LKM®

LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 255)

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

FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2017

RESULTS

The directors of Lung Kee (Bermuda) Holdings Limited (the "Company") (the "Directors") have pleasure in submitting the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2017, together with comparative figures for the year ended 31st December, 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*2*	**2,510,389**	2,213,126
Other income, gains and losses	*3*	**24,981**	31,495
Gain on disposal of non-current asset classified as held for sale	*4*	**67,149**	—
Increase in fair value of investment properties		**10,500**	2,000
Changes in inventories of finished goods and work in progress		**15,661**	53
Raw materials and consumables used		**(1,019,045)**	(772,613)
Employee benefits expenses		**(549,419)**	(555,669)
Depreciation of property, plant and equipment		**(178,853)**	(199,892)
Other expenses		**(496,714)**	(438,626)
Interest on bank borrowings		**—**	(5)
Profit before taxation		**384,649**	279,869
Income tax expense	*5*	**(107,732)**	(87,314)
Profit for the year		**276,917**	192,555

	Note	2017 HK$'000	2016 HK$'000
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustment of translation reserve upon deregistration of a subsidiary		—	(9,866)
Exchange difference arising on translation of foreign operations		**136,134**	(99,118)
Other comprehensive income (expense) for the year		**136,134**	(108,984)
Total comprehensive income for the year		**413,051**	83,571
Profit (loss) for the year attributable to:			
Owners of the Company		**278,276**	191,731
Non-controlling interests		**(1,359)**	824
		276,917	192,555
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**413,336**	82,442
Non-controlling interests		**(285)**	1,129
		413,051	83,571
		HK cents	HK cents
Basic earnings per share	*7*	**44.05**	30.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2017

	Notes	At 31st December, 2017 HK$'000	At 31st December, 2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**190,000**	179,500
Property, plant and equipment		**861,407**	884,164
Prepaid lease payments — non-current portion		**76,290**	72,495
Deposits paid for acquisition of property, plant and equipment		**54,957**	36,753
Deferred tax assets		**21,628**	29,933
		1,204,282	1,202,845
Current assets			
Inventories	*8*	**529,737**	397,783
Trade, bills and other receivables	*9*	**441,939**	370,192
Prepaid lease payments — current portion		**1,938**	1,796
Bank balances and cash		**673,912**	745,111
		1,647,526	1,514,882
Non-current asset classified as held for sale	*4*	**—**	15,665
		1,647,526	1,530,547
Current liabilities			
Trade, bills and other payables	*10*	**356,444**	366,482
Taxation payable		**17,260**	14,309
Dividend payable		**192**	162
		373,896	380,953
Net current assets		**1,273,630**	1,149,594
Total assets less current liabilities		**2,477,912**	2,352,439

	Note	At 31st December, 2017 HK$'000	At 31st December, 2016 HK$'000
Non-current liabilities			
Deferred tax liabilities		**26,102**	23,811
Other payables	*10*	**109,653**	106,507
		135,755	130,318
Net assets		**2,342,157**	2,222,121
CAPITAL AND RESERVES			
Share capital		**63,168**	63,168
Reserves		**2,278,989**	2,143,590
Equity attributable to owners of the Company		**2,342,157**	2,206,758
Non-controlling interests		**—**	15,363
Total equity		**2,342,157**	2,222,121

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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

Except as described below, the application of the amendments to 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the Group's consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the Group's consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

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 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]

HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st January, 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2021

Except for the new HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on consolidated financial statements in the foreseeable future.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31st December, 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, there would be no material impact on the accumulated amount of impairment loss to be recognised by Group as at 1st January, 2018 as compared to the accumulated amount recognised under HKAS 39.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2017, the Group has non-cancellable operating lease commitments of HK$22,532,000 as disclosed in the Group's consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,035,000 and refundable rental deposits received of HK$1,008,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

2. REVENUE AND SEGMENT INFORMATION

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

The Group only has one operating segment, based on information reported to the chief operating decision maker (the Company's executive directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges. As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the 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 profit or loss and other comprehensive income respectively.

