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## **LUNG KEE (BERMUDA) HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 255)**

Website: <http://www.irasia.com/listco/hk/lkm>

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2015**

#### **FINANCIAL RESULTS**

The directors of Lung Kee (Bermuda) Holdings Limited (the “Company”) (the “Directors”) are pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2015 together with the comparative figures as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30th June, 2015*

		<b>Six months ended 30th June,</b>	
		<b>2015</b>	<b>2014</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>Notes</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>1,179,680</b>	1,146,741
Other income	4	<b>13,141</b>	47,013
Changes in inventories of finished goods and work in progress		<b>476</b>	9,282
Raw materials and consumables used		<b>(460,983)</b>	(512,986)
Employee benefits expenses		<b>(294,723)</b>	(273,910)
Depreciation of property, plant and equipment		<b>(113,774)</b>	(91,480)
Other expenses		<b>(231,627)</b>	(230,745)
Interest on bank borrowings wholly repayable within five years		<b>(969)</b>	(1,990)
Profit before taxation		<b>91,221</b>	91,925
Income tax expense	5	<b>(25,135)</b>	(27,120)

		<b>Six months ended 30th June,</b>	
		<b>2015</b>	2014
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Profit for the period	6	<b>66,086</b>	64,805
Other comprehensive income (expense):			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Reclassification adjustment of translation reserve upon deregistration of a subsidiary		—	(31,190)
Exchange difference arising on translation of foreign operations		<b>564</b>	(64,207)
		<hr/>	<hr/>
Other comprehensive income (expense) for the period		<b>564</b>	(95,397)
		<hr/>	<hr/>
Total comprehensive income (expense) for the period		<b>66,650</b>	(30,592)
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		<b>65,240</b>	63,858
Non-controlling interests		<b>846</b>	947
		<hr/>	<hr/>
		<b>66,086</b>	64,805
		<hr/>	<hr/>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		<b>65,458</b>	(31,569)
Non-controlling interests		<b>1,192</b>	977
		<hr/>	<hr/>
		<b>66,650</b>	(30,592)
		<hr/>	<hr/>
Basic earnings per share	8	<b><u>HK10.33cents</u></b>	<u>HK10.11cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30th June, 2015*

	<b>At 30th June, 2015</b> HK\$'000 <i>Notes</i> (unaudited)	At 31st December, 2014 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>		
Non-current assets		
Investment properties	169,500	169,500
Property, plant and equipment	1,155,308	1,163,881
Prepaid lease payments — non-current portion	94,719	95,806
Deposits paid for acquisition of property, plant and equipment	67,580	96,281
Deferred tax assets	31,405	24,464
	<b>1,518,512</b>	1,549,932
Current assets		
Inventories	559,864	569,042
Trade, bills and other receivables	9 543,095	502,340
Prepaid lease payments — current portion	2,334	2,332
Bank balances and cash	451,050	383,774
	<b>1,556,343</b>	1,457,488
Current liabilities		
Trade, bills and other payables	10 392,045	396,690
Taxation payable	10,899	7,774
Dividend payable	155	136
Unsecured bank borrowings — due within one year	128,261	92,370
	<b>531,360</b>	496,970
Net current assets	<b>1,024,983</b>	960,518
Total assets less current liabilities	<b>2,543,495</b>	2,510,450

	<b>At 30th June, 2015 HK\$'000 (unaudited)</b>	At 31st December, 2014 HK\$'000 (audited)
Non-current liabilities		
Deferred tax liabilities	45,237	41,180
Other payables	92,416	85,861
	<u>137,653</u>	<u>127,041</u>
Net assets	<u>2,405,842</u>	<u>2,383,409</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	63,168	63,168
Reserves	2,328,033	2,306,792
Equity attributable to owners of the Company	2,391,201	2,369,960
Non-controlling interests	14,641	13,449
Total equity	<u>2,405,842</u>	<u>2,383,409</u>

*Notes:*

## **1. BASIS OF PREPARATION**

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

## **2. PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 19  
Amendments to HKFRSs  
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions  
Annual Improvements to HKFRSs 2010 - 2012 Cycle  
Annual Improvements to HKFRSs 2011 - 2013 Cycle

The application of these amendments to HKFRSs and Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group has only one operating segment. The 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.

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

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

#### Entity-wide disclosures

As at 30th June, 2015 and 31st December, 2014, substantially all of the Group's non-current assets are located in the place of domicile of the relevant group entities, namely the People's Republic of China (the "PRC").

