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, 2013

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, 2013, together with comparative figures for the year ended 31st December, 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue	*2*	**2,221,203**	2,401,503
Other income		**38,510**	42,014
Increase in fair value of investment properties		**30,000**	37,000
Changes in inventories of finished goods and work in progress		**25,543**	(27,912)
Raw materials and consumables used		**(967,557)**	(1,058,114)
Employee benefits expenses		**(513,410)**	(499,485)
Depreciation of property, plant and equipment		**(191,865)**	(181,525)
Other expenses		**(446,348)**	(456,225)
Interest on bank borrowings wholly repayable within five years		**(4,505)**	(5,242)
Profit before taxation		**191,571**	252,014
Income tax expense	*3*	**(44,688)**	(53,227)

	Note	**2013**	2012
		HK$'000	*HK$'000*
Profit for the year		**146,883**	198,787
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**70,677**	20,104
Total comprehensive income for the year		**217,560**	218,891
Profit for the year attributable to:			
Owners of the Company		**145,197**	196,529
Non-controlling interests		**1,686**	2,258
		146,883	198,787
Total comprehensive income for the year attributable to:			
Owners of the Company		**216,231**	216,235
Non-controlling interests		**1,329**	2,656
		217,560	218,891
		HK cents	HK cents
Earnings per share	*5*		
- Basic		**22.99**	31.13
- Diluted		**22.98**	31.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	Notes	At 31st December, 2013 HK$'000	At 31st December, 2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**151,500**	121,500
Property, plant and equipment		**1,137,129**	1,176,509
Prepaid lease payments — non-current portion		**100,608**	100,155
Deposits paid for acquisition of property, plant and equipment		**79,163**	2,120
		1,468,400	1,400,284
Current assets			
Inventories	*6*	**528,927**	410,497
Trade, bills and other receivables	*7*	**472,628**	477,590
Prepaid lease payments — current portion		**2,391**	2,325
Bank balances and cash		**737,441**	805,044
		1,741,387	1,695,456
Current liabilities			
Trade, bills and other payables	*8*	**401,069**	394,525
Taxation payable		**4,676**	6,787
Dividend payable		**124**	103
Unsecured bank borrowings — due within one year		**193,809**	221,072
		599,678	622,487
Net current assets		**1,141,709**	1,072,969
Total assets less current liabilities		**2,610,109**	2,473,253

	Note	At 31st December, 2013 HK$'000	At 31st December, 2012 HK$'000
Non-current liabilities			
Deferred tax liabilities		**38,480**	49,021
Other payables	*8*	**81,326**	—
		119,806	49,021
		2,490,303	2,424,232
CAPITAL AND RESERVES			
Share capital		**63,168**	63,163
Reserves		**2,414,648**	2,349,911
Equity attributable to owners of the Company		**2,477,816**	2,413,074
Non-controlling interests		**12,487**	11,158
Total equity		**2,490,303**	2,424,232

Notes:

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

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". However, since the new terminology under the amendments to HKAS 1 is not mandatory and the directors of the Company opt to remain the title of "statement of comprehensive income" unchanged.

Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) - Int 12

"Consolidation - Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the investees which are consolidated into the consolidated financial statements before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in this consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Except as described above, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) - Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1st January, 2014.
[2] Effective for annual periods beginning on or after 1st July, 2014.
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements of the Company.

2. REVENUE AND SEGMENT INFORMATION

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

The Group only has one operating segment, based on information reported to the chief operating decision maker (the Company's board of directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges.

As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the consolidated financial statements as a whole.

The segment revenue and segment result of the Group represents revenue and profit after taxation set out in the consolidated statement of comprehensive income respectively.

Entity-wide disclosures

As at 31st December, 2013 and 2012, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the People's Republic of China (the "PRC").

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

	2013	2012
	HK$'000	*HK$'000*
The PRC (excluding Hong Kong)	**1,888,765**	2,042,375
Hong Kong	**4,367**	5,378
Others	**328,071**	353,750
	2,221,203	2,401,503

The Group has a very wide customer base covering Europe, America and Asia. No single customer contributed more than 10% of the Group's revenue for each of the years ended 31st December, 2013 and 2012.

3. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
- current year	**127**	8,991
- overprovision in prior years	**(40)**	(19)
	87	8,972
Taxation in jurisdictions outside Hong Kong		
- current year	**50,104**	41,367
- overprovision in prior years	**(2,683)**	(1,215)
- transfer from deferred taxation	**7,721**	6,130
	55,142	46,282
Deferred taxation		
- current year	**(2,820)**	4,103
- transfer to current income tax	**(7,721)**	(6,130)
	(10,541)	(2,027)
	44,688	53,227

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

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

4. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2013 Interim – HK6 cents (2012: 2012 interim dividend HK6 cents) per share	**37,901**	37,883
2013 Interim special – HK6 cents (2012: Nil) per share	**37,901**	—
2012 Final – HK12 cents (2012: 2011 final dividend HK13 cents) per share	**75,801**	82,068
	151,603	119,951

The board of directors have determined that a final dividend of HK8 cents (2012: HK12 cents) per share amounting to approximately HK$50,534,000 (2012: HK$75,801,000) and a final special dividend of HK8 cents (2012: Nil) per share amounting to approximately HK$50,534,000 (2012: Nil) should be paid to the shareholders of the Company whose names appear in the register of members on 28th May, 2014.

5. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**145,197**	196,529

Number of shares:

	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**631,675,933**	631,364,380
Effect of dilutive potential ordinary shares on the exercise of share options	**108,052**	195,718
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**631,783,985**	631,560,098

6. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials	**465,842**	372,955
Work in progress	**50,474**	28,434
Finished goods	**12,611**	9,108
	528,927	410,497

The cost of inventories recognised as an expense by the Group during the year amounted to approximately HK$1,733,075,000 (2012: HK$1,853,389,000).

7. TRADE, BILLS AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**426,979**	433,884
Bills receivables	**27,244**	30,523
Less: allowance for doubtful debts	**(31,928)**	(32,634)
	422,295	431,773
Other receivables, deposits and prepayments	**50,333**	45,817
Total trade, bills and other receivables	**472,628**	477,590

In general, the Group allows a credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**318,723**	316,887
61 to 90 days	**87,222**	84,835
Over 90 days	**16,350**	30,051
	422,295	431,773

8. TRADE, BILLS AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**145,130**	75,513
Bills payables	**30,013**	31,728
Advance receipt from customers	**29,112**	18,874
Deposit received in respect of disposal of a land lease	**6,395**	—
VAT payables	**5,408**	37,354
Provision of employee economic compensation	**122,975**	102,545
Payables for salaries and bonuses	**62,872**	68,104
Other payables	**80,490**	60,407
Total amount	**482,395**	394,525
Less: Amount due within one year shown under current liabilities	**(401,069)**	(394,525)
Amount due after one year	**81,326**	—

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

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**125,513**	76,010
61 to 90 days	**20,960**	18,178
Over 90 days	**28,670**	13,053
	175,143	107,241

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31st December, 2013, the Group continued to focus on the manufacturing and marketing of mould bases and related products.

The Group's revenue in the year ended 31st December, 2013 was approximately HK$2,221 million (2012: approximately HK$2,402 million). Profit attributable to owners of the Company in the year ended 31st December, 2013 was approximately HK$145 million (2012: approximately HK$197 million). Basic earnings per share in the year ended 31st December, 2013 was HK22.99 cents (2012: HK31.13 cents).

During the period under review, as affected by the external economic situation and the increase of operating cost of new factory, though its productivity maintained at the similar level, the Group's performance lagged behind expectation as compared with the year of 2012.

In the year of 2013, the economic performance of Europe was still weak. The United States economy was improving, yet still in a slow pace toward recovery. As the recovery speed of global economy fell behind expectation, coupled with the appreciation of Renminbi, the export business of China was setback with a notable drop in growth rate. Furthermore, the Chinese banks tightened their credit control that led to a shortage of floating capital in the market, directly suppressed the market capital investment and consumption desire, resulting in a slow down in the domestic consumption market. The reduction of aggregate orders in mould market triggered off a fierce competition among the mould manufacturers, thus, the price of mould products further pressed down. On the other hand, the initial operating cost of the new plant in Hangzhou city, Zhejiang Province, China was enlarged, however, its sales performance was not up to expectation, as a result, the Group's profit margin diminished as compared with last year.

During the period as reviewed, production capacity of the high precision mould base production workshop, located in the Heyuan factory, Guangdong Province, China, has been enhanced steadily with the gradual uplift of production skills. The workshop mainly concentrated on producing high precision mould base for overseas countries including Europe, the United States and Japan. Restricted by insufficient orders placed by those export markets, the workshop facility and production capacity were not fully utilized and did not contribute much profit to the Group.

