LKM®

Lung Kee (Bermuda) Holdings Limited

Stock Code: 255

2014 Annual Report

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Corporate Information

EXECUTIVE DIRECTORS
Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Ting Chung Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

COMPANY SECRETARY
Mr. Wai Lung Shing

SOLICITORS
Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKER
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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Hopewell Centre
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SINGAPORE SHARE TRANSFER AGENT
M & C Services Private Limited
112 Robinson Road #05–01
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2 Church Street
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
20th Floor
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79 Hoi Yuen Road
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Kowloon
Hong Kong

WEBSITE
http://www.irasia.com/listco/hk/lkm

Chairman's Statement

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2014.

BUSINESS REVIEW

The Group's revenue in the year ended 31st December, 2014 was approximately HK$2,403 million (2013: approximately HK$2,221 million). Profit attributable to owners of the Company in the year ended 31st December, 2014 was approximately HK$138 million (2013: approximately HK$145 million). Basic earnings per share in the year ended 31st December, 2014 was HK21.82 cents (2013: HK22.99 cents).

During the year of 2014, except for a little good sign of the United States market, the world global economy still stayed at a depressed status. Confused by the regional political confrontation, the European economic recovery step was in slow pace, the growth rate was still weak. In the meantime, the tightened liquidity of China market caused the slowdown of the domestic market. Hence, the mould market was affected and the product price was continually suppressed. The Group revenue was increased due to the uplift of production effectiveness. Because of the unfavourable global economic environment, the suffering of the initial operation costs of the new plant in Hangzhou city, Zhejiang Province, China, and the decrease in appreciation value of investment property in Hong Kong, China, the Group performance was not up to expectation. Meanwhile, benefited from the exchange gain contributed by the deregistration of the subsidiary located in Guangzhou, Guangdong Province, China, the Group's after tax profit was maintained with a slight drop compared with last year.

PROSPECTS

The United States economy is recovering continually, yet still in a slow pace, the development trend is promising. This trend benefits export business of the Group's customers, which indirectly generates the demand for the Group's products. Hoping to achieve economic growth of the European countries, Euro zone starts the quantitative easing policy that leads to the depreciation of Euro. Furthermore, such issues as recurrence of Greek debt, bewildering of the Middle East terrorism and the regional wars have adverse impact on creating uncertainties of the export market to the European countries.

In order to achieve the objective of long-term substantiality, China government has set a 7% Gross Domestic Product (GDP) growth target, which is relatively low compared with previous years. By using monetary policies such as reduction of interest rate, lowering of bank reserve rate and fiscal policy of aiding particular industries, China aims to maintain the economic growth. As a whole, desiring that the gradual betterment of United States economy and the turnaround of the Euro zone economy, the revived hope of the global economy can be expedited. The Group foresees that while the global economy may still advance in fluctuation under the uncertain situation, through the effort of government of all countries, it will tend to keep going upwards, though temporarily in small range, but will have a bigger economic recovery in a longer term.

Coupled with the Renminbi's appreciation rate decelerates, or even tends to reverse, and the economies of the United States and Europe incline to improve, the export business of the Group and its customers will be benefited. The Group expects that the sales orders from these countries will gradually rebound, so that the production capacity of high precision mould base production workshop located in the Group's Heyuan factory, Guangdong Province, China can be fully utilized and the strict requirement of the export customers can be fulfilled.

Chairman's Statement

Following the anti-corruption scheme and the effort on building long-term substantive development taken by the Chinese government, together with the appropriate monetary and fiscal policies, China will achieve the 7% GDP growth target and at the same time maintain an upward trend of the domestic market. The living quality of Chinese citizens is perennially uplifted which drives the endless demand for the consumption products such as environmental friendly household electrical appliances, environmental automobile, high-tech electronic products, smart household daily living products. The need for replacing outdated products and upgrading quality of life will ultimately generate the demand for moulds, which in turn stimulates the sales growth of the Group's products. Meanwhile, concerning the marketing business and sales channels, the Group will on one hand enhance its direct sales team, on the other hand adopt multiple sales promotion means such as open up more sales offices and internet sales facilities in order to satisfy local customers' needs and to extend its market coverage. The Group pays particular attention to the development of automobile parts and components market. It anticipates that new models integrated with advanced technology and environmental requirement will consecutively be launched. This will bring the bigger demand of the Group's high end products. The Group will adjust its marketing strategy and development direction to cope with the ever-changing Chinese domestic markets to create bigger revenue.

Taking non-stop effort to implement improvement measures, the Group will enhance the production effectiveness of the Heyuan factory, Guangdong Province, China, in coping with the change of the China labour market. Through installing production facilities with precision and automation, launching automated work-flow, uplifting the efficiency, the effect of labour shortage and rising labour cost on the Group as a typical manufacturing entity will be lessened. In the coming years, the Group will endlessly launch improvement tasks in order to counteract the new development of the social environment and cope with the changing environment. This will become a 'New Normal'.

The plant in Hangzhou city, Zhejiang Province, China, has become more mature. The required production equipments and facilities are basically in place. The production capacity successively uplifts. The Group will put effort in recruiting and training new manpower, ensuring the production capacity to achieve a satisfied level of economy of scale and balancing revenues and expenses, so as to ultimately bring positive return to the Group in future. The Group continues to reinforce its relationship with customers in the Eastern, Central and Northern regions of China. Aiming at fitting in with the characteristic of customers in the automobile parts and components industry, the Group will devise the marketing strategy, including order and logistics coordination, providing quality correlation services to the customer, and cooperating with customer to reach win-win situations. This will help the Group to extend its market share in these areas.

The price of oil has dropped significantly recently, but the operating cost, especially the labour cost is expected to follow an everlasting spiral rise. It is anticipated that the problem of shortage of skilled technical labour will continue. The Group will apply suitable manpower policy and facilities provided to attract and retain competent labour though labour cost will still be unavoidably increasing. Concerning other operating costs, the Group, as before, has actively implemented cost monitoring measures by advocating "green production" and effective resources utilization. The Group will continue to take suitable measures to lower its operating cost and risk, to maintain its competitiveness and to push up the overall operating efficiency.

It is expected that the price of both imported and domestic mould steel will keep fluctuating within a narrow range. The local mould steel price will wander around the low level. For the imported steel, the average cost will be lowered because of the currency depreciation of the exporting countries. The Group will cautiously regulate its inventory level in order to maintain the material cost at a reasonable level.

The Group, same as in the past, focuses on developing its core business and using a consistently prudence, practical and positive approach to continually enhance its management quality. It seeks for excellence in its management mode and production skills, adapts to the changes of the community and the market, and changes its operating strategy in facing up to every challenge and opportunity. The Group strives to consolidate and strengthen its continuous leading position in the industry in order to create higher values for the Group and to bring stable returns to shareholders.

The Board of Directors would like to express our thanks to all staff for their hard work and contribution rendered during the past year. Also, sincere gratitude is extended to our shareholders and business partners for their continual support.

Siu Tit Lung
Chairman

Hong Kong, 20th March, 2015

Management Discussion and Analysis

During the year ended 31st December, 2014, the Group continued to focus on the manufacturing and marketing of mould bases and related products.

The Group recorded revenue of approximately HK$2,403 million and earnings of approximately HK$138 million for the year ended 31st December, 2014.

OPERATIONAL REVIEW

During the review period, the Group's Heyuan factory, Guangdong Province, China replaced low efficient machineries with new ones, reduced the reliance in manual operation, but also accelerated the automation process and enforced the machineries maintenance. Furthermore, it continually improved the operation processes by using a time and manpower saving work-flow, streamlined its production process, gradually uplifted its production efficiency and quality level, and elevated the per capita productivity. The result of these measures is encouraging. The production skills became more mature in the high precision mould base production workshop of the Heyuan factory. Nevertheless, the economic recovery pace of European countries, the United States and Japan was not as expected. Moreover, the currencies of many foreign countries tended to depreciate due to the quantitative easing polices launched by countries in turn. This weakened the export competitiveness and impacted on orders quoted in RMB terms. Therefore the sufficiency of the export market order was affected. As a result, the potential of this workshop could not be fully explored.

For the Group's plant in Hangzhou city, Zhejiang Province, China, large size equipment and facilities were completely installed, leading to the right track of operation. Full effort was put to recruit local technical workers, but the shortage of experienced technical labour was still significant. The time required for training new staff together with an ever-rising wage level limited the production output. Consequently, this plant was still in an imbalance of revenues and expenditures. On the other hand, the Group steadily increased sales turnover in the Eastern and Northern regions of China through continually reinforcing its marketing and sales channel, and obtaining the customers' faith and support. Although, it had not achieved the ideal status, a good foundation for future development and increasing revenue for the Group in future was established.

In the reviewed period, owing to the overproduction of mould steel in China, the price of local mould steel gradually moved downwards. The price of imported mould steel remained relatively stable without big variation. During the second half of the review year, there was an easing in the cost of import mould steel due to the continuous depreciation in Euro and Japanese Yen currencies. Yet it was not reflected in the year under review because of the timing difference. Even so, price of the mould steel fluctuated within a predicted range. The Group flexibly regulated its inventory level such that the fluctuation of material cost had minimal effect on the Group's profit.

In conclusion, the Group's overall productivity and turnover was going up, despite the product price was suppressed due to hanging back of the recovery of the global economy. The shortage of technical labour induced wages increase causing rising labour cost. In addition, suffering from the initial operation costs of the new plant in Hangzhou city, Zhejiang Province, China, the benefit of economy of scale resulting the balance of income and expense was not achieved yet. The Group's profit was not in line with the rising turnover. The overall result recorded a slight drop, though it was just satisfied.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December, 2014, the Group had bank balances of approximately HK$384 million. The bank balances were placed in short term deposits with major banks in Hong Kong and the PRC.