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

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
The PRC (excluding Hong Kong)	<b>1,029,313</b>	988,090
Hong Kong	<b>2,104</b>	2,547
Others	<b>148,263</b>	156,104
	<b><u>1,179,680</u></b>	<b><u>1,146,741</u></b>

The Group has a very wide customer base covering Europe, America and Asia. No single customer contributed more than 10% of the Group's revenue for each of the six months ended 30th June, 2015 and 2014.

#### 4. OTHER INCOME

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest income	<b>6,285</b>	9,113
Rental income, net of direct outgoings of approximately HK\$232,000 (2014: HK\$211,000)	<b>2,417</b>	1,436
Gain on disposal of property, plant and equipment	<b>2,036</b>	2,571
Exchange gain on deregistration of a subsidiary	<b>—</b>	31,190
Net foreign exchange gain	<b>1,146</b>	669
Sundry income	<b>1,257</b>	2,034
	<b>13,141</b>	47,013

#### 5. INCOME TAX EXPENSE

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
The charge (credit) comprises:		
Taxation in Hong Kong	<b>401</b>	47
Taxation in jurisdictions outside Hong Kong	<b>27,618</b>	33,000
Deferred taxation	<b>(2,884)</b>	(5,927)
	<b>25,135</b>	27,120

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

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.

## 6. PROFIT FOR THE PERIOD

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

	<b>Six months ended 30th June,</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Cost of inventories recognised as an expense	<b>920,181</b>	917,865
Gross foreign exchange loss	<b>756</b>	3,376
Gross foreign exchange gain	<b>(1,902)</b>	(4,045)
Release of prepaid lease payments	<b>1,164</b>	1,183

## 7. DIVIDENDS

Interim dividend for the current period:

On 21st August, 2015, the Directors determined that an interim dividend of HK7 cents (2014: interim dividend of HK6 cents) per share amounting to approximately HK\$44,217,000 (2014: interim dividend of HK\$37,901,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 9th September, 2015.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK7 cents (2014: final dividend of HK8 cents and final special dividend of HK8 cents) per share amounting to approximately HK\$44,217,000 (2014: final dividend of HK\$50,534,000 and final special dividend of HK\$50,534,000) in aggregate was declared and paid to the shareholders in respect of the year ended 31st December, 2014.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months period ended 30th June, 2015 is based on the profit attributable to the owners of the Company of approximately HK\$65,240,000 (six months ended 30th June, 2014: HK\$63,858,000) and on 631,677,303 (2014: 631,677,303) ordinary shares in issue throughout both periods.

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

## 9. TRADE, BILLS AND OTHER RECEIVABLES

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

Included in trade, bills and other receivables are trade receivables (net of allowance for doubtful debts) of approximately HK\$438,968,000 (31st December, 2014: HK\$412,418,000) and bills receivables of approximately HK\$45,909,000 (31st December, 2014: HK\$32,739,000).

The following is an analysis of trade and bills receivables (net of allowance for doubtful debts) by age, presented based on the invoice date.

	<b>At 30th June, 2015 HK\$'000 (unaudited)</b>	<b>At 31st December, 2014 HK\$'000 (audited)</b>
0 to 60 days	<b>334,106</b>	334,424
61 to 90 days	<b>103,158</b>	83,829
Over 90 days	<b>47,613</b>	26,904
	<b><u>484,877</u></b>	<b><u>445,157</u></b>

## 10. TRADE , BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of approximately HK\$144,830,000 (31st December, 2014: HK\$124,843,000) and bills payables of approximately HK\$14,297,000 (31st December, 2014: HK\$30,917,000).

The following is an analysis of trade and bills payables by age, presented based on the invoice date.

	<b>At 30th June, 2015 HK\$'000 (unaudited)</b>	<b>At 31st December, 2014 HK\$'000 (audited)</b>
0 to 60 days	<b>112,792</b>	117,443
61 to 90 days	<b>30,284</b>	21,165
Over 90 days	<b>16,051</b>	17,152
	<b><u>159,127</u></b>	<b><u>155,760</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2015 was approximately HK\$1,180 million (2014: approximately HK\$1,147 million). Profit attributable to owners of the Company for the six months ended 30th June, 2015 was approximately HK\$65 million (2014: approximately HK\$64 million). Basic earnings per share for the six months ended 30th June, 2015 was HK10.33 cents (2014: HK10.11 cents).

