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CHINA SILVER TECHNOLOGY HOLDINGS LIMITED
中華銀科技控股有限公司

(formerly known as TC Orient Lighting Holdings Limited 達進東方照明控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 515)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board (the “**Board**”) of directors (the “**Directors**”) is pleased to announce the unaudited consolidated interim results of China Silver Technology Holdings Limited (formerly known as TC Orient Lighting Holdings Limited) (the “**Company**”) and its subsidiaries (collectively known as the “**Group**”) for the six months ended 30 June 2022. These interim condensed consolidated financial statements were not audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	190,243	240,569
Cost of sales		<u>(181,032)</u>	<u>(224,954)</u>
Gross profit		9,211	15,615
Other income		2,283	3,163
Other losses, net		(360)	(62)
Selling and distribution expenses		(8,051)	(9,129)
Administrative expenses		(19,395)	(19,270)
Finance costs		<u>(4,377)</u>	<u>(4,193)</u>
Loss before tax		(20,689)	(13,876)
Income tax expense	4	<u>–</u>	<u>–</u>
Loss for the period	5	<u>(20,689)</u>	<u>(13,876)</u>
Other comprehensive expense:			
<i>Items that will not be reclassified to profit or loss:</i>			
Deficit on revaluation of properties		(3,057)	(1,437)
Deferred tax assets arising from revaluation of properties		<u>764</u>	<u>359</u>
Total comprehensive expense for the period		<u>(22,982)</u>	<u>(14,954)</u>

		For the six months ended 30 June	
		2022	2021
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
	Owners of the Company	(18,653)	(13,329)
	Non-controlling interests	(2,036)	(547)
		<u>(20,689)</u>	<u>(13,876)</u>
Total comprehensive expense for the period attributable to:			
	Owners of the Company	(20,946)	(14,407)
	Non-controlling interests	(2,036)	(547)
		<u>(22,982)</u>	<u>(14,954)</u>
			(restated)
Loss per share (<i>HK cents</i>)			
	– Basic and diluted	(3.05)	(2.44)
		<u>(3.05)</u>	<u>(2.44)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	8	258,599	235,030
Right-of-use asset		15,460	15,768
		<u>274,059</u>	<u>250,798</u>
Current assets			
Inventories		44,313	49,391
Trade and other receivables	9	194,783	181,054
Pledged bank deposits		46,660	50,775
Bank balances, deposits and cash		28,489	19,900
		<u>314,245</u>	<u>301,120</u>
Current liabilities			
Trade and other payables	10	108,892	138,054
Contract liabilities		393	11,377
Bills payable	10	154,762	159,076
Lease liabilities		99	685
Taxation payable		66,308	67,747
Bank borrowings – due within one year	11	207,143	156,310
		<u>537,597</u>	<u>533,249</u>
Net current liabilities		<u>(223,352)</u>	<u>(232,129)</u>
Total assets less current liabilities		<u>50,707</u>	<u>18,669</u>

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Non-current liabilities		
Deferred taxation	<u>17,413</u>	<u>18,177</u>
Net assets	<u>33,294</u>	<u>492</u>
Capital and reserves		
Share capital	334,708	278,924
Reserves	<u>(240,029)</u>	<u>(219,083)</u>
Equity attributable to owners of the Company	94,679	59,841
Non-controlling interests	<u>(61,385)</u>	<u>(59,349)</u>
Total equity	<u>33,294</u>	<u>492</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

(b) Going concern basis

The Group incurred a loss of approximately HK\$20,689,000 during the six months ended 30 June 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$223,352,000. In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the condensed consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

(1) *Necessary facilities*

The Group is in the process of negotiating with its bankers to secure necessary facilities to meet the Group’s working capital and financial requirements in the near future.

(2) Financial support

A shareholder has agreed to continue to provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities when they fall due and to carry on its business without a significant curtailment of operations in the twelve months from 30 June 2022.

2. APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous contract – Cost of fulfilling a contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The following is an analysis of the Group's turnover and results by reportable and operating segments:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Segment turnover – external sales		
Manufacturing and trading of single-sided printed circuit boards (“PCB”) (“ Single-sided PCB ”)	35,184	35,395
Manufacturing and trading of double-sided PCB (“ Double-sided PCB ”)	142,542	161,819
Manufacturing and trading of multi-layered PCB (“ Multi-layered PCB ”)	10,643	17,736
Lighting emitting diode (“LED”) lighting (“ LED Lighting ”)	1,874	25,619
	<u>190,243</u>	<u>240,569</u>
Total		
Timing of revenue recognition		
At a point in time	190,243	240,569
Over time	<u>–</u>	<u>–</u>
Segment loss		
Single-sided PCB	(1,828)	(833)
Double-sided PCB	(7,405)	(3,807)
Multi-layered PCB	(553)	(417)
LED Lighting	(3,736)	(1,467)
Tradings of tower and electric cable	(250)	(392)
	<u>(13,772)</u>	<u>(6,916)</u>
Other income	473	130
Central administrative costs	(3,013)	(2,897)
Finance costs	(4,377)	(4,193)
	<u>(20,689)</u>	<u>(13,876)</u>
Loss before tax		

Segment loss represents the loss incurred by each segment after allocation of selling and administrative staff cost with reference to turnover and without allocation of certain other income, central administrative costs (mainly including audit fee, exchange loss and depreciation of property, plant and equipment for administrative purpose) and finance costs. This is the measure reported to the Board, who is the chief operating decision maker, for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profit Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>–</u></u>

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong for both years.

Under the Law of the People’s Republic of China on EIT (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

5. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging/(crediting) the following items:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' emoluments	1,477	1,440
Other staff costs	<u>21,924</u>	<u>33,712</u>
Total staff costs	23,401	35,152
Depreciation of right-of-use assets	308	308
Depreciation of property, plant and equipment	4,010	5,293
Imputed interest income on trade receivables with extended credit terms (included in other income)	(158)	(214)
Interest income on bank deposits and bank balances (included in other income)	(274)	(124)
Sales of scrap materials (included in other income)	(1,258)	(2,279)
Government grants (<i>note</i>)	<u>(334)</u>	<u>(6)</u>

Note:

Government grants were mainly granted to the Group as subsidies to support the operation of the Hong Kong and PRC subsidiaries. During the period ended 30 June 2022, the Group recognised government grants of approximately HK\$176,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by the Hong Kong Government. For other government grants, there are no special conditions or contingencies that are needed to be fulfilled and they were non-recurring in nature.

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2021: nil).

The Directors of the Company have determined that no dividend will be paid in respect of the interim period.

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<u>(18,653)</u>	<u>(13,329)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>610,789</u>	<u>545,304</u>

Note: The weighted average number of ordinary shares for the period ended 30 June 2022 and 2021 has been adjusted for the five-to-one share consolidation of the Company which became effective on 24 May 2022.

The calculation of the diluted loss per share for the periods ended 30 June 2022 and 2021 did not assume the exercise of the Company's outstanding share options as the effect is anti-dilutive.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group's buildings classified as property, plant and equipment were revalued by Roma Appraisals Limited, an independent qualified professional valuer not connected with the Group. The buildings were revalued at depreciated replacement cost approach. The resulting loss on revaluation of HK\$3,057,000 was recognised to the property revaluation reserve during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$1,437,000).

During the six months ended 30 June 2022, the Group paid HK\$30,636,000 (six months ended 30 June 2021: HK\$30,000) on addition of property, plant and equipment.

9. TRADE, BILLS AND OTHER RECEIVABLES

(a) Trade and other receivables

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables with normal credit terms	170,434	171,887
<i>Less:</i> Allowance for expected credit losses	<u>(85,183)</u>	<u>(85,183)</u>
	<u>85,251</u>	<u>86,704</u>
Trade receivables with extended credit terms	49,621	52,320
<i>Less:</i> Allowance for expected credit losses	<u>(5,901)</u>	<u>(5,901)</u>
	<u>43,720</u>	<u>46,419</u>
Total trade receivables, net of allowance for expected credit losses	128,971	133,123
Advances to suppliers and other receivables	<u>65,812</u>	<u>47,931</u>
Current portion of trade and other receivables	<u>194,783</u>	<u>181,054</u>

The Group generally allows an average credit period of 30 days to 180 days to its trade on PCB customers and tradings of towers and electric cable customers with normal credit terms and credit period ranging from one year to ten years to its trade LED lighting customers with extended credit terms which is based on the contractual repayment schedule under certain “energy management contract” (EMC) arrangement with the Group’s LED lighting customers, a significant portion of which being government entities in the PRC.

