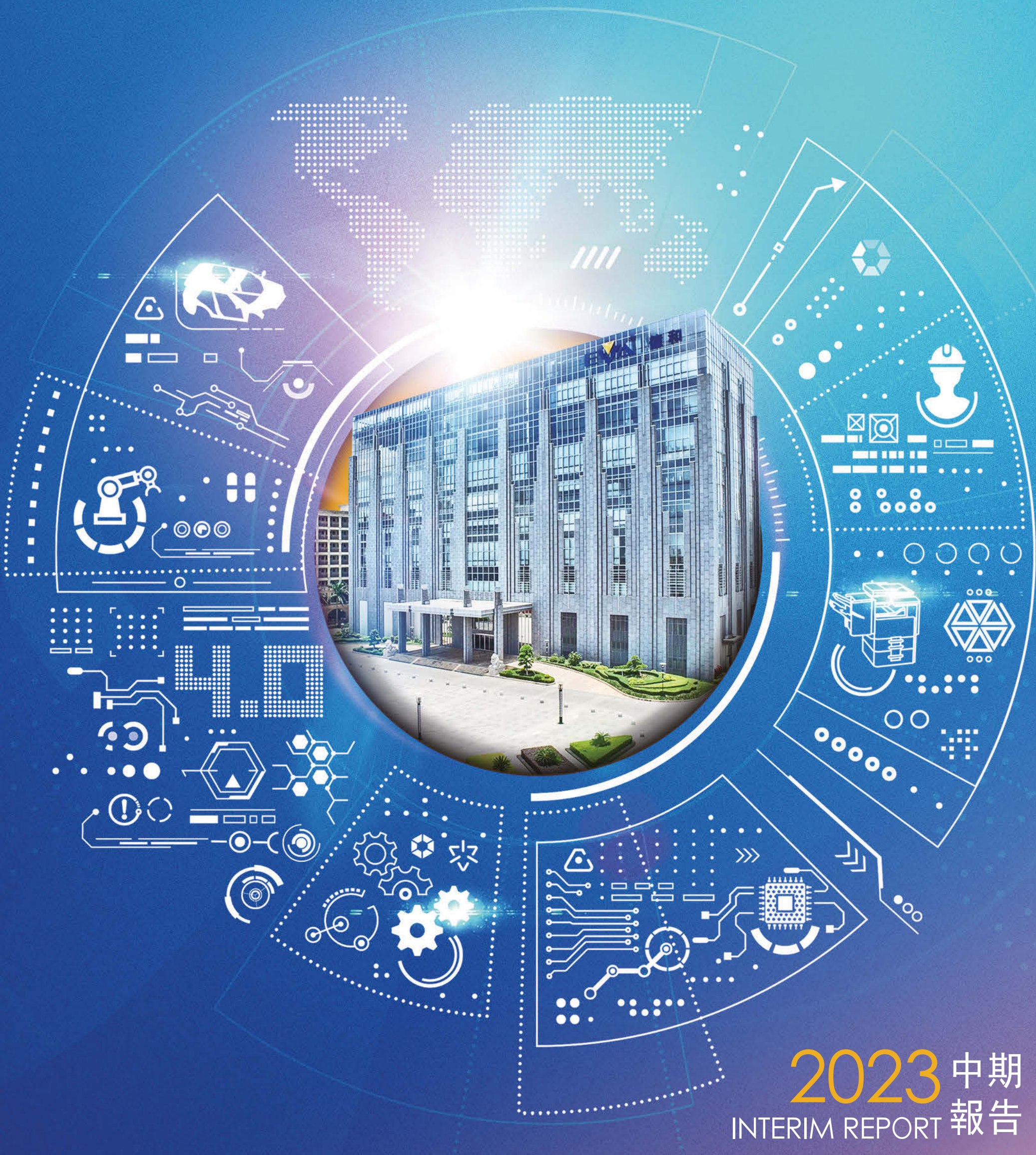
EVA Precision Industrial Holdings Limited

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)



2023 中期報告 INTERIM REPORT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhang Hwo Jie *(Chairman)*
Mr. Zhang Jian Hua *(Vice Chairman)*
Mr. Zhang Yaohua *(Chief Executive)*
Ms. Zhang Yan Yi *(appointed on 21 July 2023)*

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

CORPORATE INFORMATION

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
Dah Sing Bank, Limited
Bank of Shanghai (Hong Kong) Limited

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 2023

		Unaudited	
		Six months ended 30 June	
	Note	**2023**	2022
		HK$'000	HK$'000
Revenue	6	**2,862,158**	2,939,731
Cost of sales	21	**(2,317,158)**	(2,374,683)
Gross profit		**545,000**	565,048
Other income	20	**30,063**	10,072
Other gains – net	20	**28,104**	3,110
Selling and marketing costs	21	**(125,250)**	(123,925)
General and administrative expenses	21	**(288,911)**	(333,117)
Operating profit		**189,006**	121,188
Finance income	22	**17,103**	4,988
Finance costs	22	**(61,668)**	(15,706)
Share of losses of associates	9	**(359)**	(232)
Profit before income tax		**144,082**	110,238
Income tax expense	23	**(21,458)**	(7,583)
Profit for the period		**122,624**	102,655
Other comprehensive loss for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(16,136)**	(47,680)
Items that may not be reclassified subsequently to profit or loss			
– Revaluation losses on financial assets at fair value through other comprehensive income		**(1,261)**	–
Total comprehensive income for the period		**105,227**	54,975

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	**Unaudited Six months ended 30 June 2023 HK$'000**	2022 HK$'000
Profit for the period attributable to equity holders of the Company		**122,624**	102,655
Total comprehensive income for the period attributable to equity holders of the Company		**105,227**	54,975
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	24	**7.0**	5.9
– diluted	24	**7.0**	5.8

