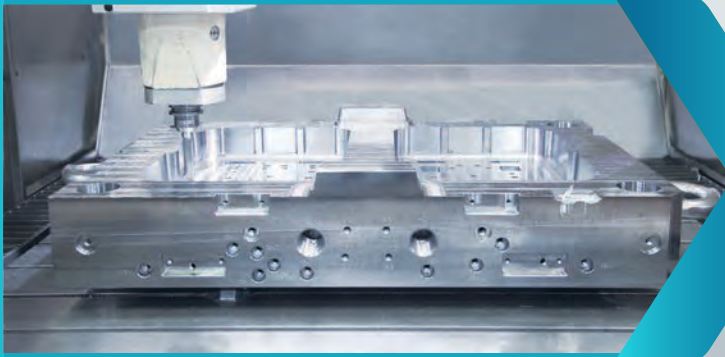




Lung Kee (Bermuda) Holdings Limited

Stock Code: 255



2020

INTERIM REPORT



CONTENTS

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9
MANAGEMENT DISCUSSION AND ANALYSIS	19
OTHER INFORMATION	22

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

To the Board of Directors of
LUNG KEE (BERMUDA) HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the “Company”) and its subsidiaries set out on pages 4 to 18, which comprise the condensed consolidated statement of financial position as of 30th June, 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 28th August, 2020

FINANCIAL RESULTS

The directors of Lung Kee (Bermuda) Holdings Limited (the “Company”) (the “Directors”) are pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2020 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2020

	Notes	Six months ended 30th June,	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	955,564	1,121,218
Other income, gains and losses	4	22,044	17,540
(Decrease) increase in fair value of investment properties		(4,500)	2,300
Impairment losses (recognised) reversed under expected credit loss model, net		(2,256)	6,566
Changes in inventories of finished goods and work in progress		5,606	(752)
Raw materials and consumables used		(362,912)	(455,817)
Employee benefits expenses		(262,280)	(274,862)
Depreciation of right-of-use assets		(3,945)	(3,002)
Depreciation of property, plant and equipment		(69,110)	(87,014)
Other expenses	5	(188,333)	(237,314)
Interest expense on lease liabilities		(252)	(146)
Profit before taxation		89,626	88,717
Income tax expense	6	(22,498)	(18,568)
Profit for the period	7	67,128	70,149
Other comprehensive expense for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		(31,901)	(2,644)
Total comprehensive income for the period		35,227	67,505
Basic earnings per share	9	HK10.63 cents	HK11.11 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2020

	<i>Notes</i>	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	<i>10</i>	193,500	198,000
Property, plant and equipment	<i>10</i>	618,243	671,694
Right-of-use assets	<i>10</i>	78,164	83,713
Deposits paid for acquisition of property, plant and equipment		27,946	16,211
Deferred tax assets		3,555	5,557
		921,408	975,175
Current assets			
Inventories		490,434	537,481
Trade, bills and other receivables	<i>11</i>	297,372	304,097
Bank balances and cash		811,398	753,741
		1,599,204	1,595,319
Current liabilities			
Trade, bills and other payables	<i>12</i>	243,337	269,224
Contract liabilities		32,031	23,391
Lease liabilities		3,537	5,354
Taxation payable		40,335	32,591
Dividend payable		329	228
		319,569	330,788

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30th June, 2020

	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
Net current assets	1,279,635	1,264,531
Total assets less current liabilities	2,201,043	2,239,706
Non-current liabilities		
Deferred tax liabilities	24,457	22,949
Lease liabilities	7,401	9,362
Other payables	88,373	92,325
	120,231	124,636
Net assets	2,080,812	2,115,070
CAPITAL AND RESERVES		
Share capital	63,168	63,168
Reserves	2,017,644	2,051,902
Total equity	2,080,812	2,115,070