The following is an aging analysis of trade receivables with normal credit terms and trade receivables with extended credit terms, net of allowance for doubtful debts, respectively, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	Extended credit terms		Normal credit terms		Total	
	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
0 – 30 days	–	–	22,964	26,520	22,964	26,520
31 – 60 days	–	–	17,811	18,317	17,811	18,317
61 – 90 days	–	–	10,936	12,652	10,936	12,652
91 – 180 days	–	–	18,707	20,908	18,707	20,908
Over 180 days	43,720	46,419	14,833	8,307	58,553	54,726
	<u>43,720</u>	<u>46,419</u>	<u>85,251</u>	<u>86,704</u>	<u>128,971</u>	<u>133,123</u>

Movement in the lifetime expected credit losses (ECL) for trade receivables with normal credit terms in accordance with the simplified approach set out in HKFRS 9:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Balance at beginning of the period	85,183	86,019
Allowance for expected credit losses	–	(836)
	<u>85,183</u>	<u>85,183</u>

Movement in the lifetime ECL for trade receivables with extended credit terms in accordance with the simplified approach set out in HKFRS 9:

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Balance at beginning of the period	5,901	5,812
Allowance for expected credit losses	<u>–</u>	<u>89</u>
	<u>5,901</u>	<u>5,901</u>

(b) Movement in the ECL for other receivables in accordance with the general approach set out in HKFRS 9:

	30 June 2022 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
Balance at the beginning of the period	50,787	53,773
Reversal of allowance for expected credit losses	<u>–</u>	<u>(2,986)</u>
	<u>50,787</u>	<u>50,787</u>

10. TRADE, BILLS AND OTHER PAYABLES

(a) Trade and other payables

The aging analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)
0 – 30 days	3,558	10,990
31 – 60 days	23,183	4,460
61 – 90 days	2,707	13,101
91 – 180 days	6,531	10,106
Over 180 days	<u>46,960</u>	<u>61,136</u>
	<u>82,939</u>	<u>99,793</u>
Other payables (<i>note</i>)	15,782	23,900
Accrued salaries and other accrued charges	<u>10,171</u>	<u>14,361</u>
	<u>108,892</u>	<u>138,054</u>

The credit period on purchases of goods ranged from 90 days to 120 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Note: At the end of interim period, included in the Group's other payable is an amount of HK\$3,571,000 (31 December 2021 HK\$3,571,000), being loan from other borrowers in interest rate of 18% and repayable in accordance with the terms of the loan agreements. During the interim period ended 30 June 2022, interest in the amount of HK\$321,000 (six months ended 30 June 2021: HK\$866,000) was recognised as the finance cost in the consolidated statements of profit or loss.

(b) **Bills payable**

The aging analysis of bills payable is as follows:

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0 – 30 days	74,026	15,635
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	51,744	37,113
Over 180 days	28,992	106,328
	<hr/> 154,762 <hr/>	<hr/> 159,076 <hr/>

11. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Buildings	125,205	128,262
Pledged bank deposits	46,660	50,775
Right-of-use assets	15,460	15,768
Construction in progress	81,749	–
	<hr/> 269,074 <hr/>	<hr/> 194,805 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group is principally engaged in the manufacturing and trading of a broad range of LED lighting and PCBs including single-sided PCBs, double-sided PCBs and multi-layered PCBs (for up to 12 layers). The breakdown of turnover based on products is summarised as follows:

	For the six months ended 30 June					
	2022		2021		Increase/ (decrease)	Change in
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Single-sided PCB	35,184	18.5	35,395	14.7	(211)	(0.6)
Double-sided PCB	142,542	74.9	161,819	67.3	(19,277)	(11.9)
Multi-layered PCB	10,643	5.6	17,736	7.4	(7,093)	(39.9)
LED Business	1,874	1.0	25,619	10.6	(23,745)	(91.6)
Total	<u>190,243</u>	<u>100.0</u>	<u>240,569</u>	<u>100.0</u>	<u>(50,326)</u>	<u>(20.9)</u>

The three categories of PCB products are mainly applied in consumer electronics, computers and computer peripherals, and communications equipment. During the period, single and double-sided PCBs used for consumer electronics accounted for approximately 93.4% of the Group's turnover, while high-end multi-layered PCBs accounted for 5.6% of the Group's turnover.

