EVA®

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

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 838)

中期報告 2022
INTERIM REPORT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Hiu Lo
Dr. Chai Ngai Chiu Sunny
Ms. Ling Kit Sum

AUDIT COMMITTEE

Ms. Ling Kit Sum *(Chairman)*
Mr. Lam Hiu Lo
Dr. Chai Ngai Chiu Sunny

NOMINATION COMMITTEE

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Lam Hiu Lo
Dr. Chai Ngai Chiu Sunny

REMUNERATION COMMITTEE

Mr. Lam Hiu Lo *(Chairman)*
Mr. Zhang Hwo Jie
Dr. Chai Ngai Chiu Sunny

HEAD OFFICE

Unit 8, 6th Floor, Greenfield Tower
Concordia Plaza
No.1 Science Museum Road
Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

COMPANY SECRETARY

Ms. Lee Hiu Laam Joyce

AUTHORISED REPRESENTATIVES

Mr. Zhang Hwo Jie
Ms. Lee Hiu Laam Joyce

STOCK CODE

838

PRINCIPAL BANKERS

Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
MUFG Bank, Ltd.
Chong Hing Bank Limited
KBC Bank N.V. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
China Construction Bank Corporation Limited Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch
Bank of East Asia, Limited
China Minsheng Banking Corp., Ltd. Hong Kong Branch

CORPORATE INFORMATION

LEGAL ADVISOR

MinterEllison LLP

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Ltd.
Shops 1712-1716, 17/F
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.eva-group.com
www.irasia.com/listco/hk/evaholdings

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		Six months ended 30 June	
	Note	**2022**	2021
		HK$'000	HK$'000
Revenue	6	**2,939,731**	2,386,869
Cost of sales	21	**(2,374,683)**	(1,900,606)
Gross profit		**565,048**	486,263
Other income	20	**10,072**	17,044
Other gains/(losses) – net	20	**3,110**	(1,048)
Selling and marketing costs	21	**(123,925)**	(133,129)
General and administrative expenses	21	**(333,117)**	(286,851)
Operating profit		**121,188**	82,279
Finance income	22	**4,988**	5,307
Finance costs	22	**(15,706)**	(13,829)
Share of (losses)/profits of associates	9	**(232)**	90
Profit before income tax		**110,238**	73,847
Income tax expense	23	**(7,583)**	(5,929)
Profit for the period		**102,655**	67,918
Other comprehensive (loss)/income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(47,680)**	34,596
Total comprehensive income for the period		**54,975**	102,514

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited Six months ended 30 June	
	Note	**2022** **HK$'000**	2021 HK$'000
Profit for the period attributable to equity holders of the Company		**102,655**	67,918
Total comprehensive income for the period attributable to equity holders of the Company		**54,975**	102,514
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	24	**5.9**	4.0
– diluted	24	**5.8**	3.9

The notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022 HK$'000**	Audited 31 December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,474,195**	2,417,647
Right-of-use assets	8	**361,451**	384,467
Intangible assets	7	**6,888**	7,639
Investments in associates	9	**32,704**	34,633
Financial assets at fair value through other comprehensive income	11	**32,328**	32,328
Prepayments, deposits and other receivables	10	**36,505**	48,529
Deferred income tax assets	16	**6,555**	6,675
		2,950,626	2,931,918
Current assets			
Inventories		**631,384**	688,478
Trade receivables	12	**1,595,843**	1,381,951
Prepayments, deposits and other receivables	10	**151,147**	150,365
Restricted bank deposits		**74,734**	102,742
Cash and cash equivalents		**1,317,675**	1,318,182
		3,770,783	3,641,718
LIABILITIES			
Current liabilities			
Trade payables	13	**1,354,679**	1,372,815
Contract liabilities		**84,271**	67,778
Accruals and other payables	14	**225,940**	283,712
Bank borrowings	15	**1,563,483**	1,447,550
Lease liabilities	8	**28,679**	30,949
Current income tax liabilities		**19,310**	23,187
		3,276,362	3,225,991

	Note	**Unaudited 30 June 2022 HK$'000**	Audited 31 December 2021 HK$'000
Net current assets		**494,421**	415,727
Total assets less current liabilities		**3,445,047**	3,347,645
Non-current liabilities			
Bank borrowings	15	**537,500**	460,000
Lease liabilities	8	**61,887**	78,297
Deferred income tax liabilities	16	**20,432**	20,907
		619,819	559,204
Net assets		**2,825,228**	2,788,441
EQUITY			
Capital and reserves			
Share capital	17	**174,362**	174,912
Reserves	19	**2,650,866**	2,613,529
Total equity		**2,825,228**	2,788,441

The notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited		
	Attributable to equity holders of the Company		
	Share capital HK$'000 (Note 17)	Reserves HK$'000 (Note 19)	Total HK$'000
Balance at 1 January 2022	174,912	2,613,529	2,788,441
Comprehensive income			
Profit for the period	–	102,655	102,655
Other comprehensive income			
Currency translation differences	–	(47,680)	(47,680)
Total comprehensive income for the period	–	54,975	54,975
Employee share option scheme:			
Dividend paid	–	(26,154)	(26,154)
Value of employee services	(550)	(7,122)	(7,672)
	–	15,638	15,638
	(550)	(17,638)	(18,188)
Balance at 30 June 2022	174,362	2,650,866	2,825,228

The notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited		
	Attributable to equity holders of the Company		
	Share capital HK$'000 (Note 17)	Reserves HK$'000 (Note 19)	Total HK$'000
Balance at 1 January 2021	171,658	2,438,034	2,609,692
Comprehensive income			
Profit for the period	–	67,918	67,918
Other comprehensive income			
Currency translation differences	–	34,596	34,596
Total comprehensive income for the period	–	102,514	102,514
Transactions with owners			
New shares issued upon exercise of share options	200	1,184	1,384
	200	1,184	1,384
Balance at 30 June 2021	171,858	2,541,732	2,713,590