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2020

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note 1)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2019 (audited)	63,168	156,213	342,821	257,306	1,347,323	2,166,831
Profit for the period	—	—	—	—	70,149	70,149
Other comprehensive expense for the period						
Exchange difference arising on translation of foreign operations	—	—	—	(2,644)	—	(2,644)
Total comprehensive (expense) income for the period	—	—	—	(2,644)	70,149	67,505
Final dividend for the year ended 31st December, 2018 (note 8)	—	—	—	—	(75,801)	(75,801)
Transfer	—	—	(3,111)	—	3,111	—
At 30th June, 2019 (unaudited)	63,168	156,213	339,710	254,662	1,344,782	2,158,535
At 1st January, 2020 (audited)	63,168	156,213	325,451	201,492	1,368,746	2,115,070
Profit for the period	—	—	—	—	67,128	67,128
Other comprehensive expense for the period						
Exchange difference arising on translation of foreign operations	—	—	—	(31,901)	—	(31,901)
Total comprehensive (expense) income for the period	—	—	—	(31,901)	67,128	35,227
Final dividend for the year ended 31st December, 2019 (note 8)	—	—	—	—	(69,485)	(69,485)
Transfer	—	—	—	—	—	—
At 30th June, 2020 (unaudited)	63,168	156,213	325,451	169,591	1,366,389	2,080,812

Note: i. The statutory reserve represents the appropriation of certain percentages of profit after taxation of subsidiaries established in the People's Republic of China (the "PRC") as pursuant with the PRC regulations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2020

	Six months ended 30th June,	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash from operating activities	168,038	193,487
Net cash used in investing activities		
Purchases of property, plant and equipment	(38,131)	(45,281)
Proceeds on disposal of property, plant and equipment	2,069	7,049
Interest received	7,548	6,510
	(28,514)	(31,722)
Cash used in financing activities		
Dividends paid	(69,384)	(75,427)
Repayments of leases liabilities	(3,393)	(2,859)
Interest paid on leases liabilities	(252)	(146)
	(73,029)	(78,432)
Net increase in cash and cash equivalents	66,495	83,333
Cash and cash equivalents at the beginning of the period	753,741	645,777
Effect of foreign exchange rate changes	(8,838)	(2,410)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	811,398	726,700

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2020

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standard and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of amendments to HKFRSs *(continued)*

2.1 *Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

2.2 *Accounting policies newly applied by the Group*

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income, gains and losses.”

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and marketing of mould bases and related products. Revenue represents the invoiced value of goods sold to external customers during the period, after allowances for returns and trade discounts. The Group recognised revenue at a point in time.

Revenue from manufacturing and marketing of mould bases and related products

The Group manufactures and sells mould bases and related products directly to the customer, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit periods ranging from 30 to 90 days to its trade customers.

The performance obligation of all contracts have an original expected duration of one year or less.

The Group has only one operating segment. The information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges. As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the condensed consolidated financial statements as a whole. Accordingly, only entity-wide disclosures and geographic information are presented.

The segment revenue and segment result of the Group represents revenue and profit after taxation set out in the condensed consolidated statement of profit or loss and other comprehensive income respectively.

Entity-wide disclosures

As at 30th June, 2020 and 31st December, 2019, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the PRC.

3. REVENUE AND SEGMENT INFORMATION *(continued)*

Entity-wide disclosures *(continued)*

The following is an analysis of the Group's revenue based on delivery location:

	Six months ended 30th June,	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
The PRC	821,029	960,516
Others	134,535	160,702
	955,564	1,121,218

The Group has a very wide customer base covering Europe, America and Asia. No single customer contributed more than 10% of the Group's revenue for each of the six months ended 30th June, 2020 and 2019.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30th June,	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest Income	7,548	6,510
Rental income, net of direct outgoings of approximately HK\$236,000 (2019: HK\$280,000)	1,792	1,293
Government grants (note)	6,990	—
Sundry income	4,388	4,894
Gain on disposal of property, plant and equipment	2,060	4,912
Net foreign exchange loss	(734)	(69)
	22,044	17,540

Note: The government grants without any unfulfilled condition attached amounting to HK\$6,990,000 is the awards for the advancement of production facilities and technology of a subsidiary in the PRC.