The Group adopted conservative measures to hedge any exchange fluctuation if the exposure is considered significant by the management.

The Group continues to incur capital expenditure for the plant expansion and factory construction, which is financed by internal resources.

GEARING RATIO

Total debts of the Group were approximately HK$92 million, equal to approximately 3.9% of equity attributable to owners of the Company of approximately HK$2,370 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2014, the Group employed a total of approximately 5,700 employees, including approximately 5,300 employees in its PRC production sites and approximately 400 employees in Hong Kong and other countries. 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 employees with reference to the individual’s performance.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to adopting the standards of corporate governance. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

During the financial year ended 31st December, 2014, the Company has complied with all code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 had complied with the Model Code for the year ended 31st December, 2014.

THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs. The Board sets strategies for the Group and monitors the performance of the management.

As at the date of this report, the Board consists of five executive directors and three independent non-executive directors.

Executive directors
Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Ting Chung Ho

Independent non-executive directors
Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

Mr. Siu Tit Lung is the Chairman of the Company and Mr. Siu Yuk Lung is the Managing Director of the Company. They are brothers.

Two independent non-executive directors possess recognised professional qualifications in accounting. The independent non-executive directors bring independent judgement, knowledge and experience to the Board.

During the financial year ended 31st December, 2014, an annual general meeting was held and the Board held four regular meetings at approximately quarterly intervals. The attendance of each director is set out as follows:

Name of Director	Attendance at annual general meeting	Attendance at board meetings
Executive directors		
Mr. Siu Tit Lung *(Chairman)*	1/1	4/4
Mr. Siu Yuk Lung *(Managing Director)*	1/1	4/4
Mr. Mak Koon Chi	1/1	4/4
Mr. Wai Lung Shing	1/1	4/4
Mr. Ting Chung Ho	1/1	4/4
Independent non-executive directors		
Mr. Liu Wing Ting, Stephen, JP	0/1	4/4
Dr. Lee Tat Yee	1/1	4/4
Mr. Lee Joo Hai	1/1	4/4

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group while it reserves the right to decide all policy matters of the Group and material transactions.

The Board has delegated the responsibility for performing the corporate governance duties set out in the code provision D.3.1 of the Code to the Audit Committee.

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities. The directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board remain informed and relevant.

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the financial year ended 31st December, 2014. The individual training record of each director received for the year ended 31st December, 2014 is summarized below:

Name of Director	Briefings and updates on the business, operations and corporate governance matters	Attending seminars, workshops or exhibitions relevant to the business or directors' duties
Executive directors		
Mr. Siu Tit Lung *(Chairman)*	✓	✓
Mr. Siu Yuk Lung *(Managing Director)*	✓	✓
Mr. Mak Koon Chi	✓	✓
Mr. Wai Lung Shing	✓	✓
Mr. Ting Chung Ho	✓	✓
Independent non-executive directors		
Mr. Liu Wing Ting, Stephen, JP	✓	✓
Dr. Lee Tat Yee	✓	✓
Mr. Lee Joo Hai	✓	✓

THE CHAIRMAN AND THE MANAGING DIRECTOR

The Company segregates the role of Chairman from the Managing Director. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Managing Director is responsible for policy making and corporate management in order to implement the strategies approved by the Board.

NON-EXECUTIVE DIRECTORS

All independent non-executive directors of the Company are appointed for a specific term, subject to re-election.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. The independent non-executive directors are also members of Audit Committee, Nomination Committee and Remuneration Committee.

BOARD COMMITTEES

The Company has maintained the Audit Committee, the Nomination Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference, which deal clearly with their authorities and duties. The chairmen of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

NOMINATION COMMITTEE

A Nomination Committee was established by the Company in 2004. As at the date of this report, the Nomination Committee comprises three independent non-executive directors of the Company, Mr. Lee Joo Hai, Mr. Liu Wing Ting, Stephen, JP and Dr. Lee Tat Yee. Mr. Lee Joo Hai is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December, 2014, the Nomination Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Lee Joo Hai *(Chairman)*	4/4
Mr. Liu Wing Ting, Stephen, JP	4/4
Dr. Lee Tat Yee	4/4

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee are circulated to the Board for information.

The following was a summary of the work performed by the Nomination Committee in 2014:

1. reviewed the structure, size and diversity of the Board. The Nomination Committee endorsed that the Board possessed a diversity of skills, expertise, experience and qualifications and believed that the Board performed its duties competently.

2. assessed the independence of all the independent non-executive directors and reviewed the independent non-executive directors' confirmations on their independence.

3. nominated Mr. Ting Chung Ho, Mr. Liu Wing Ting, Stephen and Mr. Lee Joo Hai for the Board's recommendations to stand for election at the 2014 annual general meeting of the Company and reviewed the relevant sections in the circular to the shareholders of the Company.

4. interviewed with the Chairman and the Managing Director of the Company to realize their plans for succession.

5. reviewed the retirement policy of the Group to see if there was any update.

6. reviewed the relevant disclosures made in the Directors' Report of the 2013 annual report of the Company (the "Annual Report").

7. reviewed the Corporate Governance Report, which was included in the Annual Report.

8. reviewed the Group's compliance with the Code.

9. reviewed the Board Diversity Policy of the Company to see if there was any update.

10. launched the annual "Director's Self-Assessment Review".

11. considered those topics, which were requested by the Board and reviewed those relevant documents.

Below is the summary of the Board Diversity Policy of the Company:

The Company recognises and embraces the benefits of having a diverse Board to enhance the overall quality of its performance.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the aforesaid mentioned aspects. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will report annually on the Board's composition under diversified perspectives, and monitor the implementation of this policy. The Nomination Committee will discuss any policy's revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in 2004. As at the date of this report, the Remuneration Committee comprises three independent non-executive directors of the Company, Dr. Lee Tat Yee, Mr. Liu Wing Ting, Stephen, JP and Mr. Lee Joo Hai. Dr. Lee Tat Yee is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December, 2014, the Remuneration Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Dr. Lee Tat Yee *(Chairman)*	4/4
Mr. Liu Wing Ting, Stephen, JP	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

The following was a summary of the work performed by the Remuneration Committee in 2014:

1. reviewed the Group's emolument policy and structure for the remuneration of directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

2. assessed the performance of the executive directors and considered the remuneration package of executive directors by making reference to the prevailing packages with companies listed on the main board of the Stock Exchange.

3. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

4. reviewed the Corporate Governance Report, which was included in the Annual Report.

5. reviewed the Group's compliance with the Code.

6. considered those topics, which were requested by the Board and reviewed those relevant documents.

The Remuneration Committee has adopted the model set out in the code provision B.1.2(c)(ii) of the Code, i.e. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Details of the remuneration of directors are disclosed on an individual basis and are set out in note 9 to the consolidated financial statements of the Group. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

AUDIT COMMITTEE

An Audit Committee was established by the Company in 1998. As at the date of this report, the Audit Committee comprises three independent non-executive directors of the Company, Mr. Liu Wing Ting, Stephen, JP, Dr. Lee Tat Yee and Mr. Lee Joo Hai, two of whom possess recognised professional qualifications in accounting and have wide experience in auditing and accounting. Mr. Liu Wing Ting, Stephen, JP is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The Audit Committee has accepted the Board's delegation of responsibility for performing the corporate governance duties set out in the code provision D.3.1 of the Code. The terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December, 2014, the Audit Committee held four meetings at approximately quarterly intervals to review the quarterly results presented by the management and to discuss the internal audit findings prepared by the Internal Audit Department. The external auditor, Messrs. Deloitte Touche Tohmatsu, attended three regular meetings, which included the meetings in conjunction with the release of the half year and full year results announcements.

During the financial year ended 31st December, 2014, the Audit Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Liu Wing Ting, Stephen, JP *(Chairman)*	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Audit Committee will report the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee are circulated to the Board for information.

The following was a summary of the work performed by the Audit Committee in 2014:

1. reviewed the Group's consolidated financial statements for the year ended 31st December, 2013 and the annual results announcement with a recommendation to the Board for approval.

2. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

3. reviewed the Corporate Governance Report, which was included in the Annual Report.

4. met with the external auditor without the presence of the executive directors of the Board.

5. reviewed the Group's consolidated financial statements for the period from 1st January, 2014 to 31st May, 2014 with a recommendation to the Board for approval.

6. assessed any special risks faced by the Group and reviewed the effectiveness of the internal control system of the Group through the Internal Control Review Task Force, which was established by the Audit Committee and comprised all the members of the Audit Committee and Mr. Chan Chun Sing, Colin, the adviser of the Board.

7. reviewed the Group's consolidated financial statements for the six months period ended 30th June, 2014 and the interim results announcement with a recommendation to the Board for approval.

8. reviewed the Group's consolidated financial statements for the period from 1st January, 2014 to 31st October, 2014 with a recommendation to the Board for approval.

9. reviewed the Group's policies and practices on corporate governance and made recommendations to the Board.

10. reviewed the training and continuous professional development of directors.

11. reviewed the Group's compliance with the Code.

12. reviewed the annual internal audit plan submitted by the Group's Internal Audit Department.

13. reviewed the findings and recommendations submitted by the Group's Internal Audit Department.

14. reviewed the reports including the 2014 audit planning report and the management letters submitted by the external auditor.

15. considered the 2014 audit fees with a recommendation to the Board for approval.

16. considered those topics, which were requested by the Board and reviewed those relevant documents.

At the Audit Committee meeting on 20th March, 2015, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31st December, 2014, the disclosure in this corporate governance report and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor of the Group for 2015 and that the relevant resolution shall be put forth for the consideration of the shareholders of the Company and their approval at the 2015 annual general meeting of the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the consolidated financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body, in accordance with Section 90 of The Companies Act of Bermuda (the "Companies Act"), and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately three months and two months, respectively, after the end of the relevant period in order to enhance high level of corporate transparency.

INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Internal Control Review Task Force, the Board reviews the effectiveness of the system of internal control of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified so far. The Board opines that the Group's internal control system is effective and the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are adequate. There are no significant areas of concern.

The Group has an Internal Audit Department. The Internal Audit Department plans its internal audit schedules annually. The internal audit includes comprehensive audits of procedures, practices and internal controls of both operational and financial units of the Group. The internal audit plan is then submitted to the Audit Committee for review and comment. The Internal Audit Department conducts independent reviews of the Group's system of internal control, including operational and financial controls. Reports and findings prepared by the Internal Audit Department are submitted to the Board and the Audit Committee.

AUDITOR'S REMUNERATION

For the financial year ended 31st December, 2014, the fee paid/payable to the Group's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	2,700
Non-audit services	
— Interim review	460
— Taxation services	199
— Audit of provident fund	6
— Review of results announcement	47

COMPANY SECRETARY

Mr. Wai Lung Shing, an executive director of the Company, was appointed as Company Secretary of the Company on 15th December, 1992. Since Mr. Wai was appointed as Company Secretary on or before 31st December, 1994, he would be required to comply with rule 3.29 of the Listing Rules in relation to professional training for the financial year commencing on 1st January, 2017.

SHAREHOLDERS' RIGHTS

(a) Convening of special general meetings on requisition by shareholders

Pursuant to Bye-law 58 of the New Bye-Laws of the Company, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of section 74(3) of the Companies Act.

The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under section 74 of the Companies Act once a valid requisition is received.

(b) Procedures for putting forward proposals at general meetings by shareholders

The following shareholders can submit a written requisition to move a resolution at a general meeting of the Company:

(i) any number of shareholders representing not less than one-twentieth (5%) of the total voting rights of all shareholders having at the date of the requisition a right to vote at the general meeting; or

(ii) not less than one hundred (100) shareholders.

The written requisition specifying the resolution, duly signed by the shareholders concerned, together with a statement of not more than one thousand (1,000) words with respect to the matter referred to in the proposed resolution must be deposited at the registered office of the Company not less than six (6) weeks before the general meeting in case of a requisition requiring notice of a resolution and not less than one (1) week before the general meeting in case of any other requisition. The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under sections 79 and 80 of the Companies Act once valid documents are received.

(c) Procedures for directing shareholders' enquiries to the board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's head office and principal place of business in Hong Kong at 20th Floor, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting enables the shareholders of the Company to exchange views with the Board. A notice of annual general meeting is sent to the shareholders of the Company at least 20 clear business days before the meeting. The chairman of the Board and the chairmen of Audit Committee, Nomination Committee and Remuneration Committee have attended at the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

The chairman of the Board invites the company secretary of the Company to give an explanation of the detailed procedures for conducting a poll at the commencement of the annual general meeting. The company secretary of the Company answers any questions from the shareholders of the Company regarding voting by way of a poll.

INVESTOR RELATION

There is no change in the Company's constitutional documents during the financial year ended 31st December, 2014.

Hong Kong, 20th March, 2015

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacturing and marketing of mould bases and related products. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated statement of comprehensive income on page 30.

An interim dividend of HK6 cents per share amounting to approximately HK$37,901,000 was paid to shareholders during the year.

The directors now recommend the payment of a final dividend of HK7 cents per share to shareholders registered on the register of members on 20th May, 2015, amounting to approximately HK$44,217,000 and the retention of the remaining profits for the year.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 76.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2014 were revalued by an independent firm of qualified professional property valuers. The revaluation increase of HK$18,000,000 has been recognised in the consolidated statement of comprehensive income. Details of the movements in the investment properties of the Group during the year are set out in note 14 to the consolidated financial statements. Details of the major investment properties held by the Group at 31st December, 2014 are set out on page 77.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure in respect of factory premises and staff quarters at a cost of approximately HK$37,000,000. The Group continued its plant expansion policy and expended approximately HK$197,000,000 on new plant and machinery and approximately HK$12,000,000 on other furniture and equipment during the year. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to shareholders as at 31st December, 2014 represented the retained profits of approximately HK$339,063,000.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total revenue for the year.

The Group's largest supplier contributed 11% to the total purchases for the year while the Group's five largest suppliers accounted for 50% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors
Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Ting Chung Ho

Independent non-executive directors
Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

In accordance with Bye-laws 87(1) and 169(2) of the Company's Bye-Laws, Mr. Siu Yuk Lung, Mr. Wai Lung Shing and Dr. Lee Tat Yee retire from office by rotation and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Siu Tit Lung, aged 64, elder brother of Mr. Siu Yuk Lung, has been an executive director and the chairman of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, the substantial shareholder of the Company. Mr. Siu is responsible for overall strategic planning and corporate development of the Group. He has many years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Heyuan City, Guangdong Province in the People's Republic of China (the "PRC").

Mr. Siu Yuk Lung, aged 61, younger brother of Mr. Siu Tit Lung, has been an executive director and the managing director of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, the substantial shareholder of the Company. Mr. Siu is responsible for policy making and corporate management of the Group. He has many years of experience in metal trading and mould base manufacturing. He is an honorary citizen of Heyuan City, Guangdong Province in the PRC.

Mr. Mak Koon Chi, aged 56, has been an executive director of the Company since December 1992 and is a director of certain subsidiaries of the Company. He is a past chairman of the Society of Manufacturing Engineers (Hong Kong Chapter) and a fellow of The Hong Kong Institute of Directors. Mr. Mak is responsible for policy making, marketing, product development and technological development of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from the Hong Kong Polytechnic University and Murdoch University, Australia with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 53, has been an executive director of the Company since December 1992. He is the company secretary of the Company. He is also a director and a company secretary of certain subsidiaries of the Company. Mr. Wai is responsible for policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick, United Kingdom with a Master of Business Administration Degree. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom and The Hong Kong Institute of Directors. He is also a member of the Institute of Chartered Accountants in England and Wales and the Chinese Institute of Certified Public Accountants. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

Mr. Ting Chung Ho, aged 61, joined the Group in March 2000 as a general manager of a subsidiary of the Company in the PRC and has been appointed as an executive director of the Company since April 2008 and is also a director of certain subsidiaries of the Company. Mr. Ting is responsible for policy making and operation management of the Company. He has many years of experience in enterprise operation and management. Mr. Ting graduated from the Open University of Hong Kong with a Master of Business Administration Degree and a Master of Laws in Chinese Business Law Degree. He is a member of The Hong Kong Institute of Directors.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 62, has been an independent non-executive director of the Company since December 1992. He is a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited, a member of the Hospital Governing Committee of Kwai Chung Hospital, Princess Margaret Hospital and Tseung Kwan O Hospital and a member of the Audit Committee of the University of Hong Kong. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom and The Hong Kong Institute of Directors. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the chairman of the Audit Committee of the Company.

Dr. Lee Tat Yee, aged 67, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland, Australia and is a Chartered Engineer of the Engineering Council in the United Kingdom. He is a fellow of The Hong Kong Institute of Directors. Dr. Lee was a director of the Technology Support Centre of The University of Hong Kong specialising in quality assurance management systems and retired. He is the chairman of the Remuneration Committee of the Company.

Mr. Lee Joo Hai, aged 59, has been appointed as an independent non-executive director of the Company in September 2004. Mr. Lee is a member of the Institute of Singapore Chartered Accountants, the Malaysian Institute of Accountants and the Singapore Institute of Directors. He is also a fellow of The Hong Kong Institute of Directors. He has extensive experience in accounting and auditing. He was a partner of a public accounting firm in Singapore before his retirement from the accounting firm. He is the chairman of the Nomination Committee of the Company. Mr. Lee is currently an independent director of Hyflux Limited, IPC Corporation Limited and Kian Ho Bearings Limited, which are all listed on the main board of The Singapore Exchange Securities Trading Limited ("SGX-ST"). He is also an independent director of Armarda Group Limited, which is listed on the Catalist of the SGX-ST and is also an independent director of Agria Corporation, which is listed on the Nasdaq. Mr. Lee was also an independent director of Adampak Limited, which was listed on the main board of the SGX-ST until 29th June, 2012, from August 2004 to June 2012 and ceased to be an independent director of Adampak Limited subsequent to the delisting of Adampak Limited from the SGX-ST on 29th June, 2012. He was also an independent director of Asiasons WFG Financial Limited from March 2008 to May 2012, which was listed on the main board of the SGX-ST. He was also an independent director of Food Junction Holdings Limited, which was listed on the main board of the SGX-ST until 9th December, 2013, from October 2001 to December 2013 and ceased to be an independent director of Food Junction Holdings Limited subsequent to the delisting of Food Junction Holdings Limited from the SGX-ST on 9th December, 2013. Save as disclosed above, Mr. Lee did not hold other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2014, 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Interests in the Company

Name of director	Capacity	Number of shares held Personal interests	 Other interests	Total interests	Percentage of Company's issued share capital
Siu Tit Lung *(Notes 1 and 2)*	Beneficial owner and founder of discretionary trust	37,941,444	366,210,937	404,152,381	63.98%
Siu Yuk Lung *(Notes 1 and 2)*	Beneficial owner and founder of discretionary trust	37,941,444	366,210,937	404,152,381	63.98%
Mak Koon Chi	Beneficial owner	3,843,750	—	3,843,750	0.61%
Wai Lung Shing	Beneficial owner	3,843,750	—	3,843,750	0.61%
Ting Chung Ho	Beneficial owner	720,000	—	720,000	0.11%
Liu Wing Ting, Stephen	Beneficial owner	150,000	—	150,000	0.02%
Lee Tat Yee	Beneficial owner	150,000	—	150,000	0.02%
Lee Joo Hai	Beneficial owner	300,000	—	300,000	0.05%

Notes:

1. Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 32,631,288 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, held 366,210,937 shares in the Company.

