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

(Incorporated with limited liability in the Cayman Islands)

(Stock Code: 838)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL RESULTS

The Board of Directors of EVA Precision Industrial Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Unaudited	
		Six months ended 30 June 2024 HK\$'000	2023 HK\$'000
Revenue	4	2,999,779	2,862,158
Cost of sales	5	<u>(2,397,115)</u>	<u>(2,317,158)</u>
Gross profit		602,664	545,000
Other income		21,938	30,063
Other (losses)/gains – net		(7,161)	28,104
Selling and marketing costs	5	(117,011)	(125,250)
General and administrative expenses	5	<u>(304,448)</u>	<u>(288,911)</u>
Operating profit		195,982	189,006
Finance income	6	17,071	17,103
Finance costs	6	(64,582)	(61,668)
Impairment losses for investment in associates		(7,200)	–
Share of losses of associates		<u>(220)</u>	<u>(359)</u>
Profit before income tax		141,051	144,082
Income tax expense	7	<u>(13,238)</u>	<u>(21,458)</u>
Profit for the period		127,813	122,624
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		33,619	(16,136)
Items that may not be reclassified subsequently to profit or loss			
– Revaluation gains/(losses) on financial assets at fair value through other comprehensive income		<u>711</u>	<u>(1,261)</u>
Total comprehensive income for the period		<u>162,143</u>	<u>105,227</u>
Profit for the period attributable to equity holders of the Company		<u>127,813</u>	<u>122,624</u>
Total comprehensive income for the period attributable to equity holders of the Company		<u>162,143</u>	<u>105,227</u>
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	8	<u>7.3</u>	<u>7.0</u>
– diluted	8	<u>7.3</u>	<u>7.0</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Note</i>	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,682,548	2,682,224
Right-of-use assets		337,867	293,661
Intangible assets		3,233	4,055
Investments in associates		21,962	29,501
Financial assets at fair value through other comprehensive income		9,899	11,954
Prepayments, deposits and other receivables		68,829	95,375
Deferred income tax assets		3,179	4,733
		3,127,517	3,121,503
Current assets			
Inventories		569,901	640,802
Trade receivables	10	1,806,590	1,820,258
Prepayments, deposits and other receivables		78,272	142,576
Restricted bank deposits		74,682	104,448
Short-term bank deposits		47,409	–
Cash and cash equivalents		1,666,299	1,610,592
		4,243,153	4,318,676
LIABILITIES			
Current liabilities			
Trade payables	11	1,356,810	1,492,264
Contract liabilities		116,275	95,722
Accruals and other payables		229,105	256,095
Bank borrowings		1,356,659	1,149,136
Lease liabilities		12,823	15,341
Current income tax liabilities		21,308	31,194
		3,092,980	3,039,752
Net current assets		1,150,173	1,278,924
Total assets less current liabilities		4,277,690	4,400,427

	<i>Note</i>	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Non-current liabilities			
Bank borrowings		1,063,619	1,321,006
Lease liabilities		67,129	59,502
Deferred income tax liabilities		21,730	22,205
		<u>1,152,478</u>	<u>1,402,713</u>
Net assets		<u>3,125,212</u>	<u>2,997,714</u>
EQUITY			
Capital and reserves			
Share capital		174,092	174,092
Reserves		2,951,120	2,823,622
Total equity		<u>3,125,212</u>	<u>2,997,714</u>

Notes:

1 BASIS OF PRESENTATION

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

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

The condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated, and was approved for issue by the Board of Directors on 28 August 2024. The condensed consolidated interim financial information has not been audited.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

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

(a) Relevant amendments to existing standards and interpretation effective for the financial year beginning 1 January 2024

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
HK Interpretation 5 (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
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements

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

- (b) **The following new standards and amendments to standards have been issued but not yet effective for the financial year beginning of 1 January 2024 and have not been early adopted**

		Effective for annual periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability (amendments)	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments (amendments)	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (new standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (new standard)	1 January 2027
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)	1 January 2027
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 directors of the Group will adopt the new amendments to standards when they become effective. The directors of the Group are in the process of assessing the financial impact of the adoption of the above new amendments to standards, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

3 SEGMENT INFORMATION

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

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

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

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

The segment results and other segment items are as follows:

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Office automation equipment <i>HK\$'000</i>	Automotive components <i>HK\$'000</i>	Total <i>HK\$'000</i>	Office automation equipment <i>HK\$'000</i>	Automotive components <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>2,056,701</u>	<u>943,078</u>	<u>2,999,779</u>	<u>2,007,246</u>	<u>854,912</u>	<u>2,862,158</u>
Segment results	<u>164,533</u>	<u>51,806</u>	<u>216,339</u>	<u>163,949</u>	<u>49,219</u>	<u>213,168</u>
Unallocated expenses			(20,357)			(24,162)
Finance income			17,071			17,103
Finance costs			(64,582)			(61,668)
Impairment losses for investment in associates			(7,200)			–
Share of losses of associates			(220)			(359)
Profit before income tax			141,051			144,082
Income tax expense			(13,238)			(21,458)
Profit for the period			<u>127,813</u>			<u>122,624</u>
Depreciation	<u>62,124</u>	<u>86,474</u>	<u>148,598</u>	<u>60,057</u>	<u>70,619</u>	<u>130,676</u>
Amortisation	<u>822</u>	<u>–</u>	<u>822</u>	<u>896</u>	<u>–</u>	<u>896</u>