5. OTHER EXPENSES

	Six months ended 30th June,	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Factory supplies	75,119	101,145
Transportation expenses	29,634	36,630
Electricity and water	23,186	25,719
Repair and maintenance	21,048	25,889
Other taxes and government charges	10,705	10,890
Sub-contracting charges	4,059	4,666
Travelling expenses	3,943	6,475
Promotion and packing expenses	3,198	4,717
Auditors' remuneration (including remuneration for non-audit services)	2,317	2,362
Others	15,124	18,821
	188,333	237,314

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
The charge comprises:		
Taxation in Hong Kong	1,248	395
Taxation in jurisdictions outside Hong Kong	18,234	13,581
Deferred taxation	3,016	4,592
	22,498	18,568

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. The Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Taxation arising in jurisdictions outside Hong Kong and the PRC is calculated based on the applicable rates in those jurisdictions.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	733,315	892,070
Allowance (reversed) recognised for inventories	(169)	11,160

8. DIVIDENDS

Interim dividend for the current period:

On 28th August, 2020, the Directors determined an interim dividend of HK10 cents (2019: HK11 cents) per share amounting to approximately HK\$63,168,000 (2019: HK\$69,485,000) to be paid to the shareholders of the Company whose names appear in the Register of Members on 16th September, 2020.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK11 cents (2019: HK12 cents) per share amounting to approximately HK\$69,485,000 (2019: HK\$75,801,000) was declared and paid to the shareholders in respect of the year ended 31st December, 2019.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months period ended 30th June, 2020 is based on the profit attributable to the owners of the Company for the six months period ended 30th June, 2020 of approximately HK\$67,128,000 (six months ended 30th June, 2019: HK\$70,149,000) and the number of 631,677,303 (2019: 631,677,303) ordinary shares in issue during the period.

Diluted earnings per share is not presented for both periods as there is no potential ordinary shares outstanding during the period or at the end of the reporting period.

10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

The fair value of the Group's investment properties as at the end of the current interim period were determined by C S Surveyors Limited, independent qualified professional valuers not connected to the Group.

The fair value was determined based on market comparable approach, where the prices per square feet of the properties are assessed by reference to market evidence of transaction provides for similar use of properties in the similar locations and conditions in Hong Kong. There has been no change from the valuation technique used in the prior year and it is classified as Level 3 Hierarchy.

The resulting decrease in fair value of investment properties of HK\$4,500,000 (six months ended 30th June, 2019: increase in fair value of investment properties of HK\$2,300,000) has been recognised directly in profit or loss during the period.

During the period, the Group disposed of certain property, plant and equipment with an aggregate net carrying amount of approximately HK\$9,000 (six months ended 30th June, 2019: HK\$2,137,000) for cash proceeds of approximately HK\$2,069,000 (six months ended 30th June, 2019: HK\$7,049,000), resulting in a gain on disposal of approximately HK\$2,060,000 (six months ended 30th June, 2019: HK\$4,912,000).

In addition, during the current interim period, the Group acquired approximately HK\$24,523,000 (six months ended 30th June, 2019: HK\$50,670,000), HK\$322,000 (six months ended 30th June, 2019: HK\$1,595,000) and HK\$1,550,000 (six months ended 30th June, 2019: HK\$2,037,000) of plant and machinery, furniture and equipment and motor vehicles, respectively, for the purpose of expanding and upgrading the Group's production facilities.

During the current interim period, the Group did not enter any new long term lease agreement. No additional right-of-use asset being recognised in the current interim period.

11. TRADE, BILLS AND OTHER RECEIVABLES

	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
Trade receivables	212,346	210,310
Bills receivables	19,871	23,700
Less: allowance for credit losses	(22,068)	(20,102)
	210,149	213,908
Other receivables	2,265	1,573
Deposits and prepayments	84,958	88,616
	297,372	304,097

The Group allows a credit period ranging from 30 days to 90 days to its trade customers.

