



Lung Kee (Bermuda) Holdings Limited

Stock Code: 255

2023

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 (BERMUDA) HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the “Company”) and its subsidiaries set out on pages 4 to 18, which comprise the condensed consolidated statement of financial position as of 30th June, 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

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

## **Conclusion**

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

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 25th August, 2023

## FINANCIAL RESULTS

The directors of 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, 2023 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, 2023

		Six months ended 30th June,	
	Notes	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	708,923	907,552
Other income, gains and losses	4	5,411	2,525
(Decrease) increase in fair value of investment properties		(1,500)	2,000
Impairment losses (recognised) reversed under expected credit loss model, net		(244)	2,181
Changes in inventories of finished goods and work in progress		5,000	7,468
Raw materials and consumables used		(306,019)	(359,766)
Employee benefits expenses		(204,317)	(238,020)
Depreciation of right-of-use assets		(3,018)	(2,985)
Depreciation of property, plant and equipment		(81,720)	(75,359)
Other expenses	5	(173,838)	(191,527)
Interest expense on lease liabilities		(230)	(168)
(Loss) profit before taxation		(51,552)	53,901
Income tax credit (expense)	6	20,046	(12,913)
(Loss) profit for the period	7	(31,506)	40,988
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		(69,825)	(81,441)
Total comprehensive expense for the period		(101,331)	(40,453)
		<b>HK cents</b>	<b>HK cents</b>
Basic (loss) earnings per share	9	(4.99)	6.49

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2023

	<i>Notes</i>	<b>At 30th June, 2023 HK\$'000 (unaudited)</b>	At 31st December, 2022 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Investment properties	<i>10</i>	<b>173,500</b>	175,000
Property, plant and equipment	<i>10</i>	<b>664,151</b>	667,715
Right-of-use assets	<i>10</i>	<b>67,965</b>	73,603
Deposits paid for acquisition of property, plant and equipment		<b>43,586</b>	78,583
Deferred tax assets		<b>26,067</b>	12,508
		<b>975,269</b>	1,007,409
Current assets			
Inventories		<b>594,579</b>	606,924
Trade, bills and other receivables	<i>11</i>	<b>149,180</b>	150,501
Bank balances and cash		<b>417,040</b>	536,643
		<b>1,160,799</b>	1,294,068
Current liabilities			
Trade, bills and other payables	<i>12</i>	<b>120,324</b>	135,808
Contract liabilities		<b>25,977</b>	21,765
Lease liabilities		<b>3,615</b>	3,574
Taxation payable		<b>34,526</b>	36,264
Dividend payable		<b>340</b>	295
		<b>184,782</b>	197,706

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

At 30th June, 2023

	<i>Notes</i>	<b>At 30th June, 2023 HK\$'000 (unaudited)</b>	At 31st December, 2022 HK\$'000 (audited)
Net current assets		<b>976,017</b>	1,096,362
Total assets less current liabilities		<b>1,951,286</b>	2,103,771
Non-current liabilities			
Deferred tax liabilities		<b>13,721</b>	17,903
Lease liabilities		<b>4,038</b>	5,986
Other payables	<i>12</i>	<b>86,178</b>	93,301
		<b>103,937</b>	117,190
Net assets		<b>1,847,349</b>	1,986,581
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	<b>63,168</b>	63,168
Reserves		<b>1,784,181</b>	1,923,413
Total equity		<b>1,847,349</b>	1,986,581

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2023

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2022 (audited)	63,168	156,213	339,829	353,047	1,359,015	2,271,272
Profit for the period	—	—	—	—	40,988	40,988
<b>Other comprehensive (expense) income for the period</b>						
Exchange difference arising on translation of foreign operations	—	—	—	(81,441)	—	(81,441)
Total comprehensive (expense) income for the period	—	—	—	(81,441)	40,988	(40,453)
Final dividend for the year ended 31st December, 2021 (note 8)	—	—	—	—	(126,335)	(126,335)
At 30th June, 2022 (unaudited)	63,168	156,213	339,829	271,606	1,273,668	2,104,484
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



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2023

	Six months ended 30th June,	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	30,911	111,716
Increase in inventories	(18,379)	(21,669)
Increase in trade, bills and other receivables	(10,208)	(10,804)
Decrease in trade, bills and other payables	(12,407)	(33,547)
Increase (decrease) in contract liabilities	4,212	(12,448)
Cash (used in) generated from operations	(5,871)	33,248
Income taxes paid	(1,969)	(16,770)
Income taxes refunded	3,646	1,232
Net cash (used in) from operating activities	(4,194)	17,710
Net cash used in investing activities		
Purchases of property, plant and equipment	(67,423)	(110,463)
Proceeds on disposal of property, plant and equipment	1,951	4,649
Interest received	4,174	7,479
	(61,298)	(98,335)
Cash used in financing activities		
Dividends paid	(37,856)	(126,252)
Repayments of leases liabilities	(2,057)	(1,983)
Interest paid on leases liabilities	(230)	(168)
	(40,143)	(128,403)
Net decrease in cash and cash equivalents	(105,635)	(209,028)
Cash and cash equivalents at the beginning of the period	536,643	833,586
Effect of foreign exchange rate changes	(13,968)	(20,993)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	417,040	603,565

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2023

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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, 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2022.

