September 2023.

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 those who are directors as at 30 June 2023, the Company reported that these directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

CORPORATE GOVERNANCE

The Company and those who are directors as at 30 June 2023 confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules during the six months ended 30 June 2023.

CHANGE OF DIRECTOR'S INFORMATION

During the six months ended 30 June 2023 and up to the date of this announcement, Ms. Ling Kit Sum, an independent non-executive director of the Company, has been appointed as an independent non-executive director of Melbourne Enterprises Limited with effect from 31 May 2023. Ms. Ling retired as an independent non-executive director of Wise Ally International Holdings Limited on 1 June 2023. Both Melbourne Enterprises Limited and Wise Ally International Holdings Limited are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Ms. Ling has also been appointed by Vocational Training Council as a member of the Preparatory Advisory Committee for the Proposed Specialised Institute on Information Technology for two years from 1 July 2023.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process, risk management, internal control system and corporate governance matters of the Group. The audit committee comprises the three independent non-executive directors, namely, Ms. Ling Kit Sum as the chairman, and, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control, corporate governance and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2023.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 29 August 2023

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), Mr. Zhang Yaohua (Chief Executive Officer) and Ms. Zhang Yan Yi and three independent non-executive directors, being Mr. Lam Hiu Lo, Dr. Chai Ngai Chiu Sunny and Ms. Ling Kit Sum.