The notes are an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited Six months ended 30 June	
	Note	**2022**	2021
		HK$'000	HK$'000
Cash flows from operating activities			
Cash generated from operations		**56,880**	169,978
Interest received		**4,988**	5,307
Interest paid		**(20,730)**	(11,988)
Income tax paid		**(11,369)**	(7,192)
Net cash generated from operating activities		**29,769**	156,105
Cash flows from investing activities			
Purchases of property, plant and equipment		**(187,512)**	(139,885)
Prepayments for property, plant and equipment		**–**	(50,140)
Proceeds from sales of property, plant and equipment		**2,598**	7,569
Dividend income from a financial asset at fair value through other comprehensive income		**1,056**	–
Acquisition of a subsidiary, net of cash acquired		**–**	41,971
Increase in short-term bank deposits		**–**	(128,800)
Decrease/(increase) in restricted bank deposits		**28,008**	(17,265)
Net cash used in investing activities		**(155,850)**	(286,550)

		Unaudited Six months ended 30 June	
	Note	**2022 HK$'000**	2021 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**502,732**	742,208
Repayments of borrowings		**(309,299)**	(612,138)
Repayments of principal element of lease payments		**(15,339)**	(11,620)
Repayments of interest element of lease payments		**(2,221)**	(1,841)
Proceeds from exercise of share options		**–**	1,384
Repurchase of shares	17(a)	**(7,672)**	–
Dividend paid		**(26,154)**	–
Net cash generated from financing activities		**142,047**	117,993
Net increase/(decrease) in cash and cash equivalents		**15,966**	(12,452)
Cash and cash equivalents at the beginning of the period		**1,318,182**	1,405,694
Exchange (losses)/gains on cash and cash equivalents		**(16,473)**	9,119
Cash and cash equivalents at the end of the period		**1,317,675**	1,402,361

The notes are an integral part of these condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

EVA Precision Industrial Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in 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 is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and was approved for issue on 29 August 2022.

The condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("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 ("HKFRSs").

3 ACCOUNTING POLICIES

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

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

3 ACCOUNTING POLICIES (CONTINUED)

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

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

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

3 ACCOUNTING POLICIES (CONTINUED)

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

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

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

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all the financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

There have been no changes in any risk management policies since 31 December 2021.

(b) Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Bank borrowings with repayable on demand clause are grouped within balances due within 12 months on the assumption that the bank will exercise its discretion to request for immediate repayment. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
At 30 June 2022					
Bank borrowings	**1,563,483**	**296,250**	**241,250**	**–**	**2,100,983**
Lease liabilities	**28,679**	**14,051**	**17,116**	**30,720**	**90,566**
Interest payables	**25,128**	**9,428**	**6,600**	**3,498**	**44,654**
Trade payables	**1,354,679**	**–**	**–**	**–**	**1,354,679**
Other payables	**115,273**	**–**	**–**	**–**	**115,273**
At 31 December 2021					
Bank borrowings	1,447,550	375,000	85,000	–	1,907,550
Lease liabilities	30,949	25,838	17,416	35,043	109,246
Interest payables	24,952	11,551	7,755	4,436	48,694
Trade payables	1,372,815	–	–	–	1,372,815
Other payables	148,471	–	–	–	148,471

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

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

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

(b) Segment information

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment results and other segment items are as follows:

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

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

The segment capital expenditure is as follows:

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

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

Revenues by geographical region

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

Assets by geographical region

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

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Property, plant and equipment HK$'000	Intangible assets HK$'000
Opening net book amount at 1 January 2022	**2,417,647**	**7,639**
Additions	**206,306**	**–**
Disposals	**(2,310)**	**–**
Depreciation/amortisation	**(120,932)**	**(751)**
Exchange differences	**(26,516)**	**–**
Closing net book amount at 30 June 2022	**2,474,195**	**6,888**
Opening net book amount at 1 January 2021	2,280,762	7,695
Acquisition of a subsidiary	27,241	6,307
Additions	132,630	–
Disposals	(4,372)	–
Depreciation/amortisation	(118,578)	(751)
Exchange differences	20,698	–
Closing net book amount at 30 June 2021	2,338,381	13,251

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Balances recognised in the condensed consolidated interim statement of financial position

Right-of-use assets

	Leasehold land and land use rights HK$'000	**Land under finance lease HK$'000**	**Plant and machinery under finance lease HK$'000**	**Factory and office premises HK$'000**	**Total HK$'000**
Opening net book amount at 1 January 2022	**241,671**	**5,674**	**49,269**	**87,853**	**384,467**
Depreciation	**(3,192)**	**(132)**	**(3,098)**	**(10,207)**	**(16,629)**
Exchange differences	**(3,370)**	**–**	**(9)**	**(3,008)**	**(6,387)**
Closing net book amount at 30 June 2022	**235,109**	**5,542**	**46,162**	**74,638**	**361,451**

	Leasehold land and land use rights HK$'000	Land under finance lease HK$'000	Plant and machinery under finance lease HK$'000	Factory and office premises HK$'000	Total HK$'000
Opening net book amount at 1 January 2021	245,203	5,937	55,090	66,738	372,968
Acquisition of a subsidiary	–	–	417	38,734	39,151
Depreciation	(3,172)	(132)	(3,112)	(8,862)	(15,278)
Exchange differences	2,569	–	11	2,840	5,420
Closing net book amount at 30 June 2021	244,600	5,805	52,406	99,450	402,261

8 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(a) Balances recognised in the condensed consolidated interim statement of financial position (Continued)

Lease liabilities

	As at 30 June 2022 HK$'000	As at 31 December 2021 HK$'000
Current portion	**28,679**	30,949
Non-current portion	**61,887**	78,297
	90,566	109,246
Lease liabilities – Plant and machinery	**7,415**	11,974
Lease liabilities – Factory and office premises	**83,151**	97,272
	90,566	109,246

(b) The Group's leasing activities

The Group leases various buildings, machineries and equipment. Rental contracts are typically made for fixed periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but certain lease liabilities are effectively secured as the right to the leased assets revert to the lessors in the event of default. As at 30 June 2022, the net book amount of the secured right-of-use assets was approximately HK$45,943,000 (31 December 2021: HK$48,992,000).

