



Lung Kee (Bermuda) Holdings Limited

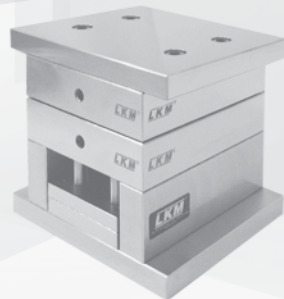
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Interim Report
2017



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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

Introduction

We have reviewed the condensed consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the “Company”) and its subsidiaries set out on pages 4 to 18, which comprise the condensed consolidated statement of financial position as of 30th June, 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 25th August, 2017

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, 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2017

		Six months ended 30th June,	
		2017	2016
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	1,201,807	1,060,718
Other income	4	7,647	11,065
Gain on disposal of non-current asset classified as held for sale	5	67,149	—
Increase in fair value of investment properties		2,500	—
Changes in inventories of finished goods and work in progress		5,736	(483)
Raw materials and consumables used		(468,907)	(368,688)
Employee benefits expenses		(272,493)	(274,309)
Depreciation of property, plant and equipment		(90,402)	(105,149)
Other expenses		(239,860)	(210,832)
Interest on bank borrowings		—	(5)
Profit before taxation		213,177	112,317
Income tax expense	6	(63,199)	(35,788)
Profit for the period	7	149,978	76,529
Other comprehensive income (expense):			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		59,555	(15,531)

		Six months ended 30th June,	
		2017	2016
		HK\$'000	HK\$'000
	<i>Note</i>	(unaudited)	(unaudited)
Other comprehensive income (expense) for the period		59,555	(15,531)
Total comprehensive income for the period		209,533	60,998
Profit (loss) for the period attributable to:			
Owners of the Company		151,337	75,709
Non-controlling interests		(1,359)	820
		149,978	76,529
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		209,818	59,832
Non-controlling interests		(285)	1,166
		209,533	60,998
Basic earnings per share	9	HK23.96 cents	HK11.99 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2017

	Notes	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	182,000	179,500
Property, plant and equipment	10	870,229	884,164
Prepaid lease payments			
— non-current portion		74,022	72,495
Deposits paid for acquisition of property, plant and equipment		49,833	36,753
Deferred tax assets		27,322	29,933
		1,203,406	1,202,845
Current assets			
Inventories		484,922	397,783
Trade, bills and other receivables	11	440,447	370,192
Prepaid lease payments			
— current portion		1,857	1,796
Bank balances and cash		697,297	745,111
		1,624,523	1,514,882
Non-current asset classified as held for sale		—	15,665
		1,624,523	1,530,547
Current liabilities			
Trade, bills and other payables	12	406,770	366,482
Taxation payable		22,565	14,309
Dividend payable		1,186	162
		430,521	380,953

		At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
Net current assets		1,194,002	1,149,594
Total assets less current liabilities		2,397,408	2,352,439
Non-current liabilities			
Deferred tax liabilities		20,633	23,811
Other payables	12	111,801	106,507
		132,434	130,318
Net assets		2,264,974	2,222,121
CAPITAL AND RESERVES			
Share capital	13	63,168	63,168
Reserves		2,201,806	2,143,590
Equity attributable to owners of the Company		2,264,974	2,206,758
Non-controlling interests		—	15,363
Total equity		2,264,974	2,222,121

