

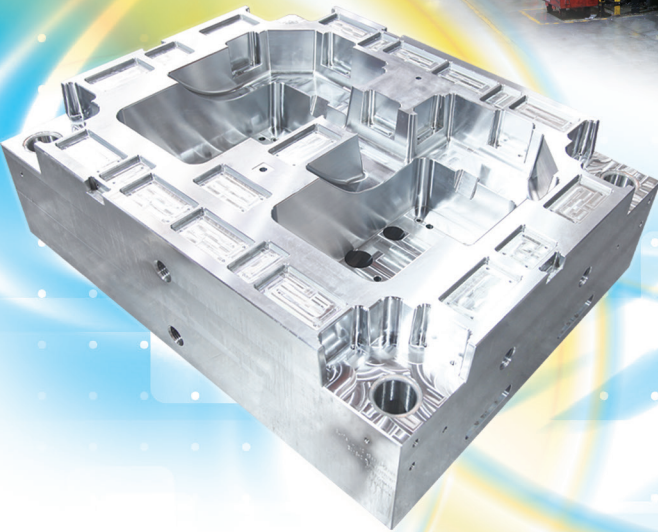


Lung Kee Group Holdings Limited

龍記集團控股有限公司

Stock Code: 255

# 2024 Interim Report



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# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

To the Board of Directors of  
**LUNG KEE GROUP HOLDINGS LIMITED**  
(FORMERLY KNOWN AS LUNG KEE (BERMUDA) HOLDINGS LIMITED)  
*(Incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Lung Kee Group Holdings Limited (formerly known as Lung Kee (Bermuda) Holdings Limited) (the “Company”) and its subsidiaries set out on pages 4 to 19, which comprise the condensed consolidated statement of financial position as of 30th June, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## **Conclusion**

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

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 23rd August, 2024

## FINANCIAL RESULTS

The directors of Lung Kee Group Holdings Limited (formerly known as Lung Kee (Bermuda) Holdings Limited) (the “Company”) (the “Directors”) are pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2024 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2024

		<b>Six months ended 30th June,</b>	
		<b>2024</b>	2023
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>		
Revenue	3	785,212	708,923
Other income, gains and losses	4	6,188	5,411
Decrease in fair value of investment properties		(5,100)	(1,500)
Impairment losses recognised under expected credit loss model, net		(2,626)	(244)
Changes in inventories of finished goods and work in progress		(31,509)	5,000
Raw materials and consumables used		(282,438)	(306,019)
Employee benefits expenses		(215,457)	(204,317)
Depreciation of right-of-use assets		(2,782)	(3,018)
Depreciation of property, plant and equipment		(82,139)	(81,720)
Other expenses	5	(196,977)	(173,838)
Interest expense on lease liabilities		(129)	(230)
Loss before taxation		(27,757)	(51,552)
Income tax credit	6	3,842	20,046
Loss for the period	7	(23,915)	(31,506)
Other comprehensive expense for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		(39,385)	(69,825)
Total comprehensive expense for the period		(63,300)	(101,331)
		<b>HK cents</b>	HK cents
Loss per share	9		
— Basic		(3.79)	(4.99)
— Diluted		(3.79)	N/A

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2024

	<i>Notes</i>	<b>At 30th June, 2024 HK\$'000 (unaudited)</b>	At 31st December, 2023 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Investment properties	<i>10</i>	<b>161,400</b>	166,500
Property, plant and equipment	<i>10</i>	<b>586,249</b>	655,982
Right-of-use assets		<b>62,623</b>	67,055
Deposits paid for acquisition of property, plant and equipment		<b>9,186</b>	23,580
Deferred tax assets		<b>46,336</b>	43,422
		<b>865,794</b>	956,539
Current assets			
Inventories		<b>480,295</b>	530,511
Trade, bills and other receivables	<i>11</i>	<b>181,211</b>	177,177
Bank balances and cash		<b>470,541</b>	428,758
		<b>1,132,047</b>	1,136,446
Current liabilities			
Trade, bills and other payables	<i>12</i>	<b>143,645</b>	128,073
Contract liabilities		<b>18,254</b>	26,931
Lease liabilities		<b>1,966</b>	3,307
Taxation payable		<b>34,177</b>	34,684
Dividend payable		<b>361</b>	310
		<b>198,403</b>	193,305