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

In the current interim period, the Group has applied the following new and 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, 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contract
Amendments to HKAS 8	Definition of Accounting Estimates
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of 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.

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

### **Impacts on application of 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the 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 and 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 obligation of all contracts have an original expected duration of one year or less.

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

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 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.

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

As at 30th June, 2023 and 31st December, 2022, 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 of the customers:

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
The PRC	<b>611,445</b>	787,688
Others	<b>97,478</b>	119,864
	<b>708,923</b>	907,552

The Group has a very wide customer base covering Europe, America and Asia. No single customer contributed more than 10% of the Group's revenue for each of the six months ended 30th June, 2023 and 2022.

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

	Six months ended 30th June,	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Other income:		
Interest Income	4,174	7,479
Rental income, net of direct outgoings of HK\$292,000 (2022: HK\$268,000)	2,824	2,708
Government grants (note)	—	236
Sundry income	455	2,090
	<b>7,453</b>	<b>12,513</b>
Other gains and losses:		
Gain on disposal of property, plant and equipment	1,830	4,606
Net foreign exchange loss	(3,872)	(14,594)
	<b>(2,042)</b>	<b>(9,988)</b>
	<b>5,411</b>	<b>2,525</b>

Note: In the prior period, government grants of HK\$236,000 with respect to the Employment Support Scheme, which had fulfilled condition to retain current employees in Hong Kong, were received.

#### 5. OTHER EXPENSES

	Six months ended 30th June,	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Tooling costs	35,506	39,600
Transportation expenses	29,164	34,285
Electricity and water	26,394	26,433
Repair and maintenance expenses	30,300	29,236
Factory supplies	14,986	18,958
Other taxes and government charges	7,419	11,105
Fuels & lubricant oil	6,315	6,585
Sub-contracting charges	3,057	4,031
Travelling and motor car expenses	4,107	2,635
Promotion and packing expenses	4,967	2,553
Software and system expenses	3,098	4,028
Auditors' remuneration (including remuneration for non-audit services)	2,570	2,364
Others	5,955	9,714
	<b>173,838</b>	<b>191,527</b>

## 6. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The (charge) credit comprises:		
Taxation in Hong Kong	(631)	(1,088)
Taxation in jurisdictions outside Hong Kong	2,367	(11,115)
Deferred taxation	18,310	(710)
	<b>20,046</b>	<b>(12,913)</b>

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) PROFIT FOR THE PERIOD

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

	<b>Six months ended 30th June,</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Cost of inventories recognised as an expense	<b>644,168</b>	723,741
Recognition (utilisation) of inventories provision	<b>2,243</b>	(4,428)

## 8. DIVIDENDS

Interim dividend for the current period:

On 25th August, 2023, the Directors determined an interim dividend of HK5 cents (six months ended 30th June, 2022: HK6 cents) per share amounting to HK\$31,584,000 (six months ended 30th June, 2022: HK\$37,901,000) to be paid to the shareholders of the Company whose names appear in the Register of Members on 13th September, 2023.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK6 cents (six months ended 30th June, 2022: HK20 cents) per share amounting to HK\$37,901,000 (six months ended 30th June, 2022: HK\$126,335,000) was declared and paid to the shareholders in respect of the year ended 31st December, 2022 (six months ended 30th June, 2022: in respect of the year ended 31st December, 2021).

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30th June, 2023 is based on the loss attributable to the owners of the Company for the six months ended 30th June, 2023 of HK\$31,506,000 (six months ended 30th June, 2022: profit of HK\$40,988,000) and the number of 631,677,303 (2022: 631,677,303) ordinary shares in issue during the period.

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

## 10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

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\$1,500,000 (six months ended 30th June, 2022: increase of HK\$2,000,000) 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\$122,000 (six months ended 30th June, 2022: HK\$42,000) for cash proceeds of HK\$1,958,000 (six months ended 30th June, 2022: HK\$4,649,000), resulting in a gain on disposal of HK\$1,830,000 (six months ended 30th June, 2022: HK\$4,606,000).

In addition, during the current interim period, the Group acquired HK\$99,238,000 (six months ended 30th June, 2022: HK\$97,049,000), HK\$601,000 (six months ended 30th June, 2022: HK\$4,537,000) and HK\$2,581,000 (six months ended 30th June, 2022: HK\$5,930,000) of plant and machinery, furniture and equipment and motor vehicles, respectively, for the purpose of upgrading the Group's production facilities.