During the period under review, the breakdown of turnover based on geographical locations is summarised as follows:

	For the six months ended 30 June					
	2022		2021		Increase/ (decrease)	Change in
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	5,156	2.7	13,679	5.7	(8,523)	(62.3)
The PRC	168,387	88.5	190,401	79.1	(22,014)	(11.6)
Asia (excluding Hong Kong and the PRC)	5,258	2.8	2,000	0.9	3,258	162.9
Europe	11,442	6.0	34,489	14.3	(23,047)	(66.8)
Total	<u>190,243</u>	<u>100.0</u>	<u>240,569</u>	<u>100.0</u>	<u>(50,326)</u>	<u>(20.9)</u>

During the period under review, the Group's revenue decreased mainly due to the decrease of purchase orders of PCB products and decrease in revenue of LED business, affected by the business disruption caused by COVID-19 epidemic and related lockdown measures.

FINANCIAL REVIEW

The PCB business has been the Group's main source of income for many years. During the period under review, the Group's turnover amounted to approximately HK\$190.2 million, representing a decrease of 20.9% as compared to approximately HK\$240.6 million for the corresponding period last year, principally resulted from the decrease of purchase orders of PCB products and decrease in revenue of LED business. Loss attributable to shareholders was increased to approximately HK\$18.7 million (2021: HK\$13.3 million), principally due to the decrease in revenue. The gross profit margin for the six months ended 30 June 2022 was 4.8% (2021: 6.5%).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2022, the Group had total assets of approximately HK\$588.3 million (31 December 2021: HK\$551.9 million) and interest-bearing borrowings of approximately HK\$210.7 million (31 December 2021: HK\$159.9 million), representing a gearing ratio (defined as interest-bearing borrowings over total assets) of approximately 35.8% (31 December 2021: 29.0%).

The Group had net current liabilities of approximately HK\$223.4 million (31 December 2021: HK\$232.1 million) consisted of current assets of approximately HK\$314.2 million (31 December 2021: HK\$301.1 million) and current liabilities of approximately HK\$537.6 million (31 December 2021: HK\$533.2 million), representing a current ratio of approximately 0.58 (31 December 2021: 0.56).

As at 30 June 2022, the Group had cash and bank balances (including pledged bank deposits) of approximately HK\$75.1 million (31 December 2021: HK\$70.7 million). As at 30 June 2022, the Group had bank balances, deposit and cash of approximately HK\$28.5 million (31 December 2021: HK\$19.9 million).

FOREIGN CURRENCY EXPOSURE

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”). However, foreign currencies, mainly United States Dollars (“**US\$**”), are required to settle the Group’s expenses and additions on property, plant and equipment. There are also sales transactions denominated in US\$ and RMB. The Group will consider using forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

HUMAN RESOURCES

As at 30 June 2022, the Group employed a total of approximately 267 employees (31 December 2021: 448), including approximately 232 employees in its Zhongshan production site, 17 employees in its PRC LED business units and 18 employees in its Hong Kong office.

The Group's remuneration policy is reviewed regularly, with reference to the legal framework, market conditions and the performance of the Group and individual staff. The remuneration policy and remuneration packages of the executive directors and members of the senior management are also reviewed by the remuneration committee. The Group may grant share options and discretionary bonuses to eligible employees based on the performance of the Group and individuals. Under the Group's remuneration policy, employees are rewarded in line with the market rate in compliance with statutory requirements of all jurisdictions where it operates. The Group intends to hold regular training programmes and encourages staffs to attend training courses and seminars that are related directly or indirectly to the Group's business.

CORPORATE STRATEGY

The primary objective of the Company is to enhance long-term total return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Management Discussion and Analysis contain discussions and analysis of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

FUND RAISING ACTIVITIES

The Company has conducted equity fund-raising activities during the first half of 2022.