9 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
At 1 January	**34,633**	32,990
Share of (losses)/gains	**(232)**	90
Exchange differences	**(1,697)**	1,196
At 30 June	**32,704**	34,276

The assets, liabilities and results of Shenzhen Jinggong Microcredit Limited ("Microcredit"), which are material to the Group, are shown below:

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Assets	**109,077**	113,336
Liabilities	**(316)**	(647)
Revenue	**2,269**	4,838
(Loss)/profit	**(580)**	225
Percentage held at 30 June 2022	**40%**	40%

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Non-current:		
Deposits for purchases of property, plant and equipment	**34,448**	46,391
Others	**2,057**	2,138
	36,505	48,529
Current:		
Prepayments for purchases of raw materials	**71,223**	68,493
Value-added tax recoverable	**43,621**	40,206
Prepayment of utilities expenses	**578**	424
Receivables from employees and staff advances (Note)	**6,908**	6,302
Deposits placed with customs in Mainland China	**2,334**	1,209
Receivables from the former subsidiaries (Note)	**18,797**	56,046
Receivables from an associate (Note)	**2**	6,715
Deposits placed for bill receivables in Mainland China	**–**	5,237
Consideration receivable from disposal of financial assets at fair value through other comprehensive income (Note)	**–**	12,341
Consideration receivables from disposal of a subsidiary (Note)	**–**	3,544
Others	**7,684**	7,998
	151,147	208,515
Loss allowance	**–**	(58,150)
	151,147	150,365

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note: Consideration receivables from disposal of financial assets at fair value through other comprehensive income, consideration receivable from disposal of a subsidiary, receivables from employees and staff advances, receivables from the former subsidiaries and receivables from an associate are unsecured, non-interest bearing, repayable on demand and denominated in Renminbi ("RMB").

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

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at	
	30 June 2022	31 December 2021
	HK$'000	HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**32,328**	32,328

The fair values of the equity securities were determined by reference to recent transaction prices in arm's length transactions, net asset value or valuation determined by an independent firm of professional valuers. The fair values are within level 3 of the fair value hierarchy.

The financial assets at fair value through other comprehensive income are denominated in RMB.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of the financial assets at fair value through other comprehensive income is as follows:

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
At 1 January	**32,328**	87,110
Disposal	**–**	(13,681)
At 30 June	**32,328**	73,429

12 TRADE RECEIVABLES

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

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

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

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

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

13 TRADE PAYABLES

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

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

14 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Payable for purchase of property, plant and equipment	**21,933**	45,487
Accrued utilities expenses	**4,924**	4,120
Accrued wages, salaries and welfare	**96,364**	124,806
Accrued operating expenses	**9,379**	6,315
Purchase consideration balance payables for the acquisition of subsidiaries	**27,046**	40,096
Other payables	**66,294**	62,888
	225,940	283,712

15 BANK BORROWINGS

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Current		
Short-term bank loans	**693,403**	593,983
Portion of long-term loans from banks due for repayment within one year (including those repayable on demand)	**870,080**	853,567
	1,563,483	1,447,550
Non-current		
Portion of long-term loans from banks due for repayment after one year	**537,500**	460,000
Total bank borrowings	**2,100,983**	1,907,550

All bank borrowings are interest-bearing and carried at amortised cost. All bank borrowings bore floating interest rates and the carrying amounts of bank borrowings approximate their fair values.

The Group's bank borrowings are repayable as follows:

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Within 1 year	**1,563,483**	1,447,550
Between 1 and 2 years	**296,250**	375,000
Between 2 and 5 years	**241,250**	85,000
	2,100,983	1,907,550

15 BANK BORROWINGS (CONTINUED)

Bank borrowings were denominated in below currencies:

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
HK$	**2,022,580**	1,878,567
RMB	**70,398**	26,908
USD	**8,005**	2,075
	2,100,983	1,907,550

As at 31 December 2021 and 30 June 2022, the effective interest rates (per annum) of the Group's bank borrowings were as follows:

	Short-term bank loans		Long-term bank loans	
	June 2022	December 2021	**June 2022**	December 2021
HK$	**2.10%**	1.54%	**1.38%**	2.25%
RMB	**4.26%**	3.17%	**–**	–

As at 30 June 2022, the Group has undrawn floating rate borrowing facilities of approximately HK$469,600,000 (31 December 2021: HK$519,600,000).