The following is an analysis of trade and bills receivables (net of allowance for credit losses) by age, presented based on the invoice dates at the end of the reporting period/year.

	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
0 to 60 days	170,238	175,026
61 to 90 days	24,871	34,678
Over 90 days	15,040	4,204
	210,149	213,908

As at 30th June, 2020, total bills received amounting to HK\$19,871,000 (31st December 2019: HK\$23,700,000) are held by the Group for settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

12. TRADE, BILLS AND OTHER PAYABLES

	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
Trade payables	51,682	61,467
Bills payables	18,450	22,097
Provision of employee economic compensation	136,903	142,898
Payables for salaries and bonuses	50,110	59,168
Deposits and accruals	25,382	30,799
Value-added tax payables	32,025	27,475
Other payables	17,158	17,645
Total amounts	331,710	361,549
Less: Amount due within one year shown under current liabilities	(243,337)	(269,224)
Amount due after one year	88,373	92,325

The following is an analysis of trade and bills payables by age, presented based on the invoice dates at the end of the reporting period/year.

	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
0 to 60 days	48,445	52,938
61 to 90 days	16,887	24,089
Over 90 days	4,800	6,537
	70,132	83,564

In general, the credit period on the purchases of goods ranges from 30 days to 150 days.

13. SHARE CAPITAL

The Company has 631,677,303 ordinary shares of HK\$0.1 each in issue as at 30th June, 2020 and throughout both periods.

14. CAPITAL COMMITMENTS

	At 30th June, 2020 HK\$'000 (unaudited)	At 31st December, 2019 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	34,899	6,937

15. RELATED PARTY DISCLOSURE

During the period, the Group entered into transactions with the following related parties:

Relationship	Nature of transaction	Six months ended 30th June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Companies controlled by certain directors of the Company (note)	Repayments of lease liabilities	1,165	1,160
	Rental deposit paid	583	583
	Interest expense on lease liabilities	1	6

As at 30th June, 2020, the lease liabilities due to the above related parties amounted to HK\$583,000.

Note: Two directors of the Company are the directors of Silver Aim Limited and Triplefull Company Limited and one of them is also the beneficial shareholder of Silver Aim Limited and Triplefull Company Limited.

The remuneration of key management during the period was as follows:

	Six months ended 30th June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Short-term benefits	20,383	20,156
Post-employment benefits	1,326	1,326
	21,709	21,482

No director waived any emoluments for both periods.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2020 was approximately HK\$955,564,000 (2019: HK\$1,121,218,000). Profit attributable to owners of the Company for the six months ended 30th June, 2020 was approximately HK\$67,128,000 (2019: HK\$70,149,000). Basic earnings per share for the six months ended 30th June, 2020 was HK10.63 cents (2019: HK11.11 cents).

During the period under review, due to the trade disputes between China and the United States and also the Coronavirus Disease 2019 ("COVID-19") epidemic, the global economy was severely impacted. Facing the harsh global economic environment and the fixed operating cost unable to be correspondingly lowered at the same time, the turnover and the after-tax profit of the Group declined compared with the performance of the same period in 2019.

At the beginning of the year 2020, COVID-19 broke out in China, bringing economic and production activities nearly to a complete halt, seriously striking the consumption market and production supply chain in China. Fortunately, the epidemic was under control in China, economic activities gradually resumed normal, domestic market began to recover and customer orders also escalated. In view of the epidemic, the sales performance of automobile industry was not good, however, the demand for medical and healthcare related products substantially increased. Moreover, as citizens spent more time at home and required to work remotely, the demand for small size household appliances and hi-tech electronic products was driven up. The production plants of the Group located in China had resumed work in mid-February 2020 and rapidly recovered its production capacity, not only catching up the production progress during the production suspension period but also supplying stably to the new orders arising from the domestic market. However, starting from March 2020, the COVID-19 epidemic also broke out in other places in the world, the global consumption and production markets were almost shut down, which severely impacted the business of the Group's export-oriented customers. As a result, the Group's overall turnover reduced due to the epidemic during the period under review.

