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, 2021

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, 2021, together with comparative figures for the year ended 31st December, 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Revenue	*2*	**2,273,399**	2,064,882
Other income, gains and losses	*3*	**39,748**	47,691
Decrease in fair value of investment properties		**(13,000)**	(16,500)
Impairment losses reversed (recognised) under expected credit loss model, net		**179**	(98)
Changes in inventories of finished goods and work in progress		**(1,874)**	9,308
Raw materials and consumables used		**(819,753)**	(770,398)
Employee benefits expenses		**(571,062)**	(552,461)
Depreciation of property, plant and equipment		**(148,189)**	(137,900)
Depreciation of right-of-use assets		**(7,919)**	(8,100)
Other expenses		**(435,585)**	(415,049)
Interest expense on lease liabilities		**(455)**	(509)
Profit before taxation		**315,489**	220,866
Income tax expense	*4*	**(87,648)**	(39,785)
Profit for the year		**227,841**	181,081

	Note	**2021**	2020
		HK$'000	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**40,659**	110,896
Other comprehensive income for the year		**40,659**	110,896
Total comprehensive income for the year		**268,500**	291,977
		HK cents	HK cents
Basic earnings per share	*6*	**36.07**	28.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2021

	Notes	At 31st December, 2021 HK$'000	At 31st December, 2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**168,500**	181,500
Property, plant and equipment		**668,494**	656,086
Right-of use assets		**80,510**	86,094
Deposits paid for acquisition of property, plant and equipment		**95,283**	40,948
Deferred tax assets		**14,576**	14,893
		1,027,363	979,521
Current assets			
Inventories	*7*	**604,275**	577,128
Trade, bills and other receivables	*8*	**280,508**	270,372
Bank balances and cash		**833,586**	918,623
		1,718,369	1,766,123
Current liabilities			
Trade, bills and other payables	*9*	**249,700**	261,406
Contract liabilities		**32,143**	33,839
Lease liabilities		**3,379**	5,441
Taxation payable		**55,486**	41,045
Dividend payable		**270**	241
		340,978	341,972
Net current assets		**1,377,391**	1,424,151
Total assets less current liabilities		**2,404,754**	2,403,672

	Note	At 31st December, 2021 HK$'000	At 31st December, 2020 HK$'000
Non-current liabilities			
Deferred tax liabilities		**28,270**	30,845
Lease liabilities		**5,643**	8,848
Other payables	*9*	**99,569**	89,585
		133,482	129,278
Net assets		**2,271,272**	2,274,394
CAPITAL AND RESERVES			
Share capital		**63,168**	63,168
Reserves		**2,208,104**	2,211,226
Total equity		**2,271,272**	2,274,394

Notes:

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee - Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs of an entity should indicate as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration of incremental costs. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30th June, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

[1] Effective for annual periods beginning on or after 1st April, 2021.
[2] Effective for annual periods beginning on or after 1st January, 2022.
[3] Effective for annual periods beginning on or after 1st January, 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31st December, 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to HKAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2018 - 2020*

The annual improvements make amendments to the following standards that are relevant to the Group's operation.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 customer, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following the 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. Accordingly, only entity-wide disclosures and geographic information are presented.

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, 2021, 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 delivery location:

	2021	2020
	HK$'000	*HK$'000*
The PRC	**1,981,499**	1,787,260
Others	**291,900**	277,622
	2,273,399	2,064,882

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, 2021 (2020: Nil).

3. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Other income:		
Interest income	**16,193**	13,578
Rental income, net of direct outgoings of approximately HK$521,000 (2020: HK$480,000)	**4,602**	3,548
Government grants (note)	**2,670**	15,910
Sundry income	**2,936**	6,540
	26,401	39,576
Other gains and losses:		
Gain on disposal of property, plant and equipment	**8,108**	4,315
Net foreign exchange gain	**5,239**	3,800
	13,347	8,115
	39,748	47,691

Note: The government grants without any unfulfilled condition attached amounting to HK$2,670,000 (2020: HK$15,910,000) is the awards for the advancement of production facilities and technology of a subsidiary in the PRC.

4. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
- current year	**1,747**	1,860
- overprovision in prior years	**(36)**	(193)
	1,711	1,667
Taxation in jurisdictions outside Hong Kong		
- current year	**76,050**	40,629
- PRC withholding tax	**12,001**	—
	88,051	40,629
Deferred taxation		
- Credit for the year	**(2,114)**	(2,511)
	87,648	39,785

Under the two-tiered profits tax rates regime under the Inland Revenue (Amendment) (No. 7) Bill 2017, 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 profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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.

Dividend distribution out of the retained profits of foreign-invested enterprises in the PRC earned after 1st January, 2008 is subject to withholding income tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and the Mainland China, the withholding income tax rate applicable to the Group is 5%.

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

5. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2021 Interim – HK15 cents (2020: 2020 interim dividend of HK10 cents) per share	**94,752**	63,168
2020 Final – HK18 cents (2020: 2019 final dividend of HK11 cents) per share	**113,702**	69,485
2020 Final special – HK10 cents (2020: 2019 final special dividend – nil) per share	**63,168**	—
	271,622	132,653

The board of directors have determined that a final dividend of HK20 cents (2020: final dividend of HK18 cents and final special dividend of HK10 cents) per share amounting to approximately HK$126,335,000 (2020: final dividend of HK$113,702,000 and final special dividend of HK$63,168,000) should be paid to the shareholders of the Company whose names appear in the register of members on 9th June, 2022.

6. 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:

	2021	2020
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**227,841**	181,081
	2021	2021
Number of shares:		
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.

7. INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Raw materials	**530,528**	501,507
Work in progress	**67,213**	68,894
Finished goods	**6,534**	6,727
	604,275	577,128

The cost of inventories recognised as an expense by the Group during the year amounted to approximately HK$1,656,164,000 (2020: HK$1,571,027,000).

8. TRADE, BILLS AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**152,642**	190,791
Bills receivables	**22,421**	18,372
Less: allowance for credit losses	**(15,407)**	(20,346)
	159,656	188,817
Other receivables	**2,931**	2,582
Deposits and prepayments	**117,921**	78,973
Total trade, bills and other receivables	**280,508**	270,372

As at 1st January, 2020, trade receivables from contracts with customers amounted to HK$210,310,000.

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 presented based on the invoice dates at the end of the reporting year.

	2021	2020
	HK$'000	*HK$'000*
0 to 60 days	**136,833**	159,859
61 to 90 days	**26,443**	29,504
Over 90 days	**11,787**	19,800
	175,063	209,163

9. TRADE, BILLS AND OTHER PAYABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade payables	**43,792**	57,448
Bills payables	**13,757**	11,799
VAT payables	**28,862**	36,220
Provision of employee economic compensation	**129,194**	138,770
Payables for salaries and bonuses	**78,886**	71,530
Deposits and accruals	**27,028**	23,427
Other payables	**27,750**	11,797
Total	**349,269**	350,991
Less: Amount due within one year shown under current liabilities	**(249,700)**	(261,406)
Amount due after one year	**99,569**	89,585

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

	2021 *HK$'000*	2020 *HK$'000*
0 to 60 days	**46,009**	49,956
61 to 90 days	**7,166**	15,875
Over 90 days	**4,374**	3,416
	57,549	69,247

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, 2021, the Group continued to focus on the manufacturing and marketing of mould bases and related products.

The Group's revenue for the year ended 31st December, 2021 was approximately HK$2,273,399,000 (2020: HK$2,064,882,000). Profit attributable to owners of the Company for the year ended 31st December, 2021 was approximately HK$227,841,000 (2020: HK$181,081,000). Basic earnings per share for the year ended 31st December, 2021 was HK36.07 cents (2020: HK28.67 cents).