During the period under review, the global economic development gradually tended to be stable, yet without a notable sign of economic recovery. The market performance of the United States progressed in a positive direction. Moreover, a favorable turn emerged for solving the Greece debt crisis as all parties concerned were trying to find a suitable resolution. This temporarily lessened the negative impact posed on the Euro zone countries. Nevertheless, the aggregate economic growth of the European countries remained sluggish. Since the global economic performance showed no further improvement, the growth pace of both export and domestic business of China was impeded. As a result, the development of mould industry was unavoidably affected. In spite of the business environment operated under unfavorable conditions, the Group continued to put great effort to uplift its production effectiveness as well as monitor its cost and expenditure. In addition, benefited from the decrease of material cost and the improved operation of the plant in Hangzhou city, Zhejiang Province, China, the Group's performance and profit recorded a slight increase when compared with that of the same period in 2014. If excluding the exchange gain contributed last year by the deregistration of the subsidiary located in Guangzhou, Guangdong Province, China, the Group reported a remarkable improvement in its profit gain.

Hindered by the uncertain market situation in the United States, European and other overseas countries, the growth pace of export business of China was slow down. Following the tightening of bank credit implemented in China, the domestic consumption market also tended to be quiet down. Consequently, the aggregate mould orders reduced, a severe competition triggered within the mould industry. The business performance of some of the Group's customers was barely satisfactory. Owing to inadequate technical labor and the initiative to save production and labor cost, some of the Group's customers changed to order high precision mould products with in-depth machining content from the Group. This increased the revenue of the Group and helped to lift up its profit margin.

During the period under review, the Heyuan factory in Guangdong Province, China, continued to enhance its plant's operation and equipment. Through adopting automated production equipment to reduce manpower, restructuring and simplifying its production process to increase efficiency, the Group succeeded in continuous uplifting its productivity per capita and product quality. As a result, it fortified the production capability and know-how of the Group that in turn offered strong support to cater for the stringent requirements of the customers.

For the plant in Hangzhou city, Zhejiang Province, China, following both equipment and facilities required for production were in place, the recruitment and training of the technical labor progressed smoothly, its mould production capacity was gradually improved and developed on the right track. Though the balance of revenue and expenses of the plant had not yet been achieved, the expenditure burden of the Group was greatly alleviated. Through reinforcing communication and connection with customers located in the Eastern, Central and Northern regions of China, and improving its sales channel and transportation network, customers based in

target areas were further explored and their faith on the Group's product was strengthened. During the review period, the aggregate business operation of Hangzhou plant progressed smoothly and the negative effect imposed on the Group's profit lessened substantially.

Owing to the over-supply of the mould steel in China, the price of the middle to low end mould steel decreased significantly. For the imported steel, the price remained stable with comparatively minor fluctuation. The Group regulated its inventory suitably to keep track with the market change so as to suppress the material cost, bringing positive gain to the Group's business.

In conclusion, despite of unstable market environment, the Group still achieved a significant improvement in its results, as compared with the same period last year after excluding the exchange gain contributed last year by the deregistration of the subsidiary located in Guangzhou, Guangdong Province, China, its performance was satisfactory. During the period under review, the Group's aggregate productivity and turnover was enhanced. The operation costs including labor cost constantly increased, yet it was fluctuated within the controlled and managed range of the Group. In addition, the decline of material cost and the improved performance of the plant in Hangzhou city, Zhejiang Province, China, helped to greatly reduce the operation cost, thus alleviating the aggregate operation burden of the Group.

## **PROSPECTS**

The United States economy exhibits a promising sign. The Group expects its growth rate will be accelerated with the increase of interest rate, which brings hope to the global economic recovery. The quantitative easing monetary policy put forward by the Euro zone will also push up the economic growth of the European countries. Nevertheless, Euro zone economy will still be obsessed by the Greece debt crisis in case effective resolution cannot be implemented timely and completely to solve the debt issue. The revival speed of the Euro zone economy will be decelerated if the investors' faith cannot be regained thoroughly. On the other hand, the Chinese government has revised its Gross Domestic Product (GDP) growth rate downward to 7%, launched the monetary policy such as reduction of interest rate, lowered the bank reserve as well as implemented the fiscal policy in aiding particular industries, all these have positive effects on securing continual economic growth. Recently, the Chinese government has allowed the depreciation of Renminbi and adjusted the exchange rate market oriented mechanism, in the hope of boosting up its sluggish export business. The Group foresees the global economic development will experience sustained improvement in long term. Nevertheless, uncertain factors such as regional political instability, the occurrence of localized war, natural disaster and earthquake still exist, the business operating environment will still face constant fluctuations.

