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, 2018

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, 2018, together with comparative figures for the year ended 31st December, 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*2*	**2,580,453**	2,510,389
Other income, gains and losses	*3*	**9,566**	19,725
Gain on disposal of non-current asset classified as held for sale	*4*	**—**	67,149
Increase in fair value of investment properties		**18,000**	10,500
Impairment loss reversed in respect of trade and bills receivables, net		**3,946**	5,256
Changes in inventories of finished goods and work in progress		**(13,206)**	15,661
Raw materials and consumables used		**(1,070,487)**	(1,019,045)
Employee benefits expenses		**(592,353)**	(549,419)
Depreciation of property, plant and equipment		**(179,780)**	(178,853)
Other expenses		**(519,362)**	(496,714)
Profit before taxation		**236,777**	384,649
Income tax expense	*5*	**(66,256)**	(107,732)
Profit for the year		**170,521**	276,917

	Note	2018 HK$'000	2017 HK$'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**(93,176)**	136,134
Other comprehensive (expense) income for the year		**(93,176)**	136,134
Total comprehensive income for the year		**77,345**	413,051
Profit for the year attributable to:			
Owners of the Company		**170,521**	278,276
Non-controlling interests		**—**	(1,359)
		170,521	276,917
Total comprehensive income for the year attributable to:			
Owners of the Company		**77,345**	413,336
Non-controlling interests		**—**	(285)
		77,345	413,051
		HK cents	HK cents
Basic earnings per share	7	**26.99**	44.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018

	Notes	**At 31st December, 2018 HK$'000**	At 31st December, 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**208,000**	190,000
Property, plant and equipment		**760,066**	861,407
Prepaid lease payments — non-current portion		**70,574**	76,290
Deposits paid for acquisition of property, plant and equipment		**25,583**	54,957
Deferred tax assets		**12,675**	21,628
		1,076,898	1,204,282
Current assets			
Inventories	*8*	**555,795**	529,737
Trade, bills and other receivables	*9*	**349,777**	441,939
Prepaid lease payments — current portion		**1,840**	1,938
Bank balances and cash		**645,777**	673,912
		1,553,189	1,647,526
Current liabilities			
Trade, bills and other payables	*10*	**291,156**	356,444
Contract liabilities		**22,853**	—
Taxation payable		**21,743**	17,260
Dividend payable		**212**	192
		335,964	373,896
Net current assets		**1,217,225**	1,273,630
Total assets less current liabilities		**2,294,123**	2,477,912

	Note	At 31st December, 2018 HK$'000	At 31st December, 2017 HK$'000
Non-current liabilities			
Deferred tax liabilities		**30,378**	26,102
Other payables	*10*	**96,914**	109,653
		127,292	135,755
Net assets		**2,166,831**	2,342,157
CAPITAL AND RESERVES			
Share capital		**63,168**	63,168
Reserves		**2,103,663**	2,278,989
Total equity		**2,166,831**	2,342,157

Notes:

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") have applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

1.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st January, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the source of manufacturing and marketing of mould bases and related products which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the Group's consolidated financial statements.

1.1.1 Summary of effects arising from initial application of HKFRS 15

By adopting HKFRS 15, there was no impact on the retained profits as at 1st January, 2018 as compared to the accumulated amount recognised under HKAS 18.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2017	Reclassification	Carrying amounts under HKFRS 15 at 1st January, 2018*
	HK$'000	*HK$'000*	*HK$'000*
Trade, bills and other payables	356,444	(39,223)	317,221
Contract liabilities	—	39,223	39,223

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note: As at 1st January, 2018, advances from customers of HK$39,223,000 included in trade, bills and other payables were reclassified to contract liabilities for HK$39,223,000.

Without application of HKFRS 15, as at 31st December, 2018, the contract liabilities of HK$22,853,000 would be included in trade, bills and other payables.

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS15
	HK$'000	*HK$'000*	*HK$'000*
Decrease in contract liabilities	(16,370)	16,370	—
Decrease in trade, bills and other payables	(19,414)	(16,370)	(35,784)

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2018, movements in working capital have been computed based on opening statement of financial position as at 1st January, 2018 as disclosed above.

There was no impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31st December, 2018.

1.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit loss ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Accounting policies resulting from application of HKFRS 9 are disclosed in the Group's consolidated financial statements.

1.2.1 Summary of effects arising from initial application of HKFRS 9

<u>Classification and measurement of financial assets</u>

The directors of the Company reviewed and assessed the Group's financial assets as at 1st January, 2018 based on the facts and circumstances that existed at that date and concluded that the Group's financial assets are continued to be measured at amortised cost upon adoption of HKFRS 9 which is the same as measured under HKAS 39.

<u>Impairment under ECL model</u>

As at 1st January, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1st January, 2018 was recognised.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases [1]
HKFRS 17	Insurance Contracts [3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1st January, 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020
5 Effective for annual periods beginning on or after 1st January, 2020

Except for the new and amendments to 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 the consolidated financial statements in the foreseeable future.