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023 HK$'000**	Audited 31 December 2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,556,450**	2,453,708
Right-of-use assets	8	**358,619**	377,546
Intangible assets	7	**4,951**	5,847
Investments in associates	9	**29,647**	30,591
Financial assets at fair value through other comprehensive income	11	**14,242**	28,647
Prepayments, deposits and other receivables	10	**42,937**	57,031
Deferred income tax assets	16	**6,550**	6,549
		3,013,396	2,959,919
Current assets			
Inventories		**711,682**	638,603
Trade receivables	12	**1,671,520**	1,681,160
Prepayments, deposits and other receivables	10	**175,725**	146,135
Restricted bank deposits		**74,668**	69,599
Short-term bank deposits		**11,035**	39,194
Cash and cash equivalents		**1,750,704**	1,722,162
		4,395,334	4,296,853
LIABILITIES			
Current liabilities			
Trade payables	13	**1,423,586**	1,489,832
Contract liabilities		**109,494**	99,288
Accruals and other payables	14	**228,774**	242,242
Bank borrowings	15	**1,257,010**	965,640
Lease liabilities	8	**41,569**	44,120
Current income tax liabilities		**11,331**	18,364
		3,071,764	2,859,486

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**Unaudited 30 June 2023 HK$'000**	Audited 31 December 2022 HK$'000
Net current assets		**1,323,570**	1,437,367
Total assets less current liabilities		**4,336,966**	4,397,286
Non-current liabilities			
Bank borrowings	15	**1,330,164**	1,459,783
Lease liabilities	8	**66,051**	76,107
Deferred income tax liabilities	16	**22,517**	22,992
		1,418,732	1,558,882
Net assets		**2,918,234**	2,838,404
EQUITY			
Capital and reserves			
Share capital	17	**174,092**	174,092
Reserves	19	**2,744,142**	2,664,312
Total equity		**2,918,234**	2,838,404

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

	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 2023	174,092	2,664,312	2,838,404
Comprehensive income			
Profit for the period	–	122,624	122,624
Other comprehensive income			
Currency translation differences	–	(16,136)	(16,136)
Revaluation losses on financial assets at fair value through other comprehensive income	–	(1,261)	(1,261)
Total comprehensive income for the period	–	105,227	105,227
Transactions with owners			
Dividend paid	–	(30,624)	(30,624)
Employee share option scheme:			
Value of employee services	–	5,227	5,227
	–	(25,397)	(25,397)
Balance at 30 June 2023	174,092	2,744,142	2,918,234

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 2023

	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
Transactions with owners			
Dividend paid	–	(26,154)	(26,154)
Repurchase of shares	(550)	(7,122)	(7,672)
Employee share option scheme:			
Value of employee services	–	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 CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Six months ended 30 June 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations		**172,498**	56,880
Interest received		**17,103**	4,988
Interest paid		**(63,095)**	(20,730)
Income tax paid		**(28,888)**	(11,369)
Net cash generated from operating activities		**97,618**	29,769
Cash flows from investing activities			
Purchases of property, plant and equipment		**(210,117)**	(187,512)
Proceeds from disposal of a financial asset at fair value through other comprehensive income		**9,242**	–
Proceeds from sales of property, plant and equipment		**1,970**	2,598
Dividend income from a financial asset at fair value through other comprehensive income		**–**	1,056
Decrease in short-term bank deposits		**28,159**	–
(Increase)/decrease in restricted bank deposits		**(5,069)**	28,008
Net cash used in investing activities		**(175,815)**	(155,850)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited Six months ended 30 June **2023** **HK$'000**	 2022 HK$'000
Cash flows from financing activities			
Proceeds from borrowings		**661,975**	502,732
Repayments of borrowings		**(504,365)**	(309,299)
Repayments of principal element of lease payments		**(11,124)**	(15,339)
Repayments of interest element of lease payments		**(2,155)**	(2,221)
Repurchase of shares	17	**–**	(7,672)
Dividend paid		**(30,624)**	(26,154)
Net cash generated from financing activities		**113,707**	142,047
Net increase in cash and cash equivalents		**35,510**	15,966
Cash and cash equivalents at the beginning of the period		**1,722,162**	1,318,182
Exchange losses on cash and cash equivalents		**(6,968)**	(16,473)
Cash and cash equivalents at the end of the period		**1,750,704**	1,317,675

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 2023.

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 2023 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 2022, 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 2022, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2022, which are described below.

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

(a) Relevant new standard and amendments to existing standards effective for the financial year beginning 1 January 2023

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

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

3 ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 2022.

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 2022.

There have been no changes in any risk management policies since 31 December 2022.

(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 2023					
Bank borrowings	**1,257,010**	**642,498**	**687,666**	**–**	**2,587,174**
Lease liabilities	**41,569**	**12,286**	**30,855**	**22,910**	**107,620**
Interest payables	**117,251**	**65,310**	**17,669**	**1,992**	**202,222**
Trade payables	**1,423,586**	**–**	**–**	**–**	**1,423,586**
Other payables	**105,951**	**–**	**–**	**–**	**105,951**
At 31 December 2022					
Bank borrowings	965,640	533,430	926,353	–	2,425,423
Lease liabilities	44,120	15,662	34,188	26,257	120,227
Interest payables	140,531	87,849	41,915	2,651	272,946
Trade payables	1,489,832	–	–	–	1,489,832
Other payables	109,681	–	–	–	109,681

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The table below is a maturity analysis of term loans with repayable on demand clauses based on agreed repayment schedules set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	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 2023					
Bank borrowings	**1,112,010**	**787,498**	**687,666**	**–**	**2,587,174**
Lease liabilities	**41,569**	**12,286**	**30,855**	**22,910**	**107,620**
Interest payables	**122,422**	**70,481**	**17,669**	**1,992**	**212,564**
Trade payables	**1,423,586**	**–**	**–**	**–**	**1,423,586**
Other payables	**105,951**	**–**	**–**	**–**	**105,951**
At 31 December 2022					
Bank borrowings	810,641	688,429	926,353	–	2,425,423
Lease liabilities	44,120	15,662	34,188	26,257	120,227
Interest payables	146,502	93,819	41,915	2,651	284,887
Trade payables	1,489,832	–	–	–	1,489,832
Other payables	109,681	–	–	–	109,681

6 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

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

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

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

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

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

The segment assets and liabilities are as follows:

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

The segment capital expenditure is as follows:

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

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

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

Capital expenditure comprises additions to property, plant and equipment.

