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 2020

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 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	**Unaudited Six months ended 30 June 2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**1,700,320**	1,782,589
Cost of sales	*5*	**(1,403,822)**	(1,365,953)
Gross profit		**296,498**	416,636
Other income		**17,087**	32,750
Other losses – net		**(20,880)**	(7,615)
Selling and marketing costs	*5*	**(96,499)**	(107,203)
General and administrative expenses	*5*	**(242,024)**	(266,767)
Operating (loss)/profit		**(45,818)**	67,801
Finance income	*6*	**5,993**	13,241
Finance costs	*6*	**(26,429)**	(35,619)
Share of losses of associates		**(2,973)**	(4,301)
(Loss)/profit before income tax		**(69,227)**	41,122
Income tax credit/(expense)	*7*	**3,473**	(6,064)
(Loss)/profit for the period		**(65,754)**	35,058
Other comprehensive income/(loss) for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences		**(29,942)**	(1,084)
– Release of exchange reserve upon partial disposal of an associate		**677**	–
Items that will not be reclassified subsequently to profit or loss			
– Revaluation gain on financial assets at fair value through other comprehensive income		**650**	212
Total comprehensive (loss)/income for the period		**(94,369)**	34,186

		Unaudited	
		Six months ended 30 June	
	Note	**2020**	2019
		HK$'000	*HK$'000*
(Loss)/profit for the period attributable to equity holders of the Company		**(65,754)**	35,058
Total comprehensive (loss)/income for the period attributable to equity holders of the Company		**(94,369)**	34,186
(Loss)/earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	*8*	**(3.8)**	2.0
– diluted	*8*	**(3.8)**	2.0

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	**Unaudited 30 June 2020** *HK$'000*	Audited 31 December 2019 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,040,405**	2,082,318
Right-of-use assets		**355,371**	371,454
Investment property under development		**175,564**	176,521
Intangible assets		**8,116**	8,524
Investments in associates		**35,484**	55,165
Financial assets at fair value through other comprehensive income		**81,897**	81,247
Prepayments, deposits and other receivables		**26,428**	44,831
		2,723,265	2,820,060
Current assets			
Inventories		**568,032**	607,705
Trade receivables	*10*	**817,673**	914,511
Prepayments, deposits and other receivables		**221,231**	232,562
Restricted bank deposits		**64,679**	84,460
Short-term bank deposits		**151,184**	218,060
Cash and cash equivalents		**1,094,419**	1,070,738
		2,917,218	3,128,036
LIABILITIES			
Current liabilities			
Trade payables	*11*	**835,961**	977,855
Contract liabilities		**80,434**	59,284
Accruals and other payables		**192,703**	253,970
Bank borrowings		**620,893**	1,125,744
Lease liabilities		**18,222**	18,223
Current income tax liabilities		**1,796**	11,193
		1,750,009	2,446,269
Net current assets		**1,167,209**	681,767
Total assets less current liabilities		**3,890,474**	3,501,827

	Note	Unaudited 30 June 2020 *HK$'000*	Audited 31 December 2019 *HK$'000*
Non-current liabilities			
Bank borrowings		**1,337,223**	787,073
Lease liabilities		**76,155**	86,919
Deferred taxation		**22,274**	32,586
		1,435,652	906,578
Net assets		**2,454,822**	2,595,249
EQUITY			
Capital and reserves			
Share capital		**171,658**	171,713
Reserves		**2,283,164**	2,423,536
Total equity		**2,454,822**	2,595,249

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 2019, 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 2020. 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 2019, as described in those annual financial statements except for the adoption of amendments to HKFRS effective for the financial year ending 31 December 2020, which are described below.

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

(a) Relevant amendments to existing standards and conceptual framework effective for the financial year beginning 1 January 2020.

Amendments to HKFRS 3 (Revised)	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions

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

(b) The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

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

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.

At 30 June 2020, the Group is organised into two main business segments:

(i) design and fabrication of metal stamping moulds and manufacturing of metal stamping components and lathing components ("Metal stamping");

(ii) design and fabrication of plastic injection moulds and manufacturing of plastic injection components ("Plastic injection").

The chief operating decision-maker assesses the performance of the operating segments based on a measure of 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 2020				Six months ended 30 June 2019			
	Metal stamping	**Plastic injection**	**Microcredit**	**Total**	Metal stamping	Plastic injection	Microcredit	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total gross segment revenue	**1,013,595**	**1,030,380**	**–**	**2,043,975**	1,041,547	1,051,914	–	2,093,461
Inter-segment revenue	**(195,779)**	**(147,876)**	**–**	**(343,655)**	(185,840)	(125,032)	–	(310,872)
Revenue	**817,816**	**882,504**	**–**	**1,700,320**	855,707	926,882	–	1,782,589
Segment results	**(22,426)**	**(18,596)**	**(2,973)**	**(43,995)**	31,126	40,298	(4,138)	67,286
Unallocated expenses				**(4,796)**				(3,786)
Finance income				**5,993**				13,241
Finance costs				**(26,429)**				(35,619)
(Loss)/profit before income tax				**(69,227)**				41,122
Income tax credit/ (expense)				**3,473**				(6,064)
(Loss)/profit for the period				**(65,754)**				35,058
Share of losses of associates	**–**	**–**	**(2,973)**	**(2,973)**	(163)	–	(4,138)	(4,301)
Depreciation	**81,317**	**33,257**	**–**	**114,574**	75,830	35,122	–	110,952
Amortisation	**619**	**–**	**–**	**619**	–	–	–	–

For the six months ended 30 June 2019 and 2020, unallocated expenses represent corporate expenses.