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30th June, 2024

	<i>Notes</i>	<b>At 30th June, 2024 HK\$'000 (unaudited)</b>	At 31st December, 2023 HK\$'000 (audited)
Net current assets		<b>933,644</b>	943,141
Total assets less current liabilities		<b>1,799,438</b>	1,899,680
Non-current liabilities			
Deferred tax liabilities		<b>10,104</b>	11,109
Lease liabilities		<b>2,502</b>	3,258
Other payables	<i>12</i>	<b>82,954</b>	86,551
		<b>95,560</b>	100,918
Net assets		<b>1,703,878</b>	1,798,762
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	<b>63,168</b>	63,168
Reserves		<b>1,640,710</b>	1,735,594
Total equity		<b>1,703,878</b>	1,798,762

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2024

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Share-based payments reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2023 (audited)	63,168	156,213	339,837	216,778	—	1,210,585	1,986,581
Loss for the period	—	—	—	—	—	(31,506)	(31,506)
<b>Other comprehensive expense for the period</b>							
Exchange difference arising on translation of foreign operations	—	—	—	(69,825)	—	—	(69,825)
Total comprehensive expense for the period	—	—	—	(69,825)	—	(31,506)	(101,331)
Final dividend for the year ended 31st December, 2022 (note 8)	—	—	—	—	—	(37,901)	(37,901)
At 30th June, 2023 (unaudited)	63,168	156,213	339,837	146,953	—	1,141,178	1,847,349
At 1st January, 2024 (audited)	63,168	156,213	334,835	170,752	123	1,073,671	1,798,762
Loss for the period	—	—	—	—	—	(23,915)	(23,915)
<b>Other comprehensive expense for the period</b>							
Exchange difference arising on translation of foreign operations	—	—	—	(39,385)	—	—	(39,385)
Total comprehensive expense for the period	—	—	—	(39,385)	—	(23,915)	(63,300)
Final dividend for the year ended 31st December, 2023 (note 8)	—	—	—	—	—	(31,584)	(31,584)
At 30th June, 2024 (unaudited)	63,168	156,213	334,835	131,367	123	1,018,172	1,703,878



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2024

	Six months ended 30th June,	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	54,332	30,911
Decrease (increase) in inventories	37,268	(18,379)
Increase in trade, bills and other receivables	(8,030)	(10,208)
Increase (decrease) in trade, bills and other payables	18,585	(12,407)
(Decrease) increase in contract liabilities	(8,677)	4,212
Cash generated from (used in) operations	93,478	(5,871)
Income taxes paid	(1,301)	(1,969)
Income taxes refunded	942	3,646
Net cash generated from (used in) operating activities	93,119	(4,194)
Net cash used in investing activities		
Purchases of property, plant and equipment	(13,102)	(67,423)
Interest received	4,578	4,174
Proceeds on disposal of property, plant and equipment	1,166	1,951
	(7,358)	(61,298)
Cash used in financing activities		
Dividends paid	(31,533)	(37,856)
Repayments of leases liabilities	(1,949)	(2,057)
Interest paid on leases liabilities	(129)	(230)
	(33,611)	(40,143)
Net increase (decrease) in cash and cash equivalents	52,150	(105,635)
Cash and cash equivalents at the beginning of the period	428,758	536,643
Effect of foreign exchange rate changes	(10,367)	(13,968)
Cash and cash equivalents at end of the period, represented by bank balances and cash	470,541	417,040

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2024

## 1. BASIS OF PREPARATION

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

Pursuant to a special resolution passed on 27th May, 2024, the name of the Company was changed from Lung Kee (Bermuda) Holdings Limited to Lung Kee Group Holdings Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements of the Group for the six months ended 30th June, 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2023.