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2017

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note i)	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		
At 1st January, 2016 (audited)	63,168	156,213	286,023	324,711	1,452,120	2,282,235	14,234	2,296,469
Profit for the period	—	—	—	—	75,709	75,709	820	76,529
Other comprehensive income (expense) for the period								
Exchange difference arising on translation of foreign operations	—	—	—	(15,877)	—	(15,877)	346	(15,531)
Total comprehensive income (expense) for the period	—	—	—	(15,877)	75,709	59,832	1,166	60,998
Final dividend for the year ended 31st December, 2015 (note 7)	—	—	—	—	(50,534)	(50,534)	—	(50,534)
Final special dividend for the year ended 31st December, 2015 (note 7)	—	—	—	—	(31,584)	(31,584)	—	(31,584)
Transfer	—	—	9,216	—	(9,216)	—	—	—
At 30th June, 2016 (unaudited)	63,168	156,213	295,239	308,834	1,436,495	2,259,949	15,400	2,275,349
Profit for the period	—	—	—	—	116,022	116,022	4	116,026
Other comprehensive income (expense) for the period								
Reclassification adjustment of translation reserve upon deregistration of a subsidiary	—	—	—	(9,866)	—	(9,866)	—	(9,866)
Exchange difference arising on translation of foreign operations	—	—	—	(83,546)	—	(83,546)	(41)	(83,587)
Total comprehensive income (expense) income for the period	—	—	—	(93,412)	116,022	22,610	(37)	22,573
Interim dividend for the year ended 31st December, 2016 (note 7)	—	—	—	—	(44,217)	(44,217)	—	(44,217)
Interim special dividend for the year ended 31st December, 2016 (note 7)	—	—	—	—	(31,584)	(31,584)	—	(31,584)
Transfer	—	—	(25)	—	25	—	—	—
At 31st December, 2016 and 1st January, 2017 (audited)	63,168	156,213	295,214	215,422	1,476,741	2,206,758	15,363	2,222,121
Profit (loss) for the period	—	—	—	—	151,337	151,337	(1,359)	149,978
Other comprehensive income for the period								
Exchange difference arising on translation of foreign operations	—	—	—	58,481	—	58,481	1,074	59,555
Total comprehensive income (expense) for the period	—	—	—	58,481	151,337	209,818	(285)	209,533
Acquisition of additional interest of a subsidiary (note ii)	—	—	—	—	—	—	(15,078)	(15,078)
Final dividend for the year ended 31st December, 2016 (note 7)	—	—	—	—	(75,801)	(75,801)	—	(75,801)
Final special dividend for the year ended 31st December, 2016 (note 7)	—	—	—	—	(75,801)	(75,801)	—	(75,801)
Transfer	—	—	22,547	—	(22,547)	—	—	—
At 30th June, 2017 (unaudited)	63,168	156,213	317,761	273,903	1,453,929	2,264,974	—	2,264,974

- Notes: i. The statutory reserve represents the appropriation of certain percentages of profit after taxation of subsidiaries established in the People's Republic of China (the "PRC") as pursuant with the PRC regulations.
- ii. During the current period, the Group acquired the remaining 30% equity interest in a non-wholly owned subsidiary for a consideration of NT\$60,000,000 (equivalent to approximately HK\$15,078,000). The transaction is accounted for as an equity transaction.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2017

	Six months ended 30th June,	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash from operating activities	111,408	260,949
Net cash (used in) from investing activities		
Deposits paid and purchase of property, plant and equipment	(73,088)	(73,890)
Net proceeds from disposal of non-current asset classified as held for sale	49,688	—
Proceeds on disposal of property, plant and equipment	11,249	3,260
Interest received	3,634	3,855
	(8,517)	(66,775)
Cash used in financing activities		
Dividends paid	(150,579)	(82,081)
Payment for acquisition of additional interest in a subsidiary	(15,078)	—
Repayment of bank borrowings	—	(1,922)
Interest paid	—	(5)
	(165,657)	(84,008)
Net (decrease) increase in cash and cash equivalents	(62,766)	110,166
Cash and cash equivalents at the beginning of the period	745,111	505,127
Effect of foreign exchange rate changes	14,952	(5,172)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	697,297	610,121

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2017

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2016.

In relation to the acquisition of an additional interest of a subsidiary, the Group adopts the following new accounting policy in this interim period.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied, for the first time, the following 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 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of these amendments to HKFRSs 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, but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31st December, 2017.

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 profit or loss and other comprehensive income respectively.

Entity-wide disclosures

As at 30th June, 2017 and 31st December, 2016, substantially all of the Group’s non-current assets are located in the place of domicile of the relevant group entities, namely the PRC.

3. SEGMENT INFORMATION *(continued)*

Entity-wide disclosures *(continued)*

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

	Six months ended 30th June,	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
The PRC (excluding Hong Kong)	1,051,500	913,595
Hong Kong	1,719	1,729
Others	148,588	145,394
	1,201,807	1,060,718

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, 2017 and 2016.