Entity-wide disclosures

As at 31st December, 2017 and 2016, substantially all of the Group's non-current assets are located in the places 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:

	2017	2016
	HK$’000	*HK$’000*
The PRC (excluding Hong Kong)	**2,186,355**	1,905,401
Hong Kong	**3,640**	3,130
Others	**320,394**	304,595
	2,510,389	2,213,126

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, 2017 and 2016.

3. OTHER INCOME, GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Interest income	**7,759**	7,422
Rental income, net of direct outgoings of approximately HK$542,000 (2016: HK$513,000)	**2,927**	5,495
Sundry income	**2,088**	2,790
Impairment loss reversed in respect of trade and bills receivables	**5,256**	—
Gain on disposal of property, plant and equipment	**4,657**	5,922
Net foreign exchange gain	**2,294**	—
Exchange gain on deregistration of a subsidiary	**—**	9,866
	24,981	31,495

4. 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"). Deposit received in respect of the Disposal amounted to approximately HK$33,348,000 was included in trade, bills and other payables as at 31st December, 2016. The rights of the land has been transferred during the current period and the related non-current asset has been derecognised from the consolidated statement of financial position. As a result, a before income tax disposal gain of approximately RMB59,561,000 (equivalent to approximately HK$67,149,000) was recognised. The after income tax gain attributable to the owners of the Company was approximately RMB49,703,000 (equivalent to approximately HK$56,035,000).

5. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
- current year	**296**	934
- overprovision in prior years	**(60)**	(30)
	236	904
Taxation in jurisdictions outside Hong Kong		
- current year	**85,858**	76,588
- overprovision in prior years	**(40)**	(1,326)
- transfer from deferred taxation	**11,116**	23,650
	96,934	98,912
Deferred taxation		
- current year	**21,678**	11,148
- transfer to current income tax	**(11,116)**	(23,650)
	10,562	(12,502)
	107,732	87,314

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% for both years.

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

6. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2017 Interim – HK12 cents (2016: 2016 interim dividend of HK7 cents) per share	**75,801**	44,217
2017 Interim special – HK8 cents (2016: 2016 interim special dividend of HK5 cents) per share	**50,534**	31,584
2016 Final – HK12 cents (2016: 2015 final dividend of HK8 cents) per share	**75,801**	50,534
2016 Final special – HK12 cents (2016: 2015 final special dividend of HK5 cents) per share	**75,801**	31,584
	277,937	157,919

The board of directors have determined that a final dividend of HK16 cents (2016: HK12 cents) per share amounting to approximately HK$101,068,000 (2016: HK$75,801,000) and a final special dividend of HK12 cents (2016: HK12 cents) per share amounting to approximately HK$75,801,000 (2016: HK$75,801,000) should be paid to the shareholders of the Company whose names appear in the register of members on 16th May, 2018.

7. BASIC EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**278,276**	191,731

Number of shares:

	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**631,677,303**	631,677,303

No diluted earnings per share is presented for both years as there is no potential ordinary shares outstanding during the year or at the end of the reporting period.

8. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**456,506**	340,213
Work in progress	**43,353**	37,111
Finished goods	**29,878**	20,459
	529,737	397,783

The cost of inventories recognised as an expense by the Group during the year amounted to approximately HK$1,857,766,000 (2016: HK$1,612,359,000).

9. TRADE, BILLS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**327,579**	331,273
Bills receivables	**29,183**	22,859
Less: allowance for doubtful debts	**(22,327)**	(26,009)
	334,435	328,123
Other receivables	**2,510**	1,684
Deposits and prepayments	**104,994**	40,385
Total trade, bills and other receivables	**441,939**	370,192

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.