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 2023 as follows:

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

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 2022 as follows:

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

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

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 2023				Six months ended 30 June 2022			
	The People's Republic of China ("PRC") HK$'000	**Vietnam HK$'000**	**Mexico HK$'000**	**Total HK$'000**	PRC HK$'000	Vietnam HK$'000	Mexico HK$'000	Total HK$'000
Revenue	**2,158,566**	**385,430**	**318,162**	**2,862,158**	2,263,005	409,778	266,948	2,939,731

Assets by geographical region

	As at 30 June 2023				As at 31 December 2022			
	PRC HK$'000	**Vietnam HK$'000**	**Mexico HK$'000**	**Total HK$'000**	PRC HK$'000	Vietnam HK$'000	Mexico HK$'000	Total HK$'000
Total non-current assets	**2,308,489**	**278,448**	**426,459**	**3,013,396**	2,278,956	255,849	425,114	2,959,919
Total assets	**5,865,913**	**732,829**	**809,988**	**7,408,730**	5,825,587	683,634	747,551	7,256,772

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 2023	**2,453,708**	**5,847**
Additions	**226,827**	**–**
Disposals	**(1,991)**	**–**
Depreciation/amortisation	**(114,239)**	**(896)**
Exchange differences	**(7,855)**	**–**
Closing net book amount at 30 June 2023	**2,556,450**	**4,951**
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

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 2023	**227,518**	**5,412**	**43,056**	**101,560**	**377,546**
Disposals	**(200)**	**–**	**–**	**–**	**(200)**
Depreciation	**(3,821)**	**(132)**	**(3,049)**	**(9,435)**	**(16,437)**
Exchange differences	**(1,089)**	**–**	**(3)**	**(1,198)**	**(2,290)**
Closing net book amount at 30 June 2023	**222,408**	**5,280**	**40,004**	**90,927**	**358,619**

	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

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 2023 HK$'000	As at 31 December 2022 HK$'000
Current portion	**41,569**	44,120
Non-current portion	**66,051**	76,107
	107,620	120,227
Lease liabilities – Plant and machinery	**216**	2,629
Lease liabilities – Factory and office premises	**107,404**	117,598
	107,620	120,227

(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 2023, the net book amount of the secured right-of-use assets was approximately HK$40,004,000 (31 December 2022: HK$43,056,000).

9 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
At 1 January	**30,591**	34,633
Share of losses	**(359)**	(232)
Exchange differences	**(585)**	(1,697)
At 30 June	**29,647**	32,704

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

	As at	
	30 June	31 December
	2023	2022
	HK$'000	HK$'000
Assets	**75,905**	76,795
Liabilities	**(1,788)**	317

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Revenue	**1,330**	2,269
Losses	**(897)**	(580)
Percentage held at 30 June	**40%**	40%

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at	
	30 June 2023	31 December 2022
	HK$'000	HK$'000
Non-current:		
Deposits for purchases of property, plant and equipment	**39,048**	53,168
Others	**3,889**	3,863
	42,937	57,031
Current:		
Prepayments for purchases of raw materials	**59,484**	60,382
Value-added tax recoverable	**82,352**	62,371
Prepayment of utilities expenses	**1,564**	1,584
Receivables from employees and staff advances (Note)	**6,124**	6,567
Deposits placed with customs in Mainland China	**524**	2,117
Receivables from the former subsidiaries (Note)	**51,100**	51,097
Receivables from an associate (Note)	**6,517**	6,517
Consideration receivable from disposal of financial assets at fair value through other comprehensive income (Note)	**14,726**	10,824
Consideration receivables from disposal of a subsidiary (Note)	**3,544**	3,544
Others	**15,562**	6,904
	241,497	211,907
Loss allowance	**(65,772)**	(65,772)
	175,725	146,135

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 2023, no additional loss allowance was recorded for its deposits and other receivables (six months ended 30 June 2022: Nil).

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at	
	30 June 2023	31 December 2022
	HK$'000	HK$'000
Unlisted:		
Equity securities – Mainland China, at fair value	**14,242**	28,647

The fair values of the unlisted 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 by using discounted cash flow projections. 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	
	2023	2022
	HK$'000	HK$'000
At 1 January	**28,647**	32,328
Disposal (Note)	**(13,144)**	–
Revaluation losses transferred to other comprehensive income	**(1,261)**	–
At 30 June	**14,242**	32,328

Note: On disposal of the equity instrument, any related balance within 'financial assets at fair value through other comprehensive income reserve' is reclassified to 'retained earnings'.

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

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

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

13 TRADE PAYABLES

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

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

14 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2023 HK$'000	31 December 2022 HK$'000
Payable for purchase of property, plant and equipment	**43,848**	46,813
Accrued utilities expenses	**5,654**	3,866
Accrued wages, salaries and welfare	**98,233**	121,775
Accrued operating expenses	**23,077**	6,920
Purchase consideration balance payables for the acquisition of subsidiaries	**25,353**	25,720
Other payables	**32,609**	37,148
	228,774	242,242

15 BANK BORROWINGS

	As at	
	30 June 2023 HK$'000	31 December 2022 HK$'000
Current		
Short-term bank loans	**480,217**	217,647
Portion of long-term loans from banks due for repayment within one year (including those repayable on demand)	**776,793**	747,993
	1,257,010	965,640
Non-current		
Portion of long-term loans from banks due for repayment after one year	**1,330,164**	1,459,783
Total bank borrowings	**2,587,174**	2,425,423

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 2023 HK$'000	31 December 2022 HK$'000
Within 1 year	**1,257,010**	965,640
Between 1 and 2 years	**642,498**	533,430
Between 2 and 5 years	**687,666**	926,353
	2,587,174	2,425,423

15 BANK BORROWINGS (CONTINUED)

Bank borrowings were denominated in below currencies:

	As at	
	30 June 2023 HK$'000	31 December 2022 HK$'000
HK$	**2,326,957**	2,363,394
RMB	**65,217**	60,800
USD	**195,000**	1,229
	2,587,174	2,425,423

As at 31 December 2022 and 30 June 2023, the effective interest rates (per annum) of the Group's bank borrowings were as follows:

	Short-term bank loans		Long-term bank loans	
	June 2023	December 2022	**June 2023**	December 2022
HK$	**5.22%**	4.02%	**6.76%**	8.31%
RMB	**3.46%**	3.80%	**–**	–
USD	**–**	–	**6.89%**	–

As at 30 June 2023, the Group has undrawn floating rate borrowing facilities of approximately HK$557,800,000 (31 December 2022: HK$804,600,000).