DIRECTORS' INTERESTS IN SHARES *(continued)*

Interests in associated corporations of the Company

Name of director	Nature of interests	Name of associated corporation	Number of shares held	Percentage of issued share capital of the class
Siu Tit Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%
Siu Yuk Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or its associated corporations.

The details of the directors' interests in the share options granted by the Company are stated in the following section "Share Options".

Save as disclosed herein and in the section "Share Options" 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 31st December, 2014.

SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 24 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options					Exercise
	At 1st January, 2014	**Lapsed during the year**	**At 31st December, 2014**	**Date of grant**	**Exercisable period**	**price per share HK$**
Category 1: Directors						
Siu Tit Lung	150,000	(150,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Siu Yuk Lung	150,000	(150,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Mak Koon Chi	500,000	(500,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Wai Lung Shing	500,000	(500,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Ting Chung Ho	500,000	(500,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Liu Wing Ting, Stephen	150,000	(150,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Lee Tat Yee	150,000	(150,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Lee Joo Hai	150,000	(150,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Total	2,250,000	(2,250,000)	—			
Category 2: Employees						
Total	3,198,000 (Note)	(3,198,000)	—	9th July, 2010	9th July, 2011 to 8th July, 2014	4.10
Total all categories	5,448,000	(5,448,000)	—			

Note: The amount was reclassified from category 1 to account for those options granted to Mr. Fung Wai Hing who ceased to be a director of the Company since 1st January, 2014.

Save as disclosed above, 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 year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2014, 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	57.97%
Schroders Plc	Investment manager	37,787,500	5.98%

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 31st December, 2014.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31st December, 2014 until the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EMOLUMENT POLICY

The Remuneration Committee reviews the Group's emolument policy and structure for remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme in 2012. Details of the scheme are set out in note 24 to the consolidated financial statements.

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 of Hong Kong Limited (the "Listing Rules") throughout the year.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 8 to 18.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company received, from each of the independent non-executive directors, Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee assessed the independence of the independent non-executive directors and affirmed that all independent non-executive directors remained independent.

CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$33,000.

AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 20th March, 2015

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 75, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th March, 2015

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	6	**2,403,429**	2,221,203
Other income	8	**67,860**	38,510
Increase in fair value of investment properties	14	**18,000**	30,000
Changes in inventories of finished goods and work in progress		**3,974**	25,543
Raw materials and consumables used		**(1,046,169)**	(967,557)
Employee benefits expenses		**(579,906)**	(513,410)
Depreciation of property, plant and equipment		**(191,693)**	(191,865)
Other expenses		**(500,276)**	(446,348)
Interest on bank borrowings wholly repayable within five years		**(3,666)**	(4,505)
Profit before taxation		**171,553**	191,571
Income tax expense	10	**(31,994)**	(44,688)
Profit for the year	11	**139,559**	146,883
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustment of translation reserve upon deregistration of a subsidiary		**(31,190)**	—
Exchange difference arising on translation of foreign operations		**(76,294)**	70,677
Other comprehensive (expense) income for the year		**(107,484)**	70,677
Total comprehensive income for the year		**32,075**	217,560
Profit for the year attributable to:			
Owners of the Company		**137,837**	145,197
Non-controlling interests		**1,722**	1,686
		139,559	146,883
Total comprehensive income for the year attributable to:			
Owners of the Company		**31,113**	216,231
Non-controlling interests		**962**	1,329
		32,075	217,560
		HK cents	HK cents
Earnings per share	13		
— Basic		**21.82**	22.99
— Diluted		**21.82**	22.98

Consolidated Statement of Financial Position

At 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**169,500**	151,500
Property, plant and equipment	15	**1,163,881**	1,137,129
Prepaid lease payments — non-current portion	16	**95,806**	100,608
Deposits paid for acquisition of property, plant and equipment		**96,281**	79,163
Deferred tax assets	17	**24,464**	—
		1,549,932	1,468,400
Current assets			
Inventories	18	**569,042**	528,927
Trade, bills and other receivables	19	**502,340**	472,628
Prepaid lease payments — current portion	16	**2,332**	2,391
Bank balances and cash	20	**383,774**	737,441
		1,457,488	1,741,387
Current liabilities			
Trade, bills and other payables	21	**396,690**	401,069
Taxation payable		**7,774**	4,676
Dividend payable		**136**	124
Unsecured bank borrowings — due within one year	22	**92,370**	193,809
		496,970	599,678
Net current assets		**960,518**	1,141,709
Total assets less current liabilities		**2,510,450**	2,610,109
Non-current liabilities			
Deferred tax liabilities	17	**41,180**	38,480
Other payables	21	**85,861**	81,326
		127,041	119,806
Net assets		**2,383,409**	2,490,303

Consolidated Statement of Financial Position

At 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Share capital	23	**63,168**	63,168
Reserves		**2,306,792**	2,414,648
Equity attributable to owners of the Company		**2,369,960**	2,477,816
Non-controlling interests		**13,449**	12,487
Total equity		**2,383,409**	2,490,303

The consolidated financial statements on pages 30 to 75 were approved and authorised for issue by the Board of Directors on 20th March, 2015 and are signed on its behalf by:

Siu Tit Lung
DIRECTOR

Siu Yuk Lung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 (note)	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January, 2013	63,163	156,083	266,967	485,324	5,411	1,436,126	2,413,074	11,158	2,424,232
Profit for the year	–	–	–	–	–	145,197	145,197	1,686	146,883
Other comprehensive income for the year									
Exchange difference arising on translation of foreign operations	–	–	–	71,034	–	–	71,034	(357)	70,677
	–	–	–	71,034	–	–	71,034	(357)	70,677
Total comprehensive income for the year	–	–	–	71,034	–	145,197	216,231	1,329	217,560
Transfer on lapse of share options	–	–	–	–	(577)	577	–	–	–
Share issued on exercise of share options	5	130	–	–	(21)	–	114	–	114
Final dividend for the year ended 31st December, 2012 (note 12)	–	–	–	–	–	(75,801)	(75,801)	–	(75,801)
Interim dividend for the year ended 31st December, 2013 (note 12)	–	–	–	–	–	(37,901)	(37,901)	–	(37,901)
Interim special dividend for the year ended 31st December, 2013 (note 12)	–	–	–	–	–	(37,901)	(37,901)	–	(37,901)
Transfer	–	–	(105)	–	–	105	–	–	–
At 31st December, 2013	63,168	156,213	266,862	556,358	4,813	1,430,402	2,477,816	12,487	2,490,303
Profit for the year	–	–	–	–	–	137,837	137,837	1,722	139,559
Other comprehensive expense for the year									
Reclassification adjustment of translation reserve upon deregistration of a subsidiary	–	–	–	(31,190)	–	–	(31,190)	–	(31,190)
Exchange difference arising on translation of foreign operations	–	–	–	(75,534)	–	–	(75,534)	(760)	(76,294)
	–	–	–	(106,724)	–	–	(106,724)	(760)	(107,484)
Total comprehensive (expense) income for the year	–	–	–	(106,724)	–	137,837	31,113	962	32,075
Transfer on lapse of share options	–	–	–	–	(4,813)	4,813	–	–	–
Final dividend for the year ended 31st December, 2013 (note 12)	–	–	–	–	–	(50,534)	(50,534)	–	(50,534)
Final special dividend for the year ended 31st December, 2013 (note 12)	–	–	–	–	–	(50,534)	(50,534)	–	(50,534)
Interim dividend for the year ended 31st December, 2014 (note 12)	–	–	–	–	–	(37,901)	(37,901)	–	(37,901)
Transfer	–	–	11,267	–	–	(11,267)	–	–	–
At 31st December, 2014	63,168	156,213	278,129	449,634	–	1,422,816	2,369,960	13,449	2,383,409

Note: 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.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**171,553**	191,571
Adjustments for:		
Allowance for (reversal of allowance for) inventories	**6,263**	(4,843)
Depreciation of property, plant and equipment	**191,693**	191,865
Interest on bank borrowings wholly repayable within five years	**3,666**	4,505
Exchange gain on deregistration of a subsidiary	**(31,190)**	—
Increase in fair value of investment properties	**(18,000)**	(30,000)
Interest income	**(16,038)**	(23,661)
Gain on disposal of property, plant and equipment	**(7,216)**	(5,922)
Release of prepaid lease payments	**2,359**	2,353
Impairment loss recognised (recovered) in respect of trade receivables	**2,984**	(629)
Operating cash flows before movements in working capital	**306,074**	325,239
Increase in inventories	**(62,189)**	(105,685)
(Increase) decrease in trade, bills and other receivables	**(48,049)**	13,436
Increase in trade, bills and other payables	**11,347**	74,486
Cash generated from operations	**207,183**	307,476
Income taxes paid	**(49,680)**	(58,116)
NET CASH FROM OPERATING ACTIVITIES	**157,503**	249,360
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(263,219)**	(212,949)
Interest received	**16,038**	23,661
Proceeds on disposal of property, plant and equipment	**9,716**	10,098
Deposit received in respect of disposal of a land lease	**—**	6,395
NET CASH USED IN INVESTING ACTIVITIES	**(237,465)**	(172,795)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(178,122)**	(182,270)
Dividends paid	**(138,957)**	(151,582)
Interest paid	**(3,666)**	(4,505)
New bank borrowings raised	**80,000**	162,000
Proceeds from new shares issued	**—**	114
NET CASH USED IN FINANCING ACTIVITIES	**(240,745)**	(176,243)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(320,707)**	(99,678)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**737,441**	805,044
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(32,960)**	32,075
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**383,774**	737,441

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are primarily listed on The Stock Exchange of Hong Kong Limited and secondarily listed on the Singapore Exchange Securities Trading Limited. The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacturing and marketing of mould bases and related products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") during the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[5]

1 Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

2 Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

6 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than freehold land and construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is stated at cost less accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or administrative purposes. Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses *(continued)*

amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as approximate).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants 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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/ the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables (continued)

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivables' original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance amount. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or to the extent that the carrying amount of the loan and receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade, bills and other payables and unsecured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade and bills receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amount of trade and bills receivables (net of allowance for doubtful debts of approximately HK$33,587,000) is approximately HK$445,157,000 (31st December, 2013: HK$422,295,000, net of allowance for doubtful debts of approximately HK$31,928,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Allowance for inventories

Management of the Group reviews its inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items primarily based on the latest invoice prices and current market conditions. The Group carries out an inventory review by making use of the aging analysis at the end of the reporting period and make allowance for obsolete items. As at 31st December, 2014, the carrying amount of inventories (net of allowance for inventories of approximately HK$87,422,000) is approximately HK$569,042,000 (31st December, 2013: HK$528,927,000, net of allowance for inventories of approximately HK$83,275,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings as disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the redemption of existing debt.

