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

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 838)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023** **HK$'000**	2022 HK$'000
Revenue	*4*	**6,182,658**	6,268,065
Cost of sales	*5*	**(4,891,094)**	(5,016,754)
Gross profit		**1,291,564**	1,251,311
Other income		**49,187**	22,430
Other gains/(losses) – net		**37,067**	(8,335)
Selling and marketing costs	*5*	**(326,357)**	(369,162)
General and administrative expenses	*5*	**(660,670)**	(615,446)
Net impairment losses on financial assets		**–**	(7,622)
Operating profit		**390,791**	273,176
Finance income	*6*	**42,403**	10,462
Finance costs	*6*	**(128,905)**	(52,837)
Share of loss of associates		**(499)**	(210)
Profit before income tax		**303,790**	230,591
Income tax expense	*7*	**(66,695)**	(24,574)
Profit for the year		**237,095**	206,017
Other comprehensive income for the year, net of tax			
Item that may be reclassified to profit or loss			
– Currency translation differences		**(17,491)**	(115,686)
Item that will not be reclassified to profit or loss			
– Revaluation losses on financial assets at fair value through other comprehensive income		**(3,549)**	(3,681)
Total comprehensive income for the year		**216,055**	86,650
Profit for the year attributable to equity holders of the Company		**237,095**	206,017
Total comprehensive income for the year attributable to equity holders of the Company		**216,055**	86,650
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*8*	**13.6**	11.8
– diluted	*8*	**13.6**	11.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,682,224**	2,453,708
Right-of-use assets		**293,661**	377,546
Intangible assets		**4,055**	5,847
Investments in associates		**29,501**	30,591
Prepayments, deposits and other receivables		**95,375**	57,031
Financial assets at fair value through other comprehensive income		**11,954**	28,647
Deferred income tax assets		**4,733**	6,549
		3,121,503	2,959,919
Current assets			
Inventories		**640,802**	638,603
Trade receivables	*10*	**1,820,258**	1,681,160
Prepayments, deposits and other receivables		**142,576**	146,135
Restricted bank deposits		**104,448**	69,599
Short-term bank deposits		**–**	39,194
Cash and cash equivalents		**1,610,592**	1,722,162
		4,318,676	4,296,853
LIABILITIES			
Current liabilities			
Trade payables	*11*	**1,492,264**	1,489,832
Contract liabilities		**95,722**	99,288
Accruals and other payables		**256,095**	242,242
Bank borrowings		**1,149,136**	965,640
Lease liabilities		**15,341**	44,120
Current income tax liabilities		**31,194**	18,364
		3,039,752	2,859,486

	Note	2023 HK$'000	2022 HK$'000
Net current assets		**1,278,924**	1,437,367
Total assets less current liabilities		**4,400,427**	4,397,286
LIABILITIES			
Non-current liabilities			
Bank borrowings		**1,321,006**	1,459,783
Lease liabilities		**59,502**	76,107
Deferred income tax liabilities		**22,205**	22,992
		1,402,713	1,558,882
Net assets		**2,997,714**	2,838,404
EQUITY			
Capital and reserves			
Share capital		**174,092**	174,092
Reserves		**2,823,622**	2,664,312
Total equity		**2,997,714**	2,838,404

Note:

1. BASIS OF PRESENTATION

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

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

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

2. ACCOUNTING POLICIES

(a) New standards and amendments to existing standards adopted by the Group

The following new standards and amendments to existing standards and conceptual framework are mandatory for the first time for the financial year beginning 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKFRS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17 and HKFRS 9	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of these new standards and amendments to existing standards did not result in any substantial change to the Group's accounting policies. The new standards and amendments to existing standards and conceptual framework listed above had no material impact on the consolidated financial statements.

The Group has not applied any new standards and amendments to existing standards that is not yet effective for the current accounting period.

(b) Amendments to existing standards and interpretation that have been issued and are relevant to the Group but not effective for the financial year beginning 1 January 2023 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3. SEGMENT INFORMATION

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

The Group is organised into two main business segments, namely (i) Office automation equipment and (ii) Automotive components. Also, investments in associates and financial assets at FVOCI are reported as un-allocated assets as at 31 December 2023 in information provided to the chief operating decision-maker as they are not directly related to the segment performance.

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

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

The segment results and other segment items are as follows:

	2023			2022		
	Office automation equipment	**Automotive components**	**Total**	Office automation equipment	Automotive components	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**4,295,475**	**1,887,183**	**6,182,658**	4,502,285	1,765,780	6,268,065
Segment results	**337,365**	**108,727**	**446,092**	253,507	101,824	355,331
Unallocated expenses			**(55,301)**			(82,155)
Finance income			**42,403**			10,462
Finance costs			**(128,905)**			(52,837)
Share of loss of associates			**(499)**			(210)
Profit before income tax			**303,790**			230,591
Income tax expense			**(66,695)**			(24,574)
Profit for the year			**237,095**			206,017
Depreciation	**121,009**	**153,488**	**274,497**	138,001	132,530	270,531
Amortisation	**1,792**	**–**	**1,792**	1,792	–	1,792

For the years ended 31 December 2022 and 2023, unallocated expenses represent corporate expenses.