16 DEFERRED TAXATION

The analysis of deferred tax liabilities is as follows:

	As at	
	30 June 2023 HK$'000	31 December 2022 HK$'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	**6,550**	6,549
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	**(21,510)**	(21,985)
Deferred income tax liabilities to be recovered within 12 months	**(1,007)**	(1,007)
Deferred income tax liabilities, net	**(15,967)**	(16,443)

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

	Six months ended 30 June	
	2023 HK$'000	2022 HK$'000
At 1 January	**16,443**	14,232
Credited to profit or loss	**(476)**	(355)
At 30 June	**15,967**	13,877

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:

	Right-of-use assets HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2023	**(13,097)**	**(17,863)**	**(5,129)**	**(36,089)**
Credited to profit or loss	**1,437**	**475**	**–**	**1,912**
At 30 June 2023	**(11,660)**	**(17,388)**	**(5,129)**	**(34,177)**
At 1 January 2022	(13,178)	(18,814)	(5,129)	(37,121)
Credited to profit or loss	886	475	–	1,361
At 30 June 2022	(12,292)	(18,339)	(5,129)	(35,760)

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 2023	**15,439**	**3,191**	**1,016**	**19,646**
Charged to profit or loss	**(1,408)**	**–**	**(28)**	**(1,436)**
At 30 June 2023	**14,031**	**3,191**	**988**	**18,210**
At 1 January 2022	14,547	7,269	1,073	22,889
Charged to profit or loss	(978)	–	(28)	(1,006)
At 30 June 2022	13,569	7,269	1,045	21,883

17 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital HK$'000
At 1 January 2023 and 30 June 2023	**1,740,920**	**174,092**
At 1 January 2022	1,749,120	174,912
Repurchase of shares	(5,500)	(550)
At 30 June 2022	1,743,620	174,362

Notes:

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.

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.

In 2023, the Company adopted a share option scheme (the "2023 Share Option Scheme"). Under the 2023 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 2023 Share Option Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 10% of the relevant shares or securities of the Company in issue as at the date on which the 2023 Share Option Scheme is approved and adopted by resolution of the Shareholders ("effective date"). The maximum number of shares to be issued upon the exercise of all outstanding options granted to the Service Providers and yet to be exercised under the 2023 Share Option Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 1% of the relevant shares or securities of the Company in issue as at the effective date.

18 SHARE OPTION SCHEME (CONTINUED)

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

	Six months ended 30 June			
	2023		2022	
	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**	**119,200**	1.51	119,500

Share options outstanding at 30 June 2023 and 30 June 2022 have the following expiry dates and exercise prices:

		Number of share options	
Expiry date	Exercise price per share	**As at 30 June 2023 '000**	As at 30 June 2022 '000
4 November 2024	HK$1.10	**50,000**	50,300
5 November 2024	HK$1.80	**50,000**	50,000
5 November 2027	HK$1.80	**19,200**	19,200
		119,200	119,500

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 2022	1,017,673	(735)	226,635	40,061	64,073	(35,461)	(119,046)	1,471,112	2,664,312
Profit for the period	-	-	-	-	-	-	-	122,624	122,624
Dividend paid	(30,624)	-	-	-	-	-	-	-	(30,624)
Other comprehensive income									
– Translation differences	-	-	-	-	-	-	(16,136)	-	(16,136)
– Revaluation losses on financial assets at fair value through other comprehensive income	-	-	-	-	-	(1,261)	-	-	(1,261)
Employee share option scheme: value of employee services	-	-	-	-	5,227	-	-	-	5,227
Transfer to retained earnings upon disposal of a financial asset at fair value through other comprehensive income	-	-	-	-	-	18,438	-	(18,438)	-
Balance at 30 June 2023	987,049	(735)	226,635	40,061	69,300	(18,284)	(135,182)	1,575,298	2,744,142

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 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)

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 NET

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Other income		
Government grants	**10,832**	5,783
Others	**19,231**	4,289
	30,063	10,072
Other gains – net		
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	**(221)**	288
Net exchange gains	**28,325**	1,766
Dividend income from a financial asset at fair value through other comprehensive income	**–**	1,056
	28,104	3,110

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

22 FINANCE INCOME/COSTS

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

23 INCOME TAX EXPENSE

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

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 2023 (six months ended 30 June 2022: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for Mainland China corporate income tax was calculated at the statutory rate of 25% (six months ended 30 June 2022: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd., Digit Stamping Technology (Wuhan) Limited, Shenzhen Digit Automotive Technology Limited and EVA Precision Industrial (Weihai) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2022 and 2023.

23 INCOME TAX EXPENSE (CONTINUED)

(c) Other income taxes

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

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

The subsidiary established and operating in Vietnam is subjected to a preferential tax rate of 10% for the first 15 years from the year of commencing operations. It is also entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group was under 75% reduction in total from corporate income tax in Vietnam for the six months ended 30 June 2023 (six months ended 30 June 2022: Same).

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

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

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

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

Notes: Diluted loss per share for the six months ended 30 June 2023 equals to the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

25 DIVIDEND

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

26 CAPITAL COMMITMENTS

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

	As at	
	30 June 2023 HK$'000	31 December 2022 HK$'000
Contracted but not provided for		
– Construction of buildings	**212,732**	112,588
– Purchase of plant and machinery	**46,999**	119,454
	259,731	232,042

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 2023 (31 December 2022: 38.70%).

(a) Key management compensation

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
Salaries and allowances	**9,240**	14,089
Share-based payment	**467**	1,398
Retirement benefits – defined contribution plan	**36**	41
	9,743	15,528

(b) Balance with a related party

	As at	
	30 June 2023	31 December 2022
	HK$'000	HK$'000
Receivables from an associate		
Shenzhen L&L Auto-tech Co., Ltd.	**1,119**	1,712

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

Against the odds in 2023, the management focused on internal governance through flexibly adjusting its Group strategies with a view of adapting to market changes. During the reporting period, the Group effectively enhanced cost control efforts in its operations and has substantially lowered the general operating costs with a much lower general and administrative expense to sales ratio as compared to the six months ended 30 June 2022. It has also made efforts in optimising project management, strengthening product quality control and is gradually reducing the number of low-profit projects with a view to improve the overall value of its products.