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**254,824**	261,530
61 to 90 days	**53,918**	56,869
Over 90 days	**25,693**	9,724
	334,435	328,123

10. TRADE, BILLS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**97,537**	93,792
Bills payables	**15,723**	12,631
Advance receipt from customers	**39,223**	33,918
VAT payables	**16,027**	15,235
Provision of employee economic compensation	**171,071**	158,200
Payables for salaries and bonuses	**78,673**	65,040
Deposits and accruals	**27,847**	32,919
Deposit received in respect of the Disposal	**—**	33,348
Other payables	**19,996**	27,906
Total	**466,097**	472,989
Less: Amount due within one year shown under current liabilities	**(356,444)**	(366,482)
Amount due after one year	**109,653**	106,507

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

	2017	2016
	HK$'000	*HK$'000*
0 to 60 days	**78,993**	83,420
61 to 90 days	**22,323**	14,625
Over 90 days	**11,944**	8,378
	113,260	106,423

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31st December, 2017, the Group continued to focus on the manufacturing and marketing of mould bases and related products.

The Group's revenue in the year ended 31st December, 2017 was approximately HK$2,510 million (2016: approximately HK$2,213 million). Profit attributable to owners of the Company in the year ended 31st December, 2017 was approximately HK$278 million (2016: approximately HK$192 million). Basic earnings per share in the year ended 31st December, 2017 was HK44.05 cents (2016: HK30.35 cents).

During the year of 2017, international situation turned to be complicated and unpredictable, with no significant sign of recovery shown in the global economy. In view of the uncertainties prevailing in the business environment, as compared with the year of 2016, turnover of the Group still maintained a satisfactory growth. Nevertheless, during the reviewed year, the price of raw materials notably increased. Fortunately, other operating costs were managed within a controllable range; thus, fluctuation of the total operating costs was narrowed. Excluding the one-off profit from the land sale of Shanghai Lung Kee Metal Products Co. Ltd., the Group's after tax profit recorded a steady growth.

In the reviewed period, market performance of the United States improved. However, since the new United States President has assumed office, his advocated policies, internal and external, were unpredictable. In addition, elections held in various European countries including Germany and the Brexit negotiation between Britain and European Union remained stagnant without any progress, slowed down the recovery pace of the European market. On the other hand, mounting tension in North Korean clouded the international situation, adding more uncertainties on the global political and economic environment.

Despite performance of the international markets were not up to expectation, the domestic market of China still maintained a steady development, triggering demand growth in the mould products. Principally the demand of automobile and its components, intelligent household products and high-tech electronic products continued to boom, resulted in a satisfactory growth in the Group's turnover as its high quality mould products suited the market needs. At the same time, the Group enhanced its sales channels to achieve higher degree of market penetration in different industrial cities in China and strengthened the relationship with the clients. Moreover, the Group promoted an easy and efficient platform for clients to place sales orders via Internet which further pushed up the turnover, bringing positive effect to the Group.

However, the price of local mould steel increased continuously during the reviewed period. Consequently, raw materials cost of the Group rose up as compared with that of the previous year, affecting the Group's profit. For the imported steel, the price tended to be stable with only mild fluctuation.

Fortunately, the Group succeeded in monitoring its other operating costs, fluctuating at a reasonable level in aggregate. In the period under review, the Group added advanced facilities in enhancing its production flow in order to lessen manpower involvement; ultimately, its labor cost could be managed to fluctuate within a restricted range. Owing to the sustained amelioration in production skills and operations of plants in Heyuan, Guangdong Province and Hangzhou city, Zhejiang Province, China, productivity per capita and production efficiency were further uplifted, relieving the burden imposed by the factory cost.

In conclusion, the Group registered a stable growth in the reviewed year and its aggregate business performance was satisfactory.

Liquidity and Capital Resources

As at 31st December, 2017, the Group had bank balances of approximately HK$674 million and did not have any borrowings.

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

Employees and Remuneration Policies

As at 31st December, 2017, the Group employed a total of approximately 4,500 employees, including approximately 4,200 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 employees with reference to the individual's performance.

PROSPECTS

The Group expects the United States economy will maintain a mild growth. Moreover, some Euro Zone countries, after their respective elections, will encourage economic development and enforce policies that can stabilize the people's livelihood, directly help to revive the economy. The Group will explore markets in the United States and Europe in order to expand its export business. Apart from this, the Group will co-operate with well-built business partners for promoting its brand and its long-term development projects. Nevertheless, the global economy is still confounded by diverse problems and business operating environment fluctuates with uncertainties. The Group will adopt prudent and affirmative attitude in seeking sustained and stable growth.