The segment assets and liabilities are as follows:

	As at 30 June 2020					As at 31 December 2019				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets	**3,316,981**	**2,245,104**	**35,484**	**42,914**	**5,640,483**	4,023,310	1,847,997	55,165	21,624	5,948,096
Liabilities	**792,995**	**406,149**	**–**	**1,986,517**	**3,185,661**	949,182	443,060	–	1,960,605	3,352,847

The segment capital expenditure is as follows:

	Six months ended 30 June 2020					Six months ended 30 June 2019				
	Metal stamping	**Plastic injection**	**Microcredit**	**Unallocated**	**Total**	Metal stamping	Plastic injection	Microcredit	Unallocated	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	**54,626**	**32,587**	**–**	**–**	**87,213**	114,667	49,010	–	–	163,677

Segment assets consist primarily of certain property, plant and equipment, investment property under development, right-of-use assets, intangible assets, investments in associates, prepayments, deposits, certain other receivables, financial assets at fair value through other comprehensive income ("FVOCI"), inventories, trade receivables and cash and cash equivalents.

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

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

Revenue from external customers, based on the destination of the shipment, and non-current assets, other than deferred income tax assets, by countries are as follows:

Revenues by geographical region

	Six months ended 30 June 2020				Six months ended 30 June 2019			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**1,528,856**	**160,802**	**10,662**	**1,700,320**	1,654,195	125,684	2,710	1,782,589

Non-current assets by geographical region

	30 June 2020				31 December 2019			
	HK & PRC	**Vietnam**	**Mexico**	**Total**	HK & PRC	Vietnam	Mexico	Total
Total segment non-current assets	**2,226,835**	**243,491**	**252,939**	**2,723,265**	2,313,340	255,315	251,405	2,820,060
Total segment assets	**4,945,334**	**408,579**	**286,570**	**5,640,483**	5,258,554	403,646	285,896	5,948,096

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 30 June 2020 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	**5,597,569**	1,199,144
Unallocated:		
Cash and cash equivalents	**40,360**	–
Other receivables	**2,554**	–
Current income tax liabilities	**–**	1,796
Deferred taxation	**–**	22,274
Bank borrowings	**–**	1,958,116
Accruals and other payables	**–**	4,331
Total	**5,640,483**	3,185,661

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2019 as follows:

	Assets	Liabilities
	HK$'000	*HK$'000*
Segment assets/liabilities	**5,926,472**	1,392,242
Unallocated:		
Cash and cash equivalents	**19,280**	–
Other receivables	**2,344**	–
Current income tax liabilities	**–**	11,193
Deferred taxation	**–**	32,586
Bank borrowings	**–**	1,912,817
Accruals and other payables	**–**	4,009
Total	**5,948,096**	3,352,847

During the six months ended 30 June 2020, the aggregated revenue from the top two customers, which each individually contributed more than 10% of the Group's revenue, amounted to approximately HK$617,358,000 (For the six months ended 30 June 2019: Top three customers; HK$684,565,000).

4 REVENUE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Sales		
Design and fabrication of metal stamping moulds	**155,398**	110,044
Manufacturing of metal stamping components	**606,012**	685,654
Manufacturing of lathing components	**34,524**	43,469
Design and fabrication of plastic injection moulds	**34,719**	37,829
Manufacturing of plastic injection components	**840,283**	885,062
Others *(Note)*	**29,384**	20,531
	1,700,320	1,782,589

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 OPERATING (LOSS)/PROFIT

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	
	2020	2019
	HK$'000	*HK$'000*
Raw materials used	**997,912**	904,708
Production overhead costs (excluding labour and depreciation expenses)	**101,756**	154,682
Staff costs, including directors' emoluments and share option costs		
– Wages, salaries and bonus	**359,241**	383,582
– Staff welfare	**17,940**	33,852
– Retirement benefit – defined contribution plans	**14,194**	14,003
– Share option granted	**67**	6,144
Depreciation		
– Property, plant and equipment	**102,623**	100,158
– Right-of-use assets	**11,951**	10,794
Amortisation of intangible assets	**619**	–
Provision for inventory obsolescence	**12,528**	3,363
Operating lease rental for short-term and low-value leases	**365**	322

6 FINANCE INCOME/COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**5,993**	13,241
Finance costs		
Interest expense on:		
Bank borrowings	**33,027**	39,402
Lease liabilities – Plant and machinery	**540**	297
Lease liabilities – Factory and office premises	**1,704**	1,942
	35,271	41,641
Less: interest expenses capitalised	**(8,842)**	(6,022)
	26,429	35,619

7 INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**–**	–
– Mainland China corporate income tax	**(4,555)**	(13,349)
– Withholding tax	**(10,000)**	–
Over-provision in prior years	**7,716**	6,973
Deferred income tax	**10,312**	312
	3,473	(6,064)

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2020 (2019: 16.5%).