However, due to turnover decline, which had an impact on the utilisation of production capacity, the overall gross profit margin had a slight decline by 0.2 percentage points year-on-year to 19.0% (1H 2022: 19.2%). The continued interest rate hikes in the United States had a significant impact on the Group's interest costs. For the six months ended 30 June 2023, the Group's total bank borrowings amounted to HK$2.6 billion, with an effective interest rate in excess of 6% per annum, and total borrowing costs three times higher than the same period last year.

Office automation equipment

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

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

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

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

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

Automotive components

In the first half of 2023, turnover of the Group's automotive component segment remained relatively stable, with a slight decrease of 0.3% year-on-year to HK$854,912,000 (1H2022: HK$857,278,000). After three years of continuous strategic deployment, optimisation and integration of advantageous resources, the Group's automotive component segment's new energy vehicle ("NEV") industry strategy has begun to bear results, and the NEV strategic customer base is growing steadily. The automotive component segment has secured quite a number of NEV-related orders following the Group's implementation of its NEV industry strategy. In 2023, the Group's NEV orders were gradually put into production, and the production capacities of Zhongshan, Wuhan and Mexico Industrial Parks were gradually released, which also compensated for the decline of the traditional automotive business in the Chongqing Industrial Park.

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

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

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

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

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

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

OUTLOOK

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

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

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

As we enter the second half of 2023, the global economy and business environment are full of opportunities and challenges. According to the latest forecast from International Monetary Fund (IMF), the global economic growth rate will drop from 3.4% in 2022 to 3.0% in 2023, while the forecast for 2024 is maintained at 3.0%, indicating that the global economy is facing a period of downward pressure. The Group will be cautiously optimistic in identifying opportunities for capacity and business expansion, and will endeavour to enhance its competitive edge in the hope of gaining greater market share and driving the Group's business growth in the long run. With years of experience in the industry, the management will endeavour to consolidate its leading position in the market in order to achieve sustainable business growth and bring satisfactory returns to our shareholders.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2023		2022	
	HK$'000		HK$'000	
By business segment				
Turnover				
Office automation equipment division				
Design and fabrication of moulds	**75,649**	**2.6%**	81,998	2.8%
Manufacturing of components	**1,911,048**	**66.8%**	1,973,091	67.1%
Others *(Note 1)*	**20,549**	**0.7%**	27,364	0.9%
	2,007,246	**70.1%**	2,082,453	70.8%
Automotive component division				
Design and fabrication of moulds	**81,602**	**2.9%**	90,751	3.1%
Manufacturing of components	**726,965**	**25.4%**	714,964	24.3%
Others *(Note 1)*	**46,345**	**1.6%**	51,563	1.8%
	854,912	**29.9%**	857,278	29.2%
Total	**2,862,158**		2,939,731	
Segment results				
Office automation equipment division	**163,949**		80,747	
Automotive component division	**49,219**		74,385	
Operating profit	**213,168**		155,132	
Unallocated expenses	**(24,162)**		(33,944)	
Finance income	**17,103**		4,988	
Finance costs	**(61,668)**		(15,706)	
Share of losses of associates	**(359)**		(232)	
Income tax expense	**(21,458)**		(7,583)	
Profit attributable to equity holders of the Company	**122,624**		102,655	

Note 1: Others mainly represented sales of scrap materials.

Turnover

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

Gross profit

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

Segment results

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

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

Unallocated expenses

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

Finance income and costs

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

Share of losses of associates

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

Income tax expense

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

Profit attributable to equity holders of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Treasury policy

The Group adopts a prudent treasury policy. Treasury activities are controlled by senior management members with an objective of achieving a balance between the Group's expansion needs and its financial stability. An adequate level of cash resources is maintained by each of the Group's subsidiaries, and the Group also have sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Due consideration is given for the cost of borrowings. We also consider impacts of interest rates fluctuation on our operations and financial condition, and take appropriate and timely measures accordingly. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), almost all of the Group's borrowings as at 30 June 2023 were denominated in Hong Kong dollars and United States dollars to match repayment currency with the Group's major source of operating cash inflows. Looking ahead, the Group will adhere to conservative financial management policies and remain committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratios

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

(b) Profitability ratios

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

Notes:

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

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

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

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

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

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

7. Net debt-to-equity ratio is calculated based on the total balance of bank borrowings and lease liabilities less cash and bank balances divided by shareholders' equity. Lease liabilities exclude the rentals for factory and office premises in future periods amounting to HK$107,404,000 as at 30 June 2023 (as at 31 December 2022: HK$117,598,000). These rentals have not yet been incurred, but are deemed as lease liabilities under the newly adopted Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.

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

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

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

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

Inventory turnover days

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

Debtors' and creditors' turnover days

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

Cash conversion cycle

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

Current ratio and net debt-to-equity ratio

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

Net profit margin and return on shareholders' equity

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

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group is committed to delivering best practices and achieving great customer satisfaction levels. We have put considerable efforts to comply with laws and regulations relevant to product safety, advertising, labelling, and privacy matters of the jurisdictions in which we operate. Our employees are required to comply with applicable governmental and regulatory laws, rules, codes, and regulations.

The Group adopts international best practices in product quality management, and has been accredited with ISO9001 certification by the BSI Group since 2000. The Group continues to be in alignment 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 ("QCC") activities which require the participation of all employees from front line staff to senior management. These activities encourage staff 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 and MiTAC.

To ensure high product quality and safety, the Group engages with the internal committees on a regular basis with representatives from various business units and customers. Policies about product quality, safety and compliance with laws and regulations are posted on the Group's intranet and are communicated to our employees with full transparency. In addition, the Group runs training sessions for relevant staff members, third-party suppliers, and business partners to carry out product responsibility. Orientation training is conducted for new employees, while refreshment refresher training is provided for all employees on a regular basis.