### ***Application of amendments to HKFRSs***

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group’s annual period beginning on 1st January, 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022)
Amendments to HKAS 1	Non-current Liabilities with covenants
Amendments HKAS 7 and HKFRS 7	Supplier Finance Arrangement

## 2. **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

### ***Application of amendments to HKFRSs (continued)***

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

## 3. **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 period, 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 been 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 obligations of all contracts have an original expected duration of one year or less.

The Group only has one operating segment, based on the 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 condensed consolidated financial statements as a whole. No other discrete financial information is provided. 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 condensed consolidated statement of profit or loss and other comprehensive income respectively.

### 3. REVENUE AND SEGMENT INFORMATION *(continued)*

#### ***Entity-wide disclosures***

As at 30th June, 2024 and 31st December, 2023, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, i.e. the People's Republic of China (the "PRC").

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

	<b>Six months ended 30th June,</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The PRC	<b>694,610</b>	611,445
Others	<b>90,602</b>	97,478
	<b>785,212</b>	708,923

The Group has a very wide customer base covering Asia, Europe and America. No single customer contributed more than 10% of the Group's revenue for each of the six months ended 30th June, 2024 and 2023.

#### 4. OTHER INCOME, GAINS AND LOSSES

	<b>Six months ended 30th June,</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Other income:		
Interest Income	<b>4,578</b>	4,174
Rental income, net of direct outgoings of HK\$309,000 (2023: HK\$292,000)	<b>1,432</b>	2,824
Sundry income	<b>970</b>	455
	<b>6,980</b>	7,453
Other gains and losses:		
Gain on disposal of property, plant and equipment	<b>913</b>	1,830
Net foreign exchange loss	<b>(1,705)</b>	(3,872)
	<b>(792)</b>	(2,042)
	<b>6,188</b>	5,411

## 5. OTHER EXPENSES

### Six months ended 30th June,

	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Tooling costs	<b>44,250</b>	35,506
Transportation expenses	<b>31,062</b>	29,164
Repair and maintenance expenses	<b>30,241</b>	30,300
Electricity and water	<b>25,398</b>	26,394
Factory supplies	<b>15,402</b>	14,986
Other taxes and government charges	<b>10,127</b>	7,419
Fuels & lubricant oil	<b>6,864</b>	6,315
Travelling and motor car expenses	<b>4,415</b>	4,107
Promotion and packing expenses	<b>3,690</b>	4,967
Sub-contracting charges	<b>3,548</b>	3,057
Software and system expenses	<b>2,786</b>	3,098
Auditors' remuneration (including remuneration for non-audit services)	<b>2,443</b>	2,570
Others	<b>16,751</b>	5,955
	<b>196,977</b>	173,838

## 6. INCOME TAX CREDIT

	<b>Six months ended 30th June,</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The credit comprises:		
Taxation in Hong Kong	<b>(179)</b>	(631)
Taxation in jurisdictions outside Hong Kong	<b>(819)</b>	2,367
Deferred taxation	<b>4,840</b>	18,310
	<b>3,842</b>	20,046

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 PRC 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 periods.

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.

## 7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	<b>Six months ended 30th June,</b>	
	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Cost of inventories recognised as an expense	<b>685,156</b>	644,168
Recognition of inventories provision	<b>56</b>	2,243

## 8. DIVIDENDS

Interim dividend for the current period:

On 23rd August, 2024, the Directors determined an interim dividend of HK5 cents (six months ended 30th June, 2023: HK5 cents) per share amounting to HK\$31,584,000 (six months ended 30th June, 2023: HK\$31,584,000) to be paid to the shareholders of the Company whose names appear in the Register of Members on 11th September, 2024.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK5 cents (six months ended 30th June, 2023: HK6 cents) per share amounting to HK\$31,584,000 (six months ended 30th June, 2023: HK\$37,901,000) was declared and paid to the shareholders in respect of the year ended 31st December, 2023 (six months ended 30th June, 2023: in respect of the year ended 31st December, 2022).