In the reviewed period, the Group actively monitored its operating costs and improved production efficiency in order to countervail the pressure of rising wages and production costs. Regarding the price of the local mould steel and imported steel, both remained stable with only slight change.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW

The Group's revenue for the six months ended 30th June, 2020 decreased by 14.8% mainly due to the outbreak of the COVID-19 which seriously affected the Group's manufacturing activities in the PRC during the period from the end of January to mid-March 2020. During the period under review, the relevant costs of raw materials and consumables used for generating the revenue decreased by 20.4% and raw materials and consumables used as percentage of revenue decreased to 38.0% (2019: 40.7%). The Group has implemented strict control on tooling and other manufacturing costs resulting in a drop of other expenses by 20.6%. As certain useable machines in PRC subsidiaries had been fully depreciated in last year, depreciation charged for property, plant and equipment decreased by 20.6% for current period.

During the period under review, the drop of fair value of investment properties and impairment losses recognised under expected credit loss model increased by approximately HK\$6,800,000 and approximately HK\$8,822,000 respectively compared with same period of last year. Besides, other income of the Group increased by approximately HK\$4,504,000 mainly due to the increase of the PRC government grants. Income tax expenses of the Group increased by 21.2% and the effective tax rate increased to 25.1% (2019: 20.9%). This was primarily because of the significant amount of tax losses in a PRC subsidiary had been utilized which led to the decrease of income tax charged for the first half of 2019.

As a result of the foregoing, profit for the six months ended 30th June, 2020 slightly dropped by 4.3% to approximately HK\$67,128,000 (2019: HK\$70,149,000).

Liquidity and Financial Resources

As at 30th June, 2020, the Group had bank balances and cash of approximately HK\$811,398,000 (as at 30th June, 2019: HK\$726,700,000) and did not have any borrowings (2019: Nil).

The bank balances and cash were placed in short term deposits with major banks in Hong Kong and the PRC.

Employees and Remuneration Policies

As at 30th June, 2020, the Group employed a total of approximately 3,800 employees. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

PROSPECTS

For the second half year, it is expected the COVID-19 will continue to spread and break out repeatedly, that will seriously affect the global economic development and recovery speed. At this stage, it is still difficult to estimate the extent of its negative impact on the global economy. Apart from this, the trade disputes between China and the United States will also intensify, bilateral trade contact between the two parties will be hindered, posing a severe threat to the export business of China. The Group expects that the external economy and operating business outlook are gloomy and full of uncertainties.

The COVID-19 epidemic leading to sluggish global market demand, coupled with increasing tensions between China and the United States, has hampered some of the export business of China. In view of this, the Central Government of China advocates “internal circulation” economy as a dominant force to unleash the potential of its domestic demand which in turn foster the development of its production, distribution, circulation and consumption sectors. Furthermore, by connecting to “external circulation” economy, the dual circulation, both domestic and international, model can be formed in promoting economic growth which will steer the future development of China. In response to this, the Group will formulate its marketing strategies in line with the changes in the market and the political situation. In addition to exploring export-oriented customers, the Group will further expand its customers base mainly focused on domestic sales in China. Positive effort will also be put to enlarge its market in Eastern, Central and Northern regions of China, with an aim to reinforce its market coverage and market leading position.

The Group will keep enhancing its machining ability, production speed and product quality as well as adopting time-saving and labour-saving automated production lines to reduce its reliance on manpower. The Group will strive to monitor its cost fluctuation range, ensuring it floats within a reasonable and manageable range in order to reduce operational risks.

The Group expects that the price of local mould steel will move slightly upward and the price of the imported steel still tends to be stable with only mild fluctuation.

Facing the uncertain business operating outlook, the Group is fully prepared. With the accumulated experience and prudent approach, the Group has confident to cope with the future variable operating environment and to achieve a stable and healthy business growth.

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditor, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements.