6. REVENUE

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 year, after allowances for returns and trade discounts.

7. SEGMENT INFORMATION

The Group only has one operating segment, based on information reported to the chief operating decision maker (the Company's board of 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.

7. SEGMENT INFORMATION *(continued)*

As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the consolidated financial statements as a whole.

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

Entity-wide disclosures

As at 31st December, 2014 and 2013, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the PRC.

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

	2014	2013
	HK$'000	HK$'000
The PRC (excluding Hong Kong)	**2,067,070**	1,888,765
Hong Kong	**5,377**	4,367
Others	**330,982**	328,071
	2,403,429	2,221,203

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 years ended 31st December, 2014 and 2013.

8. OTHER INCOME

	2014	2013
	HK$'000	HK$'000
Interest income	**16,038**	23,661
Rental income, net of direct outgoings of approximately HK$421,000 (2013: HK$387,000)	**3,665**	3,097
Sundry income	**3,553**	5,230
Net foreign exchange gain	**6,198**	—
Gain on disposal of property, plant and equipment	**7,216**	5,922
Exchange gain on deregistration of a subsidiary	**31,190**	—
Government grants	**—**	600
	67,860	38,510

9. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the eight (2013: nine) directors were as follows:

	Siu Tit Lung HK$'000	Siu Yuk Lung HK$'000	Mak Koon Chi HK$'000	Wai Lung Shing HK$'000	Ting Chung Ho HK$'000	Liu Wing Ting, Stephen HK$'000	Lee Tat Yee HK$'000	Lee Joo Hai HK$'000	Total HK$'000
2014									
Fees	–	–	–	–	–	336	336	336	1,008
Other emoluments									
Salaries and other benefits	6,480	6,480	1,944	1,944	1,975	–	–	–	18,823
Contributions to retirement benefit schemes	713	713	214	214	217	–	–	–	2,071
Bonus (note 1)	600	600	4,800	4,800	3,100	–	–	–	13,900
Total emoluments	7,793	7,793	6,958	6,958	5,292	336	336	336	35,802

	Siu Tit Lung HK$'000	Siu Yuk Lung HK$'000	Mak Koon Chi HK$'000	Wai Lung Shing HK$'000	Fung Wai Hing HK$'000	Ting Chung Ho HK$'000	Liu Wing Ting, Stephen HK$'000	Lee Tat Yee HK$'000	Lee Joo Hai HK$'000	Total HK$'000
					(note 2)					
2013										
Fees	–	–	–	–	–	–	396	384	342	1,122
Other emoluments										
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	1,934	–	–	–	20,342
Contributions to retirement benefit schemes	713	713	214	214	172	213	–	–	–	2,239
Bonus (note 1)	50	50	4,700	4,700	2,000	3,000	–	–	–	14,500
Total emoluments	7,243	7,243	6,858	6,858	3,732	5,147	396	384	342	38,203

Notes:

1. The bonus is determined based on performance of the Group and the current market environment.

2. Mr. Fung Wai Hing resigned as director of the Company during the year ended 31st December, 2013.

No directors waived any emoluments in the years ended 31st December, 2014 and 2013.

The five highest paid individuals in the Group in both years were all directors of the Company and details of their emoluments are presented above.

The emolument for the senior management members listed in section headed "Brief Details of Directors and Senior Management" of this annual report are all included in the table above.

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— current year	45	127
— under(over)provision in prior years	41	(40)
	86	87
Taxation in jurisdictions outside Hong Kong		
— current year	44,131	50,104
— under(over)provision in prior years	83	(2,683)
— transfer from deferred taxation	9,458	7,721
	53,672	55,142
Deferred taxation (note 17)		
— current year	(12,306)	(2,820)
— transfer to current income tax	(9,458)	(7,721)
	(21,764)	(10,541)
	31,994	44,688

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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%.

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

10. INCOME TAX EXPENSE *(continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before taxation	**171,553**	191,571
Tax at PRC income tax rate of 25% (2013: 25%) (note)	**42,888**	47,893
Tax effect of non-deductible expenses	**18,831**	7,661
Tax effect of non-taxable income	**(21,216)**	(12,233)
Utilisation of tax losses previously not recognised	**(2,324)**	(1,150)
Tax effect of unused tax losses not recognised	**16,745**	10,219
Under(over)provision in prior years	**124**	(2,723)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(26,483)**	(12,213)
Deferred tax charge arising on undistributed profits of PRC subsidiaries	**3,429**	7,234
Tax charge for the year	**31,994**	44,688

Note: The domestic tax rate applicable to the jurisdictions where the operations of the Group is substantially based is 25% for both years.

11. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration		
— current year	**4,140**	3,954
— overprovision in prior year	**—**	(35)
Gross foreign exchange loss	**4,354**	9,374
Gross foreign exchange gain	**(10,552)**	(7,505)
Operating lease rentals in respect of		
— rented premises	**14,237**	14,280
— plant and machinery	**79**	79
Depreciation of property, plant and equipment	**191,693**	191,865
Release of prepaid lease payments	**2,359**	2,353
Impairment loss recovered in respect of trade receivables, net	**2,984**	(629)
Allowance for (reversal of allowance for) inventories	**6,263**	(4,843)

12. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Dividends recognised as distribution during the year:		
2014 Interim — HK6 cents (2013: 2013 interim dividend of HK6 cents) per share	**37,901**	37,901
2014 Interim special — Nil (2013: 2013 interim special dividend of HK6 cents) per share	**—**	37,901
2013 Final — HK8 cents (2013: 2012 final dividend of HK12 cents) per share	**50,534**	75,801
2013 Final special — HK8 cents (2013: Nil) per share	**50,534**	—
	138,969	151,603

The board of directors have determined that a final dividend of HK7 cents (2013: final dividend of HK8 cents and final special dividend of HK8 cents) per share amounting to approximately HK$44,217,000 (2013: final dividend of HK$50,534,000 and final special dividend of HK$50,534,000) should be paid to the shareholders of the Company whose names appear in the register of members on 20th May, 2015.

13. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**137,837**	145,197

Number of shares:

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	**631,677,303**	631,675,933
Effect of dilutive potential ordinary shares on the exercise of share options	**—**	108,052
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**631,677,303**	631,783,985

13. EARNINGS PER SHARE *(continued)*

The computation of diluted earnings per share for the current year does not assume the exercise of the Company's outstanding share options because the exercise price of these options was higher than the average market price for the shares for the year.

No outstanding share options was granted as at 31st December, 2014.

14. INVESTMENT PROPERTIES

	Completed investment properties HK$'000
FAIR VALUE	
At 1st January, 2013	121,500
Unrealised gain on property revaluation included in profit or loss	30,000
At 31st December, 2013	151,500
Unrealised gain on property revaluation included in profit or loss	18,000
At 31st December, 2014	169,500

All of the Group's property interests held under medium-term operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are held under medium-term leases in Hong Kong and are held for rental income under operating leases.

The fair value of the Group's investment properties at 31st December, 2014 and 31st December, 2013 has been arrived at on the basis of a valuation carried out on the respective dates 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 prices 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. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the price per square feet, which ranged from HK$5,575 to HK$12,041. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment properties, and vice versa.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Furniture, fixtures and fittings	Plant and machinery	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1st January, 2013	21,317	500,486	156,048	2,007,297	39,837	313,320	3,038,305
Currency realignment	–	14,066	2,233	38,725	603	8,900	64,527
Additions	–	1,388	3,533	83,751	4,590	42,644	135,906
Disposals	–	–	(5,949)	(33,785)	(11,634)	–	(51,368)
Transfer	–	189,924	537	1,972	–	(192,433)	–
At 31st December, 2013	21,317	705,864	156,402	2,097,960	33,396	172,431	3,187,370
Currency realignment	–	(17,200)	(4,628)	(56,062)	(875)	(4,234)	(82,999)
Additions	–	1,148	6,599	196,704	5,943	35,707	246,101
Disposals	–	–	(2,024)	(34,420)	(10,184)	–	(46,628)
Reclassification	–	165,069	62	24,531	16	(189,678)	–
At 31st December, 2014	21,317	854,881	156,411	2,228,713	28,296	14,226	3,303,844
ACCUMULATED DEPRECIATION							
At 1st January, 2013	–	161,479	136,660	1,536,837	26,820	–	1,861,796
Currency realignment	–	4,950	2,010	36,467	345	–	43,772
Provided for the year	–	30,255	7,932	147,818	5,860	–	191,865
Eliminated on disposals	–	–	(5,691)	(33,785)	(7,716)	–	(47,192)
At 31st December, 2013	–	196,684	140,911	1,687,337	25,309	–	2,050,241
Currency realignment	–	(5,127)	(4,277)	(47,635)	(804)	–	(57,843)
Provided for the year	–	36,740	4,872	144,596	5,485	–	191,693
Eliminated on disposals	–	–	(1,945)	(33,665)	(8,518)	–	(44,128)
At 31st December, 2014	–	228,297	139,561	1,750,633	21,472	–	2,139,963
CARRYING AMOUNTS							
At 31st December, 2014	21,317	626,584	16,850	478,080	6,824	14,226	1,163,881
At 31st December, 2013	21,317	509,180	15,491	410,623	8,087	172,431	1,137,129

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, except for freehold land and construction in progress, are depreciated, taking into account their residual value, on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of 20 years or the term of the relevant land use right
Furniture, fixtures and fittings	15%
Plant and machinery	20%
Motor vehicles	30%

Freehold land is not depreciated and construction in progress is also not depreciated until completion of construction and the properties are ready for their intended use.