- (i) The Company conducted share subscriptions with not less than six subscribers in February 2022 which was completed in March 2022, involving the issuance of 286,000,000 Shares at the issue price of HK\$0.10 per Share raising net proceeds of HK\$28.4 million, which are intended to be used as to approximately HK\$24.4 million for the repayment of the Group's debts and liabilities when they fall due, and as to the remaining HK\$4 million for the Group's working capital (such as salaries, rental payments, professional fees and office overheads). Details of these subscriptions were disclosed in the Company's announcements dated 17 February 2022 and 3 March 2022.
- (ii) On 25 April 2022, the Company and the Subscribers entered into the Subscription Agreements under which the Subscribers agreed to subscribe for an aggregate of 271,840,000 Subscription Shares at the Subscription Price of HK\$0.10 per Subscription Share. The Subscriptions were completed on 12 May 2022, raising net proceeds of approximately HK\$27 million, which were intended to be used as to approximately HK\$23 million for the construction cost of the factory and the repayment of the Group's debts and liabilities when they fall due, and as to the remaining HK\$4 million for the Group's working capital (such as salaries, rental payments, professional fees and office overheads). Details of these subscriptions were disclosed in the Company's announcements dated 25 April 2022 and 12 May 2022.

The Company will continue to explore debt and equity fundings from bankers and investors to improve the working capital and liquidity and cash flow position of the Group.

SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

On 24 February 2022, the Board proposed to implement: (a) a share consolidation on the basis that every five issued and unissued shares of HK\$0.10 each will be consolidated into one Consolidated Share of HK\$0.50 each; and (b) the change of the board lot size from 2,000 pre-consolidated Shares to 10,000 Consolidated Shares upon the share consolidation becoming effective. The Share Consolidation was approved by the Shareholders at the extraordinary general meeting of the Company held on 20 May 2022, and became effective on 24 May 2022.

The Share Consolidation has resulted in option adjustment as set out in announcement on 24 May 2022. Save for the above adjustments, all other terms and conditions of the outstanding Share Options remain unchanged.

OUTLOOK

The Group's production facilities are principally situated in Zhongshan city and Shenzhen city, both in Guangdong Province. Since late January 2020, travel restrictions and other public health measures (the "**Public Health Measures**") including quarantine requirements of travelers were imposed in various areas in China in an attempt to contain the novel Coronavirus epidemic (the "**Epidemic**").

The Epidemic has resulted in adverse impact on the business performance of the market. The Group has taken all practicable measures to cope with the challenges ahead, including the implementation of cost-control measures and the exploration of opportunities to further develop its business and enhance its growth potential. In the meantime, the Group is striving for the highest caution standard to protect the health and safety of our staff.

During the first half of 2022, the Company's revenue decreased, principally due to the decrease of purchase orders of PCB products and decrease in revenue of LED business, affected by the business disruption caused by COVID-19 epidemic and related lockdown measures. The Group has taken various cost-savings and quality improvement measures, and adopted strategic pricing policy and proactive marketing approach to attract more sales orders from both existing and potential customers.

Pending the development and spread of the Epidemic subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of the Epidemic and react actively to its impact on the financial position and operating results of the Group.

During the period, the Company's LED segment carried out lighting projects, including constructions, designs and trading of material in Jiangsu Province, and recognised revenue of approximately HK\$1.9 million during the first half of 2022. The Company will continue to explore suitable business opportunities for its LED segment.

CORPORATE STRATEGY

The primary objective of the Company is to enhance long-term return for our shareholders. To achieve this objective, the Group's strategy is to place equal emphasis on achieving sustainable recurring earnings growth and maintaining the Group's strong financial profile. The Management Discussion and Analysis contain discussions and analysis of the Group's performance and the basis on which the Group generates or preserves value over the longer term and the basis on which the Group will execute its strategy for delivering the Group's objective.

CHARGE OF ASSETS

Details of the charge of assets are set out in note 11 to the financial statements.