16 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	**6,555**	6,675
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	**(19,482)**	(19,900)
Deferred income tax liabilities to be recovered within 12 months	**(950)**	(1,007)
Deferred income tax liabilities, net	**(13,877)**	(14,232)

The gross movements of the deferred income tax liabilities, net are as follow:

	Six months ended 30 June	
	2022 HK$'000	2021 HK$'000
At 1 January	**14,232**	12,347
Acquisition of a subsidiary	**–**	4,844
(Credited)/charged to profit or loss	**(355)**	1,685
At 30 June	**13,877**	18,876

16 DEFERRED TAXATION (CONTINUED)

The nature of items giving rise to the deferred income tax liabilities, without taking into consideration of the offsetting of balances within the same jurisdiction are as follows:

	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2022	**(18,814)**	**(5,129)**	**(23,943)**
Credited to profit or loss	**475**	**-**	**475**
At 30 June 2022	**(18,339)**	**(5,129)**	**(23,468)**
At 1 January 2021	(16,404)	(5,129)	(21,533)
Acquisition of a subsidiary	(4,844)	–	(4,844)
Credited to profit or loss	313	–	313
At 30 June 2021	(20,935)	(5,129)	(26,064)

The nature of items giving rise to the deferred income tax assets, without taking into consideration of the offsetting of balances within the same jurisdiction are as follows:

	Lease liabilities HK$'000	Tax loss HK$'000	Fair value loss HK$'000	Total HK$'000
At 1 January 2022	**1,369**	**7,269**	**1,073**	**9,711**
Charged to profit or loss	**(92)**	**–**	**(28)**	**(120)**
At 30 June 2022	**1,277**	**7,269**	**1,045**	**9,591**
At 1 January 2021	–	8,057	1,129	9,186
Charged to profit or loss	–	(1,998)	–	(1,998)
At 30 June 2021	–	6,059	1,129	7,188

17 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital HK$'000
At 1 January 2022	**1,749,120**	**174,912**
Repurchase of shares	**(5,500)**	**(550)**
At 30 June 2022	**1,743,620**	**174,362**
At 1 January 2021	1,716,582	171,658
New shares issued upon exercise of share options	2,000	200
At 30 June 2021	1,718,582	171,858

Notes:

(a) During the six months ended 30 June 2022, the Company repurchased a total of 5,500,000 of its own shares on The Stock Exchange of Hong Kong Limited at prices ranging from HK$1.21 to HK$1.56 per share for a total consideration including transaction costs, of approximately HK$7,672,000.

(b) During the six months ended 30 June 2021, 2,000,000 ordinary shares were issued at HK$0.692 per share, and net proceeds of HK$1,384,000 were received upon the exercise of certain options under the share options scheme.

18 SHARE OPTION SCHEME

In 2015, the Company adopted a share option scheme (the "2015 Share Option Scheme"). Under the 2015 Share Option Scheme, the Company's directors may, at their sole discretion, grant to any director or employee of the Group the right to take up options to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June			
	2022		2021	
	Average exercise price per share HK$	**Number of options '000**	Average exercise price per share HK$	Number of options '000
At 1 January and 30 June	**1.51**	**119,500**	0.90	135,350

18 SHARE OPTION SCHEME (CONTINUED)

Share options outstanding at 30 June 2022 and 30 June 2021 have the following expiry dates and exercise prices:

		Number of share options	
Expiry date	Exercise price per share	**As at 30 June 2022 '000**	As at 30 June 2021 '000
2 July 2021	HK$0.692	**–**	65,050
4 November 2024	HK$1.10	**50,300**	70,300
5 November 2024	HK$1.80	**50,000**	–
5 November 2027	HK$1.80	**19,200**	–
		119,500	135,350

19 RESERVES

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 31 December 2021	1,084,704	(735)	212,779	39,211	32,909	(31,780)	(3,360)	1,279,801	2,613,529
Profit for the period	-	-	-	-	-	-	-	102,655	102,655
Dividend paid	(26,154)	-	-	-	-	-	-	-	(26,154)
Other comprehensive income – Translation differences	-	-	-	-	-	-	(47,680)	-	(47,680)
Employee share option scheme: value of employee services	-	-	-	-	15,638	-	-	-	15,638
Capital redemption reserve arising from repurchase of shares	-	-	-	550	-	-	-	(550)	-
Premium on repurchase of shares	(7,122)	-	-	-	-	-	-	-	(7,122)
Balance at 30 June 2022	1,051,428	(735)	212,779	39,761	48,547	(31,780)	(51,040)	1,381,906	2,650,866

19 RESERVES (CONTINUED)

	Share premium HK$'000	Capital reserve (i) HK$'000	Statutory reserves (ii) HK$'000	Capital redemption reserve (iii) HK$'000	Share options reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 31 December 2020	1,068,537	(735)	195,709	39,211	37,419	3,890	(42,284)	1,136,287	2,438,034
Profit for the period	–	–	–	–	–	–	–	67,918	67,918
Other comprehensive income									
– Translation differences	–	–	–	–	–	–	34,596	–	34,596
Transfer to share premium upon exercise of share options	305	–	–	–	(305)	–	–	–	–
Proceeds from share insurance of shares upon exercise of employees share options	1,184	–	–	–	–	–	–	–	1,184
Transfer to retained earnings upon disposal of a financial asset at fair value through other comprehensive income	–	–	–	–	–	(2,428)	–	2,428	–
Balance at 30 June 2021	1,070,026	(735)	195,709	39,211	37,114	1,462	(7,688)	1,206,633	2,541,732

19 RESERVES (CONTINUED)

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to a reorganisation over the nominal value of the share capital of the Company issued in exchange therefor. The reorganisation took place in April 2005 in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(ii) In accordance with the articles of association of the relevant subsidiaries established in Mainland China and the Mainland China rules and regulations, the Mainland China subsidiaries are required to transfer not less than 10% of their net profit as stated in the financial statements prepared under Mainland China accounting regulations to statutory reserves before the corresponding Mainland China subsidiaries can distribute any dividend. Such a transfer is not required when the amount of statutory reserves reaches 50% of the corresponding subsidiaries' registered capital. The statutory reserve shall only be used to make up losses of the corresponding subsidiaries, to expand the corresponding subsidiaries' production operations, or to increase the capital of the corresponding subsidiaries. Upon approval of the corresponding subsidiaries' shareholders in general meetings, the subsidiaries may convert their statutory reserves into registered capital and issue bonus capital to the existing owners in proportion to the existing ownership structure.