## **9. LOSS PER SHARE**

The calculation of the basic and diluted loss per share for the six months ended 30th June, 2024 is based on the loss attributable to the owners of the Company for the six months ended 30th June, 2024 of HK\$23,915,000 (six months ended 30th June, 2023: HK\$31,506,000) and the number of 631,677,303 (2023: 631,677,303) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30th June, 2024 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the shares for the relevant period.

No diluted loss per share was presented for the six months ended 30th June, 2023 as there was no potential ordinary share outstanding during that period or at the end of that reporting period.

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

The fair value of the Group's investment properties as at the end of the current interim period were determined by C S Surveyors Limited, independent qualified professional valuers not connected to the Group.

The fair value was determined based on market comparable approach, where the prices per square feet of the properties are assessed by reference to market evidence of transaction prices for similar use of properties in the similar locations and conditions in Hong Kong. There has been no change from the valuation technique used in the prior years and it is classified under Level 3 hierarchy.

The resulting decrease in fair value of investment properties of HK\$5,100,000 (six months ended 30th June, 2023: HK\$1,500,000) has been recognised directly in profit or loss during the period.

During the period, the Group disposed of certain property, plant and equipment with an aggregate net carrying amount of HK\$253,000 (six months ended 30th June, 2023: HK\$122,000) for cash proceeds of HK\$1,166,000 (six months ended 30th June, 2023: HK\$1,958,000), resulting in a gain on disposal of HK\$913,000 (six months ended 30th June, 2023: HK\$1,830,000).

In addition, during the current interim period, the Group acquired HK\$25,288,000 (six months ended 30th June, 2023: HK\$99,238,000), HK\$335,000 (six months ended 30th June, 2023: HK\$601,000) and HK\$1,873,000 (six months ended 30th June, 2023: HK\$2,581,000) of plant and machinery, furniture and equipment and motor vehicles, respectively, for the purpose of upgrading the Group's production facilities.

## 11. TRADE, BILLS AND OTHER RECEIVABLES

	At 30th June, 2024 HK\$'000 (unaudited)	At 31st December, 2023 HK\$'000 (audited)
Trade receivables	116,312	94,977
Bills receivables	8,230	10,238
Less: allowance for credit losses	(11,948)	(9,590)
	<b>112,594</b>	95,625
Other receivables	3,085	2,337
Prepayment for materials	58,309	70,741
Deposits and other prepayments	7,223	8,474
	<b>181,211</b>	177,177

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 period.

	At 30th June, 2024 HK\$'000 (unaudited)	At 31st December, 2023 HK\$'000 (audited)
0 to 60 days	89,620	83,882
61 to 90 days	22,849	12,410
Over 90 days	12,073	8,923
	<b>124,542</b>	105,215

As at 30th June, 2024, total bills received amounting to HK\$8,230,000 (31st December, 2023: HK\$10,238,000) are held by the Group to collect cash upon maturity. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period within six months (31st December, 2023: six months).

## 12. TRADE, BILLS AND OTHER PAYABLES

	At 30th June, 2024 HK\$'000 (unaudited)	At 31st December, 2023 HK\$'000 (audited)
Trade payables	35,755	35,820
Provision of employee benefits	90,734	94,812
Payables for salaries and bonuses	31,955	29,507
Deposits and accruals	26,895	24,447
Value-added tax payables	24,596	16,391
Other payables	16,664	13,647
<b>Total</b>	<b>226,599</b>	214,624
Less: Amount due within one year shown under current liabilities	<b>(143,645)</b>	(128,073)
<b>Amount due after one year</b>	<b>82,954</b>	86,551

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

	At 30th June, 2024 HK\$'000 (unaudited)	At 31st December, 2023 HK\$'000 (audited)
0 to 60 days	28,515	30,613
61 to 90 days	4,750	3,242
Over 90 days	2,490	1,965
	<b>35,755</b>	35,820

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

## 13. SHARE CAPITAL

The Company has 631,677,303 ordinary shares of HK\$0.1 each in issue as at 30th June, 2024 and throughout both periods.