4. OTHER INCOME

	Six months ended 30th June,	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest Income	3,634	3,855
Gain on disposal of property, plant and equipment	163	3,100
Rental income, net of direct outgoings of approximately HK\$267,000 (2016: HK\$255,000)	1,479	2,755
Net foreign exchange gain	1,325	—
Sundry income	1,046	1,355
	7,647	11,065

5. GAIN ON DISPOSAL OF NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 4th July, 2016, 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 in Shanghai, the PRC and the related assets at a consideration of RMB90,000,000 (equivalent to approximately HK\$100,044,000) (the "Disposal"). As the rights of the land has been transferred during the current period, the related non-current asset has been derecognised from the condensed consolidated statement of financial position. As a result, a disposal gain of approximately RMB59,561,000 (equivalent to approximately HK\$67,149,000) was recognised. The gain attributable to the owners of the Company was approximately RMB49,703,000 (equivalent to approximately HK\$56,035,000).

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Taxation in Hong Kong	229	311
Taxation in jurisdictions outside Hong Kong	63,623	38,248
Deferred taxation	(653)	(2,771)
	63,199	35,788

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.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cost of inventories recognised as an expense	875,486	789,631
Impairment loss recognised in respect of trade receivables, net	10,224	40
Release of prepaid lease payments	911	1,075
Allowance (recovered) recognised for inventories	3,158	(9,094)

8. DIVIDENDS

Interim dividend and interim special dividend for the current period:

On 25th August, 2017, the Directors determined that an interim dividend of HK12 cents (2016: HK7 cents) per share amounting to approximately HK\$75,801,000 (2016: HK\$44,217,000) and an interim special dividend of HK8 cents (2016: HK5 cents) per share amounting to approximately HK\$50,534,000 (2016: HK\$31,584,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 13th September, 2017.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK12 cents (2016: HK8 cents) per share amounting to approximately HK\$75,801,000 (2016: HK\$50,534,000) and a final special dividend of HK12 cents (2016: HK5 cents) per share amounting to approximately HK\$75,801,000 (2016: HK\$31,584,000) were declared and paid to the shareholders in respect of the year ended 31st December, 2016.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months period ended 30th June, 2017 is based on the profit attributable to the owners of the Company of approximately HK\$151,337,000 (six months ended 30th June, 2016: HK\$75,709,000) and the number of 631,677,303 (2016: 631,677,303) ordinary shares in issue during the period.

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

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties as at the end of the current interim period were fair valued 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 provided for similar use of properties in the similar locations and conditions in Hong Kong. There has been no change from the valuation technique used in the prior year and it is classified as Level 3 Hierarchy.

The resulting increase in fair value of investment properties of HK\$2,500,000 has been recognised directly in profit or loss for the six months ended 30th June, 2017 (2016: Nil).

During the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$11,086,000 (2016: HK\$160,000) for cash proceeds of approximately HK\$11,249,000 (2016: HK\$3,260,000), resulting in a gain on disposal of approximately HK\$163,000 (2016: HK\$3,100,000).

In addition, the Group incurred expenditures of approximately HK\$1,920,000 (2016: HK\$2,859,000) on the construction in progress in the PRC and spent approximately HK\$56,301,000 (2016: HK\$81,995,000), HK\$378,000 (2016: HK\$909,000), HK\$118,000 (2016: HK\$1,847,000) and HK\$1,291,000 (2016: HK\$3,757,000) during the period on acquisition of plant and machinery, furniture and equipment, buildings, and motor vehicles, respectively, for the purpose of expanding and upgrading the Group's production facilities.

11. TRADE, BILLS AND OTHER RECEIVABLES

	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
Trade receivables	338,443	331,273
Bills receivables	28,618	22,859
Less: allowance for doubtful debts	(36,890)	(26,009)
	330,171	328,123
Other receivables	2,696	1,684
Deposits and prepayments	107,580	40,385
Total trade, bills and other receivables	440,447	370,192

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

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

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

	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
0 to 60 days	242,197	261,530
61 to 90 days	72,594	56,869
Over 90 days	15,380	9,724
	330,171	328,123

12. TRADE, BILLS AND OTHER PAYABLES

	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
Trade payables	132,068	93,792
Bills payables	22,516	12,631
Advance receipt from customers	42,396	33,918
Provision of employee economic compensation	174,275	158,200
Payables for salaries and bonuses	58,313	65,040
Deposits and accruals	23,921	32,919
Deposit received in respect of the Disposal	—	33,348
VAT payables	17,436	15,235
Other payables	47,646	27,906
Total amounts	518,571	472,989
Less: Amount due within one year shown under current liabilities	(406,770)	(366,482)
Amount due after one year	111,801	106,507

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

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

	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
0 to 60 days	124,313	83,420
61 to 90 days	19,608	14,625
Over 90 days	10,663	8,378
	154,584	106,423

13. SHARE CAPITAL

The Company has 631,677,303 ordinary shares of HK\$0.1 each in issue throughout both periods.