(iii) The capital redemption reserve resulted from repurchase of the Company's own shares on The Stock Exchange of Hong Kong Limited. The repurchased shares were cancelled upon repurchase. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to capital redemption reserve.

20 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Other income		
Government grants	**5,783**	13,021
Others	**4,289**	4,023
	10,072	17,044
Other gains/(losses) – net		
Gains/(losses) on disposal of property, plant and equipment	**288**	(3,197)
Dividend income from a financial asset at fair value through other comprehensive income	**1,056**	–
Net exchange gains	**1,766**	2,149
	3,110	(1,048)

21 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	
	2022	2021
	HK$'000	HK$'000
Raw materials used	**1,826,572**	1,399,039
Production overhead costs (excluding labour and depreciation expenses)	**150,844**	134,988
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**464,089**	430,950
– Staff welfare	**26,068**	22,157
– Retirement benefit – defined contribution plans	**33,370**	35,393
– Share option granted	**15,638**	–
Depreciation		
– Property, plant and equipment	**120,932**	118,578
– Right-of-use assets	**16,629**	15,278
Amortisation of intangible assets	**751**	751
Provision for inventory obsolescence	**27,357**	13,301
Operating lease rental for short-term and low-value leases	**427**	345

22 FINANCE INCOME/COSTS

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

23 INCOME TAX EXPENSE

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

23 INCOME TAX EXPENSE (CONTINUED)

(a) Hong Kong profits tax

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

(b) Mainland China corporate income tax

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

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

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

(c) Other income taxes

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

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

23 INCOME TAX EXPENSE (CONTINUED)

(c) Other income taxes (Continued)

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

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

24 EARNINGS PER SHARE

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

Basic

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

24 EARNINGS PER SHARE (CONTINUED)

Diluted

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

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

25 DIVIDEND

An interim dividend of HK1.76 cent (six months ended 30 June 2021: HK1.2 cent) per ordinary share, amounting to HK$30,693,000 (six months ended 30 June 2021: HK$20,749,000), was declared by the directors of the Company for the six months ended 30 June 2022.

26 CAPITAL COMMITMENTS

Capital expenditure at the statement of financial position date committed but not yet incurred is as follows:

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Contracted but not provided for		
– Construction of buildings	**124,117**	126,345
– Purchase of plant and machinery	**12,316**	23,364
– Purchase of furniture and fixture	**6,564**	9,185
	142,997	158,894

27 RELATED PARTY TRANSACTIONS

Mr. Zhang Hwo Jie and Mr. Zhang Yaohua, the Company's executive directors, have beneficial interests in Prosper Empire Limited, which owns 38.64% of the Company's shares as at 30 June 2022 (31 December 2021: 38.41%).

(a) Key management compensation

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Salaries and allowances	**14,089**	13,904
Share-based payment	**1,398**	–
Retirement benefits – defined contribution plan	**41**	36
	15,528	13,940

(b) Transaction with a related party

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
Sales of goods to an associate		
Shenzhen L&L Auto-tech Co., Ltd.	**–**	38

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with a related party

	As at	
	30 June 2022 HK$'000	31 December 2021 HK$'000
Receivables from an associate		
Shenzhen L&L Auto-tech Co., Ltd.	**2,429**	5,641

28 SUBSEQUENT EVENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

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

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

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

Office Automation Equipment

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

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

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

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

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

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

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

Automotive Components

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

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

FINANCIAL REVIEW

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

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

Note 1: Others mainly represented sales of scrap materials.

Turnover

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

Gross profit

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

Segment results

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

Unallocated expenses

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

Finance income and costs

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

Share of (losses)/profits of associates

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

Income tax expense

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

Profit attributable to equity holders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Treasury policy

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

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratios

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

(b) Profitability ratios

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

Notes:

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

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

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

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

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

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

7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$83,151,000 as at 30 June 2022 (as at 31 December 2021: HK$97,272,000). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

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

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

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

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

Inventory turnover days

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

Debtors' and creditors' turnover days

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

Cash conversion cycle

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

Current ratio and net debt-to-equity ratio

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

Net profit margin and return on shareholders' equity

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

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

A high priority for the Group is to ensure customer satisfaction in terms of our products and services. Strenuous efforts are made to ensure compliance with the laws and regulations relating to product health and safety, advertising, labelling and privacy matters of the jurisdictions in which we operate. The Group adopts international best practices in the area of product quality management, and has been accredited with ISO9001 certification by the BSI Group since 2000. As at the date of this report, the Group was compliant with the latest version of the ISO9001 standards (i.e. the 2015 version). To strengthen our relationships with key customers, various initiatives have also been introduced as part of our efforts to continuously improve the quality, reliability and safety of our products and services. During the period, the Group continued to implement various "Quality Control Circles" and lean production activities which require the participation of all employees from front line staff to senior management to identify, analyse and implement areas of improvement in our production processes. We are committed to product quality and safety, and therefore we have received numerous accolades from many reputable customers for the quality and reliability of our products and services for years, such as Fujifilm, Kyocera, Canon, Toshiba, Segway-Ninebot and Faurecia.