During the year under review, the global economy was still affected by the Coronavirus Disease 2019 ("COVID-19") and its new variants, and the overall business environment and economy had not recovered. Benefited from the effective pandemic prevention measures adopted by China, the Group's sales performance in the first half of the year was impressive. However, the Chinese economy started to slow down in the second half of the year, coupled with the impeded international shipping operation and high freight costs, the blockage of the global supply chain, rising raw material prices and inflationary pressures etc., the Group's results for the second half of the year were slightly lower than expectation. But overall speaking, compared with the performance of the same period last year, the Group's sales turnover still recorded growth.

At the beginning of the reviewed period, European countries and the United States still severely affected by the pandemic, consumption, business and production activities were severely suppressed. On the other hand, due to the relatively controlled pandemic situation in China, productivity was quickly recovered and stabilized, a large number of global orders were turned to China for production, which led to a significant growth in China's export business. The domestic market in China, such as small size household appliances, hi-tech electronic products and toys also continued to improve. The smooth development of the overall market in China led to an increase in orders from the Group's customers. Since some of the Group's customers were still affected by the pandemic which resulted in lack of production capacity and manpower, some of the production processes were forced to be outsourced for processing. Due to the Group's plants in China had resumed its production capacity quickly and orderly in the early stage of the outbreak of COVID-19 pandemic and continued to maintain stable production capacity, the Group effectively undertook more orders for high-quality mould products with high machining content in the market, and increased its depth machining revenue. Taking advantage of the continuous development of the overall market in China, the Group recorded satisfactory growth in both sales and profit in the first half of the year.

However, in the second half of the year under review, the domestic market in China began to slow down. As the supply of medical and healthcare products related to pandemic prevention stabilized, its demand declined. Although demand for small size household appliances and hi-tech electronic products continued favorably, compared with the substantial growth in the first half of the year, its growth turned to be slightly moderated. In the fourth quarter, due to the launch of more aggressive pandemic prevention measures in European countries and the United States, business and production activities gradually resumed, thus reduced the reliance on Chinese products, and imposed certain pressure on China's export business.

During the period under review, logistics and transportation cost and the price of raw materials increased significantly. Affected by the pandemic, various cargo ports were forced to be fully or partially closed, resulting in obstruction of international shipping operations and high freight costs, eventually caused a shortage of global supply and inflation intensified. The price of local mould steel in China rose significantly. Fortunately, the Group managed to flexibly adjust its selling price and inventory level to mitigate the risk of rising raw materials cost. In addition, with the intervention of the Chinese government to stabilize raw material prices, local mould steel prices began to stabilize in the fourth quarter.

As a whole, despite facing various impacts brought by the pandemic, the Group, as compared with the year of 2020, still recorded an increase in after-tax profits owing to its effective marketing strategy, cost control measures, uplifted production efficiency coupled with the appreciation of the RMB.

FINANCIAL REVIEW

The Group's revenue for the year ended 31st December, 2021 increased by 10.1% from previous year. During the year under review, the relevant costs of raw materials and consumables used (including the changes in inventories of finished goods and work in progress) for generating the revenue increased by 8.0% and raw materials and consumables used as percentage of revenue decreased to 36.1% (2020: 36.9%). The manufacturing costs of the Group were under control while the employee benefit expenses and other expenses increased by 3.4% and 4.9% respectively. In addition, depreciation of property, plant and equipment increased by 7.5%.

During the year under review, the decrease in fair value of investment properties decreased by approximately HK$3,500,000 compared with the same period of last year. Other income decreased by approximately HK$7,943,000 mainly due to the decrease of the PRC government grant. The effective tax rate increased to 27.8% (2020: 18.0%) mainly due to last year the reversal of PRC income tax overprovided for previous year and the increase of deferred tax assets recognised.

As a result of the foregoing, profit for the year ended 31st December, 2021 increased by 25.8% to approximately HK$227,841,000 (2020: HK$181,081,000).

Liquidity and Capital Resources

The total equity of the Group as at 31st December, 2021 was approximately HK$2,271,272,000 (as at 31st December, 2020: HK$2,274,394,000). As at 31st December, 2021, the Group had bank balances and cash of approximately HK$833,586,000 (as at 31st December, 2020: HK$918,623,000) and did not have any borrowings (2020: Nil).