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 except for the short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability within operating cash flows by the Group. Upfront prepaid lease payment will continue to be presented as investing cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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, 2018, the Group has non-cancellable operating lease commitments of HK$13,267,000 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$1,154,000 and refundable rental deposits received of HK$1,053,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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 recognised revenue at a point in time.

Revenue from manufacturing and marketing of mould bases and related products

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

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

The Group only has one operating segment, based on information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges. As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the 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, 2018, 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:

	2018	2017
	HK$'000	*HK$'000*
The PRC (excluding Hong Kong)	**2,194,097**	2,186,355
Hong Kong	**4,189**	3,640
Others	**382,167**	320,394
	2,580,453	2,510,389

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 the year ended 31st December, 2018 (2017: Nil).

3. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Interest income	**10,670**	7,759
Rental income, net of direct outgoings of approximately HK$546,000 (2017: HK$542,000)	**3,005**	2,927
Sundry income	**3,787**	2,088
Gain on disposal of property, plant and equipment	**2,857**	4,657
Net foreign exchange (loss) gain	**(10,753)**	2,294
	9,566	19,725

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 year ended 31st December, 2017 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 in 2017. 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

	2018	2017
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
- current year	**1,098**	296
- overprovision in prior years	**(14)**	(60)
	1,084	236
Taxation in jurisdictions outside Hong Kong		
- current year	**51,122**	85,858
- overprovision in prior years	**(22)**	(40)
- transfer from deferred taxation	**—**	11,116
	51,100	96,934
Deferred taxation		
- charge for the year	**14,072**	21,678
- transfer to current income tax	**—**	(11,116)
	14,072	10,562
	66,256	107,732

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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

	2018 *HK$'000*	2017 *HK$'000*
Dividends recognised as distribution during the year:		
2018 Interim – HK12 cents (2017: 2017 interim dividend of HK12 cents) per share	**75,801**	75,801
2018 Interim special – nil (2017: 2017 interim special dividend of HK8 cents) per share	—	50,534
2017 Final – HK16 cents (2017: 2016 final dividend of HK12 cents) per share	**101,069**	75,801
2017 Final special – HK12 cents (2017: 2016 final special dividend of HK12 cents) per share	**75,801**	75,801
	252,671	277,937

The board of directors have determined that a final dividend of HK12 cents (2017: final dividend of HK16 cents and final special dividend of HK12 cents) per share amounting to approximately HK$75,801,000 (2017: final dividend of HK$101,069,000 and final special dividend of HK$75,801,000) should be paid to the shareholders of the Company whose names appear in the register of members on 18th June, 2019.

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:

	2018 *HK$'000*	2017 *HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**170,521**	278,276

Number of shares:

	2018	2017
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

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**495,770**	456,506
Work in progress	**42,462**	43,353
Finished goods	**17,563**	29,878
	555,795	529,737

The cost of inventories recognised as an expense by the Group during the year amounted to approximately HK$1,998,189,000 (2017: HK$1,857,766,000).

9. TRADE, BILLS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**263,697**	327,579
Bills receivables	**19,095**	29,183
Less: allowance for doubtful debts	**(16,257)**	(22,327)
	266,535	334,435
Other receivables	**1,234**	2,510
Deposits and prepayments	**82,008**	104,994
Total trade, bills and other receivables	**349,777**	441,939

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 credit losses) presented based on the invoice dates at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**201,896**	254,824
61 to 90 days	**46,652**	53,918
Over 90 days	**17,987**	25,693
	266,535	334,435

10. TRADE, BILLS AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**93,580**	97,537
Bills payables	**15,712**	15,723
Advance receipt from customers	—	39,223
VAT payables	**21,650**	16,027
Provision of employee economic compensation	**150,940**	171,071
Payables for salaries and bonuses	**62,598**	78,673
Deposits and accruals	**28,555**	27,847
Other payables	**15,035**	19,996
Total	**388,070**	466,097
Less: Amount due within one year shown under current liabilities	**(291,156)**	(356,444)
Amount due after one year	**96,914**	109,653

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

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**84,519**	78,993
61 to 90 days	**15,519**	22,323
Over 90 days	**9,254**	11,944
	109,292	113,260

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, 2018, 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, 2018 was approximately HK$2,580 million (2017: approximately HK$2,510 million). Profit attributable to owners of the Company in the year ended 31st December, 2018 was approximately HK$171 million (2017: approximately HK$278 million). Basic earnings per share in the year ended 31st December, 2018 was HK26.99 cents (2017: HK44.05 cents).

During the period of review, the Group had registered a positive growth in turnover in the first half year. Nevertheless, in the second half year, tension on the trade between China and the United States escalated which had impacted the global economy in various degrees and eventually exerted pressure on the Group's business performance. In addition, both labor and operating cost relatively increased. As a result, excluding the one-off profit from the disposal of the factory property of Shanghai Lung Kee Metal Products Co. Ltd., the Group's operating profit recorded a drop as compared with the year of 2017.