The Group has the greatest respect for the laws and regulations that govern the way we go about our business. We always adhere to international best practices and conduct fair and unbiased tender processes when dealing with suppliers. The Group has also started to identify environmental and social risks along the supply chain. We adhere to the principle of transparency and implement the values of honesty, integrity, and fairness in our supply chain management. 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, except quality of services and products, the Group also takes into account several factors such as the supplier's integrity, social responsibility and emission and pollution level. 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 every aspect of such policies when assessing suppliers and tendering procedures are carefully and thoroughly communicated to vendors.

As at 30 June 2023, the Group's length of relationship with its five largest customers ranged from 2 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 2023, sales to the five largest customers represented 62.8% 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

The Group is committed to reducing our environmental footprint and minimising the detrimental impact from our business activities. We have launched various initiatives to optimise material use, reduce emissions, and conserve resources through efficient waste management. In addition, since 2003, our operations have complied with the ISO14001 environmental management system certification by the BSI Group. The ISO14001 standards are kept abreast of the growing trends and stakeholders' expectations and thus require participating companies to continuously improve their environmental performance. 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 2023, 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 2023, 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 2023, the Group's sales and raw material purchases were denominated in the following currencies:

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

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

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

HUMAN RESOURCES

As at 30 June 2023, the total number of the Group's employees was 10,379. The Group considers its employees, in particular the skilled engineers and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option scheme was adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potentials is also important for attracting and retaining qualified staff for its future success. Training programmes are offered to employees for their continuous development. Besides, various employee activities are organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participate. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

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

CHARGES ON THE GROUP'S ASSETS

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

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 of 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$40,160,000 as at 30 June 2023); and

(ii) a revolving loan for an amount up to HK$40,000,000 (the outstanding loan balance was HK$40,000,000 as at 30 June 2023).

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 of 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 2023);

(ii) another term loan facility of 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$37,500,000 as at 30 June 2023);

(iii) another term loan facility of 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$75,000,000 as at 30 June 2023); and

(iv) a revolving loan of HK$150,000,000 (there was no outstanding balance as at 30 June 2023).

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 of 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$50,000,000 as at 30 June 2023); and

(ii) a revolving loan of HK$30,000,000 (the outstanding loan balance was HK$30,000,000 as at 30 June 2023).

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.

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 of 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$127,500,000 as at 30 June 2023); 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 (there was no outstanding balance as at 30 June 2023).

The following specific performance obligations are imposed on the controlling shareholders of the Company under the Fubon Facilities 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 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 a revolving loan facility of HK$50,000,000 ("Chong Hing Facility Agreement"), and there was no outstanding balance as at 30 June 2023.

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 there was no outstanding loan balance as at 30 June 2023.

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.

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$165,000,000 as at 30 June 2023).

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$127,000,000 as at 30 June 2023).

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 subsidiary of the Company had entered into a banking facility agreement with Hang Seng Bank Limited (as mandate lead arranger and bookrunner and agent) and certain financial institutions (as lenders) in respect of a term loan facility of HK$1,190,000,000 ("HSB Syndicated Facility Agreement"), and the outstanding loan balance was HK$1,190,000,000 as at 30 June 2023.

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

(i) Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua shall collectively own, directly or indirectly, at least 35% of the beneficial shareholding, carrying at least 35% of the voting rights, in the Company, free from any security; and remain as the controlling shareholders of the Company;

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

(iii) Either Mr. Zhang Jian Hua or Mr. Zhang Yaohua shall remain as the executive director of the Company.

Besides, a subsidiary of the Company had entered into banking facility agreements with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in respect of the following banking facilities ("HSBC Facilities Agreement"):

(i) a term loan facility of up to US$10,000,000 for a term of three years from the first drawdown date of the loan (there was no outstanding balance as at 30 June 2023);

(ii) a term loan facility of up to US$25,000,000, or an equivalent amount in Renminbi, for a term of three years from the first drawdown date of the loan (the outstanding loan balance was US$25,000,000 as at 30 June 2023);

(iii) a revolving loan facility of up to HK$50,000,000 (the outstanding loan balance was HK$45,000,000 as at 30 June 2023).

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

(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.

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) 2015 Share Option Scheme

The Company has adopted a share option scheme which became effective on 21 May 2015 (the "2015 Share Option Scheme"). The 2015 Share Option Scheme was effective for a period of 10 years commencing on 21 May 2015. The 2015 Share Option Scheme was, however, terminated on 18 May 2023. Upon such termination, no further share options may be granted under the 2015 Share Option Scheme, but in all other respects, the provisions of the 2015 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the terms of the 2015 Share Option Scheme and share options granted under the 2015 Share Option Scheme prior to such termination shall continue to be valid and exercisable in accordance with the rules of the 2015 Share Option Scheme.

Options to subscribe for up to 103,701,180 shares remained ungranted under the 2015 Share Option Scheme as at 1 January 2023. As a result of the termination of the 2015 Share Option Scheme, these share options will not be granted. During the six months ended 30 June 2023 and up to the date of this report, there was no movement in the share options granted under the 2015 Share Option Scheme and details of these options as at 30 June 2023 and the date of this report are as follows:

	As at 1 January 2023, 30 June 2023 and the date of this report	**Share price immediately before offer date**	**Exercise price**	**Vesting date**	**Exercisable period**
		HK$	HK$		
Executive directors					
Mr. Zhang Hwo Jie					
– Granted on 3 November 2017	17,000,000	1.08	1.10	2 January 2020	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	1,700,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Mr. Zhang Jian Hua					
– Granted on 3 November 2021	1,700,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027

	As at 1 January 2023, 30 June 2023 and the date of this report	Share price immediately before offer date	Exercise price	Vesting date	Exercisable period
		HK$	HK$		
Mr. Zhang Yaohua					
– Granted on 3 November 2017	17,000,000	1.08	1.10	2 January 2020	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	1,700,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Independent non-executive directors					
Mr. Lam Hiu Lo					
– Granted on 3 November 2021	400,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Dr. Chai Ngai Chiu Sunny					
– Granted on 3 November 2021	400,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Ms. Ling Kit Sum					
– Granted on 3 November 2021	400,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Employees of the Group					
Mr. Zhang Hanming (Note 1)					
– Granted on 3 November 2021	400,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Ms. Zhang Quian Yi (Note 3)					
– Granted on 3 November 2017	300,000	1.08	1.10	2 January 2020	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	400,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Ms. Zhang Yan Yi (Note 2)					
– Granted on 3 November 2021	400,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
Others employees of the Group					
– Granted on 3 November 2017	15,700,000	1.08	1.10	2 January 2020	2 January 2020 to 4 November 2024
– Granted on 3 November 2021	50,000,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2024
– Granted on 3 November 2021	11,700,000	1.88	1.80	2 May 2023	2 May 2023 to 4 November 2027
	119,200,000				