14. CAPITAL COMMITMENTS

	At 30th June, 2017 HK\$'000 (unaudited)	At 31st December, 2016 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	60,052	31,567

15. RELATED PARTY TRANSACTIONS

The Group had the following transactions and balance with related parties during the period:

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental expenses:		
– Silver Aim Limited and Triplefull Company Limited collectively	910	–
	At	At
	30th June,	31st December,
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Rental deposit paid:		
– Silver Aim Limited and Triplefull Company Limited collectively	556	556

Note: The directors of Silver Aim Limited and Triplefull Company Limited are two directors of the Company and one of them is also the beneficial shareholder of both companies.

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

	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	28,285	17,332
Post-employment benefits	1,321	1,032
	29,606	18,364

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2017 was approximately HK\$1,202 million (2016: approximately HK\$1,061 million). Profit attributable to owners of the Company for the six months ended 30th June, 2017 was approximately HK\$151 million (2016: approximately HK\$76 million). Basic earnings per share for the six months ended 30th June, 2017 was HK23.96 cents (2016: HK11.99 cents).

The Group's operating profit in the first half year, excluding the one-off profit from the land sale of Shanghai Lung Kee Metal Products Co., Ltd., witnessed a substantial growth as compared with the same period in 2016. During the period under review, the raw material price relatively increased comparing with that in last year, however, as other production costs were suitably monitored that the aggregate operation cost was managed to fluctuate in a narrow range. Attributed to an upward growth in sales turnover and effective control of fixed costs, the Group's after tax profit recorded an encouraging growth as compared with the same period in the previous year.

Domestic market of China experienced steady development. Continued booming demand in automobile and its components, intelligent household appliances and latest high-tech electronic products stimulated the sales growth of mould products. To synchronize the market trend, the Group devoted to ameliorate its marketing strategy and consolidate its sales network, ultimately its sales business in Southern and Eastern regions of China had experienced a satisfactory growth, extending the profitability of the Group. Turning to overseas markets, the market performance of the United States turned good, the political environment gradually tended to be stable after the completion of election in some of European countries and the "Brexit" became an inevitable outcome. Despite there was no significant sign of revival in global economy, export business to the United States and European countries improved slightly.

Owing to the sustained improvement efforts made by the Group, production skills and machining capability of plants situated at Heyuan, Guangdong Province and Hangzhou, Zhejiang Province, China, progressed steadily. Moreover, the Group adopted advanced equipment to replace the low efficiency one and save manual operations in order to enhance the flexibility of production deployment. In spite of the spiral increase of wage cost, the Group succeeded in further uplifting its productivity per capita and production efficiency. At the same time, the depreciation cost of machinery reduced as compared with the same period in last year, thus, the rising pace of production cost was alleviated.

During the review period, the price of the imported steel still remained stable. However, the price of local mould steel gradually moved up. As a result, the material cost of the Group, relative to the same period in last year, slightly uplifted. Fortunately it only had a mild impact on the aggregate production cost. In conclusion, the aggregate operation cost of the Group was controlled within a reasonable range, thus the product profit margin could be maintained.

PROSPECTS

The Group foresees that uncertainties still exist in the global business operating environment. The United States and European economy turn better, however, regional political situation was still unpredictable. Threats such as the occurrence of localized war and the terror attack by Middle East countries will cause unforeseeable variation to the present status. Turning to the economy of China, though its development pace slows down, it still maintains a stable growth relatively compared with other countries. In addition, the currency of Renminbi becomes more stable that also helps to reduce operation and exchange risk.

Together with the economic performance of the United States and European countries turning back to the right track, it is expected that new products will be promoted to the market and the export business will be revived. The Group also expects ample business opportunities exist in the domestic market of China. With the rise of standard of living of Chinese citizens, there is plenty room for business development in the automobile parts and components market, domestic branded mobile phone as well as educational and intelligent toys. To cope with the market opportunity prevailing in China, the Group will strive to uplift its product quality and meliorate its sales team in order to fortify its market competitiveness and to enlarge its market coverage in China.