(b) Mainland China corporate income tax

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

(i) Provision for Mainland China corporate income tax was calculated at the statutory rate of 25% (2019: 25%) on the assessable income of each of the Group's entities, except that certain subsidiaries of the Group operating in Mainland China are eligible for certain tax exemptions and concessions including tax holiday and reduced income tax rate during the period.

(ii) EVA Precision Industrial (Suzhou) Limited, Shenzhen EVA Mould Manufacturing Limited, Chongqing Digit Auto Body Ltd., Shenzhen EVA Precision Technology Group Limited, Zhongshan Digit Automotive Technology Limited, Yihe Plastic and Electronic Products (Shenzhen) Co., Ltd. and Digit Stamping Technology (Wuhan) Limited are each recognised by the Chinese Government as a "National High and New Technology Enterprise" and are therefore subject to a preferential tax rate of 15% during the six months ended 30 June 2019 and 2020.

(c) Other income taxes

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

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

The subsidiary established and operating in Vietnam is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group was exempted from corporate income tax in Vietnam for the six months ended 30 June 2020 (For the six months ended 30 June 2019: Same).

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

8 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(65,754)**	35,058
Weighted average number of ordinary shares in issue ('000)	**1,716,643**	1,728,026
Basic (loss)/earnings per share (HK cents per share)	**(3.8)**	2.0

Diluted

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(65,754)**	35,058
Weighted average number of ordinary shares in issue ('000)	**1,716,643**	1,728,026
Adjustment for share options ('000) *(Note)*	**–**	7,849
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,716,643**	1,735,875
Diluted (loss)/earnings per share (HK cents per share)	**(3.8)**	2.0

Note: Diluted loss per share for the six months ended 30 June 2020 equals to the basic loss per share as the exercise of the outstanding share options would be anti-dilutive.

9 DIVIDEND

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Proposed interim dividend of HK$Nil (2019: HK0.65 cent) per ordinary share	**–**	11,230

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 2020	31 December 2019
	HK$'000	*HK$'000*
0 to 90 days	**626,253**	731,749
91 to 180 days	**192,608**	183,950
	818,861	915,699
Less: Provision for impairment	**(1,188)**	(1,188)
Trade receivables – net	**817,673**	914,511

The top five customers and the largest customer accounted for 34.9% (31 December 2019: 30.1%) and 12.3% (31 December 2019: 10.8%), respectively, of the trade receivables balance as at 30 June 2020. 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 2020, no additional provision was recorded for its trade receivables (30 June 2019: Nil).

11 TRADE PAYABLES

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

	As at	
	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
0 to 90 days	**548,992**	646,810
91 to 180 days	**286,969**	331,045
	835,961	977,855

12 BANK FACILITIES

There are financial covenants attached to the bank borrowings and breaches in meeting the financial covenants would permit the bank to immediately call for the repayment of the bank borrowings. The Group has experienced a reduction in earnings during the six months ended 30 June 2020, resulting in a breach of financial covenants with certain banks. The Group has obtained waiver letters from relevant banks and the banks agreed to waive the financial covenant breached during the six months ended 30 June 2020.

13 SUBSEQUENT EVENTS

From late January 2020, the COVID-19 outbreak was rapidly evolving globally and a series of precautionary and control measures have been and continued to be implemented. Since then, the economic and financial markets have been significantly impacted. Subsequent to 30 June 2020 and up to now, the Group's sales, especially in PRC, have gradually started to recover as the situation in these areas gradually improves. Due to uncertainties of new developments regarding the COVID-19 outbreak, management expects that fair value measurement for its investment property under development and financial assets at FVOCI, and the assessment of the recoverable amount of non-financial assets may be subject to fluctuation subsequent to period end. The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the Group's financial position and operation results.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AND DEVELOPMENT

During the six months ended 30 June 2020, the outbreak of COVID-19 had brought about an adverse impact on the business environment. In response to the COVID-19 outbreak, governments around the globe have imposed various measures to contain the spread of the virus, which included widespread social lockdowns, event cancellations, closure of work places and mobility restrictions. The Group is committed to the health and safety of all our employees and business partners and to maintaining a high level of hygiene in the community. In accordance with the relevant governmental instructions, we extended the Chinese New Year holidays of the employees at our industrial parks in China to 9 February 2020, and only resumed production thereafter. We also supported and adopted all protective and hygienic measures and guidelines laid out by the relevant government departments. Internally, we imposed restrictions on business travel, and required our staff to conduct business with customers, suppliers and other business partners through electronic means such as video conferencing whenever possible. We have also taken a wide range of other protective measures, such as requiring staff who returned from epidemic regions to self-quarantine, providing protective face masks to employees, testing body temperature of our staff before work and sterilisation of production lines, with a view to containing the spread of the virus.