Notes:

1. Mr. Zhang Hanming is the father of Mr. Zhang Hwo Jie, Mr. Zhang Jian Hua and Mr. Zhang Yaohua, who are 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 Yan Yi is a daughter of the Chairman of the Group, hence an associate (as defined in the Listing Rules) of him. Ms. Zhang Yan Yi is responsible for production management and risk management of the Group. She was appointed as an executive director on 21 July 2023.

3. Ms. Zhang Quian Yi is a daughter of the Chairman of the Group, hence an associate (as defined in the Listing Rules) of him. Ms. Zhang Quian Yi is responsible for the business development of the Group.

The fair value of the 50,000,000 options and 69,200,000 options granted on 3 November 2017 and 3 November 2021 were HK$18,915,000 and HK$46,701,000 as at 30 June 2023 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.

(b) 2023 Share Option Scheme

Pursuant to the Consultation Conclusions on Proposed Amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing Rules") relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022, Chapter 17 of the Listing Rules was amended with effect from 1 January 2023. In light of the above, the Company's remuneration committee and the board of directors (the "Board") proposed to terminate the 2015 Share Option Scheme and to adopt the 2023 Share Option Scheme. The 2023 Share Option Scheme was approved by the shareholders at the annual general meeting of the Company that was held on 18 May 2023.

No share option was granted under the 2023 Share Option Scheme since its adoption.

The following is a summary of the 2023 Share Option Scheme:

1. Purpose of the 2023 Share Option Scheme:

The purpose of the 2023 Share Option Scheme is to provide the eligible participants with an opportunity to obtain equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group by granting options to them as incentives or reward.

2. *Participants of the 2023 Share Option:*

a. directors and chief executive of the Company;

b. employees (where full-time or part-time) of any member of the Group (including persons who are granted options under the 2023 Share Option Scheme as an inducement to enter into employment contracts with any member of the Group);

c. service provider(s), being any persons who provide services to a member of the Group relating to the Group's business of precision manufacturing services and production of moulds and components and automated assembly services for its office automation equipment business and automotive components business on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, including;

(i) any persons who have stepped down from a directorship or employment position within the Group, but continues to provide advisory or consultancy services to the Group; and

(ii) any advisors, consultants and/or independent contractors providing advisory services, consultancy and or other professional services to the Group (such as specific-industry advice on the Group's business and technical, financial or corporate management and strategic advice) where the continuity and frequency of their services are akin to those of employees.

but for the avoidance of doubt, excluding (a) any placing agents and/or financial advisers providing advisory services for fundraising, mergers or acquisition, and (b) auditors, valuers and/or other professional service providers of the Group who provide assurance or are required to perform their services with impartiality and objectivity.

3. *Total number of shares available for issue under the 2023 Share Option Scheme and the percentage of issued shares that it represents:*

Pursuant to the terms of the 2023 Share Option Scheme, the maximum number of shares in respect of which options may be granted thereunder and any share options or share award granted under any other schemes of the Group shall not in aggregate exceed 174,091,980 shares, representing 10% of the Company's issued shares as at the date of approval of the 2023 Share Option Scheme unless the Company obtains a fresh approval from its shareholders in general meeting. Accordingly, options to subscribe for up to 174,091,980 shares (representing 10% of the issued share capital as at the date of this report) are available for grant under the 2023 Share Option Scheme as at 30 June 2023.

4. *Maximum entitlement of each eligible participant under the 2023 Share Option Scheme:*

The maximum number of shares which may be issued upon the exercise of all options granted to any eligible participant (including both exercised and outstanding options, but excluding any options lapsed in accordance with the terms of the 2023 Share Option Scheme) in any twelve (12) month period up to and including the date of grant must not exceed 1% of the shares in issue as at the date of grant.

5. *Period within which the option may be exercised by a grantee under the 2023 Share Option Scheme:*

Subject to the terms of the 2023 Share Option Scheme, including terms relating to vesting period and performance targets relating to a grantee, a grantee may exercise a share option within a period of ten (10) years from the date of grant.

6. *Vesting period of options granted under the 2023 Share Option Scheme:*

An eligible participant to whom an option is granted is required to satisfy all the conditions (including any performance target if required to be achieved) imposed by the Board before he may exercise any of his options. An option must be held by the option holder for at least twelve (12) months before the option can be exercised, except that an option which has been or may be granted to an option holder who is an employee of any member of the Group may have a shorter vesting period if determined at the discretion of the Board (or the remuneration committee of the Board where the arrangements relate to a grant of an option to an option holder who is a director or a senior manager of the Group) as falling within such circumstances set out in the 2023 Share Option Scheme.

7. *The amount payable on application or acceptance of the option and the period within which payments must be made:*

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option. Any offer may be open for acceptance, in whole or in part, in a board lot for dealing in the Company's shares on the Stock Exchange or an integral multiple thereof. An offer is open for acceptance within 21 days from the date of offer provided that no offer shall be open for acceptance after the expiry of the scheme period or after the 2023 Share Option Scheme has been terminated.

8. *The basis for determining the exercise price of options granted:*

The exercise price shall be determined by the Board and such price shall at least be the highest of: (i) the nominal value of the Company's shares; (ii) the closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of offer.

9. *The remaining life of the 2023 Share Option Scheme:*

Unless terminated earlier in accordance with the terms of the 2023 Share Option Scheme, the 2023 Share Option Scheme is valid and effective for a period of ten (10) years following the date of approval by resolution of the shareholders on 18 May 2023 and will expire on 17 May 2033.