The carrying value of land and buildings above comprises properties located on:

	2014 HK$'000	2013 HK$'000
Freehold land outside Hong Kong	**21,317**	21,317
Building on land under medium-term land use rights outside Hong Kong	**626,584**	509,180
	647,901	530,497

The construction in progress are buildings under construction and machinery of HK$14,226,000 (2013: HK$172,431,000) situated outside Hong Kong and are erected on land under medium-term land use rights.

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land located in the PRC held under medium-term land use rights.

	2014 HK$'000	2013 HK$'000
Analysed for reporting purposes as:		
Non-current asset	**95,806**	100,608
Current asset	**2,332**	2,391
	98,138	102,999

16. PREPAID LEASE PAYMENTS *(continued)*

On 6th July, 2013, 上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd., an indirect wholly-owned subsidiary of the Company, had entered into an agreement with an independent third party in relation to the disposal of the land use right of the land situated at No. 68 Min Yi Road, Songjiang District, Shanghai, the PRC, and all premises erected on the land and complementary facilities at an aggregate consideration of RMB109,000,000 (equivalent to approximately HK$137,792,000). On 18th October, 2013, the transaction was terminated as the purchaser failed to fulfil the payment terms of the agreement and the deposit received of RMB5,000,000 (equivalent to approximately HK$6,238,000) is recognised as other payable as at 31st December 2013 and 2014. The case remains unsettled as at 31st December, 2014.

17. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**(24,464)**	—
Deferred tax liabilities	**41,180**	38,480
	16,716	38,480

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

	Accelerated tax depreciation HK$'000	**Withholding tax** HK$'000	**Tax loss** HK$'000	**Total** HK$'000
At 1st January, 2013	1,857	47,164	—	49,021
(Credit) charge for the year	(765)	7,234	(9,289)	(2,820)
Transfer to current income tax	—	(7,721)	—	(7,721)
At 31st December, 2013	1,092	46,677	(9,289)	38,480
(Credit) charge for the year	(560)	3,429	(15,175)	(12,306)
Transfer to current income tax	—	(9,458)	—	(9,458)
At 31st December, 2014	532	40,648	(24,464)	16,716

17. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$140,301,000 (2013: HK$79,906,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$97,856,000 (2013: HK$37,155,000) of such losses. The remaining tax losses of approximately HK$42,445,000 (2013: HK$42,751,000) are not recognised due to the unpredictability of future profit streams. Except for unused tax losses of approximately HK$121,358,000 will expire from 2018 to 2021, other unused tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, starting from 1st January, 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned by the companies established in the PRC from the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Deferred tax has been provided for in respect of the temporary differences attributable to such profits for the year amounting to approximately HK$68,594,000 (2013: HK$144,671,000). The Group has applied the preferential rate of 5% on such profits as all the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

18. INVENTORIES

	2014 **HK$'000**	2013 HK$'000
Raw materials	**501,983**	465,842
Work in progress	**45,138**	50,474
Finished goods	**21,921**	12,611
	569,042	528,927

The cost of inventories recognised as an expense by the Group during the year amounted to approximately HK$1,949,610,000 (2013: HK$1,733,075,000).

19. TRADE, BILLS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**446,005**	426,979
Bills receivables	**32,739**	27,244
Less: allowance for doubtful debts	**(33,587)**	(31,928)
	445,157	422,295
Other receivables, deposits and prepayments	**57,183**	50,333
Total trade, bills and other receivables	**502,340**	472,628

In general, the Group allows a credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period.

	2014 HK$'000	2013 HK$'000
0 to 60 days	**334,424**	318,723
61 to 90 days	**83,829**	87,222
Over 90 days	**26,904**	16,350
	445,157	422,295

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Aged analysis of trade receivables which are past due but not impaired

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$20,710,000 (2013: HK$13,165,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the whole amount has been subsequently settled after the end of the reporting period. The Group does not hold any collateral over these balances.

	2014 HK$'000	2013 HK$'000
91 to 180 days	**20,710**	13,165

Other than the above trade receivables which are past due but not impaired, the Group has provided fully for all trade receivables over the credit period granted.

19. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

Movements in the allowance for doubtful debts

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**31,928**	32,634
Currency realignment	**(678)**	674
Impairment losses reversed	**(201)**	(484)
Amounts recognised (recovered) during the year	**3,185**	(145)
Amounts written off as uncollectible	**(647)**	(751)
Balance at the end of the year	**33,587**	31,928

At the end of reporting period, the allowance for doubtful debts are individually impaired trade receivables, which are considered irrecoverable by the management after consideration of the credit quality of those individual customers and the aging of these receivables. The Group does not hold any collateral over these balances.

20. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest-bearing at prevailing market saving rates and are with maturity of three months or less. The bank deposits carry interest at market rates ranged from 1.3% to 4.9% (2013: 0.5% to 5.3%) per annum for the year ended 31st December, 2014.

21. TRADE, BILLS AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	**124,843**	145,130
Bills payables	**30,917**	30,013
Advance receipt from customers	**44,428**	29,112
Deposit received in respect of disposal of a land lease	**6,238**	6,395
VAT payables	**—**	5,408
Provision of employee economic compensation	**129,831**	122,975
Payables for salaries and bonuses	**62,940**	62,872
Other payables	**83,354**	80,490
Total amount	**482,551**	482,395
Less: Amount due within one year shown under current liabilities	**(396,690)**	(401,069)
Amount due after one year	**85,861**	81,326

21. TRADE, BILLS AND OTHER PAYABLES *(continued)*

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	2014 HK$'000	2013 HK$'000
0 to 60 days	**117,443**	125,513
61 to 90 days	**21,165**	20,960
Over 90 days	**17,152**	28,670
	155,760	175,143

22. UNSECURED BANK BORROWINGS

The amounts represent floating rate bank loans repayable on demand.

The bank loans carry interest at the Hong Kong Interbank Offered Rate plus a fixed margin or Cost of Funds Index of the relevant bank plus a fixed margin. The effective borrowing rates of the Group ranged from 1.33% to 3.72% (2013: 1.05% to 3.75%) per annum.

23. SHARE CAPITAL

	Authorised		**Issued and fully paid**	
	Number of shares	HK$'000	**Number of shares**	HK$'000
Ordinary shares of HK$0.1 each:				
At 1st January, 2013	1,000,000,000	100,000	631,627,303	63,163
Shares issued on exercise of share options	—	—	50,000	5
At 31st December, 2013 and 2014	1,000,000,000	100,000	631,677,303	63,168

The new shares rank pari passu with existing shares in all respects.

24. SHARE OPTION SCHEME

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") and the termination of the share option scheme of the Company which was adopted by the shareholders of the Company on 9th September, 2002 (the "2002 Scheme"). Thereafter, no option will be granted under the 2002 Scheme but the subsisting options granted prior to the termination of the 2002 Scheme will continue to be valid and exercisable in accordance with the terms of the 2002 Scheme.

Under the 2012 Scheme, the board of directors of the Company or a duly authorised committee (the "Board") may grant options to (i) any executive or non-executive directors of the Group (or any persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; (iii) any consultants and professional advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company, as absolutely determined by the Board (the "Participants"), to subscribe for shares in the Company. The 2012 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants 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.

The total number of shares in respect of which options may be granted under the 2012 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2012 Scheme, unless prior approval from the Company's shareholders is obtained. Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within a period of 28 days from the date of grant, upon payment of HK$1 per grant. An exercise period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Participant who accepts the option offer as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the share option ("Exercise Period"). Options may be exercised in accordance with the terms of the 2012 Scheme at any time during the Exercise Period after the option has been granted. The exercise price is determined by the Board, and shall be at least the highest of the nominal value of the Company's share, the closing price of the Company's shares on the date of grant and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

As 31st December, 2014, no option was granted under the 2012 Scheme.

24. SHARE OPTION SCHEME *(continued)*

The following table discloses details of the Company's share options held by the Participants and movements in such holdings during the years ended 31st December, 2014 and 2013:

Exercise price	Date of grant	Exercisable period	Outstanding at 1.1.2013	Exercised during the year ended 31.12.2013	Lapsed during the year ended 31.12.2013	Outstanding at 31.12.2013 and 1.1.2014	Lapsed during the year ended 31.12.2014	Outstanding at 31.12.2014
HK$								
2.27	14.1.2009	14.1.2010–13.1.2013	424,000	(50,000)	(374,000)	–	–	–
4.10	9.7.2010	9.7.2011–8.7.2014	5,896,000	–	(448,000)	5,448,000	(5,448,000)	–
Total			6,320,000	(50,000)	(822,000)	5,448,000	(5,448,000)	–
Exercisable at the end of the year						5,448,000		–

Details of the share options held by the directors included in the above table are as follows:

Exercise price	Outstanding at 1.1.2013	Lapsed during the year ended 31.12.2013	Outstanding at 31.12.2013	Reclassification (Note)	Outstanding at 1.1.2014	Lapsed during the year ended 31.12.2014	Outstanding at 31.12.2014
HK$							
2.27	300,000	(300,000)	–	–	–	–	–
4.10	2,750,000	–	2,750,000	(500,000)	2,250,000	(2,250,000)	–
Total	3,050,000	(300,000)	2,750,000	(500,000)	2,250,000	(2,250,000)	–
Exercisable at the end of the year			2,750,000				–

Note: Reclassification was made as Mr. Fung Wai Hing ceased to be director of the Company since 1st January, 2014.