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

	2023				2022			
	Office automation equipment	**Automotive components**	**Un-allocated**	**Total**	Office automation equipment	Automotive components	Un-allocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**4,163,505**	**3,222,271**	**54,403**	**7,440,179**	4,044,457	3,135,168	77,147	7,256,772
Liabilities	**1,116,327**	**800,687**	**2,525,451**	**4,442,465**	1,184,422	765,765	2,468,181	4,418,368
Capital expenditure	**288,463**	**173,076**	**–**	**461,539**	227,138	184,903	–	412,041

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

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

Capital expenditure comprises additions to property, plant and equipment and right-of-use assets.

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

	As at 31 December			
	2023		2022	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Segment assets/liabilities	**7,385,776**	**1,917,014**	7,179,625	1,950,187
Unallocated:				
Investments in associates	**29,501**	**–**	30,591	–
Financial assets at FVOCI	**11,954**	**–**	28,647	–
Cash and cash equivalents	**1,474**	**–**	4,644	–
Deferred income tax assets	**4,733**	**–**	6,549	–
Prepayments, deposits and other receivables	**6,741**	**–**	6,716	–
Current income tax liabilities	**–**	**31,194**	–	18,364
Deferred income tax liabilities	**–**	**22,205**	–	22,992
Bank borrowings	**–**	**2,470,142**	–	2,425,423
Accruals and other payables	**–**	**1,910**	–	1,402
Total	**7,440,179**	**4,442,465**	7,256,772	4,418,368

An analysis of the Group's one major customer (2022: two major customers), which accounts for 10% or more of the Group's external revenue, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**2,148,142**	2,244,260
Customer B	**–**	683,374

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

	2023				2022			
	The People's Republic of China ("PRC")	**Vietnam**	**Mexico**	**Total**	The People's Republic of China ("PRC")	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**4,629,458**	**849,366**	**703,834**	**6,182,658**	4,670,608	1,028,943	568,514	6,268,065
Assets by geographical region								
Total non-current assets	**2,419,070**	**279,185**	**423,248**	**3,121,503**	2,278,956	255,849	425,114	2,959,919
Total assets	**5,826,413**	**797,389**	**816,377**	**7,440,179**	5,825,587	683,634	747,551	7,256,772

4 REVENUE

	2023	2022
	HK$'000	*HK$'000*
Sales of moulds and components	**6,049,096**	6,104,907
Others (Note)	**133,562**	163,158
	6,182,658	6,268,065

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

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

5 EXPENSES BY NATURE

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**243,380**	228,958
Depreciation of right-of-use assets	**31,117**	41,573
Amortisation of intangible assets	**1,792**	1,792
Employee benefit expenses	**1,092,307**	1,110,988
Auditor's remuneration		
– Audit services	**4,490**	4,175
– Non-audit services	**758**	273
Changes in inventories of finished goods and work-in-progress	**36,361**	75,173
Raw materials and consumables used	**3,832,633**	3,887,110
Provision for/(reversal of provision for) inventory obsolescence	**9,244**	(16,173)
Subcontracting expenses	**12,573**	10,724
Utilities expenses	**77,482**	78,941
Transportation expenses	**57,543**	64,724
Packaging expenses	**147,108**	143,618
Marketing expenses	**9,779**	11,335
Office expenses	**67,962**	61,240
Operating lease payments for short-term and low value leases	**2,558**	1,970
Others	**251,034**	294,941
	5,878,121	6,001,362

6 FINANCE INCOME/COSTS

	2023	2022
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**42,403**	10,462
Finance costs		
Interest expense on:		
Bank borrowings	**162,474**	67,831
Lease liabilities – plant and machinery	**15**	199
Lease liabilities – factory and office premises	**4,020**	4,773
Interest capitalised (Note)	**(37,604)**	(19,966)
	128,905	52,837

Note: The capitalisation rate used to determine the amount of borrowings costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 6.83% (2022: 3.36%).

7 INCOME TAX EXPENSE

	2023	2022
	HK$'000	*HK$'000*
Current taxation		
– Mainland China corporate income tax	**50,346**	23,585
– Vietnam corporate income tax	**7,402**	10,934
– Mexico corporate income tax	**16,195**	–
Over-provision in prior years	**(8,277)**	(12,156)
Deferred income tax	**1,029**	2,211
	66,695	24,574

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year (2022: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% (2022: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the year.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Digit Stamping Technology (Wuhan) Limited, Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Weihai) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the years ended 31 December 2022 and 2023.

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

(c) Other income taxes

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

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

The subsidiary established and operating in Vietnam is subjected to a preferential tax rate of 10% for the first 15 years from the year of commencing operations. It is also entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group was under 75% reduction in total from corporate income tax in Vietnam for the years ended 31 December 2022 and 2023.

Provision for Mexico Corporate income tax was calculated at the statutory rate of 30% for the years ended 31 December 2022 and 2023.