For the six months ended 30 June 2024 and 2023, unallocated expenses represent corporate expenses and share-based payment expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2024				As at 31 December 2023			
	Office automation equipment	Automotive components	Un-allocated	Total	Office automation equipment	Automotive components	Un-allocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets	<u>4,340,634</u>	<u>2,955,074</u>	<u>74,962</u>	<u>7,370,670</u>	<u>4,163,505</u>	<u>3,222,271</u>	<u>54,403</u>	<u>7,440,179</u>
Liabilities	<u>1,085,411</u>	<u>695,781</u>	<u>2,464,266</u>	<u>4,245,458</u>	<u>1,116,327</u>	<u>800,687</u>	<u>2,525,451</u>	<u>4,442,465</u>

The segment capital expenditure is as follows:

	Six months ended 30 June 2024				Six months ended 30 June 2023			
	Office automation equipment	Automotive components	Un-allocated	Total	Office automation equipment	Automotive components	Un-allocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	<u>108,898</u>	<u>89,496</u>	<u>-</u>	<u>198,394</u>	<u>141,086</u>	<u>85,741</u>	<u>-</u>	<u>226,827</u>

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

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

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

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 30 June 2024 as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	7,295,708	1,781,192
Unallocated:		
Investments in associates	21,962	–
Financial assets at fair value through other comprehensive income	9,899	–
Cash and cash equivalents	37,939	–
Deferred income tax assets	3,179	–
Prepayments, deposits and other receivables	1,983	–
Current income tax liabilities	–	21,308
Deferred income tax liabilities	–	21,730
Bank borrowings	–	2,420,278
Accruals and other payables	–	950
	<hr/>	<hr/>
Total	<u>7,370,670</u>	<u>4,245,458</u>

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2023 as follows:

	Assets <i>HK\$'000</i>	Liabilities <i>HK\$'000</i>
Segment assets/liabilities	7,385,776	1,917,014
Unallocated:		
Investments in associates	29,501	–
Financial assets at fair value through other comprehensive income	11,954	–
Cash and cash equivalents	1,474	–
Deferred income tax assets	4,733	–
Prepayments, deposits and other receivables	6,741	–
Current income tax liabilities	–	31,194
Deferred income tax liabilities	–	22,205
Bank borrowings	–	2,470,142
Accruals and other payables	–	1,910
	<hr/>	<hr/>
Total	<u>7,440,179</u>	<u>4,442,465</u>

During the six months ended 30 June 2024, the aggregated revenue from the top customer, which contributed more than 10% of the Group's revenue, amounted to approximately HK\$1,002,813,000 (six months ended 30 June 2023: top two customers: HK\$1,274,198,000).

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

Revenues by geographical region

	Six months ended 30 June 2024				Six months ended 30 June 2023			
	The People's Republic of China ("PRC")	Vietnam	Mexico	Total	PRC	Vietnam	Mexico	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>2,241,238</u>	<u>376,883</u>	<u>381,658</u>	<u>2,999,779</u>	<u>2,158,566</u>	<u>385,430</u>	<u>318,162</u>	<u>2,862,158</u>

Assets by geographical region

	As at 30 June 2024				As at 31 December 2023			
	PRC	Vietnam	Mexico	Total	PRC	Vietnam	Mexico	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	<u>2,389,969</u>	<u>311,197</u>	<u>426,351</u>	<u>3,127,517</u>	<u>2,419,070</u>	<u>279,185</u>	<u>423,248</u>	<u>3,121,503</u>
Total assets	<u>5,654,174</u>	<u>839,019</u>	<u>877,477</u>	<u>7,370,670</u>	<u>5,826,413</u>	<u>797,389</u>	<u>816,377</u>	<u>7,440,179</u>

4 REVENUE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Sale of moulds and components	2,935,017	2,795,264
Others (<i>Note</i>)	<u>64,762</u>	<u>66,894</u>
	<u>2,999,779</u>	<u>2,862,158</u>

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

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

5 STATEMENT OF COMPREHENSIVE INCOME ITEMS BY NATURE

Statement of comprehensive income items included in cost of sales, selling and marketing costs and general and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Raw materials used	1,795,752	1,745,980
Production overhead costs (excluding labour and depreciation expenses)	175,861	164,753
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	480,650	449,921
– Staff welfare	26,762	26,002
– Retirement benefit – defined contribution plans	41,515	34,999
– Share option granted	–	5,227
Depreciation		
– Property, plant and equipment	135,398	114,239
– Right-of-use assets	13,200	16,437
Amortisation of intangible assets	822	896
Provision for inventory obsolescence	15,316	22,205
Operating lease rental for short-term and low-value leases	867	973