25. FINANCIAL INSTRUMENTS

25a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**855,798**	1,172,772
Financial liabilities		
Amortised cost	**248,130**	368,952

25. FINANCIAL INSTRUMENTS *(continued)*

25b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, bank balances and cash, trade, bills and other payables and unsecured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Interest rate risk

The Group's bank balances carry interest at variable rates and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The directors of the Company consider the Group's exposure is not significant as those interest-bearing bank balances are within a short maturity period.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 22 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy in relation to interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and Cost of Funds Index arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for variable-rate bank deposits and bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank deposits and bank borrowings respectively.

Based on the sensitivity analysis, the directors of the Company consider that the impact on profit or loss from changes in interest rates for both years is insignificant.

25. FINANCIAL INSTRUMENTS *(continued)*

25b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(b) Currency risk

The Group's principal subsidiaries are operating in the PRC, Japan, Malaysia, Singapore and Taiwan. The transactions are denominated and settled in its respective functional currency. The management will consider using foreign exchange forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are considered as significant by the management, at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
RMB	**—**	—	**24,910**	24,855
USD	**25,045**	22,033	**22,359**	17,511
EUR	**—**	—	**4,368**	32,992
JPY	**13,026**	22,163	**43**	1,340

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year where the functional currency of the relevant group entity strengthen 5% (2013: 5%) against the relevant foreign currency. For a 5% (2013: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on post-tax profit for the year.

	RMB Impact (i)		**EUR Impact (i)**		**JPY Impact (i)**	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Post-tax profit for the year	**(1,186)**	(1,184)	**(208)**	(1,571)	**618**	992

(i) This is mainly attributable to the exposure outstanding on receivables, payables, bank borrowings and bank balances in the respective foreign currency at year end.

25. FINANCIAL INSTRUMENTS *(continued)*

25b. Financial risk management objectives and policies *(continued)*

Credit risk

As at 31st December, 2014, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group, is the failure to recover the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debts on a collective basis at the end of the reporting period to ensure that adequate impairment losses are made for doubtful amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivatives financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

25. FINANCIAL INSTRUMENTS *(continued)*

25b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables

	Weighted average effective interest rate %	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2014						
Non-derivative financial liabilities						
Trade, bills and other payables	**N/A**	**55,363**	**69,900**	**30,497**	**155,760**	**155,760**
Variable-rate bank borrowings	**1.59**	**92,370**	**–**	**–**	**92,370**	**92,370**
		147,733	**69,900**	**30,497**	**248,130**	**248,130**

	Weighted average effective interest rate %	Less than 1 month or on demand HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2013						
Non-derivative financial liabilities						
Trade, bills and other payables	N/A	81,620	67,737	25,786	175,143	175,143
Variable-rate bank borrowings	1.59	193,809	–	–	193,809	193,809
		275,429	67,737	25,786	368,952	368,952

25. FINANCIAL INSTRUMENTS *(continued)*

25b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity and interest risk tables (continued)

Bank loans with a repayment on demand clause are included in the "Less than 1 month or on demand" time band in the above maturity analysis. As at 31st December, 2014 and 31st December, 2013, the aggregate undiscounted principal amounts of these bank loans amounted to HK$92,370,000 and HK$193,809,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$92,405,000 (2013: HK$193,853,000).

The amounts included above for variable-rate bank borrowings of which the undiscounted cash flows are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

25c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their respective fair values at the end of the reporting period.

26. CAPITAL COMMITMENTS

	2014 **HK$'000**	2013 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**43,870**	97,776

27. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**9,856**	12,137
In the second to fifth year inclusive	**10,021**	13,168
Over five years	**543**	1,391
	20,420	26,696

Operating lease payments represent rental payables by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two to six years.

The Group as lessor

Property rental income earned during the year was approximately HK$4,086,000 (2013: HK$3,484,000).

At the end of the reporting period, the Group had minimum lease receipts, which represent rentals receivable by the Group for its investment properties, under non-cancellable operating leases which fall due as follows:

	2014 **HK$'000**	2013 HK$'000
Within one year	**4,588**	2,900
In the second to fifth year inclusive	**2,055**	2,195
	6,643	5,095

The investment properties held have committed tenants for an average term of two (2013: two) years.

28. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,250 per month (HK$1,500 per month effective from 1 June 2014) or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from the Group at 11% of the employee's basic salary, depending on the length of service with the Group.

The employees in the Group's subsidiaries in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. Those subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost charged to income approximately HK$11,275,000 (2013: HK$12,003,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2014 and 2013, no contribution due in respect of the reporting period had not been paid over to the schemes.

29. RELATED PARTY TRANSACTIONS

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note.

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

	2014 **HK$'000**	2013 HK$'000
Short-term benefits	**33,731**	35,964
Post-employment benefits	**2,071**	2,239
	35,802	38,203

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 31st December, 2014 is as follows:

	2014 **HK$'000**	2013 HK$'000
ASSETS		
Investment in a subsidiary	**55,856**	55,856
Amounts due from subsidiaries	**502,985**	835,553
Prepayments	**226**	226
Bank balances	**692**	487
	559,759	892,122
LIABILITIES		
Accrued charges	**1,179**	1,048
Amount due to a subsidiary	**—**	343,279
Dividend payable	**136**	124
	1,315	344,451
NET ASSETS	**558,444**	547,671
CAPITAL AND RESERVES		
Share capital	**63,168**	63,168
Reserves (note)	**495,276**	484,503
	558,444	547,671

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

	Share premium HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2013	156,083	5,411	473,989	635,483
Profit for the year	—	—	514	514
Transfer on lapse of share options	—	(577)	577	—
Share issued on exercise of share options	130	(21)	—	109
Final dividend for the year ended 31st December, 2012	—	—	(75,801)	(75,801)
Interim dividend for the year ended 31st December, 2013	—	—	(37,901)	(37,901)
Interim special dividend for the year ended 31st December, 2013	—	—	(37,901)	(37,901)
At 31st December, 2013	156,213	4,813	323,477	484,503
Profit for the year	—	—	149,742	149,742
Transfer on lapse of share options	—	(4,813)	4,813	—
Final dividend for the year ended 31st December, 2013	—	—	(50,534)	(50,534)
Final special dividend for the year end 31st December, 2013	—	—	(50,534)	(50,534)
Interim dividend for the year ended 31st December, 2014	—	—	(37,901)	(37,901)
At 31st December, 2014	156,213	—	339,063	495,276

31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Group's material subsidiaries as at 31st December, 2014 and 2013 which, in the opinion of the directors, principally affected the results or net assets of the Group are set out below. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ paid up capital	Proportion of nominal value of issued capital/ paid up capital indirectly held by the Company	Principal activities
			%	
河源龍記金屬製品有限公司 Heyuan Lung Kee Metal Products Co., Ltd.	The PRC (note a)	HK$550,870,000	100	Manufacturing and marketing of mould bases
杭州龍記金屬製品有限公司 Hangzhou Lung Kee Metal Products Co., Ltd.	The PRC (note a)	US$75,000,000	100	Manufacturing and marketing of mould bases
Lung Kee International Limited	Hong Kong	HK$2 ordinary shares HK$2,000,002 non-voting deferred shares (note b)	100	Investment holding
Lung Kee Metal Limited	Hong Kong	HK$2 ordinary shares HK$10,000,002 non-voting deferred shares (note b)	100	Manufacturing and marketing of mould bases
Lung Kee Metal Japan Company Limited	Japan	JPY300,000,000	100	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	100	Manufacturing and marketing of mould bases
Super Visions International Limited	British Virgin Islands	US$2	100	Holding and licensing of trademarks
台州龍記金屬製品有限公司 Taizhou Lung Kee Metal Products Co., Ltd.	The PRC (note a)	US$6,000,000	100	Manufacturing and marketing of mould bases
仕霸工業股份有限公司 Taiwan Supertech Industrial Company Limited	Republic of China (note c)	NT$36,880,000	70	Manufacturing and marketing of mould bases

31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

a. These companies are wholly-owned foreign enterprises established in the PRC.

b. The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

c. The entity contributes the Group's material non-controlling interest as at 31st December, 2014.

None of the subsidiaries had any debenture outstanding at the end of the year or at any time during the year.

Financial Summary

RESULTS

	Year ended 31st December,				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)			
REVENUE	2,611,583	2,532,460	2,401,503	2,221,203	**2,403,429**
PROFIT BEFORE TAXATION	457,593	386,274	252,014	191,571	**171,553**
INCOME TAX EXPENSE	(130,879)	(105,837)	(53,227)	(44,688)	**(31,994)**
PROFIT FOR THE YEAR	326,714	280,437	198,787	146,883	**139,559**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	323,051	277,628	196,529	145,197	**137,837**
NON-CONTROLLING INTERESTS	3,663	2,809	2,258	1,686	**1,722**
	326,714	280,437	198,787	146,883	**139,559**

ASSETS AND LIABILITIES

	At 31st December,				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)	(restated)			
TOTAL ASSETS	2,967,230	3,120,942	3,095,740	3,209,787	**3,007,420**
TOTAL LIABILITIES	(777,636)	(796,421)	(671,508)	(719,484)	**(624,011)**
NET ASSETS	2,189,594	2,324,521	2,424,232	2,490,303	**2,383,409**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	2,180,629	2,316,019	2,413,074	2,477,816	**2,369,960**
NON-CONTROLLING INTERESTS	8,965	8,502	11,158	12,487	**13,449**
TOTAL EQUITY	2,189,594	2,324,521	2,424,232	2,490,303	**2,383,409**

Properties held for Investment

Investment properties

Location	Type of properties	Attributable interest	Lease term
Workshop 6 on ground floor Kwong Sang Hong Centre Nos. 151–153 Hoi Bun Road Kowloon	Office premises	100%	Medium-term lease
Workshop No.2 on ground floor and the yard adjoining thereto Hung Tat Industrial Building No. 43 Hung To Road Kowloon	Factory	100%	Medium-term lease
Factory A, C on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Factory	100%	Medium-term lease
Car parking space No. L2 and L5 on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Carpark	100%	Medium-term lease

MILESTONE

Lung Kee Group is one of the world's largest mould base manufacturers and is the leader of the mould base industry in China. Its renowned brand LKM® is well-known to the customers from Asia, Australia, Europe and North America.