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

8 EARNINGS PER SHARE

Basic

	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	**237,095**	206,017
Weighted average number of ordinary shares in issue ('000)	**1,740,920**	1,745,051
Basic earnings per share (HK cents per share)	**13.6**	11.8

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 quoted share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the year ended 31 December 2023 equals to the basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	**237,095**	206,017
Weighted average number of ordinary shares in issue ('000)	**1,740,920**	1,745,051
Adjustment for share options ('000)	**–**	44
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,740,920**	1,745,095
Diluted earnings per share (HK cents per share)	**13.6**	11.8

9 DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Interim dividend paid of HK2.10 cents (2022: HK1.76 cents) per share	**36,559**	30,675
Proposed final dividend of HK1.99 cents (2022: HK1.76 cents) per share	**34,644**	30,640
	71,203	61,315

A final dividend in respect of the year ended 31 December 2023 of HK$1.99 cents per share, totaling of HK$34,644,000 has been proposed for approval at the forthcoming annual general meeting. These financial statements have not reflected this dividend payable.

10 TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,821,446**	1,682,348
Less: Loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,820,258**	1,681,160

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:

	2023	2022
	HK$'000	*HK$'000*
0 to 90 days	**1,325,777**	1,447,054
91 to 180 days	**495,669**	235,294
	1,821,446	1,682,348
Less: Loss allowance	**(1,188)**	(1,188)
Trade receivables – net	**1,820,258**	1,681,160

The carrying amounts of trade receivables approximate their fair values.

The top five customers and the largest customer accounted for 49.15% (2022: 37.7%) and 12.5% (2022: 12.1%), respectively, of the trade receivables balance as at 31 December 2023. Other than these major customers, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

As at 31 December 2023, no trade receivables (2022: Nil) were past due.

Movements of loss allowance are as follows:

	2023	2022
	HK$'000	*HK$'000*
As at 1 January	**1,188**	1,188
Net impairment losses on financial assets	**–**	–
As at 31 December	**1,188**	1,188

Trade receivables are denominated in the following currencies:

	2023	2022
	HK$'000	*HK$'000*
HK$	**169,418**	221,906
US$	**805,939**	789,518
RMB	**834,672**	657,841
Others	**11,417**	13,083
	1,821,446	1,682,348

11 TRADE PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
0 to 90 days	**1,359,656**	1,344,134
91 to 180 days	**132,608**	145,698
	1,492,264	1,489,832

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

	2023	2022
	HK$'000	*HK$'000*
HK$	**13,804**	18,095
RMB	**948,596**	891,957
US$	**519,433**	564,484
Others	**10,431**	15,296
	1,492,264	1,489,832

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In early 2023, with impacts of COVID-19 easing across the world, China finally adjusted its pandemic control policies and the society has gradually rebounded from the trough. The international market started to get back on development track in 2022, with orders gradually resuming. Yet inventories accumulated during the pandemic had resulted in overstocking in many industries, especially for the downstream electronics manufacturing sector. Stepping into 2023, global economic rebound was less than expected and demand remained weak, hence international orders decreased. Despite global supply chain having resumed to normal, many customers were still digesting accumulated inventories. According to data from the research institute QUICK-FactSet, the total inventory value of large-scale manufacturing industries of the world, as at the end of September 2023, was close to 30% higher than before the pandemic, indicating clearly that the oversupply situation prevailed in the second half of 2023. Moreover, the macro environment was ridden with uncertainties from factors such as inflation and the interest rate hikes, economic rebound of China after its reconnection with the world falling short of expectation, and overall social consumption being sluggish, negative impacts were felt across the entire manufacturing industry supply chain.

Facing the continuously uncertain international market and political environment, customers' production desire was dampened and, as a result, the Group's office automation ("OA") equipment and automotive components businesses were affected to various extent. For the year ended 31 December 2023, the Group's turnover decreased by 1.4% year-on-year to HK$6,182,658,000 (2022: HK$6,268,065,000). Profit attributable to equity holders increased by 15.1% year-on-year to HK$237,095,000 (2022: HK$206,017,000), mainly attributable to the Group's lean production policy which led to effective cost control, synergies brought by integrating the production capacity of EVA Intelligent Manufacturing acquired in 2021 hence lowering operating costs, such as wages, rental and administrative expenses, recognition of a one-off gain from the write-back of provisions related to compensations for EVA Intelligent Manufacturing staff and the gain recognised on termination of its factory lease, plus exchange gain from appreciation of the Mexican peso. Excluding the one-off gains and the exchange gain, operating profit before interest and taxes of its core business were HK$332,616,000 (2022: HK$279,374,000), a 19.1% climb, evidencing the effectiveness of the Group's measures to lower costs and boost performance in a macro environment plagued by high interest rate and weak market sentiment. Basic earnings per share rose by 15.3% year-on-year to HK13.6 cents (2022: basic earnings per share HK11.8 cents).