During the current interim period, the Group has entered into several new lease agreements with lease terms of 2 years (six months ended 30th June, 2022: the Group has not entered into new lease agreements). On date of lease commencement, the Group recognised right-of-use assets of HK\$419,000 and lease liabilities of HK\$419,000 (six months ended 30th June, 2022: Nil).



## 11. TRADE, BILLS AND OTHER RECEIVABLES

	At 30th June, 2023 HK\$'000 (unaudited)	At 31st December, 2022 HK\$'000 (audited)
Trade receivables	88,915	91,702
Bills receivables	12,217	13,241
Less: allowance for credit losses	(8,805)	(8,921)
	<b>92,327</b>	96,022
Other receivables	1,595	3,110
Deposits and prepayments	55,258	51,369
	<b>149,180</b>	150,501
Total trade, bills and other receivables	<b>149,180</b>	150,501

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 (before allowance for credit losses), presented based on the invoice dates at the end of the reporting period.

	At 30th June, 2023 HK\$'000 (unaudited)	At 31st December, 2022 HK\$'000 (audited)
0 to 60 days	78,348	86,508
61 to 90 days	16,253	12,187
Over 90 days	6,531	6,248
	<b>101,132</b>	104,943

As at 30th June, 2023, total bills received amounting to HK\$12,217,000 (31st December, 2022: HK\$13,241,000) are held by the Group for settlement of trade receivables. 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, 2022: less than one year).

## 12. TRADE, BILLS AND OTHER PAYABLES

	At 30th June, 2023 HK\$'000 (unaudited)	At 31st December, 2022 HK\$'000 (audited)
Trade payables	34,448	30,535
Bills payables	—	847
Provision of employee benefits	94,386	102,847
Payables for salaries and bonuses	31,320	36,031
Deposits and accruals	23,379	24,742
Value-added tax payables	6,658	11,035
Other payables	16,311	23,072
<b>Total</b>	<b>206,502</b>	<b>229,109</b>
Less: Amount due within one year shown under current liabilities	<b>(120,324)</b>	<b>(135,808)</b>
<b>Amount due after one year</b>	<b>86,178</b>	<b>93,301</b>

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

	At 30th June, 2023 HK\$'000 (unaudited)	At 31st December, 2022 HK\$'000 (audited)
0 to 60 days	27,952	23,494
61 to 90 days	4,547	4,334
Over 90 days	1,949	3,554
	<b>34,448</b>	<b>31,382</b>

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, 2023 and throughout both periods.

#### 14. CAPITAL COMMITMENTS

	At 30th June, 2023 HK\$'000 (unaudited)	At 31st December, 2022 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	40,116	68,344

#### 15. RELATED PARTY DISCLOSURE

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

Relationship	Nature of transaction	Six months ended 30th June,	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Companies controlled by certain directors of the Company (note)	Repayments of lease liabilities	1,291	1,227
	Rental deposit paid	646	614
	Interest expense on lease liabilities	104	16

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:

	Six months ended 30th June,	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Short-term benefits	13,666	17,425
Post-employment benefits	1,325	1,329
	14,991	18,754

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, 2023 was HK\$708,923,000 (2022: HK\$907,552,000). Loss attributable to owners of the Company for the six months ended 30th June, 2023 was HK\$31,506,000 (2022: profit of HK\$40,988,000). Basic loss per share for the six months ended 30th June, 2023 was HK4.99 cents (2022: earnings per share was HK6.49 cents).

During the period under review, the global economy and business environment faced great challenges. Factors such as the impact of experiencing the Coronavirus Disease 2019 ("COVID-19") pandemic for more than three years, the continuous trade disputes between China and the United States, the increase of interest rate implemented by major economies such as the United States to curb inflation, and the geopolitical tensions in various regions, all adversely affected the overall economy and resulted in a slowdown in the global economy and also aggravated the tough business operating environment in which the Group operates. Due to the significant reduction of aggregate purchase orders in the overall market, the Group's machining ability and production capacity were not fully utilized and its sales revenue had dropped sharply. Coupled with the relatively fixed operation costs, the Group's performance in the first half of the year had turned around from profit to loss. Therefore, the Group issued a profit warning to shareholders and potential investors on 7th July, 2023 pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Following the subside of pandemic, China's business and production activities had resumed successively, but the economy was still in its recovery stage. The wait-and-see atmosphere in the market was strong, and consumption desire and confidence of the citizens still needed to be restored, consequently a cautious and conservative consumption pattern was adopted. Therefore, demand for consumer goods such as home appliances and furniture products were still weak, resulting in a slow recovery in China's domestic market.