Facing shortage of skilled labor and continued rise of wage cost, plants situated at Heyuan, Guangdong Province and Hangzhou, Zhejiang Province, China, will keep enhancing its production efficiency and strengthening manpower training in management and production skills, coupled with the operation of automated machinery, in order to achieve a more flexible deployment in its manpower and production equipment. It further aims at enlarging its machining capability and production effectiveness that will not only decrease its operation cost but also satisfy the need of both domestic market of China and overseas markets.

The Group foresees that the price of the imported steel will remain stable. However, the price of local mould steel will go upward and restore to its normal price level. The Group will keep track of the raw material price closely and will suitably regulate its inventory level and adjust its product price in order to mitigate its operation risk. At the same time, the Group will make good use of its resources and promote appropriate monitoring policy to further lower its operation cost in order to maintain its competitive advantage.

Looking ahead, the business operating environment is full of uncertainties and challenges, but there are business opportunities as well. The Group will resort to its prudent business operating experience and pragmatic attitude in seeking for a continuous and steady business development that will bring healthy and fruitful return.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2017, the Group had cash balance of approximately HK\$697 million and did not have any borrowings.

The cash balance was placed in short term deposits with major banks in Hong Kong and the PRC.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2017, the Group employed a total of approximately 4,600 employees, including approximately 4,300 employees in its PRC production sites and approximately 300 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.

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

INTERIM DIVIDEND AND INTERIM SPECIAL DIVIDEND

The Directors have determined an interim dividend of HK12 cents (2016: HK7 cents) per share and an interim special dividend of HK8 cents (2016: HK5 cents) per share in respect of the six months ended 30th June, 2017 to be payable on or around 26th September, 2017 to shareholders whose names appear in the Register of Members of the Company on 13th September, 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12th September, 2017 to 13th September, 2017, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend and interim special 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 11th September, 2017.

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 11th September, 2017 will be entitled to the interim dividend and interim special dividend.

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

Mr. Lee Joo Hai retired as an independent director of IPC Corporation Limited, which is listed on the main board of The Singapore Exchange Securities Trading Limited on 26th April, 2017.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2017, the directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”).

Interests in the Company

Name of director	Capacity	Number of shares held			Total interests	Percentage of Company's issued share capital
		Personal interests	Family interests	Other interests		
Siu Tit Lung (Notes 1 & 2)	Beneficial owner, interests jointly with another person and founder of discretionary trust	37,941,444	—	366,210,937	404,152,381	63.98%
Siu Yuk Lung (Notes 1 & 2)	Beneficial owner, interests jointly with another person and founder of discretionary trust	37,941,444	—	366,210,937	404,152,381	63.98%
Wai Lung Shing	Beneficial owner	3,843,750	—	—	3,843,750	0.61%
Ting Chung Ho	Beneficial owner	720,000	—	—	720,000	0.11%
Siu Yuk Tung, Ivan (Note 2)	Beneficial owner and beneficiary of a trust	80,000	—	366,210,937	366,290,937	57.99%
Siu Yu Hang, Leo (Notes 2 & 3)	Interest of child or spouse and beneficiary of a trust	—	1,096,000	366,210,937	367,306,937	58.15%
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 (including Messrs. Siu Yuk Tung, Ivan and Siu Yu Hang, Leo), held 366,210,937 shares in the Company.
- (3) Mr. Siu Yu Hang, Leo and his spouse jointly held 1,096,000 shares in the Company.

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.

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Company, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2017.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

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

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

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2017, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of Company's issued share capital
Pan Island Investments Limited	Beneficial owner	366,210,937 <i>(Note)</i>	57.97%
HSBC International Trustee Limited	Trustee	366,514,990 <i>(Note)</i>	58.02%
Schroders Plc	Investment manager	34,282,500	5.43%
David Michael Webb	Beneficial owner and interest of a controlled corporation	31,594,498	5.00%

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

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

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th June, 2017.

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, 2017.

CORPORATE GOVERNANCE

The Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the review period.

MODEL CODE

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

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

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 25th August, 2017