A substantial part of the Group's production lines are located in China. Due to the swift reaction of the Chinese government to the COVID-19 outbreak, the pandemic was brought under control in an efficient manner in China, and all of the Group's industrial parks in China had resumed production in March 2020. Coupled with the Group's diligent efforts to catch up with the delay in production after the government-imposed production stoppage period, the turnover of the Group for the period decreased only slightly by 4.6% to HK$1,700,320,000 (1H2019: HK$1,782,589,000). However, the COVID-19 outbreak had a more significant impact on the Group's production costs, as the Group's production planning was disrupted by the production stoppage and the various hygienic restrictions during the period. Therefore, the Group was unable to enjoy the efficiency from planning its production ahead in a detailed manner. Further, additional costs had been incurred since the COVID-19 outbreak, which included the costs of carrying out various hygiene measures in the Group's industrial parks and the extra costs for the procurement and transportation of raw materials and parts (especially those imported from overseas countries) under the transport restrictions imposed after the pandemic outbreak. The Group's profit margin for the period decreased notably, and consequently the Group recorded its first loss since its IPO in 2005.

Despite the temporary loss, the Group remains confident in its longer-term outlook, as the various mid-to-long term growth factors of the Group remained unscathed by the short-term impact brought by the COVID-19 outbreak. In the office automation ("OA") equipment sector, the Group's customers are increasingly shifting their focus from internal production management to devoting more resources on marketing and business development. Accordingly, these OA equipment customers have plans to gradually scale down their own assembly plants in China, and outsource more of their internal production to reliable suppliers with proven track record such as the Group. These OA equipment customers will also request the selected suppliers to get increasingly involved in their product design processes. At the request of the customers, the Group has already set up a product development team in Japan, which works closely with the customers' product design departments in Japan. Team members include experienced engineers and product design experts from Japan. Given this new business direction of the customers, production outsourcing in the OA equipment sector will accelerate and the Group expects to see voluminous new orders from the OA equipment sector in the years ahead.

By the end of 2019, the construction of the Group's new industrial park in Weihai, which is primarily tailored for the OA equipment sector, was substantially completed. However, internal renovation and production commencement were delayed by the COVID-19 outbreak in early 2020. During the period, the Group continued to utilise the temporary factory which it had rented from the Weihai government since early 2018 to cope with the existing demand in Weihai. At present, the Group is in the process of gradually moving from this temporary factory to the new self-constructed Weihai industrial park, and the process is expected to be completed by the fourth quarter of 2020. The new Weihai industrial park has a land area of 349,000 square metres and phase one floor area of 80,000 square metres, and can provide the Group with additional production capacity to cope with the voluminous production demand presently existing in Weihai, and the increasing new orders driven by accelerated production outsourcing from the OA equipment customers as mentioned above. Apart from the temporary factory and the self-constructed new Weihai industrial park, the Group also has another production facility in Weihai which it acquired in December 2017 for serving existing and future orders.

In Vietnam, the impact of the COVID-19 outbreak was less serious. At the same time, numerous multinational corporations, which include the Group's major OA equipment customers, have been expanding their production scale in Southeast Asia particularly in Vietnam. Accordingly, the Group's Vietnam industrial park, which is located in Haiphong, continued to record a robust growth in revenue during the six months ended 30 June 2020, a trend which we expect to continue into the second half of 2020 and the years after. At present, the Vietnam industrial park is primarily serving OA equipment customers which have assembly plants in Vietnam, but it can also expand into other high growth sectors such as the high-end consumer electronics sector in Vietnam at the later stages, as Vietnam is also well known as one of the global manufacturing hubs for high-end consumer electronics products.

In the automotive sector, the Group's new industrial park in San Luis Potosí, Mexico, which commenced production operations in 2019, experienced a revenue growth for the period. However, the growth was slower than originally expected due to the various mobility and social restrictions imposed by the Mexican government following the COVID-19 outbreak. The Mexico industrial park, which has a land area of 83,000 square metres and phase one floor area of 17,000 square metres, was built at the invitation of one of the Group's existing automotive customers for the purpose of serving its existing plants in Mexico. This existing customer is a multi-national corporation engaging in the production of automotive seats, interiors and exhaust systems, and the demand from this customer in Mexico is huge. Besides, San Luis Potosí is also one of the major automotive production hubs in the world where a lot of famous automakers and multi-national tier-one suppliers, such as BMW, Volkswagen, Audi, General Motors, Fiat Chrysler, Brose, Faurecia and Gestamp, have production plants either locally or in the adjacent states. Therefore, an enormous demand exists for the precision manufacturing services offered by the Group in Mexico, and the Group remains confident about the mid-to-long term development of its Mexico industrial park despite the temporary setbacks brought by the COVID-19 outbreak.