#### 14. CAPITAL COMMITMENTS

	<b>At 30th June, 2024 HK\$'000 (unaudited)</b>	At 31st December, 2023 HK\$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>10,197</b>	16,145

#### 15. RELATED PARTY DISCLOSURE

During the period, the Group entered into transactions with the following related parties:

Relationship	Nature of transaction	<b>Six months ended 30th June,</b>	
		<b>2024 HK\$'000 (unaudited)</b>	2023 HK\$'000 (unaudited)
Companies controlled by certain directors of the Company (note)	Repayments of lease liabilities	<b>1,291</b>	1,291
	Rental deposit paid	<b>646</b>	646
	Interest expense on lease liabilities	<b>37</b>	104

Note: Two directors of the Company are the directors of Silver Aim Limited and Triplefull Company Limited and one of them is also the beneficial shareholder of Silver Aim Limited and Triplefull Company Limited.

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

	<b>Six months ended 30th June,</b>	
	<b>2024 HK\$'000 (unaudited)</b>	2023 HK\$'000 (unaudited)
Short-term benefits	<b>13,646</b>	13,666
Post-employment benefits	<b>1,323</b>	1,325
	<b>14,969</b>	14,991

No director waived any emoluments for both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2024 was HK\$785,212,000 (2023: HK\$708,923,000). Loss attributable to owners of the Company for the six months ended 30th June, 2024 was HK\$23,915,000 (2023: HK\$31,506,000). The basic loss per share for the six months ended 30th June, 2024 was HK3.79 cents (2023: HK4.99 cents).

Throughout the review period, the external business environment remained complex and severe, significantly impacting the global economy. The domestic market in China also required further restoration, thus the path of economic recovery still encountered multiple challenges. In response to a subdued market environment and escalating costs, the Group actively explored market opportunities and endeavored to enhance its production technology to strengthen its competitive advantage. Consequently, the Group's performance in the first half of the year, compared to the same period in 2023, slightly improved.

The geopolitical situations were tense, the ongoing war between Russia and Ukraine and the persistent Israel-Palestine clashes, imposed high risks on global economic and financial system. Furthermore, major economies such as those in Europe and the United States had not yet reduced interest rates during the review period, creating a cautious market atmosphere that slowed down the pace of global economic recovery. Restricted by the sluggish global economy and the continued trade disputes between China and the United States, China's export business performance fluctuated, failing to drive a notable upsurge in market orders.

Following the pandemic recession and stimulated by macroeconomic policies, consumption desire of Chinese citizens rebounded. However, the economy was still in the recovery stage, and consumer confidence had not yet restored to pre-pandemic levels. In addition, affected by the downturn in the real estate market, demand for consumer goods remained insufficient, leading to a slow recovery pace in the domestic market in China. In conclusion, the overall market development in China continued under significant pressure.

Subject to the global economic environment, although the aggregate order volume increased as compared with the same period in last year, the overall production capacity had not yet been fully achieved. Despite the declining trend in the prices of mould steel, the fixed operating costs remained persistently high. In consequence, while the Group's performance showed improvement during the reviewed period, the outcome did not meet expectations.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **FINANCIAL REVIEW**

The Group's revenue for the six months ended 30th June, 2024 increased by 10.8% as compared with the same period of last year. The revenue was increased as there was a slight improvement of economy. During the period 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 4.3% and their costs as percentage of revenue decreased to 40.0% (2023: 42.5%). The ratio of the relevant costs of raw materials and consumables used as percentage of revenue was decreased mainly due to the slight increase of selling prices. The increase in activities caused the increase of other expenses by 13.3% while the employee benefits expenses were moderately increased by 5.5%.