During the year, the Group's overall gross profit margin increased by 0.9 percentage points to 20.9% (2022: 20.0%), mainly due to the management's efforts in internal reforms such as effective lean production and cost control, being tailored measures for market changes. Moreover, with synergies brought by integrating the production capacity of EVA Intelligent Manufacturing acquired in 2021, the Group was able to better utilise the capacity of its existing facilities. At the same time, by gradually reducing the proportion of lower-margin products, the Group was able to enhance the overall added-value of its product portfolio and in turn the overall gross margin level.

BUSINESS REVIEW

Office automation equipment

The Group has been in the OA equipment business for almost 30 years. Boasting profound experience and excellent product quality, the Group has gained the acclaims and trust from customers and their support of the Group's products. In recent years, the Group has also worked on expanding its Design and Electronic Manufacturing Service ("D-EMS") operation, and its complete machine assembly and sales of assembly parts businesses, so as to increase market penetration and diversify business. During the year, turnover of the OA equipment business dropped 4.6% to HK$4,295,475,000 (2022: HK$4,502,285,000), affected mainly by the overall sluggish market.

The industrial park in Weihai's Double Islands Bay is one of the largest the Group operates and its serves as the D-EMS service base of the Group in Eastern China. The base provides customers, such as Fujifilm, TOEC, Lenovo and Great Wall Electronics, with one-stop, vertically integrated services – "D-EMS Services" that covers from mould design to complete machine assembly, and products including moulds, metal components, plastic components as well as complete A4 copiers and peripheral equipment for A3 copiers. During the year, Weihai's OA equipment business performed outstandingly, with turnover surged markedly by 89.9% year-on-year, and its annual sales are expected to cross the HK$1 billion mark in the next few years. The good performance was owed mainly to the Group deepening strategic cooperation with its long-term customer Fujifilm, which helped fuel orders and in turn the increase in turnover. In addition, this also greatly boosted production capacity utilisation of the Weihai production base. The Group has full confidence in Weihai's business and expects a substantial increase in D-EMS orders for A3 copiers within three years. At the same time, the supportive polices of and grants from the local government can also help promote development of Weihai's business. Construction of phase II of the Weihai industrial park had commenced at the end of 2022 and is expected to be completed and start production in the first half of 2024. By then, the OA equipment business of Weihai is expected to see larger scale expansion over a few years and its production capacity topping all of the Group's production bases.

As for the Shenzhen operation, shipments were reduced during the year due to customer destocking. And, as in recent years, some orders have moved to Southeast Asia, turnover of the operation dropped by 15.8% year-on-year. In Vietnam, impacted by the same phenomenon of customer destocking, the Group's turnover fell by 19.2% from the peak in 2022. From projection based on the latest order status, the Group believes the destocking trend will gradually ease off this year. Although the Group's industrial park in Vietnam has actively developed in the past few years to match the trend of OA equipment orders moving south, the strategic deployment to gradually increase production capacity there for taking more of those orders takes time to materialise, and meanwhile, the Shenzhen factory is inevitably receiving fewer orders because of the order shift. Also, capacity utilisation will peak soon at the Group's industrial park in Haiphong City, Vietnam and the temporarily leased new factory nearby. Thus, to adequately meet customer demand, the Group has obtained a new leasehold land in Quang Ninh Province in northern Vietnam during the year and will begin construction of a new industrial park in 2024. The park's land area is approximately 60,000 square metres, which will be 1.6 times bigger than the existing Haiphong industrial park and is expected to be completed and in operation in 2026. The Group believes its business stands well to benefit from the shift of orders southward as it will allow the Group to take advantage of the low labour costs and policy incentives in Vietnam to drive development of the OA equipment business and increase revenue. The Group expects Vietnam to continue to propel development of the entire OA equipment business and is optimistic about its development in Vietnam in the next few years.

In Suzhou, customers reducing production during the three-year-long pandemic and some customers gradually moving south had cost the Group a lot of orders. Then, in 2023, affected by the continuing sluggish market, the annual turnover of the Suzhou Industrial Park declined by 19.2%. Early in 2021, the Group began to take measures to cut manpower and non-essential expenditures to reduce costs there, resulting in a streamlined operation. When the business environment was still unclear, the management endeavoured to ensure the industrial park could breakeven, with maximising shareholders' interest being the top priority for the Group. In the long run, the Group holds a cautious view about the prospects of its business in Suzhou. It will keep finetuning its operational approach and strategies taking reference to market changes and business performance, so as to meet market needs.

During the year, the OA equipment business segment recorded profit of HK$337,365,000 (2022: HK$253,507,000) and the segmental profit margin was 7.9% (2022: 5.6%), which was mainly attributable to the segment's cost control initiatives including implementing lean production, the synergies from integrating the capacity of EVA Intelligent Manufacturing acquired in 2021 hence lowering operating cost from lower salaries, rental and administrative expenses, and the one-off gain from the write-back of provisions related to compensations for EVA Intelligent Manufacturing staff and the gain recognised on termination of its factory lease. The Group will continue to rise to the challenge, strive to stabilise the OA equipment business, develop and launch more relevant and practical products and solutions for it believes the business segment still has huge room for development.