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Finance income		
Interest income from bank deposits	17,071	17,103
Finance costs		
Interest expense on:		
Bank borrowings	80,660	79,188
Lease liabilities – Plant and machinery	–	23
Lease liabilities – Factory and office premises	1,806	2,132
Interest capitalised	(17,884)	(19,675)
	64,582	61,668

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current taxation		
– PRC corporate income tax	(24,043)	(18,152)
– Overseas corporate income tax	(6,341)	(12,047)
Over-provision in prior years	18,225	8,265
Deferred income tax	(1,079)	476
	<u>(13,238)</u>	<u>(21,458)</u>

8 EARNINGS PER SHARE

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

Basic

	Six months ended 30 June	
	2024	2023
Profit attributable to equity holders of the Company (HK\$'000)	<u>127,813</u>	<u>122,624</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,740,920</u>	<u>1,740,920</u>
Basic earnings per share (HK cents per share)	<u>7.3</u>	<u>7.0</u>

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.

Diluted loss per share for both periods equals to the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

9 DIVIDEND

An interim dividend of HK2.2 cents (six months ended 30 June 2023: HK2.1 cents) per ordinary share, amounting to HK\$38,300,000 (six months ended 30 June 2023: HK\$36,559,000), was declared by the directors of the Company for the six months ended 30 June 2024.

10 TRADE RECEIVABLES

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

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

	As at	
	30 June 2024 HK\$'000	31 December 2023 HK\$'000
0 to 90 days	1,556,618	1,325,777
91 to 180 days	<u>251,160</u>	<u>495,669</u>
	1,807,778	1,821,446
Less: loss allowance	<u>(1,188)</u>	<u>(1,188)</u>
Trade receivables – net	<u><u>1,806,590</u></u>	<u><u>1,820,258</u></u>

The top five customers and the largest customer accounted for 34.66% (31 December 2023: 49.15%) and 13.23% (31 December 2023: 12.5%), respectively, of the trade receivables balance as at 30 June 2024. 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 2024, no additional loss allowance was recorded for its trade receivables (six months ended 30 June 2023: Nil).

11 TRADE PAYABLES

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

	As at	
	30 June 2024 HK\$'000	31 December 2023 HK\$'000
0 to 90 days	1,230,839	1,359,656
91 to 180 days	66,273	132,608
181 to 360 days	<u>59,698</u>	<u>–</u>
	<u><u>1,356,810</u></u>	<u><u>1,492,264</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2024, the global economic environment became increasingly complex, with different economies performing unevenly. The international market and geopolitical environment remained uncertain, and the inflation and interest rate hike cycle continued to affect the global economy, bringing challenges and opportunities to industries. Meanwhile, end-user demand started to recover as the manufacturing industry gradually completed destocking and resumed growth, slowly but steadily. In the first half of the year, China's domestic GDP grew by 5.0% year-on-year, of which the second quarter increased by 4.7%, which was lower than in the first quarter. The manufacturing industry grew by 6.5% year-on-year. Looking back at the first half of the year, domestic demand was recovering and foreign demand also improved.

During the period, the Group capitalised on the global economic recovery. Its two major business segments, office automation ("OA") equipment and automotive components, recorded steady growth. For the six months ended 30 June 2024, the Group's turnover increased by 4.8% year-on-year to HK\$2,999,779,000 (1H2023: HK\$2,862,158,000). Operating profit increased by 3.7% year-on-year to HK\$195,982,000 (1H 2023: HK\$189,006,000). Profit attributable to equity holders increased by 4.2% year-on-year to HK\$127,813,000 (1H2023: HK\$122,624,000). Basic earnings per share rose by 4.3% year-on-year to HK7.3 cents (1H2023: basic earnings per share of HK7.0 cents). The Group's turnover and operating profit increased steadily as a result of the Group's efforts to diversify its presence and optimise internal management over the past decade, including proactively managing the supply chain network, regulating suppliers and reviewing supply chain partners and their potential risks, price negotiation with customers, exploring market opportunities, and deepening the framework of cooperation with long-term customers, all of which helped the Group to effectively mitigate various risk factors.

During the period, the Group's overall gross profit margin increased by 1.1 percentage points to 20.1% (1H2023: 19.0%) compared with the same period last year, mainly due to the continuous improvement in the capacity utilisation rate of the industrial parks in Wuhan and Mexico of the Group's automotive component business in the first half of 2024. In addition, the Group gradually reduced its lower-margin products in the existing customer base of the two major businesses in order to improve overall product value. The quality of customer orders continued to improve, which boosted overall gross profit. Also, the Group intensified its efforts in cost reduction and efficiency enhancement and effectively controlled costs during the period. For example, the management focused on promoting internal reform, implementing lean production in the industrial parks and strengthening cost control. The Group also continued to streamline its organisational structure to improve work efficiency. Stronger inventory control also contributed to an improved overall gross margin level.