During the period under review, the decrease in fair value of investment properties increased by HK\$3,600,000 as compared with the same period of last year. Other income increased by HK\$777,000. The impairment losses recognised under expected credit loss model, net increased by HK\$2,382,000. The income tax credit decreased by HK\$16,204,000 mainly due to the decrease in deductible losses.

As a result of the foregoing, loss for the six months ended 30th June, 2024 decreased by 24.1% to HK\$23,915,000 (2023: HK\$31,506,000).

### ***Liquidity and Financial Resources***

The total equity of the Group as at 30th June, 2024 was HK\$1,703,878,000 (as at 31st December, 2023: HK\$1,798,762,000). As at 30th June, 2024, the Group had bank balances and cash of HK\$470,541,000 (as at 31st December, 2023: HK\$428,758,000) and did not have any borrowings (as at 31st December, 2023: 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 30th June, 2024, the Group employed a total of approximately 3,000 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 staff with reference to the individual's performance.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **PROSPECTS**

Looking ahead to the second half of the year, the global business environment and political situation are still full of uncertainties and difficult to predict. Despite the economic outlook is not optimistic, the Group will carefully assess the market environment and demand to cope with future changes and challenges.

The intensification of geopolitical conflicts, the rise of trade protectionism, and the increase in uncertainty surrounding economic policies adopted during the election year in various countries, all hinder and impose risks to global economic recovery. Consequently, the export business of China has been severely impacted. The Group expects that China will actively explore emerging trade markets such as ASEAN member states in order to expand its trade partnerships and reduce market risks. The Group will closely monitor market changes and adjust its marketing strategies prudently, and explore other emerging overseas markets to bring stable development and revenue to the Group.

To consolidate the development of the domestic market, the Chinese government will launch various measures to boost consumption and investment, such as encouraging trade-in old consumer goods for new ones and promoting upgrade of large-scale equipment to strengthen the confidence and consumption desire of investors and citizens, so as to expedite the recovery of the domestic market and drive steady economic growth in China. The Group expects “advance new and old simultaneously” approach will be adopted through dual track development of environmentally friendly new energy vehicles and traditional fuel vehicles. At the same time, demand for consumer goods such as high-tech electronic products and intelligent home appliances will also improve. Furthermore, to cultivate new productive forces, efforts will be put to explore more high-end technology markets such as the development of low-altitude economy in order to support the long-term economic development of China. The Group will leverage the advantages of the Chinese market, actively seek potential business opportunities and markets to ensure its leading position in the industry.

The Group maintains a solid financial position and will concentrate on research and development of technology to enhance its overall processing capabilities and product quality and adopt time-saving and labour-saving automated production lines to boost production efficiency. Furthermore, the Group will continue to monitor and reduce operational costs to mitigate operational risks and strengthen the competitive advantage of its products.

With accumulated experience and a prudent approach, the Group is confident in its ability to cope with the ever-changing business environment and achieve steady and healthy business development.

## **OTHER INFORMATION**

### **REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

### **INTERIM DIVIDEND**

The Directors have determined an interim dividend of HK5 cents (2023: HK5 cents) per share in respect of the six months ended 30th June, 2024 to be payable on or around 24th September, 2024 to shareholders whose names appear in the Register of Members of the Company on 11th September, 2024.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 10th September, 2024 to 11th September, 2024, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 9th September, 2024.

### **UPDATES ON DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

Mr. Lee Joo Hai ceased as independent director of IPC Corporation Limited (“IPC”), which is listed on the main board of The Singapore Exchange Securities Trading Limited, after the conclusion of the annual general meeting of IPC on 29th April, 2024.



## OTHER INFORMATION *(continued)*

### DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2024, the directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”).