The Group always adheres to international best practices and conducts fair and unbiased tender processes when dealing with suppliers. Our procurement procedures provide directions and guidelines on evaluation and engagement when dealing with suppliers of goods and services to ensure business is conducted with legally, financially and technically-sound entities. In addition, approval procedures are in place to ensure that supplier engagements are monitored and approved by the appropriate level of management. When selecting suppliers, the Group takes into account factors such as quality of services and products, past performance, financial standing, market share assessment and recommendation from the customers. The Group expects major suppliers to observe the same environmental, social, health and safety and governance policies in their operating practices as those adopted by the Group. Procurement teams are trained to take into account each and every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

As at 30 June 2022, the Group's length of relationship with its five largest customers ranged from 5 years to more than 10 years. The Group's length of relationship with its five largest suppliers ranged from 4 years to more than 10 years.

For the six months ended 30 June 2022, sales to the five largest customers represented 63.3% of the Group's total turnover. Accordingly, any change in these customers' businesses and financial conditions is likely to have an impact on the financial performance of the Group. To manage this risk, the Group performs credit evaluation of its customers to ensure that sales are made only to entities with viable businesses and sound financial background. Credit periods granted to the customers are closely monitored and approved by the appropriate level of management. At the same time, the Group identifies and develops new customers with high potentials in an effort to widen the customer base and reduce the reliance on existing key customers.

The foreign currency risks arising from dealings with customers and suppliers in foreign currencies are discussed in the section headed "Foreign Currency Exposure" of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

In conducting the business, the Group's objective is to minimise the adverse effects of its operations on the environment. In addition, in order to comply with the applicable environmental protection laws, the Group has established an environmental management system in its operations in accordance with ISO14001 international standards and obtained the latest version of ISO14001 certification (i.e. the 2015 version). The environmental management system is reviewed from time to time in order to reduce risks relating to environmental issues. The Group has complied with a number of environmental protection laws in connection with water pollutants, air pollutants, solid waste pollutants, as well as noise pollution generated from its manufacturing operations. During the six months ended 30 June 2022, there was no material breach of or non-compliance with the environmental laws and regulations by the Group that has a significant impact on its business and operations.

Other green initiatives and measures have also been adopted by the Group to control the use of energy and resources in the production, business operation and management activities so as to achieve economic benefit. Such initiatives include reducing wastes by setting up recycling centres at industrial parks, and reducing electricity, water and other resources consumption through practices such as small zone lighting, installing timer control systems on machinery, setting up resources conservation teams to monitor the use of resources and recycling of used papers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is subject to the laws and regulations in the countries in which it operates. Any failure to comply with laws and regulations could result in legal proceedings and expose us to civil or criminal liabilities. The long-term development of our business depends on a steady legal environment. Unanticipated changes in policies and regulatory practices may adversely affect our business. The Group will continue to ensure the highest compliance standard and engage independent legal services whenever necessary.

During the six months ended 30 June 2022, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on its business and operations.

FOREIGN CURRENCY EXPOSURE

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

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

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

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

HUMAN RESOURCES

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

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

CHARGES ON THE GROUP'S ASSETS

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

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

A subsidiary of the Company is a party to loan agreements with Bank of China (Hong Kong) Limited in respect of the following banking facilities ("BOC Facilities Agreements"):

(i) a term loan facility up to HK$200,000,000 with a repayment term of four years from the date of first drawdown (the outstanding loan balance was HK$120,080,000 as at 30 June 2022); and

(ii) a revolving loan for an amount up to HK$40,000,000 (there was no outstanding balance as at 30 June 2022).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the BOC Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain to hold not less than 35% of the issued share capital of the Company and shall remain as the largest shareholder of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors and an executive director of the Company.

In addition, a subsidiary of the Company is a party to loan agreements with Hang Seng Bank Limited in respect of the following facilities ("HSB Facilities Agreements"):

(i) a term loan facility up to HK$300,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$120,000,000 as at 30 June 2022);

(ii) another term loan facility up to HK$300,000,000 for a term of four years from the date of drawdown of the loan (the outstanding loan balance was HK$210,000,000 as at 30 June 2022);

(iii) another term loan facility up to HK$150,000,000 for a term of two and a half years from the date of drawdown of the loan (the outstanding loan balance was HK$100,000,000 as at 30 June 2022);

(iv) another term loan facility up to HK$100,000,000 for a term of thirty months from the date of drawdown of the loan (the outstanding loan balance was HK$100,000,000 as at 30 June 2022); and

(v) revolving loan of HK$150,000,000 (the outstanding loan balance was HK$130,000,000 as at 30 June 2022).

Under the HSB Facilities Agreements, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua together shall maintain not less than 35% of the issued share capital of the Company, and Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

A subsidiary of the Company is a party to loan agreements with MUFG Bank, Ltd. in respect of the following banking facilities ("MUFG Facilities Agreements"):

(i) a term loan facility up to HK$200,000,000 with a repayment term of four years from the date of the first drawdown (the outstanding loan balance was HK$100,000,000 as at 30 June 2022).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the MUFG Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall hold not less than 35% of the entire issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively remain as single largest shareholder of the Company.