Business Review

OA equipment

The Group has focused on developing the OA equipment business for nearly three decades. With its rich industry experience and excellent product quality, the Group has won unanimous praise and trust from customers, and its products have been favoured by the market. In recent years, the Group has been committed to expanding its Design and Electronic Manufacturing Services (“D-EMS”), complete machine assembly, and assembly parts sales businesses, thereby increasing market penetration and achieving business diversification. During the period, the Group continued to work closely with customers, and the OA equipment business grew steadily with turnover up 2.5% to HK\$2,056,701,000 over the same period last year (1H2023: HK\$2,007,246,000). As the destocking in the industry gradually came to an end, the increase in segment turnover was mainly driven by the year-on-year increase in total sales to major customers such as Fujifilm, Kyocera and Toshiba.

In Shenzhen, turnover increased by 11.3% over the same period last year, driven by the increase in orders from Fujifilm and Kyocera. Two years ago, the Group reached an agreement in relation to a cooperation with Fujifilm to expand the transaction scale of plastic parts, sheet metal parts, shafts and other mechanical parts in China and Vietnam. The Group’s continuous efforts to deepen cooperation with clients and increase investment in product technologies over the years also played a role in driving sales of OA equipment in Shenzhen to a new high in the first half of 2024.

In Vietnam, sales started to pick up as the destocking that affected last year’s shipments has largely been completed. However, as the first quarter is traditionally the low season for the industry, and the Group altered its production lines in the industrial park in Haiphong, Vietnam during the first half of the year to prepare for the mass production of new models in the second half, the shipment volume decreased slightly, resulting in a 2.2% year-on-year decline in turnover from the Vietnamese operation. Looking ahead to the second half of the year, orders in Vietnam are expected to pick up strongly. In order to meet customer demand, the Group plans to build a new industrial park in Quang Ninh Province, Northern Vietnam in the second half of the year, covering an area of approximately 60,000 square metres, 1.6 times larger than the existing Haiphong Industrial Park. The new facility is expected to be completed and commence production in 2025. The Group will regularly review the construction schedule of the new industrial park and make timely adjustments based on customers’ development plans and order forecasts. The Group has been expanding the scale in Vietnam in line with the industry trend of relocating OA equipment orders to the south in recent years, as it believes it can leverage on the low labour costs and policy incentives there to promote the development of the OA equipment business, increase revenue and form an edge for its business.

The industrial park in Weihai's Double Islands Bay is one of the Group's largest and serves as the Group's D-EMS service base in Eastern China. The base provides customers such as Fujifilm, TOEC, Lenovo and Great Wall Electronics with one-stop, vertically integrated services – "D-EMS Services" – ranging from mould design to complete machine assembly, and products including moulds, metal components, and plastic components, as well as complete A4 copiers and peripheral equipment for A3 copiers. During the period, Weihai's business also benefited from Fujifilm's rising sales orders, but amid a volatile market, shipments of certain assembly projects declined due to weaker demand in the first half, so Weihai's OA equipment business was under pressure, with overall turnover down by around 4.9% from the last corresponding period. Based on the latest order forecast, demand for these projects will gradually recover in the second half of the year, hopefully becoming an upward driving force for Weihai's business. At the same time, Phase II of the Weihai industrial park will be completed and put into operation in the fourth quarter of 2024. Going forward, the Group will continue to further deepen its strategic cooperation with its long-term customer Fujifilm in order to win more orders for the OA equipment business in Weihai, boost its turnover, and increase the capacity utilisation of the production base.

In Suzhou, the Group will continue to strive to maintain breakeven at the Suzhou Industrial Park. During the period, Suzhou's turnover fell by approximately 9.6% year-on-year, mainly due to the continued decline in orders from customers such as Ricoh. During the period, the Group has made considerable progress in maintaining a steady profit margin in the Suzhou business despite a continuous decline in its turnover. The Group is cautiously optimistic about the long term business prospects in Suzhou. It will continue to improve its operational approach and strategies based on market changes and business performance in order to meet market needs.

During the period, the OA equipment business segment recorded a profit of HK\$164,533,000 (1H2023: HK\$163,949,000) and a segment profit margin of 8.0% (1H2023: 8.2%). Despite improved cost control and overall gross profit margin level for the segment, the Group recorded a slight decrease in the segmental profit margin during the period because in the same period last year, the segment recognised a one-off gain related to the write-back of provisions from previous acquisition, but none during the period. The Group will continue to adopt strong inventory control and drive the reduction of lower-margin products to improve the overall product value and customer order quality. At the same time, the management will also continue to actively implement policies to reduce costs and increase efficiency, including promoting internal reform, implementing lean production, regulating the supply chain, strengthening cost control, and further streamlining the structure to improve work efficiency. The Group will continue to rise to the challenge, consolidate and deepen its OA equipment business, keep abreast of market needs, devote itself to research and development ("R&D"), and continue to introduce innovative and practical products and service solutions. It believes that there is still ample room for development in this business.

Automotive components

In the first half of 2024, market situation of the automotive industry improved. The Group's automotive component segment was able to grasp the opportunities deriving from global economic growth, increase in automobile market consumption, and the rapidly developing new energy vehicle ("NEV") industry. Turnover increased by 10.3% year-on-year to HK\$943,078,000 (1H2023: HK\$854,912,000).