#### Interests in the Company

Name of director	Capacity	Number of shares held			Total interests	Percentage of Company's issued share capital
		Personal interests	Family interests	Other interests		
Siu Tit Lung <i>(Notes 1 &amp; 2)</i>	Beneficial owner, interests jointly with another person and founder of discretionary trust	41,161,444	—	366,210,937	407,372,381	64.49%
Siu Yuk Lung <i>(Notes 1 &amp; 2)</i>	Beneficial owner, interests jointly with another person and founder of discretionary trust	41,161,444	—	366,210,937	407,372,381	64.49%
Wai Lung Shing	Beneficial owner	3,843,750	—	—	3,843,750	0.61%
Ting Chung Ho	Beneficial owner	720,000	—	—	720,000	0.11%
Siu Yuk Tung, Ivan <i>(Note 2)</i>	Beneficial owner and beneficiary of a trust	80,000	—	366,210,937	366,290,937	57.99%
Siu Yu Hang, Leo <i>(Notes 2 &amp; 3)</i>	Interest of child or spouse and beneficiary of a trust	—	1,096,000	366,210,937	367,306,937	58.15%
Lee Tat Yee	Beneficial owner	150,000	—	—	150,000	0.02%
Lee Joo Hai	Beneficial owner	300,000	—	—	300,000	0.05%

## **OTHER INFORMATION** *(continued)*

### **DIRECTORS' INTERESTS IN SHARES** *(continued)*

#### **Interests in the Company** *(continued)*

*Notes:*

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 35,851,288 shares in the Company and each owned a further 5,310,156 shares in the Company registered in their own names.
- (2) Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung are beneficiaries (including Messrs. Siu Yuk Tung, Ivan and Siu Yu Hang, Leo), held 366,210,937 shares in the Company.
- (3) Mr. Siu Yu Hang, Leo and his spouse jointly held 1,096,000 shares in the Company.

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

Save as disclosed herein and other than certain shares in subsidiaries held as nominees by certain directors of the Company, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2024.

### **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

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

### **SHARE OPTION SCHEME**

At the annual general meeting of the Company held on 30th May, 2022, the shareholders of the Company approved the adoption of a new share option scheme of the Company (the "2022 Scheme"). The 2022 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants, as defined in the 2022 Scheme, to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants. The 2022 Scheme will expire on 29th May, 2032.

## OTHER INFORMATION *(continued)*

### SHARE OPTION SCHEME *(continued)*

The following table discloses the details of outstanding share options at the beginning and at the end of the reporting period:

Category of grantees	Number of share options		Date of grant <i>(Note 1)</i>	Exercisable period <i>(Note 2)</i>	Exercise price per share HK\$
	At 1st January, 2024	At 30th June, 2024			
Employees	2,430,000	2,430,000	28th September, 2023	28th September, 2024 to 27th September, 2027	1.578
Total	<u>2,430,000</u>	<u>2,430,000</u>			

*Notes:*

- (1) The closing price per share immediately before the date on which the share options were granted was HK\$1.56.
- (2) The vesting period of the share options is from the date of grant until the commencement of the relevant exercise period.
- (3) All the grants were made without any performance targets.

The number of options available for grant under the 2022 Scheme at the beginning and at the end of the reporting period was 60,737,730.

No option was granted under the 2022 Scheme during the reporting period. The number of shares that may be issued in respect of options granted under the 2022 Scheme during the reporting period representing 0% of the weighted average number of shares in issue for the period.

## OTHER INFORMATION *(continued)*

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2024, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of shares/ underlying shares held</b>	<b>Percentage of Company's issued share capital</b>
Pan Island Investments Limited	Beneficial owner	366,210,937 <i>(Note)</i>	57.97%
HSBC International Trustee Limited	Trustee	366,514,990 <i>(Note)</i>	58.02%
David Michael Webb	Beneficial owner and interest of a controlled corporation	37,938,498	6.00%

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

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

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th June, 2024.

## **OTHER INFORMATION** *(continued)*

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

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2024.

### **CORPORATE GOVERNANCE**

The Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the review period.

### **MODEL CODE**

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions by the directors.

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

On behalf of the Board  
**Lung Kee Group Holdings Limited**  
**Siu Yuk Lung**  
*Managing Director*

Hong Kong, China, 23rd August, 2024