A subsidiary of the Company is also a party to loan agreements with The Hongkong and Shanghai Banking Corporation Limited in respect of the following facilities ("HSBC Facilities Agreements"):

(i) revolving loan of HK$175,000,000 (the outstanding loan balance was HK$145,000,000 as at 30 June 2022); and

(ii) combined trade facilities of HK$25,000,000 (there was no outstanding balance as at 30 June 2022).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the HSBC Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

Besides, a subsidiary of the Company had entered into banking facility agreements with Fubon Bank (Hong Kong) Limited in respect of the following banking facilities ("Fubon Facilities Agreement"):

(i) a term loan facility up to HK$150,000,000 for a term of thirty-six months from the first drawdown date of the loan (the outstanding loan balance was HK$150,000,000 as at 30 June 2022); and

(ii) a short-term advance facility on a revolving basis of up to HK$54,600,000, or an equivalent amount in other currencies (the outstanding loan balance was HK$50,000,000 as at 30 June 2022).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the Fubon Facilities Agreements:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively maintain holding of not less than 35% of the legal and beneficial interest in the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

A subsidiary of the Company had also entered into a banking facility agreement with Chong Hong Bank Limited in respect of the following banking facilities ("Chong Hing Facility Agreement"):

(i) a term loan facility up to HK$150,000,000 with a repayment period of three years after drawdown (the outstanding loan balance was HK$62,500,000 as at 30 June 2022); and

(ii) revolving loan facility of HK$50,000,000 (the outstanding loan balance was HK$50,000,000 as at 30 June 2022).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the Chong Hing Facility Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall at any time maintain not less than 35% of the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie shall remain as the chairman of the board of directors of the Company.

Further, a subsidiary of the Company had entered into a banking facility agreement with China Construction Bank Corporation Limited, Hong Kong Branch in respect of a revolving loan facility of HK$200,000,000 ("CCB Facility Agreement"), and the outstanding loan balance was HK$100,000,000 as at 30 June 2022.

The following specific performance obligations are imposed on the controlling shareholders of the Company under the CCB Facility Agreement:

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively maintain holding of not less than 35% of the legal and beneficial interest in the issued share capital of the Company; and

(ii) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall remain as the largest shareholder with controlling power in the Company.

A subsidiary of the Company is also a party to a banking facility agreement with Bank of Communications Co., Ltd. Hong Kong Branch in respect of the following banking facilities ("BOCOM Facility Agreement"):

(i) a term loan facility of HK$200,000,000 which is repayable by instalments within 3 years from the first utilisation date (the outstanding loan balance was HK$110,000,000 as at 30 June 2022); and

(ii) a revolving loan facility of HK$100,000,000 (there was no outstanding balance as at 30 June 2022).

Under the BOCOM Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) beneficially own in aggregate (directly or indirectly) at least 35% of the issued share capital of the Company, and (ii) have the single largest shareholding interest in the Company.

Further, a subsidiary of the Company had entered into a banking facility agreement with The Bank of East Asia, Limited in respect of a term loan facility ("BEA Facility Agreement") of HK$200,000,000 with a repayment period of 3 years after drawdown (the outstanding loan balance was HK$185,000,000 as at 30 June 2022).

Under the BEA Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) maintain not less than 35% of the issued share capital of the Company, and (ii) Mr. Zhang Hwo Jie shall remain as the Chairman of the board of directors of the Company.

A subsidiary of the Company had also entered into a banking facility agreement with China Minsheng Banking Corp., Ltd. Hong Kong Branch, in respect of the following banking facilities ("CMBC Facility Agreement"):

(i) a term loan facility of HK$150,000,000 which is repayable by instalments with the final repayment date falling 36 months from the date of the CMBC Facility Agreement (the outstanding loan balance was HK$150,000,000 as at 30 June 2022); and

(ii) a revolving loan facility of HK$100,000,000 (there was no outstanding balance as at 30 June 2022).

Under the CMBC Facility Agreement, Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall (i) collectively and beneficially own not less than 35% of the issued share capital of the Company, (ii) remain as the largest shareholder in the Company and (iii) Mr. Zhang Hwo Jie shall remain as the Chairman of the board of directors and an executive director of the Company.

A breach of any of the aforesaid obligations will constitute an event of default under the relevant facilities agreements which may result in, inter alia, the cancellation of all or any part of the commitments under the relevant facilities agreements and all borrowed amounts outstanding becoming immediately due and payable.

SHARE OPTIONS

(a) The Share Option Scheme

The Company has a share option scheme which became effective on 21 May 2015 (the "Share Option Scheme"), the date on which it was approved by the shareholders at the annual general meeting of the Company that was held on the same day.

Movement in the share options granted under the Share Option Scheme during the six months ended 30 June 2022 is as follows:

	As at 1 January 2022	Exercised during the period	As at 30 June 2022	Share price immediately before offer date	Exercise price	Exercisable period
				HK$	HK$	
Executive directors						
Mr. Zhang Hwo Jie						
– Granted on 3 November 2017	17,000,000	–	17,000,000	1.08	1.10	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	1,700,000	–	1,700,000	1.88	1.80	2 May 2023 to 4 November 2027
Mr. Zhang Jian Hua						
– Granted on 3 November 2021	1,700,000	–	1,700,000	1.88	1.80	2 May 2023 to 4 November 2027
Mr. Zhang Yaohua						
– Granted on 3 November 2017	17,000,000	–	17,000,000	1.08	1.10	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	1,700,000	–	1,700,000	1.88	1.80	2 May 2023 to 4 November 2027
Independent non-executive directors						
Mr. Lam Hiu Lo						
– Granted on 3 November 2021	400,000	–	400,000	1.88	1.80	2 May 2023 to 4 November 2027
Dr. Chai Ngai Chiu Sunny						
– Granted on 3 November 2021	400,000	–	400,000	1.88	1.80	2 May 2023 to 4 November 2027
Ms. Ling Kit Sum						
– Granted on 3 November 2021	400,000	–	400,000	1.88	1.80	2 May 2023 to 4 November 2027