Automotive components

For the year ended 31 December 2023, the Group's automotive components segment recorded growth, with turnover up 6.9% year-on-year to HK$1,887,183,000 (2022: HK$1,765,780,000). After four years of optimising strategic layout and integrating advantageous resources, the segment was able to grasp the global economic recovery trend and the increase in automobile market consumption, and opportunities in the rapidly developing new energy vehicle ("NEV") industry. The segment actively expanded business in the NEV market and strengthened technological research and development ("R&D"), which resulted in a boosted strategic customer base and increased orders. In 2023, the segment gradually started production to meet the new orders landed, releasing progressively the production capacities of the industrial parks in Zhongshan, Wuhan and Mexico, thus helped push up segmental turnover steadily.

The industrial park in Shenzhen is the Group's centralised production base for automobile seat moulds, which are primarily exported to the US and European markets. During the year, turnover of the automotive component business in Shenzhen fell by a slight 5.6%, mainly due to economic development in Europe slowing down at the burden of high interest rates in 2023, ultimately affecting the Group's mould export business. Despite that, the Shenzhen industrial park has been giving support to all automotive-related businesses of the Group on technological R&D, mould design and production. It received 6.4% more mould development orders than in 2022, for supplying mainly to the automotive component business of the Group's other industrial parks, particularly the one in Mexico.

In Zhongshan, the Group's turnover increased by 2.2% year-on-year, mainly benefited by the booming NEV market in the first half year. Mass production began for orders of different projects of new "three-electric systems" (NEV battery, electronic control and motor systems) customers. However, with sales of Japanese vehicle brands such as Honda and Toyota shrinking in the second half, turnover of the segment for the period dropped and full-year growth slowed down. The conventional orders the Zhongshan industrial park receives were mainly from Brose, Aisin, Yachiyo and Faurecia. Apart from these orders, it has been focusing on developing the new "three-electric systems" market customers during the year, including certain in-vehicle electronics customers, from which new orders were secured. In the traditional automotive sector, the Group also took on a project order from its largest major customer Brose for export to Europe. At the same time, the Group continued to implement measures in Zhongshan to reduce costs and increase efficiency, so as to enhance the competitiveness of the Group's automotive business.

In Wuhan, the Group has been actively developing the energy storage business in 2023 and secured several mass production projects for NEV energy storage system-related products. With Great Wall Motors increasing progressively the scale of production for a number of its traditional and NEV projects and expanding market for its new projects, the Group's business in Wuhan increased by 21.9% year-on-year. Facing fierce competition in the mainland automotive component industry, Wuhan Industrial Park has actively expanded overseas markets and the energy storage business, taking the Mexico Industrial Park as a bridgehead to develop relevant moulds to help it expand business overseas. During the year, Wuhan Industrial Park secured small orders related to new energy storage and also NEV-related orders for Lucid Motors' project in North America, with mass production to take place in 2024. The industrial park will continue to strengthen R&D of and make preparation for seat welding assembly and aluminum alloy welding assembly, plus make efforts on securing NEV orders from customers such as Great Wall Motors, Tesla and Lucid Motors to lay a solid foundation for future business growth.

In Chongqing, primarily affected by the drop in fuel vehicle sales of a customer in the first quarter, the Group's turnover fell by 14.1% year-on-year. In the second half of the year, turnover improved with the Group beginning delivery of NEV-related projects of Great Wall Motors and Changan Automobile. Chongqing industrial park is the Group's automobile business development base in central and western China. It is equipped with advanced intelligent production equipment brought in from around the world, allowing it to simultaneously provide customers in the southwestern market with car body parts engineering joint development and ancillary service for delivery of functional components for car body assembly. It also deepened, strengthened and expanded the scope of strategic cooperation with quality automakers such as Great Wall Motors, Changan Automobile and SGMW. In 2023, the Group was deeply involved in the development of and affirmed commitment to a good number of NEV model and NEV hybrid model projects of Great Wall Motors. The Group believes, as the abovementioned models subsequently go into mass production, the Group's automotive component business will see a major breakthrough in sales. At the same time, the Group continued its effort to improve cost control of the Chongqing industrial park and was able to raise cost management standard. In the future, the Chongqing operation will keep working on forging strategic cooperation with mainstream automakers in southwestern China.

The main customers of the Mexican industrial park, such as Tesla and Faurecia, continued to maintain strong growth momentum. In 2023, with production gradually commencing for new project orders, turnover of the industrial park increased by 23.8%, which was the best performing region for automotive component business. With high hopes for the automotive component business in Mexico, on top of pushing for new orders, the Group has also worked on improving the team there to address inadequacies in relation to production efficiency and management system, so as to enhance effectiveness and profitability. During the year, to optimise management of the Mexico operation, the Group deployed some members of the management team from Wuhan Industrial Park to Mexico to render support. The management team in Mexico was eventually strengthened and became more stable, with localisation of management processes enhanced. While carrying out internal reforms, the Group also deepened its strategic partnership with customers such as Tesla, Faurecia, Brose, Adient and Yanfeng. The 1250T and 2500T presses, in which the Group invested during the year, are expected to start operation in 2024 to meet increasing orders from customers. In 2024, the Mexico operation, with access to the advantageous resources of the Group, will rally and secure new customer orders at full force, strive to diversify its customer base and products, so as to capitalise on the trend of US manufacturing moving back home, while also increasing capacity utilisation and efficiency of the industrial park. The Group expects its business in Mexico to continue to bloom with its encouraging business performance.