In recent years, the Group has actively promoted technology R&D and market expansion in the field of new energy. As the strategic customer base of NEVs has gradually grown, the automotive components segment also received a number of new orders. Many of them were gradually manufactured in 2024, which steadily released the production capacity of the industrial parks in Wuhan and Mexico, driving double-digit growth in segment turnover.

The industrial park in Shenzhen is the Group's central production base for automobile seat moulds, which are primarily exported to the US and European markets. During the period, the turnover of the Shenzhen automotive components business fell by 16.8% year-on-year, mainly due to the continued high inflation in Europe in 2023 and the rapid decline in economic growth in the Eurozone, which affected consumption and production sentiment, resulting in insufficient order intake in the second half year. With the better-than-expected economic growth in Europe since the beginning of the year and a further decline in inflation, the second half of the year will also usher in the traditional peak season for the industries, and exports are expected to recover steadily. Benefiting from the Group's stronger market development, orders on hand soared by approximately 80.0% in the first half of 2024, including orders from Adient's mould and component project in Japan.

In Zhongshan, the continued decline in production of Japanese brand vehicles in China, especially Honda, Toyota and Nissan, resulted in sluggish sales in the second half of 2023, which had extended to the first half of 2024, hence turnover from the Group's Japanese customers in Zhongshan, including Aisin, Yachiyo and Faurecia, also declined accordingly. In the first half of 2024, turnover from Zhongshan fell by 9.9%. In terms of market development, Zhongshan's business focused on major customers such as Brose and an in-vehicle electronics customer, and actively expanded Brose's component export to Europe and the domestic in-vehicle electronics business. At the same time, the Group developed appropriate strategies for the changing operating environment. It further strengthened the cooperation with one of its existing in-vehicle electronics customers, and continued to deepen its cost reduction and efficiency enhancement strategy in Zhongshan, with the aim of further improving its market competitiveness.

The Wuhan industrial park continued its development in the new energy sector during the period. As Great Wall Motors gradually increased production scale and made breakthroughs in new market development, sales in this region surged by 51.1% year-on-year. During the period, the Group received new orders for the production of moulds and components at home and abroad, and actively expanded its new customer base. Going forward, Wuhan Industrial Park will continue to deepen internal reform and invest in new technologies to prepare for product upgrading and positioning. At present, it has built up technical and talent reserves for different welding assembly services, laying a solid foundation for receiving more high-quality orders in the future.

In Chongqing, the volatile market resulted in a 4.5% year-on-year decline in turnover in the first half of 2024, mainly due to the decline in sales of old vehicle models by some domestic OEMs and a reduction in orders for lower-margin components. In Chongqing, the engine of economic development in central and western China, the Group is committed to introducing advanced intelligent production equipment from around the world, allowing it to simultaneously provide customers in the southwestern market with car body engineering joint development and ancillary services for the delivery of functional components for car body assembly. It also deepened, strengthened and expanded the scope of strategic cooperation

with quality automakers such as Great Wall Motors, Changan Automobile and SGMW, accelerating the realisation of the Group's business goals in Chongqing. In 2024, the Group was deeply involved in the development of, and reaffirmed commitment to, a large number of NEV model and NEV hybrid model projects of Changan Automobile in Chongqing. The above models will start mass production in the fourth quarter of this year, generating steady sales and hopefully setting a new milestone for the turnover of Chongqing Industrial Park.

In Mexico, the Group strived to promote the localisation of industrial park management in the first half of 2024. After more than a year of hard work, the Group has seen initial results in the internal management reform of its Mexican industrial park. It has established a localised professional team, which has helped enhance the team's stability and the management localisation processes, thereby improving efficiency and profitability. With an increasing number of new projects in the pipeline for customers such as Faurecia and Adient, sales in the region achieved year-on-year growth of 20.0%. In the second half of 2024, work in the region will focus on continuous cost reduction, efficiency enhancement and process optimisation, as well as quality and profit improvement. In 2024, the 1250T and 2500T presses that the Group invested in last year began operation to meet increasing orders from customers such as Faurecia and Brose. In 2024, the Group will endeavour to secure new customer orders and will strive to diversify and expand its customer base. The Group expects its business in Mexico to continue to flourish with its encouraging performance.

The capacity utilisation rate of the Group's industrial parks in Wuhan and Mexico increased steadily in the first half of the year. At the same time, proportion of lower-margin products supplied to existing customers has been reduced to improve the overall value of the Group's product portfolio. The quality of customer orders has continued to improve, increasing the overall gross margin level for the segment. However, the Group's automotive component business in Mexico is greatly impacted by the exchange rate fluctuation of the Mexico Peso. In the first half of last year, the Group recorded a net exchange gain, which had largely arisen from the appreciation of Mexico Peso against the US dollar. However, in the corresponding period this year, the Group recorded a net exchange loss as the Mexican Peso weakened. Hence, in the first half of 2024, the Group's automotive component business made a profit of HK\$51,806,000 (1H2023: HK\$49,219,000). Profit margin of the segment declined to 5.5% (1H2023: 5.8%).