	As at 1 January 2022	Exercised during the period	As at 30 June 2022	Share price immediately before offer date	Exercise price	Exercisable period
				HK$	HK$	
Employees of the Group						
Mr. Zhang Hanming (Note 1)						
– Granted on 3 November 2021	400,000	–	400,000	1.88	1.80	2 May 2023 to 4 November 2027
Ms. Zhang Quian Yi (Note 2)						
– Granted on 3 November 2017	600,000	–	600,000	1.08	1.10	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	400,000	–	400,000	1.88	1.80	2 May 2023 to 4 November 2027
Ms. Zhang Yan Yi (Note 2)						
– Granted on 3 November 2021	400,000	–	400,000	1.88	1.80	2 May 2023 to 4 November 2027
Others						
– Granted on 3 November 2017	15,700,000	–	15,700,000	1.08	1.10	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	50,000,000	–	50,000,000	1.88	1.80	2 May 2023 to 4 November 2024
– Granted on 3 November 2021	11,700,000	–	11,700,000	1.88	1.80	2 May 2023 to 4 November 2027
	119,500,000	–	119,500,000			

Notes:

1. Mr. Zhang Hanming is the father of the three executive directors, hence an associate (as defined in the Listing Rules) of them. Mr. Zhang Hanming previously worked in the Chinese government for many years before his retirement, and is now a consultant of the Group in the areas of government regulations and communication.

2. Ms. Zhang Quian Yi and Ms. Zhang Yan Yi are the daughters of the Chairman of the Group, hence each an associate (as defined in the Listing Rules) of him. Ms. Zhang Quian Yi is responsible for the business development of the Group and Ms. Zhang Yan Yi is a production management assistant.

(b) Valuation

The fair value of the 50,300,000 options and 69,200,000 options granted on 3 November 2017 and 3 November 2021 were HK$19,028,000 and HK$46,701,000 as at 30 June 2022 respectively.

These fair values were calculated using the Black-Scholes valuation model and the significant inputs into the model were as follows:

	Vesting period	Exercise price	Expected volatility	Expected life	Risk-free rate	Dividend paid-out rate
		HK$				
Granted on 3 November 2017	3 November 2017 to 2 January 2020	1.10	46.52%	4.59 years	1.42%	1.89%
Granted on 3 November 2021	3 November 2021 to 2 May 2023	1.80	67.24%	2.25 years	0.40%	1.35%
Granted on 3 November 2021	3 November 2021 to 2 May 2023	1.80	56.78%	3.75 years	1.00%	1.35%

The expected volatility is based on historic volatility adjusted for any expected change to future volatility based on publicly available information. Dividend paid-out rate is based on historical dividend paid-out rate. Changes in these subjective input assumptions could affect the fair value estimate. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

DISCLOSURE OF INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2022, the interests and/or short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have taken under such provisions of the SFO), and/or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and The Stock Exchange of Hong Kong Limited were as follows:

(i) Long position in the shares of the Company

Name of director	Corporate interests	Personal interests	Interest of spouse	Personal interests in underlying shares held under equity derivatives	Total interests	Approximate percentage of interest in the Company as at 30 June 2022
				(Note 1)		
Mr. Zhang Hwo Jie	673,750,000 (Note 2)	28,152,000	–	18,700,000	720,602,000	41.33%
Mr. Zhang Jian Hua	–	664,000	–	1,700,000	2,364,000	0.14%
Mr. Zhang Yaohua	673,750,000 (Note 2)	40,164,000	156,000	18,700,000	732,770,000	42.03%
Mr. Lam Hiu Lo	–	–	–	400,000	400,000	0.02%
Dr. Chai Ngai Chiu Sunny	–	–	–	400,000	400,000	0.02%
Ms. Ling Kit Sum	–	–	–	400,000	400,000	0.02%

Notes:

1. These interests represent the directors' beneficial interests in the underlying shares in respect of share options granted by the Company to the directors as beneficial owners, details of which are set out in the section headed "Share Options" above.

2. Mr. Zhang Hwo Jie and Mr. Zhang Yaohua held 52.93% and 47.07% of the entire issued capital of Prosper Empire Limited respectively, and Prosper Empire Limited was interested in 38.64% of the entire issued capital of the Company as at 30 June 2022. Under the SFO, Mr. Zhang Hwo Jie and Mr. Zhang Yaohua are both deemed to be interested in the shares held by Prosper Empire Limited.

(ii) Long position in the shares of Prosper Empire Limited, an associated corporation of the Company

Name of director	Capacity	Approximate percentage of interest in Prosper Empire Limited as at 30 June 2022
Mr. Zhang Hwo Jie	Personal interests	52.93%
Mr. Zhang Yaohua	Personal interests	47.07%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the interests or short positions of the persons (other than a director or chief executive of the Company) in the shares or underlying shares of the Company as recorded in the register of interests kept by the Company under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Number of underlying shares held under equity derivatives	Total interests	Approximate percentage of interest
Prosper Empire Limited	Beneficial owner	673,750,000	–	673,750,000	38.64%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	701,902,000	18,700,000	720,602,000	41.33%
Ms. Jiang Lu	Beneficial owner	156,000	–	156,000	0.01%
	Interest of spouse (Note 2)	713,914,000	18,700,000	732,614,000	42.02%

Notes:

1. Under the SFO, Ms. Shen Chan Jie Lin is deemed to be interested in the shares held by Mr. Zhang Hwo Jie, who is interested in 52.93% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Shen Chan Jie Lin included the 673,750,000 shares of the Company held by Prosper Empire Limited.

2. Under the SFO, Ms. Jiang Lu is deemed to be interested in the shares held by Mr. Zhang Yaohua, who is interested in 47.07% of the issued share capital of Prosper Empire Limited. The interests disclosed by Ms. Jiang Lu included the 673,750,000 shares of the Company held by Prosper Empire Limited.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

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

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

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

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

PRE-EMPTIVE RIGHTS

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

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

CHANGE OF DIRECTOR'S INFORMATION

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

AUDIT COMMITTEE

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

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 29 August 2022

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