In light of the improved performance of the United States economy and the bi-directional floating of Renminbi, it is expected the export business of China to be pushed up. The Group anticipates the demand for mould product exported to the United States and European countries will be increased. The high precision mould base production workshop located in Heyuan factory, Guangdong Provinces, China, can substantially utilize both its production capacity and delicate machining skills in satisfying the high quality requirements demanded by the export oriented customers.

While seeking for stable economic growth, the Chinese government has put forward anti-corruption campaign, suitable monetary and fiscal policies, aiming at securing steady growth of the Gross Domestic Product (GDP). The aggregate business environment of China, after undergoing the adjustments and restructuring stage, will be more normalized and stabilized,

which will help all industries to step toward recovery. Following the increase of average wage and the uplift of quality of life of Chinese citizens, the demand for household electrical appliances and electronic products such as computer, tablet personal computer and mobile phone as well as the energy-saving and environmental friendly products, continues to be stimulated. On the other hand, the development of automobile industry experiences temporary fluctuation. However, owing to the sustained infrastructure construction plans devised to improve urban facilities all over China, there will be ample room for the development of automobile industry once the highway network system is further ameliorated. The Group foresees that the market of China will turnaround gradually and bring plenty business opportunities to the Group. The Group will strengthen its direct sales team by deploying various sales channels such as opening up more sales offices and adopting internet sales platform so as to actively explore new market for its mould steel trading and mould base manufacturing business, aiming at enlarging its market share in the mould industry.

In pursuing its long-term development goal, the Heyuan factory, Guangdong Province, China, will continue to streamline its management, restructure its production flow, add precision and automated equipments and provide production technical training to manpower. It aims at uplifting its production efficiency and capacity so as to reinforce its competitive edge in order to fortify its position as a strong and powerful production and technical supporting base of the Group.

Turning to the plant in Hangzhou city, Zhejiang Province, China, equipments and facilities for the plant are basically installed in place. The recruitment and training of technical labor has progressed satisfactorily, production skills will become more proficient and production capacity will gradually lift up. The Group strives to meliorate facilities, machineries, manpower and management of the plant in order to further enlarge its production capacity and reduce its production cost so as to achieve a balance of revenue and expenditure expeditiously. This plant will ultimately make positive contribution to the Group's turnover.

The Group expects that the price of local mould steel will move up from its lowest point and fluctuates within a narrow range. Due to the currency value in the export countries tends to be stable without much variation, the price of imported steel remains steady with only slight fluctuation. The Group will prudently regulate its inventory level in order to minimize its material cost. The Group also estimates that the labor cost will surge on yearly basis but with a decelerating rate. The Group endeavors to monitor its costs fluctuating within a manageable and controllable range.

Looking ahead, though the business operating environment is still under uncertainties and full of challenge, the Group strives to develop and streamline its core business in seeking for steady and healthy business growth.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th June, 2015, the Group had a net cash surplus of approximately HK\$323 million. The Group had cash balance of approximately HK\$451 million. The cash balance was placed in short term deposits with major banks in Hong Kong and the PRC.

Total debts of the Group were approximately HK\$128 million, equal to approximately 5% of equity attributable to owners of the Company of approximately HK\$2,391 million.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June, 2015, the Group employed a total of approximately 5,600 employees, including approximately 5,200 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 staff with reference to the individual's performance.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

## **INTERIM DIVIDEND**

The Directors have determined an interim dividend of HK7 cents per share (2014: interim dividend of HK6 cents per share) in respect of the six months ended 30th June, 2015 to be payable on or around 22nd September, 2015 to shareholders whose names appear in the Register of Members of the Company on 9th September, 2015.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 8th September, 2015 to 9th September, 2015, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 7th September, 2015.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 7th September, 2015 will be entitled to the interim dividend.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2015.

## **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 throughout the review period.

On behalf of the Board  
**Siu Yuk Lung**  
*Managing Director*

Hong Kong, 21st August, 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Siu Tit Lung (Chairman), Mr. Siu Yuk Lung, Mr. Mak Koon Chi, Mr. Wai Lung Shing and Mr. Ting Chung Ho; and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.*