In China, the automotive market underwent a slowdown during the six months ended 30 June 2020, which was primarily caused by the weakening of consumer sentiment in China following the COVID-19 outbreak. With a view to driving business growth under this unfavourable external environment, the Group continued to devote substantial resources to proactively sourcing more orders from the Chinese automotive market, with particular attention given to internationally renowned tier-one suppliers in the automotive industry which have production plants in China. These tier-one suppliers are leaders in their respective product fields, and their products are sold to different automakers. Therefore, they have a huge and stable production demand which is less affected by the sales performance of a single car model. At present, reputable tier-one suppliers which have already become our customers in China include Faurecia, Brose, Gestamp, ZF, Yamada, Webasto, Yachiyo and F-Tech. At the same time, businesses with automakers were not ignored. During the period, the Group continued to deepen its business relationships with reputable automakers in China such as Dongfeng, Changan, SAIC-GM-Wuling and Great Wall Motors.

In recent years, the Chinese government has taken conscious efforts to transform China from a low-cost processing centre into a high-end manufacturing hub focusing on creativity, product quality and efficiency. As a result, a lot of local high technology companies emerged in China in recent years, which created many new opportunities for the Group in the market of high technology products. The Group has a plan to source new orders from the burgeoning technology sector in China, and is confident about the outcome since the Group is reputed for outstanding quality and engineering expertise which are essential for producing high technology products.

During the six months ended 30 June 2020, the Group's turnover decreased by 4.6% to HK$1,700,320,000, which was primarily caused by the production stoppage and the slowdown in business activities as a result of the COVID-19 outbreak. Further, the COVID-19 outbreak had disrupted the Group's production planning, and therefore the Group was unable to enjoy the efficiency from planning its production ahead in a detailed manner. Additional production costs had also been incurred since the COVID-19 outbreak, which included the costs of carrying out various hygiene measures in the Group's industrial parks and the extra costs for the procurement and transportation of raw materials and parts (especially those imported from overseas countries) under the transport restrictions imposed after the pandemic outbreak. Accordingly, the Group's gross profit margin for the period decreased to 17.4%. In addition, there were an increase in net exchange loss to HK$18,648,000, which was caused by the weakening of foreign currencies against the Hong Kong dollar, and a reduction in government grants during the period. As a result, the Group recorded a net loss of HK$65,754,000 for the six months ended 30 June 2020.

The Group is committed to generating positive returns through sustainable operations, and has a corporate governance objective of emphasising long-term financial performance, as opposed to short-term rewards. We will seek growth and higher returns by sharpening our competitive edge, and will also implement more stringent cost control and manage our resources as effectively as possible. In the longer run, we aim to enhance the value of the Group by identifying and selecting new business opportunities with high potential which can add to our existing portfolio. Investment decisions are made after comprehensive consideration of various factors such as the business viabilities and potential returns of the projects, legal and regulatory requirements and the financial capabilities of the Group. Investments are primarily made to projects which are related to the Group's principal businesses and, if such projects are not directly related to the Group's principal businesses, they should be of high growth potential and the amount of investments will be limited. For investments required to be carried at fair values on the financial statements, they are valued by reference to recent transaction prices in arm's length transactions, net asset values or valuations determined by independent firms of professional valuers.

We have a philosophy of creating value for shareholders. Therefore, since our listing in 2005, we have always been adhering to a dividend payout policy at approximately 30% of net profit. Although no dividend was declared for the six months ended 30 June 2020 as the Group had incurred loss during the period, the Group has a plan to resume dividend payments when its profitability turns around. In the future, we will adhere to our philosophy of continuous technological improvement, and take appropriate steps to expand our income sources to maximise the returns to our shareholders.

OUTLOOK

At this point in time, the spread of COVID-19 shows signs of subsiding. However, there is no denying that the external environment in the second half of 2020 remains challenging, since it is uncertain about when the pandemic will come to an end and any future recurrence of a widespread COVID-19 outbreak will inevitably bring about an adverse impact on the business performance of the Group. At present, we are working diligently to catch up on the delay in production caused by the production stoppage during the COVID-19 outbreak in the first half of 2020, whilst continuing to take measures to ensure the health and safety of our staff. In the longer term, we remain confident about the Group's prospects, since the Group has taken sensible steps over the past few years to set up various business growth drivers for itself, including investments in both China and overseas countries, and deepening the business relationships with the existing and new customers. These business growth drivers are unlikely to be significantly altered by the short-term impact brought about by the COVID-19 outbreak.