PROSPECTS

The global economy remained challenging in the first half of 2024. With US inflation falling, the market expects the Fed to start cutting interest rates in the second half of the year. This, together with geopolitical volatility, global tax reforms and tax regulations in various countries, will create both challenges and opportunities going forward. The International Monetary Fund (“IMF”) expects economic growth to stabilise at 3.2% this year and next, with the median general inflation rate falling from 2.8% at the end of 2024 to 2.4% by the end of 2025. The OA equipment market is also undergoing constant change, including the integration of procurement and production of certain OA equipment customers. This trend has also brought challenges and opportunities to the market. The management believes that the Group, as a leader in the OA equipment sector with many years of industry experience, has the ability to seize the emerging development opportunities.

Facing the challenges with a cautiously optimistic attitude, the Group has continued to cement its foundation and core competitiveness, and develop the brand management strengths of its core business. At the same time, it has reformed and optimised internal processes, actively implemented lean production, and accelerated automation and digital transformation to realise efficient and intelligent development. The Group has also begun to seek sustainable development solutions to address current changes, and the pursuit of resilient business growth has become its primary development focus. Over the past year, the Group has implemented a series of measures, including arranging bank loans tied to sustainability performance, maintaining a balance between debt reduction and business development, reviewing the profitability and sustainability of customer projects, and actively standardising the supervision of suppliers. Promoting sustainability is crucial to demonstrating the strength of the Group’s businesses and realising their future value, allowing the Group to make long-term development plans. Although market volatility and uncertainty are expected to continue over the next few years, the management remains optimistic about the expansion of the OA equipment market.

With the ever-changing environment and the advent of the era of artificial intelligence (“AI”) and big data, the demand for data centres and high-quality and stable servers will continue to grow. The Group has seized market opportunities and is committed to expanding its Internet and information business to inject new impetus into its business growth. Leveraging its global production layout, formidable R&D team, premium quality production resources and highly synergistic supply chain network, and based on the foundation of its core stamping and automated processing technologies and its laser welding techniques, the Group has started to provide services such as the development, production and assembly of moulds for server control box and server case components to renowned Internet customers, setting the stage for future business expansion, diversification and sustainable development. Currently, the Group’s server mould development and production base is located in Shenzhen, allowing the Group to take advantage of the sufficient resources and production capacity of its Shenzhen Industrial Park, and also prepare for the gradual relocation of the OA equipment business to Southeast Asia in the coming years. In the first half of 2024, seven of the Group’s server-related projects were already in production.

The continued rapid growth of the NEV market and the green and low-carbon trend have created momentum for the development of the NEV industry. According to the “Global EV Outlook 2024” published by the International Energy Agency (“IEA”), global NEV sales volume will reach 17 million in 2024, and global demand for NEV will continue to grow strongly in the next decade. With a strong strategic layout and continuous investment in innovation, the Group’s automotive component business has established a healthy and sustainable growth momentum. According to the China Association of Automobile Manufacturers (“CAAM”), China’s automobile production and sales volume reached 13.89 million and 14.04 million, respectively, in the first half of 2024, representing a year-on-year growth of 4.9% and 6.1%, respectively. Of this, the production and sales volume of NEVs reached 4.929 million and 4.944 million respectively, representing a year-on-year growth of 30.1% and 32%, and the market share of NEVs increased to 35.2%. Looking ahead to the second half, China’s implementation of the “trade-in” incentives and the policy of popularising NEVs in rural areas, as well as the frequent launch of innovative products by enterprises, will explore the consumption potential of the automotive market, and give the automotive industry strong impetus to achieve a stable annual growth target. Although the automotive component manufacturing market is facing low market concentration and fierce competition, the steady demand for automobiles at home and abroad continues to grow despite the changes in the domestic and overseas environment. The management remains confident in the development of the automotive component business.

In the second half of the year, the future direction of monetary policies remain uncertain, the market may continue to fluctuate, and the geopolitical and economic environment will become more complicated. The Group will maintain its dual focus on developing the OA equipment and automotive component business, deepening the design and assembly technology of the former and strengthening the manufacturing and assembly technology of the latter. By enhancing the competitive advantages of such a two-pronged strategy, the Group will be able to counter unpredictable market risks and, with optimism and prudence, seek opportunities to expand capacity and its businesses, improve business diversification and promote long-term business growth. Building on its years of experience in the industry, the Group will strive to consolidate its market leadership and achieve sustainable business growth, so as to generate the best returns for shareholders.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2024		2023	
	<i>HK\$'000</i>		<i>HK\$'000</i>	
By business segment				
Turnover				
<i>Office automation equipment division</i>				
Design and fabrication of moulds	89,396	3.0%	75,649	2.6%
Manufacturing of components	1,948,156	64.9%	1,911,048	66.8%
Others (<i>Note 1</i>)	19,149	0.6%	20,549	0.7%
	<u>2,056,701</u>	68.5%	<u>2,007,246</u>	70.1%
<i>Automotive component division</i>				
Design and fabrication of moulds	67,770	2.3%	81,602	2.9%
Manufacturing of components	829,695	27.7%	726,965	25.4%
Others (<i>Note 1</i>)	45,613	1.5%	46,345	1.6%
	<u>943,078</u>	31.5%	<u>854,912</u>	29.9%
Total	<u>2,999,779</u>		<u>2,862,158</u>	
Segment results				
Office automation equipment division	164,533		163,949	
Automotive component division	<u>51,806</u>		<u>49,219</u>	
Operating profit	216,339		213,168	
Unallocated expenses	(27,557)		(24,162)	
Finance income	17,071		17,103	
Finance costs	(64,582)		(61,668)	
Share of losses of associates	(220)		(359)	
Income tax expense	<u>(13,238)</u>		<u>(21,458)</u>	
Profit attributable to equity holders of the Company	<u><u>127,813</u></u>		<u><u>122,624</u></u>	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover increased by 4.8% to HK\$2,999,779,000, which was primarily due to improved order momentum in the first half of 2024 as a result of the Group's efforts in strengthening relationship with existing customers and developing new customer orders.