For the new plant in Hangzhou city, Zhejiang Province, China, during the first half year, the Group concentrated on developing its mould steel business with smooth development. In the second half year, mould base production began to operate; machineries, outfits and related facilities continued to be ameliorated. However, work force could not be equipped timely due to the shortage of technical labor, therefore, the productivity of mould base was hindered. Entering into the fourth quarter of the reviewed year, production line, equipment and part of the production labor of Taizhou plant in Eastern region in China had been completely merged into the Hangzhou plant. Since it took time for coordinating the manpower, machineries and equipment, the Group's performance was impeded notably during this period. In addition, the fixed cost of Hangzhou plant, including various plant expenses and depreciation cost of machineries and equipment, had gradually increased, further aggravated the Group's burden in operating its business and dragged down its profit performance. Toward the end of the reviewed year, both machineries and manpower supply were better coordinated, the production capacity was gradually improved and attained similar production capacity as the previous Taizhou plant.

The Group endeavored to control the growth rate of its operating costs and had achieved favorable results. As influenced by the unfavorable external environment, operating costs such as oil price and transportation expenses surged continuously. Fortunately, the Group took measures to monitor cost and reduce waste, thus, relatively speaking, the operating cost was only increased mildly. Though the severe shortage of skilled technical labor had pushed up the wages, through continuously meliorating the work process and organization structure; the Group managed to keep the labor cost under control.

The Group has been prudent in evaluating the credit risk of its customers. Though there was a lack of cash flow in the prevailing market, the Group still sustained a relatively low bad debt rate, maintaining a stable and healthy financial position.

The local mould steel price recorded a decrease during the reviewed period and slightly alleviated the burden of the material cost borne by the Group. Regarding the imported mould steel, its price was relatively stable and the range of fluctuation was quite small.

In conclusion, the Group still achieved a steady business development. Yet, the Group's profit, as compared with that in last year, showed a regression and its performance fell behind expectation.

Termination of the disposal of land use right and related assets

The agreement dated 6th July, 2013 (the "Agreement") entered into between 上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd., an indirect wholly-owned subsidiary of the Company, as the vendor and an independent third party as the purchaser in relation to the disposal of the land use right of the land situated at No. 68 Min Yi Road, Songjiang District, Shanghai, the PRC and all premises erected on the land and the complementary facilities at an aggregate consideration of RMB109,000,000 (equivalent to approximately HK$137,792,000) was terminated by the issue of a notice of termination to the purchaser by the vendor on 18th October, 2013 as the purchaser failed to fulfil the payment terms of the Agreement and failed to remedy the default in accordance with the terms of the Agreement. The vendor has engaged a PRC law firm to take legal action against the purchaser accordingly to protect the relevant interests. Relevant details are set out in the announcements of the Company dated 8th July, 2013, 18th October, 2013 and 29th October, 2013.

Liquidity and Capital Resources

As at 31st December, 2013, the Group had bank balances of approximately HK$737 million. The bank balances were placed in short term deposits with major banks in Hong Kong and the PRC.

The Group adopted conservative measures to hedge any exchange fluctuation if the exposure is considered significant by the management.

The Group continues to incur capital expenditure for the plant expansion and factory construction, which is financed by internal resources.

Gearing Ratio

Total debts of the Group were approximately HK$194 million, equal to approximately 8% of equity attributable to owners of the Company of approximately HK$2,478 million.

Employees and Remuneration Policies

As at 31st December, 2013, the Group employed a total of approximately 5,300 employees, including approximately 4,900 employees in its PRC production sites and approximately 400 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to employees with reference to the individual's performance.

PROSPECTS

The economy of Euro zones shows signs of improvement and the Euro currency tends to be more stable that brings hope to the global economy. The economic situation of the United State turns good and hopefully can expedite the revival pace of the global economy. The Group foresees that while the global business environment may still fluctuate but it will improve in long term.