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

As at 30 June 2023, 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 (Note 1)	Total interests	Approximate percentage of interest in the Company as at 30 June 2023
Mr. Zhang Hwo Jie	673,750,000 (Note 2)	28,152,000	–	18,700,000	720,602,000	41.39%
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	42.09%
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 38.70% of the entire issued capital of the Company as at 30 June 2023. 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 2023
Mr. Zhang Hwo Jie	Personal interests	52.93%
Mr. Zhang Yaohua	Personal interests	47.07%

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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	38.70%
Ms. Shen Chan Jie Lin	Interest of spouse (Note 1)	701,902,000	18,700,000	720,602,000	41.39%
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	42.08%

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2023 and up to the date of this report.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Tuesday, 12 September 2023 to Thursday, 14 September 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 September 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of those who are directors as at 30 June 2023, the Company reported that these directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

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

CHANGE OF DIRECTOR'S INFORMATION

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

AUDIT COMMITTEE

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

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 29 August 2023

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

Unit 8, 6th Floor, Greenfield Tower, Concordia Plaza
No.1 Science Museum Road, Kowloon, Hong Kong
香港九龍科學館道1號康宏廣場南座6樓8室
Telephone 電話: 852-2620 6488
Facsimile 傳真: 852-2191 9978
Website 網站: www.eva-group.com

EVA Shenzhen (Shiyan) Electronic Industrial Park
No.11 Guo Tai Road, Tang Tou Community
Shi Yan Town, Bao An District, Shenzhen
Guangdong Province, the People's Republic of China
中國廣東省深圳市寶安區石岩街道塘頭社區國泰路11號
億和深圳(石岩)電子產業園
Telephone 電話: 86-755 2762 9999
Facsimile 傳真: 86-755 2762 9181
Postcode 郵編: 518108

EVA Suzhou Electronic Industrial Park
No. 268 Ma Yun Road
Suzhou National New and Hi-Tech Industrial Development Zone
Jiangsu Province, the People's Republic of China
中國江蘇省蘇州市高新區馬運路268號
億和蘇州電子產業園
Telephone 電話: 86-512 8917 9999
Facsimile 傳真: 86-512 8887 1281
Postcode 郵編: 215129

EVA (Guangming) Precision Manufacturing Industrial Park
Nan Huan Road, Tian Liao Community, Yu Tang Town,
Guang Ming District, Shenzhen,
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明區玉塘街道田寮社區南環路
億和(光明)精密製造產業園
Telephone 電話: 86-755 8172 9999
Facsimile 傳真: 86-755 2906 8899
Postcode 郵編: 518106

Digit Zhongshan Automotive Industrial Park
No. 31 Torch Road
Torch Development Zone, Zhongshan
Guangdong Province, the People's Republic of China
中國廣東省中山市火炬開發區火炬路31號
數碼模中山汽車產業園
Telephone 電話: 86-760 8996 9999
Facsimile 傳真: 86-760 8992 3300
Postcode 郵編: 528437

Digit Chongqing Automotive Industrial Park
No.1 Jianqiao Road
Jianqiao Industrial Zone A, Dadukou District
Chongqing, the People's Republic of China
中國重慶市大渡口區建橋工業園A區建橋大道1號
數碼模重慶汽車產業園
Telephone 電話: 86-23 6155 4600
Facsimile 傳真: 86-23 6155 4617
Postcode 郵編: 400084

Digit (Chengyu) Automotive Industrial Park
Tongjia Development District
Lezhi County, Ziyang,
Sichuan Province, the People's Republic of China
中國四川省資陽市樂至縣童家發展區
數碼模(成渝)汽車產業園
Telephone 電話: 86-28 2339 2222
Facsimile 傳真: 86-28 2339 2222
Postcode 郵編: 641500

Digit Wuhan Automotive Industrial Park
No. 19 Changfu Industrial Park, Caidian Economic Development Zone
Wuhan, Hubei Province, the People's Republic of China
中國湖北省武漢市蔡甸經濟開發區常福工業園19號
數碼模武漢汽車產業園
Telephone 電話: 86-27 8661 9999
Facsimile 傳真: 86-27 8661 9999-209
Postcode 郵編: 430120

EVA Shenzhen (Tianliao) Smart Device Industrial Park
Industrial District No. 9,
Tian Liao Community, Yu Tang Town,
Guang Ming District, Shenzhen,
Guangdong Province, the People's Republic of China
中國廣東省深圳市光明區玉塘街道田寮社區第九工業區
億和深圳(田寮)智能終端產業園
Telephone 電話: 86-755 8172 5899
Facsimile 傳真: 86-755 8172 5699
Postcode 郵編: 518132

EVA Vietnam (Haiphong) Electronic Industrial Park
No.139 East-West Boulevard, VSIP Hai Phong Industrial Park
Lap Le Commune, Thuy Nguyen District
Hai Phong, Vietnam
越南海防市水源縣立禮社海防VSIP工業區東西大道139號
億和越南(海防)電子產業園
Telephone 電話: 84-31 8831 888
Facsimile 傳真: 84-31 8831 999
Postcode 郵編: 180000

EVA Weihai (Double Islands Bay) Electronic Industrial Park
No.367 Shuangdao Road,
Hi-tech Zone, Weihai, Shandong Province,
the People's Republic of China
中國山東省威海市高技區雙島路367號
億和威海(雙島灣)電子產業園
Telephone 電話: 86-631 5718 099
Facsimile 傳真: 86-631 5718 066
Postcode 郵編: 264200

EVA Weihai (Intops) Electronic Industrial Park
No. 268-1 Ke Ji Road
Weihai Torch High Technology Industrial Development Zone, Weihai
Shandong Province, the People's Republic of China
中國山東省威海市威海火炬高技術產業開發區科技路268-1號
億和威海(因塔思)電子產業園
Postcode 郵編: 264200

Digit Mexico (SLP) Automotive Industrial Park
Avenue Munich 665-L2420, Parque Industrial Logistik
Villa de Reyes, San Luis Potosí, Mexico
墨西哥聖路易斯波托西州雷耶斯鎮Logistik工業園
慕尼黑大道665-L2420號
數碼模墨西哥(SLP)汽車產業園
Postcode 郵編: 79526

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