Although the Group has actively expanded its traditional and NEV components business in the past few years, while growth potential and prospects are both looking positive, the automotive industry is still notably affected by uncertainties of the global environment. Geopolitics, the Russia-Ukraine war, inflation and high interest rates have hit hard global industrial chains, in particular that of the manufacturing industry. In mainland China, with the gradual transformation of the automotive industry, some traditional production lines are starting to have excess capacity, orders from many traditional automotive manufacturers are therefore reducing. In this transitional period of traditional orders decreasing and NEV orders increasing, performance of the Group's automotive component business has been impacted to a certain extent. Overall, in 2023, the segment made profit of HK$108,727,000 (2022: HK$101,824,000). Apart from the impact of unfavorable factors in the macro environment, the Group also increased investment in R&D in the NEV realm and conducted trials and adjustments to prepare for mass production, hence the profit margin of the automotive component segment remained at 5.8% (2022: 5.8%).

Prospects

Stepping into 2024, although the world's developed economies are seeing inflation easing, interest rates remained high. In February 2024, the Organisation for Economic Cooperation and Development ("OECD") forecasted that global economic growth for the year would be 2.9%, slower than in 2023. In addition, such issues as geopolitical instability, environment and climate, natural resources and material prices etc. may continue to impact the global economy. The Group will persist with its prudent financial strategy and step up cost control efforts.

In the difficult times brought by the pandemic in the past few years, the Group faced challenges with a cautiously optimistic attitude. Over the years it worked on stabilising its infrastructure and core advantages, reformed and optimised various internal procedures, actively implemented lean production, and fully embraced automation and digitalisation. At the same time, it also began to promote sustainability and arrange bank loans tied to such performance. In 2023, the Group added sustainability performance-linked terms to a large-scale syndicated loan previously secured. The Group believes promoting sustainability is crucial in demonstrating the potency of its businesses and realising its future value, allowing it to map out long-term operational and development plans. Although there are concerns relating to economic growth in the next few years, the Group still has confidence to a good extent in expanding the OA equipment market. On top of continuing to offer competitive services to its world-leading customers, the Group's OA equipment business has started to expand into other markets. The information technology application innovation ("ITAI") industry market will grow to around RMB1.56 trillion by 2027, with total penetration rate expected to reach 80.97%. Capitalising on its competitive advantages as a leader in the OA equipment sector, the Group will strive to capture the opportunities presented by the ITAI industry market.

With the NEV market growing rapidly, seeing continuously increasing demand, the Group's automotive component business, which boasts a strong strategic layout and relentless effort to innovate, has been growing steadily. According to China Association of Automobile Manufacturers ("CAAM") data, a total of 30.09 million cars were sold in China in 2023, 12% more year-on-year, of which 9.495 million were NEVs, up by 37.9% year-on-year, with market share swelling to 31.6%. Looking ahead at 2024, CAAM is of the view that China's automotive market will maintain a steady and positive growth momentum, with automobile sales volume expected to exceed 31 million, a 3% increase year-on-year, 26.8 million of which will be passenger vehicles, 3% more year-on-year, and 4.2 million will be commercial vehicles, 4% more year-on-year. Sales volume of NEVs is expected to reach 11.5 million, and their penetration rate as well as their market are also expected to continue to grow. That plus the consistently high overseas demand for China-made NEVs are conducive to growth of the Group's automotive components business. The management has strong confidence in the prospects of the business.

Facing an ever-changing macro environment and operating risks from geopolitical uncertainty, the Group has been able to make the best use of its global production layout, its formidable R&D team, premium quality production resources and highly synergistic supply chain network. On the foundation of its core stamping and automated processing technologies, together with its laser welding techniques, the Group has been able to develop services for new customers in the Internet and information industries. It has offered renowned Internet customers services including development, production and assembly of moulds for server control box and server case components, setting the stage for further diversification and injecting new impetus into the Group for more sustainable development. Currently, the Group's server moulds development and production base is in Shenzhen. The Group has sufficient resources and production capacity at its Shenzhen Industrial Park for the new business, which is also a critical step for coping with the OA equipment business shifting to Southeast Asia. In 2023, it has developed seven server-related projects, and five are already in production.

Looking into 2024, the high interest rate environment is expected to ease and that will help drive economic growth. The Group will strive to enhance its competitive edges and, with optimism and prudence, look for opportunities to expand capacity and its businesses, seize opportunities in the recovering market to expand market share and promote long-term business growth. Building on its years of experience in the industry, the Group will strive to consolidate its market leadership and realise sustainable business growth, so as to achieve the best returns for shareholders.