As the economic performance of European countries and the United States turns around, coupled with the appreciation rate of Renminbi decelerates, it is anticipated that the export business of China will continue to improve. Furthermore, it is believed that once the sales orders from those countries rebound, the Group's production can be fully utilized in fulfilling customers' need. On the other hand, the Central Government of China endeavors to consolidate its Gross Domestic Product (GDP) target to 7.5%. It is expected that the China business development will be upheld at a reasonable growth rate. Following the promotion of urbanization, the average income of workforce in China is uplifted, it is estimated the domestic consumption market will boom continuously and drive the economic development in China. The Group anticipates a favorable development in the automobile parts and components business, especially models integrated with advanced technology will be promoted to the market consecutively. In light of this, the Group will further plan to penetrate into the high-end large size automobile parts and components mould manufacturing business. Moreover, market demand for household electrical appliances, technological products such as computer, tablet personal computer and mobile phone as well as the energy-saving and environmental friendly products are enormous, creating ample room for business development. Since plenty business opportunities prevail in the market, the Group will devise appropriate market strategy and set its development direction in order to fortify its market leading position.

Turning to the production in the Heyuan factory, Guangdong Province, China, through streamlining its production flow, installing new machinery in replacing low efficient ones, achieving a higher level of automation and emphasizing on machineries maintenance, the Group aims at fully utilizing its scale of production and reinforcing product precision so as to support the production needs in different regions. Both the production skills and capacity have been elevated, the Heyuan factory is able to capture more high precision orders for export. This eventually helps the Group to develop in-depth machining services for the medium to high-end mould market and enhances its competitiveness.

At the same time, for the new plant in Hangzhou city, Zhejiang Province, China, besides promoting and exploring its steel distribution business, full effort will be put in ameliorating its mould base business. In addition to actively recruiting local technical labor, Heyuan factory, Guangdong Province, China will deploy skilled labor to Hangzhou factory to strengthen its mould base production skill. Furthermore, large size machineries will be installed gradually.

Once machineries and equipments can be coordinated with the improved production skills, it is anticipated the mould base production capacity will be sharply lifted and it will facilitate the Group to explore the automobile parts and components mould business and further extend its market share in the Eastern, Central and Northern region of China.

To reinforce its marketing and sales channel, the Group will enhance its direct sales team, open up more sales office and adopt multiple sales promotion means such as internet sales in order to satisfy local customers' needs and to extend its market coverage.

The operating cost is expected to follow an upward trend. In light of this, the Group has implemented cost monitor measures by advocating "green production", effective resources utilization and waste reduction. The Group continues to move in this direction and promote suitable measures to lower its operating cost and risk. In view of the recent policy as advocated by the Chinese Government in encouraging business development for high value-added enterprises, eventually the low value-added enterprises will be knocked out gradually. Consequently, the labor supply will become more abundant in the market. Comparatively speaking, with its manpower policy and facilities provided, the Group is in a more competitive position in attracting and retaining competent labor. Therefore, it is expected the severe skilled labor shortage can be relieved slightly though labor cost will still be unavoidably increasing.

Owing to the overproduction of mould steel in China, the Group expects that the price of local mould steel will move downwards but still fluctuate constantly. For imported steel, price remains relatively stable without big variation. The Group will closely monitor the market situation and flexibly regulates its inventory level with an aim to lower its material cost.

Looking ahead, the Group still sticks to its prudent and pragmatic principles as well as adopts a positive attitude in facing every challenge and opportunity. The Group also looks for advancement and seeks for excellence in its management and production skills in order to consolidate its leading position in the industry and bring a stable return to shareholders.

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 comprehensive income and the related notes thereto for the year ended 31st December, 2013 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 AND SPECIAL DIVIDENDS

The Directors have resolved to recommend to shareholders at the annual general meeting of the Company to be held on 19th May, 2014 (the "AGM") the payment of a final dividend of HK8 cents per share (2012: HK12 cents per share) and a final special dividend of HK8 cents per share (2012: Nil) for the year ended 31st December, 2013 to shareholders whose names appear on the Register of Members on 28th May, 2014. Subject to the approval by the shareholders at the AGM, the proposed final and special dividends will be despatched to shareholders on or about 11th June, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15th May, 2014 to 19th May, 2014, 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 14th May, 2014.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 14th May, 2014 will be entitled for attending and voting at the AGM.

The register of members of the Company will also be closed from 27th May, 2014 to 28th May, 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final and special dividends, 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 26th May, 2014.

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 26th May, 2014 will be entitled for the proposed final and special dividends.

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, 2013.

CORPORATE GOVERNANCE

During the year ended 31st December, 2013, the Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
Siu Tit Lung
Chairman

Hong Kong, 27th March, 2014

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