On the other hand, geopolitical conflicts led to instability and the war between Russia and Ukraine had not ceased, jeopardizing the global economy and financial system. In order to suppress the persistent high inflation, major economies such as the United States had increased interest rates which also slowed down the pace of global economic recovery. Coupled with the ongoing disputes between China and the United States, the growth rate of China's export business had been severely restricted. Facing the slowdown of China's overall market development, the aggregate orders from the Group's customers had dropped sharply, and the Group's production capacity had not been fully utilized, resulting in a significant decrease in revenue. As the relative fixed operation costs could not be reduced notably, the Group recorded a loss during the period under review.

For the mould steel, the price remained quite stable and its short-term fluctuation narrowed.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### FINANCIAL REVIEW

The Group's revenue for the six months ended 30th June, 2023 decreased by 21.9% as compared with the same period of last year. The decrease of revenue was mainly due to the significant reduction of aggregate purchase orders in the market caused by the tough business operating environment. 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 decreased by 14.6% and their costs as percentage of revenue increased to 42.5% (2022: 38.8%). The employee benefit expenses and other expenses decreased by 14.2% and 9.2% respectively while the depreciation of property, plant and equipment increased by 8.4%.

During the period under review, the change in fair value of investment properties decreased by HK\$3,500,000 as compared with the same period of last year. Other income increased by HK\$2,886,000. The impairment loss recognised under expected credit loss model, net for the six months ended 30th June, 2023 was HK\$244,000 (2022: impairment loss reversed under expected credit loss model, net of HK\$2,181,000). The income tax credit for the six months ended 30th June, 2023 was HK\$20,046,000 (2022: income tax charge of HK\$12,913,000). The income tax credit for the six months ended 30th June, 2023 included the income tax refund of HK\$3,646,000 overprovided in prior years.

As a result of the foregoing, the Group recorded a loss of HK\$31,506,000 for six months ended 30th June, 2023 (2022: profit of HK\$40,988,000).

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

The total equity of the Group as at 30th June, 2023 was HK\$1,847,349,000 (as at 31st December, 2022: HK\$1,986,581,000). As at 30th June, 2023, the Group had bank balances and cash of HK\$417,040,000 (as at 31st December, 2022: HK\$536,643,000) and did not have any borrowings (as at 31st December, 2022: 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, 2023, the Group employed a total of approximately 2,900 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 economy and business outlook are still full of uncertainties and unpredictable. Geopolitical instability and persistent high inflation risks will still obstruct the recovery of the global economy. The Group will cautiously evaluate the market environment and needs in order to respond to future changes.

The Group expects that the performance in the second half of this year will not be worse than that of the first half of this year. As economic activities in China resume normal, citizens' confidence will increase and their consumption demand will gradually improve, thus China's economy will turn good. In addition, the Chinese government will introduce macro-economic stimulus measures, which are expected to promote consumption and foster the development of the domestic market with an aim to achieve steady economic growth. The Group expects that environmentally friendly new energy vehicles will become a new driving force for development, while the demand for consumer goods such as high-tech electronic products and intelligent home appliances will gradually increase and the market orders will enlarge. However, trade relations between China and the United States are increasingly tense and severely impact those export-oriented customers in China with main business dealings with the United States. The Group will actively expand China market and other overseas markets to acquire orders, so as to bring steady development and stable income to the Group.

The Group will continue to enhance and reinforce its internal operating structure. The time-saving and labor-saving automated production lines adopted by the Group become increasingly sophisticated and have gradually achieved results. Manpower can thus be released and transformed to higher value-added production, so as to improve the overall machining ability, production speed and product quality. The Group will strive to monitor cost fluctuation range in order to reduce operational risks incurred by rising costs and strengthen the competitiveness of the Group's products.

Despite the uncertain business outlook, the Group will continue to strive for steady and healthy business growth and maintain its competitive advantage in adverse circumstances.

## **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 (2022: HK6 cents) per share in respect of the six months ended 30th June, 2023 to be payable on or around 25th September, 2023 to shareholders whose names appear in the Register of Members of the Company on 13th September, 2023.

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

The Register of Members of the Company will be closed from 12th September, 2023 to 13th September, 2023, 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 11th September, 2023.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 11th September, 2023 will be entitled to the interim dividend.

## OTHER INFORMATION *(continued)*

### DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2023, 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 of Hong Kong Limited (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, 2023.

### **SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

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.

No option was granted since the adoption of the 2022 Scheme.

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

## OTHER INFORMATION *(continued)*

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2023, 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, 2023.

## **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, 2023.

### **CORPORATE GOVERNANCE**

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 (the “Listing Rules”) throughout the review period.

### **MODEL CODE**

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

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

On behalf of the Board  
**Siu Yuk Lung**  
*Managing Director*

Hong Kong, China, 25th August, 2023