DIVIDENDS

The Board recommends the payment of a final dividend of HK1.99 cent per ordinary share, totaling approximately HK$34,644,000 for the year ended 31 December 2023. Subject to the approval of the directors' recommendation by the shareholders at the forthcoming annual general meeting to be held on 20 May 2024, the final dividend will be paid in cash on 12 June 2024. Including the interim dividend of HK$36,559,000 for the six months ended 30 June 2023 paid on 25 September 2023, the total dividends declared for the year ended 31 December 2023 will be approximately HK$71,203,000.

FINANCIAL REVIEW

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

	2023		2022	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Office automation equipment division				
Design and fabrication of moulds	**206,372**	**3.3%**	179,895	2.9%
Manufacturing of components	**4,046,931**	**65.5%**	4,263,733	68.0%
Others *(Note 1)*	**42,172**	**0.7%**	58,657	0.9%
	4,295,475	**69.5%**	4,502,285	71.8%
Automotive component division				
Design and fabrication of moulds	**210,312**	**3.4%**	158,012	2.5%
Manufacturing of components	**1,585,481**	**25.6%**	1,503,267	24.0%
Others *(Note 1)*	**91,390**	**1.5%**	104,501	1.7%
	1,887,183	**30.5%**	1,765,780	28.2%
Total	**6,182,658**		6,268,065	
Segment results				
Office automation equipment division	**337,365**		253,507	
Automotive component division	**108,727**		101,824	
Operating profit	**446,092**		355,331	
Unallocated expenses	**(55,301)**		(82,155)	
Finance income	**42,403**		10,462	
Finance costs	**(128,905)**		(52,837)	
Share of loss of associates	**(499)**		(210)	
Income tax expense	**(66,695)**		(24,574)	
Profit attributable to equity holders of the Company	**237,095**		206,017	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the year, the Group's turnover decreased slightly by 1.4% to HK$6,182,658,000, which was primarily due to unfavourable external market conditions causing a decline in client production intensions in both office automation equipment and automotive component businesses.

Gross profit

During the year, gross profit margin slightly increased to 20.9% (2022: 20.0%), which was mainly driven by enhanced operational efficiency, higher utilisation in our Weihai facilities, as well as the synergies reaped by the Group following the complete consolidation of production capacity after the Group acquired EVA Intelligent Manufacturing in 2021, including the reduction of operating costs such as wages and other factory expenses.

Segment results

For the year ended 31 December 2023, as a result of increased operational efficiency and improved gross profit margin as mentioned above, as well as a one-off gain recognised in relation to the write-back of provisions related to staff compensations by EVA Intelligent Manufacturing and the gain recognised on termination of its factory lease, the operating profit margin of the Group's office automation equipment division went up to 7.9% (2022: 5.6%). The operating profit margin of the Group's automotive component division remained at 5.8% (2022: 5.8%).

Unallocated expenses

For the year ended 31 December 2023, unallocated expenses mainly represent corporate expenses of HK$44,847,000 (2022: HK$43,256,000), share-based payment expenses of HK$10,454,000 (2022: HK$31,277,000). No impairment losses on financial assets were recognised for the year ended 31 December 2023 (2022: HK$7,622,000).

Finance income and costs

For the year ended 31 December 2023, the Group's finance income and costs increased significantly mainly due to increasing interest rates for the Group.

Share of loss of associates

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

Income tax expense

Income tax expense for the year ended 31 December 2023 mainly represents current income tax charge amounting to HK$50,346,000 arising form Mainland China, HK$7,402,000 arising form Vietnam and HK$16,195,000 arising from Mexico, netted off by (i) over-provision in prior years amounting to HK$8,277,000 and (ii) deferred income tax charge of HK$1,029,000.

Profit attributable to equity holders of the Company

For the year ended 31 December 2023, the profit attributable to equity holders of the Company was HK$237,095,000 (2022: HK$206,017,000), which was primarily caused by the increase in operating profit as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2023, the Group's cash flows generated from operations increased to HK$538,116,000 (2022: HK$456,024,000), which was primarily due to increased earnings from operation. However, as the Group's net interest expenses and income taxes have both increased quite significantly during the year, the Group's net cash generated form operating activities narrowed to HK$375,151,000 (2022: HK$372,353,000). During the year, the Group's capital expenditure increased to HK$444,351,000 as the Group expanded its base in Vietnam by obtaining a new leasehold land in Quang Ninh province in 2023. Therefore, the Group recorded net cash used in investing activities amounting to HK$423,593,000 (2022: HK$345,917,000). The Group had a net increase in bank borrowings of HK$34,834,000 and lease payments of HK$23,880,000 during the year. After payment of dividend of HK$67,199,000, the Group recorded net cash used in financing activities of HK$56,245,000 during the year (2022: net cash generated from financing activities HK$414,519,000).