INTERIM DIVIDEND

The Directors have determined an interim dividend of HK10 cents (2019: HK11 cents) per share in respect of the six months ended 30th June, 2020 to be payable on or around 28th September, 2020 to shareholders whose names appear in the Register of Members of the Company on 16th September, 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th September, 2020 to 16th September, 2020, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14th September, 2020.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 14th September, 2020 will be entitled to the interim dividend.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

Mr. Wong Hak Kun has been appointed as an independent non-executive director of Guangzhou Automobile Group Co., Ltd., which is listed both on the Stock Exchange and Shanghai Stock Exchange, with effect from 29th May, 2020. Mr. Wong has also been appointed as an independent director of Haier Smart Home Co., Ltd., which is listed both on Shanghai Stock Exchange and Frankfurt Stock Exchange, with effect from 3rd June, 2020.

OTHER INFORMATION *(continued)*

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2020, the directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”).

Interests in the Company

Name of director	Capacity	Number of shares held			Total interests	Percentage of Company's issued share capital
		Personal interests	Family interests	Other interests		
Siu Tit Lung <i>(Notes 1 & 2)</i>	Beneficial owner, interests jointly with another person and founder of discretionary trust	40,411,444	—	366,210,937	406,622,381	64.37%
Siu Yuk Lung <i>(Notes 1 & 2)</i>	Beneficial owner, interests jointly with another person and founder of discretionary trust	40,411,444	—	366,210,937	406,622,381	64.37%
Wai Lung Shing	Beneficial owner	3,843,750	—	—	3,843,750	0.61%
Ting Chung Ho	Beneficial owner	720,000	—	—	720,000	0.11%
Siu Yuk Tung, Ivan <i>(Note 2)</i>	Beneficial owner and beneficiary of a trust	80,000	—	366,210,937	366,290,937	57.99%
Siu Yu Hang, Leo <i>(Notes 2 & 3)</i>	Interest of child or spouse and beneficiary of a trust	—	1,096,000	366,210,937	367,306,937	58.15%
Lee Tat Yee	Beneficial owner	150,000	—	—	150,000	0.02%
Lee Joo Hai	Beneficial owner	300,000	—	—	300,000	0.05%

OTHER INFORMATION *(continued)*

DIRECTORS' INTERESTS IN SHARES *(continued)*

Interests in the Company *(continued)*

Notes:

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 35,101,288 shares in the Company and each owned a further 5,310,156 shares in the Company registered in their own names.
- (2) Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung are beneficiaries (including Messrs. Siu Yuk Tung, Ivan and Siu Yu Hang, Leo), held 366,210,937 shares in the Company.
- (3) Mr. Siu Yu Hang, Leo and his spouse jointly held 1,096,000 shares in the Company.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Company, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2020.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At the annual general meeting of the Company held on 7th May, 2012, the shareholders of the Company approved the adoption of a new share option scheme of the Company (the "2012 Scheme"). The 2012 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants, as defined in the 2012 Scheme, to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants, and will expire on 6th May, 2022.

No option was granted since the adoption of the 2012 Scheme.

None of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2020, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of Company's issued share capital
Pan Island Investments Limited	Beneficial owner	366,210,937 <i>(Note)</i>	57.97%
HSBC International Trustee Limited	Trustee	366,514,990 <i>(Note)</i>	58.02%
David Michael Webb	Beneficial owner and interest of a controlled corporation	37,888,498	5.99%

Note: HSBC International Trustee Limited, in its capacity as a trustee of a trust, controlled Pan Island Investments Limited and therefore was deemed to be interested in the shares of the Company in which Pan Island Investments Limited was interested. Accordingly, the 366,210,937 shares of the Company in which Pan Island Investments Limited was interested were duplicated with the interests attributed to HSBC International Trustee Limited.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th June, 2020.

OTHER INFORMATION *(continued)*

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2020.

CORPORATE GOVERNANCE

The Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the review period.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors.

Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the review period.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 28th August, 2020