Gross profit

During the period, gross profit margin improved to 20.1% (1H2023: 19.0%), which was mainly driven by our focuses on developing high value-added orders, enhanced operational efficiency, as well as higher utilisation in our production facilities, especially those in Wuhan and Mexico.

Segment results

The Group's office automation equipment division recorded a slightly reduced operating profit margin of 8.0% (1H2023: 8.2%) for the six months ended 30 June 2024. This was mainly because despite improved cost control and overall gross profit margin level for the segment, a one-off gain related to the write-back of provisions from previous acquisition was recognised in the same period last year, but none during the period. Hence, the segmental profit margin decreased slightly by 0.2 percentage points.

Despite higher utilisation rates in our production plants in Wuhan and Mexico, the operating profit margin of the Group's automotive component division dropped to 5.5% (1H2023: 5.8%). This was mainly because of a net exchange loss recorded in the segment during the period as opposed to a net exchange gain in the corresponding period in 2023 primarily due to exchange rate fluctuation of Mexican Peso against the US dollar.

Unallocated expenses

During the period, unallocated expenses mainly represent corporate expenses of HK\$20,357,000 (1H2023: HK\$18,935,000) and impairment loss for investment in an associate amounting to HK\$7,200,000 (1H2023: nil), which was primarily due to provision for doubtful debts of the micro lending business in the PRC. There was no share option expense in the six months ended 30 June 2024 (1H2023: HK\$5,227,000).

Finance income and costs

For the six months ended 30 June 2024, as the market interest rate hike has slowed down, the increase in our finance income and costs have also slowed down, resulting to HK\$17,071,000 (1H2023: HK\$17,103,000) and HK\$64,582,000 (1H2023: HK\$61,668,000) respectively, which were comparable to those in the first half of 2023.

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 2024 mainly represents current income tax charge amounting to HK\$24,043,000 arising from the PRC corporate income tax and HK\$6,341,000 arising from overseas corporate income tax netted off by (i) over-provision in prior years amounting to HK\$18,225,000 and (ii) deferred income tax charge of HK\$1,079,000.

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\$127,813,000 (1H2023: HK\$122,624,000), which was primarily caused by the increase in gross profit as mentioned above. Despite higher gross profit earned, the Group recorded less other income since there was one-off gain of HK\$14,585,000 related to the write-back of provisions from previous acquisition recognised in the first half of 2023 but none in the same period in 2024. In addition, the Group recorded a net exchange loss amounting to HK\$6,804,000 during the period as opposed to a net exchange gain of HK\$28,325,000 in the first half of 2023 primarily due to exchange rate fluctuation of Mexican Peso against the US dollar. Together with the above factors, the impairment loss for investment in an associate company amounting to HK\$7,200,000 also had an offsetting impact on the net profit of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2024, the Group's net cash generated from operating activities increased to HK\$275,602,000 (1H2023: HK\$97,618,000), which was primarily due to improved topline during the period plus improved gross profit benefited from better utilisation of the Group's production facilities and effective cost strategies adopted by management. During the period, the Group's capital expenditure decreased to HK\$147,975,000 as the construction of phase II of its Weihai industrial park since the 4th quarter in 2022 has been largely completed and the Group's expansion started to slow down. Therefore, the Group recorded net cash used in investing activities amounting to HK\$160,956,000 (1H2023: HK\$175,815,000). The Group recorded a net decrease in bank borrowings of HK\$49,259,000 and lease payments of HK\$10,610,000 during the period. After payment of dividends amounting to HK\$34,645,000, the Group recorded net cash used in financing activities of HK\$94,514,000 during the period (1H2023: net cash generated from financing activities HK\$113,707,000).