FINANCIAL REVIEW

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

	Six months ended 30 June			
	2020		2019	
	HK$'000		*HK$'000*	
By business segment				
Turnover				
Metal division				
Design and fabrication of metal stamping moulds	**155,398**	**9.1%**	110,044	6.2%
Manufacturing of metal stamping components	**606,012**	**35.7%**	685,654	38.5%
Manufacturing of lathing components	**34,524**	**2.0%**	43,469	2.4%
Others *(Note 1)*	**21,882**	**1.3%**	16,540	0.9%
	817,816		855,707	
Plastic division				
Design and fabrication of plastic injection moulds	**34,719**	**2.0%**	37,829	2.1%
Manufacturing of plastic injection components	**840,283**	**49.4%**	885,062	49.7%
Others *(Note 1)*	**7,502**	**0.5%**	3,991	0.2%
	882,504		926,882	
Total	**1,700,320**		1,782,589	
Segment results				
Metal division	**(22,426)**		31,126	
Plastic division	**(18,596)**		40,298	
Micro lending business	**(2,973)**		(4,138)	
Operating (loss) profit	**(43,995)**		67,286	
Unallocated expenses	**(4,796)**		(3,786)	
Finance income	**5,993**		13,241	
Finance costs	**(26,429)**		(35,619)	
Income tax credit (expense)	**3,473**		(6,064)	
(Loss) Profit attributable to equity holders of the Company	**(65,754)**		35,058	

Note 1: Others mainly represented sales of scrap materials.

Turnover

During the period, the Group's turnover decreased by 4.6% to HK$1,700,320,000, which was primarily caused by the production stoppage and the slowdown in business activities as a result of the COVID-19 outbreak.

Gross profit

During the period, the Group's production planning was disrupted by the COVID-19 outbreak, and therefore the Group was unable to enjoy the efficiency from planning its production ahead in a detailed manner. Further, additional production costs had been incurred since the COVID-19 outbreak, which included the costs of carrying out various hygiene measures in the Group's industrial parks and the extra costs for the procurement and transportation of raw materials and parts (especially those imported from overseas countries) under the transport restrictions imposed after the pandemic outbreak. Accordingly, the Group's gross profit margin decreased to 17.4% during the period (1H2019: 23.4%).

Segment results

As mentioned above, the Group experienced a reduction in gross profit margin during the period. Further, there was an increase in net exchange loss to HK$18,648,000, which was caused by the weakening of foreign currencies against Hong Kong dollars during the period (1H2019: HK$7,200,000). Government grants also decreased to HK$14,966,000 during the period (1H2019: HK$31,567,000). As a result, the Group's metal and plastic divisions recorded operating losses of HK$22,426,000 and HK$18,596,000 respectively.

Operating loss from the micro lending business for the six months ended 30 June 2020 represented the Group's share of the loss of the micro lending company through equity pick-up.

Finance income and costs

During the six months ended 30 June 2020, the Group recorded a reduction in finance income and costs as a result of the decrease in market interest rates during the period.

Income tax credit (expense)

During the period, the Group's income tax expense decreased since certain of its subsidiaries incurred losses as result of the COVID-19 outbreak. At the same time, the Group received tax refunds from the tax authorities in China amounting to HK$7,716,000 during the period. Accordingly, the Group recorded net income tax credit of HK$3,473,000 during the six months ended 30 June 2020.

(Loss) Profit attributable to equity holders of the Company

During the period, the Group recorded loss attributable to equity holders of the Company amounting to HK$65,754,000, which was primarily caused by the reduction in operating results as mentioned above.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2020, the Group's net cash generated from operating activities decreased to HK$39,001,000 (1H2019: HK$204,181,000), which was primarily due to the Group's loss during the period. During the period, the decrease in the Group's short-term bank deposits with maturity of more than three months amounted to HK$66,876,000, which was lower than that in 1H2019 of HK$150,649,000. Therefore, the Group's net cash generated from investing activities decreased to HK$410,000 (1H2019: HK$3,646,000). During the period, the Group's dividend payment increased to HK$45,808,000 (1H2019: HK$10,885,000), as the Group paid a special dividend to shareholders during the period to celebrate the 15th anniversary of its IPO on The Stock Exchange of Hong Kong Limited. Accordingly, the Group recorded net cash outflows from financing activities of HK$11,591,000 during the period (1H2019: net cash inflows of HK$19,430,000).

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 to the cost of borrowings. Accordingly, all of the Group's bank borrowings as at 30 June 2020 were obtained from banks in Hong Kong to take advantage of the lower borrowing costs in Hong Kong. In addition, as a majority of the Group's sales are made in Hong Kong dollars and United States dollars (which are pegged), all of the Group's borrowings as at 30 June 2020 were denominated in Hong Kong dollars or 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 remains committed to maintaining a healthy balance sheet.