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. We also consider impacts of interest rates fluctuation on our operations and financial condition, and take appropriate and timely measures accordingly. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), almost all of the Group's borrowings as at 31 December 2023 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

Key financial performance indicators

	31 December 2023	31 December 2022
Inventory turnover days *(Note 1 and 5)*	**48**	46
Debtors' turnover days *(Note 2 and 5)*	**107**	98
Creditors' turnover days *(Note 3 and 5)*	**111**	108
Cash conversion cycle *(Note 4 and 5)*	**44**	36
Current ratio *(Note 6 and 8)*	**1.42**	1.50
Net debt-to-equity ratio *(Note 7 and 8)*	**25.2%**	21.0%
Net profit margin *(Note 9 and 11)*	**3.8%**	3.3%
Return on shareholders' equity *(Note 10 and 11)*	**7.9%**	7.3%

Notes:

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

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

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

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

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

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

7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$74,843,000 as at 31 December 2023 (as at 31 December 2022: HK$117,598,000). These rentals have not yet been expensed, but are deemed as lease liabilities under the 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.

Inventory turnover days

As a result of a general slowdown in production due to unfavourable market conditions during the year, the Group's inventory turnover days increased for the year ended 31 December 2023.

Debtors' and creditors' turnover days

During the year, the weakened global demand and excessive end-stocking have slowed down the Group's business. Overall speaking, though, with the Group's efforts in making appropriate strategies to diversify to new opportunities and gradual improvement in the terminal market demand, the Group's order momentum improved in the second half of the year. The Group's turnover began to catch up and outperformed that of last year starting from October 2023 to December 2023. Therefore, substantial amount of sales and purchases were made during the forth quarter, which remained unpaid as at 31 December 2023, and were still within normal credit periods. Therefore, the debtors' and creditors' turnover days were both longer than those for the year ended 31 December 2022.

Cash conversion cycle

The increase in cash conversion cycle in the year ended 31 December 2023 was mainly caused by the increase in inventory and debtors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

To better cope with increased working capital demand, the Group had drawn down additional short term bank loans during the year. As a result, the Group's current ratio decreased to 1.42 as at 31 December 2023. During the year, the Group's net debt-to-equity ratio also increased. This is primarily because, although the Group's earnings from operations have increased, the Group has maintained less cash at banks as a result of significantly increased interest costs paid and increased capital expenditure on obtaining a new leasehold land in Vietnam. These additional costs were paid out of the Group's earnings from operations. As the Group's bank borrowings level remained relatively constant, the resulted net debt is higher and hence the net debt-to-equity ratio increased.

Net profit margin and return on shareholders' equity

The increase in the Group's net profit margin and return on shareholders' equity was caused by the increase in profit attributable to equity holders of the Company, as explained in the section headed "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the year ended 31 December 2023, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	16.9%	1.3%
US dollars	52.1%	59.0%
Renminbi	29.9%	39.3%
Other currencies	1.1%	0.4%

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 69.0% of the Group's sales and 60.3% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the year. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

At present, although the Group endeavours to transact sales and raw material purchases in matching currencies, the percentage of the Group's raw material purchases in Renminbi is still larger than the percentage of its sales in Renminbi due to the Group's substantial production operations in China. However, management is of the view that the exchange rate risk is not high because Renminbi is used to settle the purchase of raw materials used for Renminbi denominated sales. Going forward, management will continue to evaluate the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

HUMAN RESOURCES

The total number of the Group's employees was 10,238 employees as at 31 December 2023. The Group considers its employees, in particular the skilled engineers and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potentials is also important for attracting and retaining qualified staff for its future success. Training programmes are offered to employees for their continuous development. Besides, various employee activities are organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participate. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

As at 31 December 2023, the average length of services of the Group's employees below and above manager grade was 3.0 years and 8.6 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2023, there was no charge on the Group's assets.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2023 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

To determine which shareholders will be eligible to attend and vote at the forthcoming annual general meeting to be held on Monday, 20 May 2024, the register of members of the Company will be closed from Tuesday, 14 May 2024 to Monday, 20 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 May 2024.

Subject to the shareholders' approval of the recommended final dividend at the annual general meeting of the Company, the final dividend will be payable on Wednesday, 12 June 2024 to shareholders whose names appear on the register of members on Tuesday, 28 May 2024. To determine eligibility for the final dividend, the register of members of the Company will be closed from Friday, 24 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no share transfer will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 May 2024.

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 C1 (formerly Appendix 10) to the Listing Rules. Having made specific enquiry of all directors, the Company reported that all directors have complied with the required standards set out in the Model Code during the year ended 31 December 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the CG Code as set out in Part 2 of Appendix C1 (formally Appendix 14) to the Listing Rules during the year ended 31 December 2023.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Part 2 of Appendix C1 (formerly Appendix 14) to the Listing Rules, for the purpose of reviewing the financial reporting process, risk management, internal control system and corporate governance matters of the Group. The audit committee comprises the three independent non-executive directors, namely, Ms. Ling Kit Sum, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny, with Ms. Ling Kit Sum as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control, corporate governance and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2023 and up to the date of this announcement.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2023 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 28 March 2024

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