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

The Group had sufficient cash to meet its operations and capital commitments and the COVID-19 pandemic did not affect the financial position of the Group.

Employees and Remuneration Policies

As at 31st December, 2021, the Group employed a total of approximately 3,300 employees. 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 negative impact of the outbreak of pandemic is expected to subside as countries proceed to take vaccination against COVID-19. However, the political situation in Europe has become unstable, and the war between Russia and Ukraine is bound to impose great stress on the global economy, financial system, and logistics supply. The global economic recovery will face great obstacles and variation, the market outlook is still unpredictable and full of uncertainty at this stage.

Due to the unstable situation prevailing in Europe, looking ahead to the first half of the year, various countries will maintain a cautious wait-and-see attitude. The obstruction of international shipping will also affect the delivery of goods in the European market. In addition to unfavorable factors such as shortage of raw materials, persistent inflation and interest rate hikes, it will be difficult for the global economy to recover in the short term, and China's export business will be further suppressed.

The Group expects that the consumption market in China will continue to slow down. As China's property market tends to be muted, demand for household appliances has declined. Demand for medical and healthcare products has also reduced due to the alleviation of the pandemic impact; while the demand for new hi-tech electronic products will remain favorable. As for the development of environmentally friendly new energy vehicles, due to different standards and insufficient charging configuration, its products are still not widely popular, and the further development of automobile mould can only be achieved when the right time comes. The Group will closely follow the global market trend to consolidate its marketing strategy and network to strengthen its competitive advantage.

The Group expects prices of raw materials and mould steel will fluctuate constantly in response to inflationary pressures. The Group will further monitor its operating cost and also observe the market situation to adjust its product prices suitably in order to reduce operating risks and pressures caused by rising raw material costs.

The pandemic situation of the new variant of the COVID-19 prevailing in Hong Kong, China, is severe. In line with the pandemic prevention policy of the Government of Hong Kong, China, the Group has arranged employees in Hong Kong, China office to take turns to work from home in order to reduce the chance of mutual infection. Fortunately, the Group's main business is located in mainland China, and its operations have not been affected by the pandemic. With the present video technology, the overall work flow communication within the Group still operates smoothly though it may cause some inconvenience.

However, before the announcement of the results, there were signs of a surge in the pandemic situation in mainland China, Shenzhen and Dongguan city in Guangdong Province implemented mandatory testing for all its residents to prevent the outbreak of the pandemic again, which affects the operation of some customers and brings uncertainty to future business. The Group continues to assess the situation so as to respond to future changes.

In facing unpredictable market changes, the Group will maintain a prudent and conscientious attitude, and focus on developing its core business, and continue to improve internal production and management so as to achieve steady growth and healthy returns for the Group.

Taking this opportunity, the Board of Directors would like to thank all the staff for their cooperation and contributions rendered and express heartful thanks to all shareholders and business partners for their continuous support.

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, 2021 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 30th May, 2022 (the "AGM") the payment of a final dividend of HK20 cents (2020: a final dividend of HK18 cents and a final special dividend of HK10 cents) per share for the year ended 31st December, 2021 to shareholders whose names appear on the Register of Members on 9th June, 2022. Subject to the approval by the shareholders at the AGM, the proposed final dividend will be despatched to shareholders on or about 21st June, 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25th May, 2022 to 30th May, 2022, 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 24th May, 2022.

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 24th May, 2022 will be entitled for attending and voting at the AGM.

The register of members of the Company will also be closed from 8th June, 2022 to 9th June, 2022, 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 7th June, 2022.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 7th June, 2022 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, 2021.

CORPORATE GOVERNANCE

During the year ended 31st December, 2021, 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 in force during the year 2021.

By order of the Board
Siu Tit Lung
Chairman

Hong Kong, China, 25th March, 2022

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, Mr. Wong Hak Kun and Ms. He Lamei.