KEY FINANCIAL PERFORMANCE INDICATORS

(a) Liquidity and capital adequacy ratio

	30 June 2020	31 December 2019
Inventory turnover days *(Notes 1 and 5)*	**74**	74
Debtors' turnover days *(Notes 2 and 5)*	**88**	89
Creditors' turnover days *(Notes 3 and 5)*	**108**	120
Cash conversion cycle *(Notes 4 and 5)*	**54**	43
Current ratio *(Notes 6 and 8)*	**1.67**	1.28
Net debt-to-equity ratio *(Notes 7 and 8)*	**27.5%**	22.0%

(b) Profitability ratio

	Six months ended 30 June	
	2020	2019
Net (loss) profit margin *(Notes 9 and 11)*	**(3.9%)**	2.0%
(Loss) Return on shareholders' equity *(Notes 10 and 11)*	**(2.7%)**	1.3%

Notes:

1. Calculation of inventory turnover days is based on the ending inventories divided by cost of sales and multiplied by the number of days during the 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$68,033,000 as at 30 June 2020 (as at 31 December 2019: HK$74,010,000). These rentals have not yet been incurred, but are deemed as lease liabilities under 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 (loss) profit margin is based on (loss) profit attributable to equity holders of the Company divided by turnover.

10. (Loss) Return on shareholders' equity is based on (loss) 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 2019 and 2020 were calculated using the half-year profit (loss) of the Group for the respective periods.

Inventory turnover days

The Group's inventory turnover days for the period was 74 days, which was comparable to that for the year ended 31 December 2019.

Debtors' and creditors' turnover days

Debtors' turnover days for the period was 88 days, which was comparable to that for the year ended 31 December 2019. Creditors' turnover days for the period decreased to 108 days, which was mainly because a higher percentage of the Group's purchases were made from suppliers with shorter credit periods during the period.

Cash conversion cycle

The increase in cash conversion cycle in the first half of 2020 was mainly caused by the decrease in creditors' turnover days as mentioned above.

Current ratio and net debt-to-equity ratio

During the period, the Group obtained long-term instalment loans to refinance certain of its short-term revolving loans. Accordingly, current liabilities as at 30 June 2020 decreased which resulted in an improvement in current ratio to 1.67 as at 30 June 2020.

The Group's net debt-to-equity ratio as at 30 June 2020 increased to 27.5%, which was mainly because the Group had incurred loss during the period, which resulted in a reduction of shareholders' equity as at 30 June 2020.

Net (loss) profit margin and (loss) return on shareholders' equity

The COVID-19 outbreak had a negative impact on the business performance of the Group, and therefore the Group recorded loss during the period, as explained in the sections headed "Significant Events and Development" and "Financial Review" above.

FOREIGN CURRENCY EXPOSURE

For the six months ended 30 June 2020, the Group's sales and raw material purchases were denominated in the following currencies:

	Sales	Purchases
Hong Kong dollars	23.0%	5.2%
US dollars	50.8%	54.5%
Renminbi	25.1%	40.1%
Other currencies	1.1%	0.2%

A majority of the Group's customers and suppliers in China, Vietnam and Mexico are reputable international companies which use United States dollars as the settlement currency. Accordingly, approximately 73.8% of the Group's sales and 59.7% of its raw material purchases were made in United States dollars and Hong Kong dollars (which are pegged to United States dollars) during the period. The Group also has a policy of using Renminbi to settle the purchases of raw materials used for Renminbi denominated sales. Sales and raw material purchases denominated in other currencies were mainly related to initial trial orders with new customers and suppliers, and therefore their percentages to our total turnover and purchases were small. Should these sales and raw material purchases increase in the future, we will take appropriate actions to safeguard ourselves from any potential exchange rate risk that may arise from dealing in other currencies. Further, it is the Group's policy to strictly prohibit any speculative foreign exchange transaction which is not related to business operations.

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

HUMAN RESOURCES

As at 30 June 2020, the total number of the Group's employees was 8,964 employees, which was comparable to 8,999 employees as at 31 December 2019.

The Group considers its employees, in particular the skilled engineers and production management members, as its core assets since the Group's future success relies on the strengthening of its product quality and management on a continuing basis. Remuneration policy is reviewed regularly, making reference to the prevailing legal framework, market conditions and performance of the Group and individual staff. Share option scheme was adopted to attract and retain talents to contribute to the Group. However, apart from providing attractive remuneration packages, management believes that the creation of a harmonious working environment suitable for the development of employees' potentials is also important for attracting and retaining qualified staff for its future success. Training programmes are offered to employees for their continuous development. Besides, various activities are organised to inspire the team spirit of the Group's staff, 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 2020, the average length of services of the Group's employees below and above manager grade was 2.9 years and 8.5 years respectively.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the charges on the Group's assets included mortgage of equipment under lease liabilities with net book amount of HK$58,139,000 for securing lease liabilities.