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 has 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 2024 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 2024	31 December 2023
Inventory turnover days (<i>Notes 1 and 5</i>)	43	48
Debtors' turnover days (<i>Notes 2 and 5</i>)	110	107
Creditors' turnover days (<i>Notes 3 and 5</i>)	103	111
Cash conversion cycle (<i>Notes 4 and 5</i>)	50	44
Current ratio (<i>Notes 6 and 8</i>)	1.37	1.42
Net debt-to-equity ratio (<i>Notes 7 and 8</i>)	<u>20.2%</u>	<u>25.2%</u>

(b) Profitability ratios

	30 June 2024	30 June 2023
Net profit margin (<i>Notes 9 and 11</i>)	4.3%	4.3%
Return on shareholders' equity (<i>Notes 10 and 11</i>)	<u>4.1%</u>	<u>4.2%</u>

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\$79,952,000 as at 30 June 2024 (as at 31 December 2023: HK\$74,843,000). These rentals have not yet been expensed, but are deemed as lease liabilities under the Hong Kong Financial Reporting Standard 16 "Leases". The ownership of the related factory and office premises is not held by the Group.
8. These ratios reflect the Group's financial stability and its ability to pay its debts as they fall due. Therefore, they are selected as key financial performance indicators.
9. Net profit margin is based on profit attributable to equity holders of the Company divided by turnover.
10. Return on shareholders' equity is based on profit attributable to equity holders of the Company divided by shareholders' equity.
11. These ratios reflect the Group's ability to generate returns from its business, and the returns obtainable by shareholders from their investments in the Group. Therefore, they are selected as key financial performance indicators. Ratios for the six months ended 30 June 2023 and 2024 were calculated using the half-year profit of the Group for the respective periods.

Inventory turnover days

As a result of the increase in production and shipments to customers due to improved market conditions, the Group's inventory turnover days for the six months ended 30 June 2024 were shorter than those for the year ended 31 December 2023.

Debtors' and creditors' turnover days

For the six months ended 30 June 2024, debtors' turnover days were 3 days slower as the portion of sales with longer credit periods increased during the second quarter which remained unpaid as at 30 June 2024 and were still within normal credit periods. Creditors' turnover days decreased to 103 days as a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the period.

Cash conversion cycle

The increase in cash conversion cycle in the first half of 2024 was mainly driven by the increase in debtors' turnover days and the decrease in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

During the period, although the Group has been actively repaying long term loans that were falling due, as well as repaying in advance those that bore relatively higher interest, the Group also drew down more short term loans for coping with a higher working capital requirement during the second quarter. As a result, the Group's current ratio decreased to 1.37. Since the overall bank borrowing level was reduced, its net debt-to-equity ratio decreased to 20.2% as at 30 June 2024.

Net profit margin and return on shareholders' equity

The Group maintained relatively stable net profit margin and return on shareholders' equity during the period as compared to 2023 mainly due to the reasons as mentioned previously in the section headed "Profit attributable to equity holders of the Company".

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2024, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	16.8%	1.3%
US dollars	52.5%	60.9%
Renminbi	29.7%	37.4%
Other currencies	1.0%	0.4%

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as settlement currency. Accordingly, approximately 69.3% of the Group's sales and 62.2% 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 used to settle the purchases of raw materials used for Renminbi denominated sales. Going forward, management will continue to evaluate the Group's foreign currency exposure on a continuing basis and take actions to minimise the Group's exposure whenever necessary.

HUMAN RESOURCES

As at 30 June 2024, the total number of the Group's employees was 10,391. The Group considers its employees, in particular the skilled engineers and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option schemes were adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potentials is also important for attracting and retaining qualified staff for its future success. Training programmes are offered to employees for their continuous development. Besides, various employee activities are organised to inspire the team spirit of the Group's staff, which includes the organisation of company outings and sport activities in which the Group's employees, top management (including executive directors) and customers participate. Substantial resources were also devoted to improve the factory and dormitory environment of the Group with a view to providing an attractive working and living environment for the Group's employees.

As at 30 June 2024, the average length of services of the Group's employees below and above manager grade was 3.1 years and 8.8 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2024, there was no charge on Group's assets.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period ended 30 June 2024 and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

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

DIVIDEND

The Board declared an interim dividend of HK2.2 cents per ordinary share, totaling HK\$38,300,000 for the six months ended 30 June 2024 to eligible shareholders whose names appear on the register of members of the Company on Friday, 13 September 2024. The interim dividend will be payable in cash on Thursday, 26 September 2024.

CLOSURE OF REGISTER OF MEMBERS

To determine eligibility for the interim dividend, the register of members of the Company will be closed from Wednesday, 11 September 2024 to Friday, 13 September 2024, 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 Tuesday, 10 September 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 (formerly Appendix 10) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of all directors, the Company reported that all directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2024.

CORPORATE GOVERNANCE

The Company and the directors confirm, to the best of their knowledge, that the Company has complied with the Corporate Governance Code as set out in Part 2 of Appendix C1 (formerly Appendix 14) to the Listing Rules during the six months ended 30 June 2024.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Part 2 of Appendix C1 (formerly Appendix 14) to the Listing Rules, for the purpose of reviewing the financial reporting process, risk management, internal control system and corporate governance matters of the Group. The audit committee comprises the three independent non-executive directors, namely, Ms. Ling Kit Sum, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny, with Ms. Ling Kit Sum as the chairman. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control, corporate governance and financial reporting matters with management including a review of the unaudited interim financial statements and the interim report for the six months ended 30 June 2024.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 28 August 2024

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