After the 19th National Congress of the Communist Party of China, China's political and economical development has advanced steadily, further fortifying its international status. Its Gross Domestic Product (GDP) targets on a 6.5% growth and the livelihood of local Chinese tends to be stable, contributing a sustained boom in domestic market. Especially, the automobile parts and components market experiences a flourishing growth. In line with the environmental protection concept and new technology, new energy vehicle models integrated with energy saving and environmental friendly design will be launched to the market consecutively, which in turn will boost up demand of high quality mould products manufactured by the Group. Simultaneously, with rapid change in technology and design, successive new models for consumer goods such as high-tech electronic products, intelligent mobile phone and intelligent household products, will be introduced to the market that will stimulate turnover of mould products of the Group. Following the increasing concern on the health of local Chinese, health care products and equipments industry will experience a more promising development, contributing new market opportunity to the Group. In addition, the new generation parents put great emphasis on their children's education, they are willing to spend money on intelligent and educational toys, bringing a satisfactory growth on toys market. To capture these market opportunities, the Group will devise suitable sales strategy, ameliorate its sales team and consolidate its direct sales channel continuously so as to explore potential markets and clients in full extent, with an aim to generate more revenue for the Group.

On the other hand, the Group will further enhance its product quality in order to uplift its competitive edge and rest assured its clients in using its product. Due to most of labor are locally recruited in the production plant in Heyuan, Guangdong Province, China, labor mobility is relatively low. It enables the Group to achieve long term development with continued uplift in its production machining skills and efficiency. Turning to plant in Hangzhou city, Zhejiang Province, its production skills and capability progresses steadily and the Group will devote to reinforce its production scale and machining capability in order to satisfy the requirements of clients located in Eastern and Northern regions of China.

The Group will actively monitor its operating cost so as to reduce its risk and enhance its effectiveness. Labor cost in China will keep rising, but its increase rate will still be under the predictable range of the Group. The Group also foresees that interest rate will move up. In views of the sound business operation of the Group with no substantive loan and adequate cash flow, fluctuation of interest rate has only slight effect on the Group. It is also expected that Renminbi will rise shortly and tend to be stable gradually. It alleviates the exchange risk of the Group and facilitates the long term development of Group as it mainly targets on the domestic market of China.

The Group expects that the price of local mould steel will move upward but the rising rate will be slowed down. The Group will closely observe the market trend and flexibly regulate its inventory level so as to reduce the operation risk and burden imposed by the surge of material cost. For the imported steel, it is expected its price will remain stable with mild adjustment.

The Group will take prudent and positive attitude in developing its core business in order to secure a stable growth and healthy return. Taking this opportunity, the Board of Directors would like to express our thanks to all staff for their hard work and contribution rendered to the Group and sincere gratitude is expressed to our shareholders and business partners for their appreciable support to the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the consolidated financial statements.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2017 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINAL DIVIDEND AND FINAL SPECIAL DIVIDEND

The Directors have resolved to recommend to shareholders at the annual general meeting of the Company to be held on 7th May, 2018 (the "AGM") the payment of a final dividend of HK16 cents (2016: HK12 cents) per share and a final special dividend of HK12 cents (2016: HK12 cents) per share for the year ended 31st December, 2017 to shareholders whose names appear on the Register of Members on 16th May, 2018. Subject to the approval by the shareholders at the AGM, the proposed final dividend and final special dividend will be despatched to shareholders on or about 30th May, 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd May, 2018 to 7th May, 2018, both days inclusive, during which period no share transfer will be effected. In order to qualify for attending and voting at the AGM, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer form, 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 30th April, 2018.

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 30th April, 2018 will be entitled for attending and voting at the AGM.

The register of members of the Company will also be closed from 15th May, 2018 to 16th May, 2018, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend and final special dividend, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer form, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14th May, 2018.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 14th May, 2018 will be entitled for the proposed final dividend and final special 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 year ended 31st December, 2017.

CORPORATE GOVERNANCE

During the year ended 31st December, 2017, 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.

By order of the Board
Siu Tit Lung
Chairman

Hong Kong, 16th March, 2018

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