Lung Kee Group operates production facilities in China, Japan, Malaysia and Taiwan and occupies a total of about 550,000 sq.m. in area. About 5,700 employees are employed.

2015

- Began operation of B2B online customer platform.

2014

- Hangzhou Lung Kee Metal Products Co., Ltd. gained ISO 9001:2008 accreditation.
- Lung Kee Group was elected one of Top 500 China Machineries Companies for the consecutive years from 2005 to 2014.

2012

- Established a factory at Hangzhou city, Zhejiang Province, China (i.e. Hangzhou factory) and began trial production. Hangzhou factory was about 178,000 sq.m. in area. It consolidated all factories of Lung Kee Group in Eastern region of China and aimed to explore the customers in Eastern and Northern regions of China.

2011

- Relocated the high precision mould base production line from Guangzhou factory to a new plant in Heyuan factory. The new plant was named as "Lung Kee Precision".

2010

- Lung Kee Group was elected one of the Hong Kong Outstanding Enterprises by "Economic Digest".

2009

- Purchased more advanced machineries, including the high speed machining centres and the 5-axis machining centres for further improving the machining capabilities.

2008

- Co-operated with the European and the American sales agents to expand overseas market.
- Established a Technology Centre at Heyuan factory.

2007

- Lung Kee Group was elected the number one of Top 10 China Mould Companies for the consecutive years from 2005 to 2007.

2006

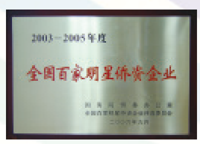
- Completed expansion of Heyuan factory and the total area was expanded to about 367,000 sq.m..

- Lung Kee Group was elected one of the Top 1000 Listed Companies in Greater China Region by "Businessweek".

2005

- Purchased land adjacent to Heyuan factory for further development.

- Lung Kee Group was elected one of the Top 100 Companies Founded By Overseas Chinese for the consecutive years from 2000 to 2005.



- Lung Kee Group was elected one of the Top 500 International Chinese Companies by "Asiaweek" for the consecutive years from 2004 to 2005.

2004

- Established a factory at Taizhou city, Zhejiang Province, China and began production.

2003

- Phase II of Shanghai factory began production.
- Established retail stores in Southern and Eastern regions of China.

- Lung Kee Group was elected one of the Top 1000 High Growth SME in Manufacturing Sector.

2002

- Began secondary listing of shares of Lung Kee (Bermuda) Holdings Limited (Singapore Stock Code: L09) on the Main Board of the Singapore Exchange Securities Trading Limited.
- Privatised the shares of Lung Kee (Metal) Holdings Limited and applied for delisting of Lung Kee (Metal) Holdings Limited from the Singapore Exchange Securities Trading Limited.
- Phase II of Heyuan factory began production.

MILESTONE

2001
- Acquired equity interests in Supertech Industrial Co., Ltd, a leading mould base manufacturer in Taiwan, to expand the market of Taiwan.

2000
- Heyuan Lung Kee Metal Products Co., Ltd. gained ISO 9001:2008 accreditation.

1999
- Established a factory at Heyuan city, Guangdong Province, China (i.e. Phase I of Heyuan factory) and began production of mould bases for strengthening the production capacity of Lung Kee Group.

1997
- Shares of Lung Kee Metal Holdings Limited, a subsidiary of Lung Kee (Bermuda) Holdings Limited, were listed on the Main Board of the Singapore Exchange Securities Trading Limited.
- Established a factory at Songjiang District, Shanghai, China (i.e. Phase I of Shanghai factory) and began production of mould bases for customers in Eastern region of China.

1996
- Established a factory at Guangzhou city, Guangdong Province, China (i.e. Guangzhou factory) and began production of high precision mould bases for overseas customers.

1995
- Following the commencement of production of Phase III of Dongguan factory, Lung Kee Group became one of the largest mould base manufacturer in China.

1994
- Established a Mould Base Components Production Department.
- Gained ISO 9002 accreditation.
- Established a joint venture in Tokyo, Japan.

- Became a distributor of DAIDO, a quality tool steel brand of Japan.

1993
- Began listing of shares of Lung Kee (Bermuda) Holdings Limited (Hong Kong Stock Code: 255) on the Main Board of The Stock Exchange of Hong Kong Limited.

- Established a joint venture in Malaysia to develop the market in Malaysia.

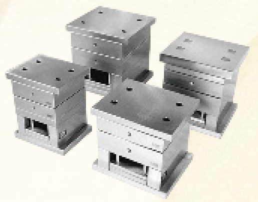
- Phase II of Dongguan factory began production.

1992
- Established a factory at Dongguan city, Guangdong Province, China (i.e. Phase I of Dongguan factory) and began production of standard mould bases. The factory was about 30,000 sq.m. in area and about 600 workers were employed.

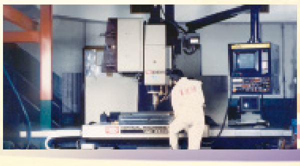
1991
- Began trial production of standard mould bases in mainland China.
- Established a subsidiary in Singapore to develop the market outside Hong Kong, China.

1989
- Introduced Computer-Aided Design and Manufacturing (CAD/CAM) software into mould base production to enhance product quality and production efficiency.

1988
- Began mass production of standard mould bases.



1987
- Introduced Computerised Numerical Control (CNC) machining centres into mould base production, the first in Southeast Asia.



1986
- Began production of mould bases in imperial standard.

- Became a distributor of ASSAB, a quality tool steel brand of Sweden.

1984
- Expanded the workshop to about 800 sq.m. in area and established a Mould Base Production Department to provide machining services to customers.

1977
- Established a 2nd workshop in Hong Kong, China. The workshop was about 150 sq.m. in area and 10 workers were employed.

1975
- Lung Kee Metal was founded in Hong Kong, China as a tool steel trader supplying mould steel to mould makers in Hong Kong, China. The workshop was only about 30 sq.m. in area.

近年，越來越多的塑膠原料需要模具具有更佳的冷卻速度，模具設計者於是乎把模具內冷卻水路的設計更趨複雜。中國河源及杭州廠均安裝了五軸深孔鑽，能更有效地提升模具水路設計的靈活性。

Recently, many plastic materials need better cooling speed in a mould, mould designers thus have to design more complicated cooling systems in a mould. Both China Heyuan and Hangzhou plants equipped with 5-axis deep hole drilling machines, which effectively enable more flexibility in coolant holes design of a mould.

用於醫療及食品包裝的模具要求極高精度。中國河源廠的精模車間—「龍記精密」，為滿足高精度模具製造商而設立，以滿足其對特殊模具材料的使用以至溫控車間控制精度的要求。

Moulds for medical and food packaging products require extreme high precision. “Lung Kee Precision”, the precision plant in China Heyuan plant, is established especially for the demands of high precision mould makers in fulfilling their requests on usage of special mould materials and precision control of a temperature-controlled workshop.

用於汽車內飾件之模具的特點是大尺寸及複雜形狀。中國杭州廠內的臥式加工中心配有第四軸，專門對應各項複雜加工工作。

The characteristics of mould for interior part of a car are large size and complicated shape. The horizontal machining centre in China Hangzhou plant equipped with the 4th-axis, is specially used for all complicated machining jobs.

金屬切削是模架生產的核心技術之一；集團購置六台全自動的高精度磨刀機，為開發更高效能的刀具提升金屬切削的效率。

Metal cutting is one of the core techniques for mould base production; the Group thus installed 6 sets of the automatic high precision tool and cutter grinders, for developing higher efficient tools to improve metal cutting efficiency.

為提升用於特大模架的原材料使用率，鋼材鍛件通常會被鋸切成粗形之後才加工。圖中的立式帶鋸可鋸切高達2.3米厚的鋼塊。

In order to maximize the utilization rate of raw materials for extra large size mould base, steel blocks are usually sawed and cut into rough shape and sizes before undergoing the rough machining. The vertical band saw shown in the picture can cut steel block up to 2.3 meter in thickness.

大型龍門加工中心，加上橫式機頭，可同時加工鍛件的五面，大大提升特大模板的加工精確度。

The Large Size Double Columns Machining Center equipped with a horizontal spindle head, can perform the machining to 5 sides of the block simultaneously, which highly increase the accuracy of machining for extra large size mould plates.

模具行業對材料的硬度均一性要求近年不斷提升，中國杭州廠增設了材料調質及消除應力電爐，為客戶提供更全面的熱處理服務。

Nowadays, mould industry continuously uplifts the homogeneous requirement of steel hardness, China Hangzhou plant installed electric furnaces to perform the hardening and stress release of steel in order to provide its customers the complete service of heat treatment.

鋼塊是模架生產的必須原材料；中國杭州廠為中大型模架客戶提供不同品質及價格的原材料選擇。

Steel blocks are the essential raw materials for mould base production; China Hangzhou plant provides choices of raw materials with different qualities and prices for the demands of customers for medium and large size mould bases.