In the recent interim report, the Group had already outlined its concerns about the trade war between China and the United States on the business operating environment, yet the extent of its adverse effect exceeded expectations. Clouded by the uncertain trade relationship between China and the United States, those USA export-oriented enterprises in China were mostly affected. As dimmed by the unclear outlook, many new investment projects were halted or postponed, as a result, the pace of economic growth was slowed down. Moreover, domestic consumption confidence in China was also hit as consumers worried about the economic development ahead, thus their consumption decision tended to be more prudent and the domestic market was comparatively subsided. Consequently, the Group's turnover was also hindered in the second half year.

Despite the continued improvement in production skills and machining ability of the plant in Hangzhou city, Zhejiang Province, China, its performance and production effectiveness was not up to expectation as dragged by the market situation. Apart from this, the spiral rise of labor wages and operation costs further uplifted the production cost of the Group.

The price of local mould steel moderately fell in the fourth quarter of the reviewed period, however, it could not immediately reduce the material cost of the Group due to the lag behind effect on cost adjustment. Turning to the price of the imported mould steel, it still remained quite stable.

In conclusion, during the review period, as affected by the negative economic environment and increasing costs, the Group's business performance was not satisfactory relative to the year of 2017.

Liquidity and Capital Resources

As at 31st December, 2018, the Group had bank balances of approximately HK$646 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, 2018, the Group employed a total of approximately 4,200 employees, including approximately 3,900 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

During the period of the announcement of Group's financial results, China and the United States have entered into the final stage of concluding the trade agreement that will bring a favorable turn to the global economy. However, discrepancy and uncertainty still exist in the trade relationship between China and the United States. The global business operating situation is still unpredictable and vulnerable. The Group will adopt a prudent attitude in facing various challenges ahead and will monitor its risk in order to seek a balance and stable growth.

Despite European countries are still confounded by the Brexit issue, yet its economic performance, as compared with other territories, is relatively acceptable. In light of this, the Group will keep exploring diverse overseas markets to facilitate its business diversification. Moreover, in spite of the domestic market of China has a bit slow down, the Group expects the Chinese government will introduce measures in stimulating economy that help to secure consumer confidence on consumption. The Group will devise suitable marketing strategy targeting on the development advantage and potential of each specific market in order to expand its sales in different territories. Furthermore, through promoting its online ordering system, the Group can achieve a higher degree of market penetration, generating more business opportunities.

Apart from this, the development of automobile industry has great impact on the business growth of the Group. In views of the uprising concern about the impact of emission of carbon dioxide on global climate change and the increasing awareness of environmental protection issue, production and promotion of new energy vehicle will take the lead in future development. However, as wide variation on the matching infrastructure exists between new energy vehicle and traditional vehicle, and also restricted by the internal economic development situation of individual country, determination and effort put forward by each individual country in promoting new energy vehicle differ in various degrees. Owing to this, it is expected the development of new energy vehicle in each individual country will not be in the same pace. The Group will keep close to the development trend of the global automobile market and work out corresponding development strategy in order to consolidate its leading position in the industry.

To lessen the impact imposed by the external economic environment, the Group will keep enhancing its production effectiveness and reducing its operation cost with an aim to sustain its competitive edge. The Group will further strengthen its product quality in order to gain recognition and faith of its customers in using its products. The production plants in Heyuan city, Guangdong Province and in Hangzhou city, Zhejiang Province, China, will put sustainable effort in research and refining its production skills so as to uplift its machining ability and product quality. On the other hand, the Group will suitably make use of automated machinery and robotic arm in reducing its reliance on manpower, further improving production flow and flexibly deploying its manpower, consequently enabling the Group to escalate its aggregate production effectiveness.

Following the stability of Chinese economy, the Group expects the price of local mould steel will fluctuate but become steady. For the imported mould steel, it is expected its price will remain stable with only mild adjustment. The Group will closely monitor the material inventory level and its price, striving to reduce its burden imposed on the operation.

Despite business operation outlook is still unclear, the Group will adopt prudent and positive attitude and devote to secure a stable growth and reasonable return. Taking this opportunity, the Board of Directors would like to express thanks to all staff for their hard work and contribution rendered to the Group and sincere appreciation is expressed to the shareholders and business partners for their tremendous 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, 2018 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

The Directors have resolved to recommend to shareholders at the annual general meeting of the Company to be held on 6th June, 2019 (the "AGM") the payment of a final dividend of HK12 cents (2017: final dividend of HK16 cents and final special dividend of HK12 cents) per share for the year ended 31st December, 2018 to shareholders whose names appear on the Register of Members on 18th June, 2019. Subject to the approval by the shareholders at the AGM, the proposed final dividend will be despatched to shareholders on or about 28th June, 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3rd June, 2019 to 6th June, 2019, 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 31st May, 2019.

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 31st May, 2019 will be entitled for attending and voting at the AGM.

The register of members of the Company will also be closed from 17th June, 2019 to 18th June, 2019, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final 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 June, 2019.

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 June, 2019 will be entitled for the proposed final 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, 2018.

CORPORATE GOVERNANCE

During the year ended 31st December, 2018, 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, 29th March, 2019

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 Dr. Lee Tat Yee, Mr. Lee Joo Hai and Mr. Wong Hak Kun.