UPDATE OF THE IMPACT OF COVID-19 OUTBREAK ON BUSINESS

Although the COVID-19 outbreak starts to show signs of subsiding, we continue to take various measures to ensure the health and safety of our staff and business partners, and to minimise the impact of the COVID-19 outbreak on our business performance. Internally, we continue to impose restrictions on business travels, and to require our staff to conduct businesses with customers, suppliers and other business partners through electronic means such as video conferencing whenever possible. We also continue to take a wide range of other protective measures, such as the supply of protective face masks and other hygienic materials to employees, testing their body temperature before work and thorough sterilisation of production lines, with a view to prevent the recurrence of the COVID-19 spread.

At present, we are working diligently to catch up the delay in production caused by the COVID-19 outbreak in the first half of 2020. However, the COVID-19 outbreak has brought about a general slowdown in business activities and market demand. At the same time, as the various government-imposed mobility and transport restrictions have not yet been fully uplifted, the procurement logistics of the Group will continue to be hindered, which is likely to result in extra costs for the procurement and transportation of raw materials and parts, especially those imported from overseas countries. Besides, any future recurrence of widespread COVID-19 outbreak will also disrupt the Group's production planning, which will consequently result in an increase in production costs, as the Group will be unable to enjoy the efficiency from planning its production ahead in a detailed manner. Therefore, there is no denying that the COVID-19 outbreak will continue to negatively affect our business performance in 2020.

To get through this difficult period, the Group continue to adopt numerous measures to control costs, such as slowing down the recruitment of new staff, planning our production schedules in a more efficient manner to shorten the operating hours of the production lines with a view to reducing overhead expenses, and taking up more of the production procedures in-house to lower subcontracting costs.

As mentioned in the Group's profit warning announcement dated 3 July 2020, the loss of the Group for the six months ended 30 June 2020 would constitute a technical breach of certain financial covenants under the Group's various bank loan arrangements with its banks. As at the date of this announcement, the Group had obtained the waivers of such technical breach from the banks.

The Group's existing customers primarily consist of internationally renowned companies in the office automation equipment and automotive sectors. These customers have sound financial capabilities, and accordingly the Group considers that there is no material risk of default of payment from customers as a result of the COVID-19 outbreak. The Group has maintained an adequate level of cash resources, and also has sufficient stand-by credit lines to provide adequate liquid funds to finance its business activities. Therefore, the Group is confident about withstanding any business slowdown brought by the COVID-19 outbreak.

In face of the challenges brought by the COVID-19 outbreak, the Group believes that it is critical for the entire community to unite and work diligently together to overcome these challenges. Accordingly, the Group made various cash and other in-kind donations to support the prevention initiatives in the community, which included financial donations, and donating protective face masks and other hygiene materials to the government and charitable organisation for fighting against the COVID-19 outbreak and assisting in the relief measures.

PURCHASES, SALE AND REDEMPTION OF THE SHARES

During the six months ended 30 June 2020 and up to the date of this announcement, the Company repurchased its 550,000 listed shares on The Stock Exchange of Hong Kong Limited. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Details of the repurchases during the six months ended 30 June 2020 and up to the date of this announcement are summarised as follows:

Month of repurchases	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
January 2020	550,000	0.58	0.56	317

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2020 and up to the date of this announcement.

PRE–EMPTIVE RIGHTS

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

DIVIDEND

No dividend was declared by the Company for the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry of all directors, the Company reported that all directors had complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

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 Appendix 14 to the Listing Rules during the six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has set up an audit committee, in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, for the purpose of reviewing and providing supervision on the financial reporting process, risk management, internal control systems and corporate governance matters of the Group.

From 1 January 2020 to 15 June 2020, the audit committee comprised Mr. Leung Tai Chiu, Mr. Choy Tak Ho and Mr. Lam Hiu Lo, the three independent non-executive directors, with Mr. Leung Tai Chiu as the chairman. On 15 June 2020, Mr. Choy Tak Ho ceased to be an independent non-executive director and a member of the audit committee of the Company. On the same day, Dr. Chai Ngai Chiu Sunny was appointed as an independent non-executive director and a member of the Company's audit committee to replace Mr. Choy Tak Ho. On 1 July 2020, Mr. Leung Tai Chiu resigned as an independent non-executive director and ceased to be the chairman and a member of the audit committee of the Company, and Ms. Ling Kit Sum was appointed as an independent non-executive director and the chairman and a member of the audit committee of the Company on 1 July 2020 to replace Mr. Leung Tai Chiu.

As at the date of this announcement, the audit committee comprised Ms. Ling Kit Sum, Mr. Lam Hiu Lo and Dr. Chai Ngai Chiu Sunny, the three independent non-executive directors, 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 2020.

By order of the Board
Zhang Hwo Jie
Chairman

Hong Kong, 28 August 2020

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) and Mr. Zhang Yaohua (Chief Executive Officer) and three independent non-executive directors, being Mr. Lam Hiu Lo, Dr. Chai Ngai Chiu Sunny and Ms. Ling Kit Sum.