OTHER INFORMATION

Proposed Capital Reorganisation

On 3 August 2022, the Board proposed to implement the Capital Reorganisation, which comprises: (i) the Capital Reduction, involving the reduction of the issued share capital of the Company by cancelling the paid up capital to the extent of HK\$0.499 on each of the issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK\$0.50 to HK\$0.001; (ii) the Share Premium Reduction, involving the reduction of the entire amount standing to the credit of the Share Premium Account, simultaneously with the Capital Reduction becoming effective; (iii) the Share Sub-division, involving the sub-division of each of the authorised but unissued Existing Shares with par value of HK\$0.50 each into 500 unissued New Shares with par value of HK\$0.001 each, immediately following the Capital Reduction becoming effective; and (iv) the credits arising from the Capital Reduction and the Share Premium Reduction be applied towards offsetting the Accumulated Losses of the Company as at the Effective Date and the balance of any such credit remaining after offsetting the Accumulated Losses be transferred to a distributable reserve account of the Company which may be applied by the Company in any manner as permitted under the applicable laws and the Memorandum and Articles of Association of the Company. The Company intends to dispatch a circular and convene an extraordinary general meeting to put the Capital Reorganisation to the vote of the Shareholders of the Company.

Purchase, sale or redemption of the company's listed securities

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of its own listed securities.

Changes of directors' information

During the period under review and up to the date of this report, the following changes in Directors' information are disclosed pursuant to Rule 13.51B of the Listing Rules:

On 26 May 2022, Dr. Loke Yu (alias Loke Hoi Lam) retired as an independent non-executive director, the chairman of audit committee and remuneration committee and a member of nomination committee of Crazy Sports Group Limited (formerly known as V1 Group Limited), a company listed on the Stock Exchange with stock code: 82. On 20 June 2022, Mr. Bonathan Wai Ka Cheung became a non-executive director of Amber Hill Financial Holdings Limited, a company listed on the Stock Exchange with stock code: 33.

Compliance with the corporate governance code

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as stated in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the six months from 1 January 2022 to 30 June 2022, except the deviations disclosed as follows:

Under Code Provision D.1.2 (formerly C.1.2), management should provide all members of the Board with monthly updates on the issuer's performance, position and prospects, which may include monthly management accounts and material variance between projections and actual results. During the period, although management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by management to Directors on working level meetings from time to time, which the management and the Board consider to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the Group's performance and enabling Directors to discharge their duties.

The Board and the compliance committee shall continue to monitor and review the Company's corporate governance practices to ensure compliance of the CG Code.

Compliance with the model code for securities transactions by directors of listed issuers

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct for Directors in their dealings in the Company’s securities. All existing directors have confirmed to the Company that they have complied with the Model Code during the six months ended 30 June 2022.

Audit committee

As at 30 June 2022, the Audit Committee of the Company (“**AC**”) comprised of three independent non-executive Directors, namely, Dr. Loke Yu (alias Loke Hoi Lam), Mr. Wong Kwok On and Mr. Bonathan Wai Ka Cheung. Dr. Loke Yu possesses recognised professional qualifications in accounting and has wide experience in audit and accounting. As at 30 June 2022, Dr. Loke Yu is the chairman of AC.

No former partner of the Company’s existing auditing firm acted as a member of the AC within two years from ceasing to be a partner or having any financial interest in the auditing firm.

The AC was delegated with the authority of the Board of the Company to investigate any activity within its terms of reference. The primary function of the AC is to review and supervise the Group’s financial reporting process and internal controls. The AC has also reviewed arrangements to enable employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure proper arrangements that in place for fair and independent investigation and follow up actions. The full terms of reference of the AC are available on the Company’s website: www.csthld.com and the website of the Stock Exchange: www.hkexnews.hk.

The Group’s unaudited financial statements for the six months ended 30 June 2022 have been reviewed by the AC, which is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.csthld.com>). The 2022 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited and the Company on or before 30 September 2022.

By order of the Board
China Silver Technology Holdings Limited
Lai Yubin
Chairman

Hong Kong, 19 August 2022

As at the date hereof, the Board comprises Mr. Kong Chan Fai (Vice-Chairman), Mr. Xu Ming (Chief Executive Officer), Mr. Zeng Yongguang, Mr. Guo Jun Hao and Ms. Liang Jiabin as executive Directors; Mr. Lai Yubin (Chairman) and Mr. Wei Xiaomin as non-executive Directors; and Mr. Wong Kwok On, Mr. Bonathan Wai Ka Cheung, Dr. Loke Yu (alias Loke Hoi Lam) and Ms. Qiu Yumei as independent non-executive Directors.