



Lung Kee (Bermuda) Holdings Limited

Stock Code: 255



2015

Interim Report

Main Photo of Cover :
HANGZHOU LUNG KEE – The administrative building of
Hangzhou Lung Kee Metal Products Co., Ltd.
is situated at Hangzhou City, Zhejiang Province, China.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 (collectively referred to as the “Group”) set out on pages 4 to 17, which comprise the condensed consolidated statement of financial position as of 30th June, 2015 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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, 21st August, 2015

FINANCIAL RESULTS

The directors of Lung Kee (Bermuda) Holdings Limited (the “Company”) (the “Directors”) are pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2015 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

		Six months ended 30th June,	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	1,179,680	1,146,741
Other income	4	13,141	47,013
Changes in inventories of finished goods and work in progress		476	9,282
Raw materials and consumables used		(460,983)	(512,986)
Employee benefits expenses		(294,723)	(273,910)
Depreciation of property, plant and equipment		(113,774)	(91,480)
Other expenses		(231,627)	(230,745)
Interest on bank borrowings wholly repayable within five years		(969)	(1,990)
Profit before taxation		91,221	91,925
Income tax expense	5	(25,135)	(27,120)
Profit for the period	6	66,086	64,805
Other comprehensive income (expense):			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Reclassification adjustment of translation reserve upon deregistration of a subsidiary		—	(31,190)
Exchange difference arising on translation of foreign operations		564	(64,207)

		Six months ended 30th June,	
		2015	2014
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Other comprehensive income (expense) for the period		564	(95,397)
Total comprehensive income (expense) for the period		66,650	(30,592)
Profit for the period attributable to:			
Owners of the Company		65,240	63,858
Non-controlling interests		846	947
		66,086	64,805
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		65,458	(31,569)
Non-controlling interests		1,192	977
		66,650	(30,592)
Basic earnings per share	8	HK10.33 cents	HK10.11 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

		At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	169,500	169,500
Property, plant and equipment	9	1,155,308	1,163,881
Prepaid lease payments			
— non-current portion		94,719	95,806
Deposits paid for acquisition of property, plant and equipment		67,580	96,281
Deferred tax assets		31,405	24,464
		1,518,512	1,549,932
Current assets			
Inventories		559,864	569,042
Trade, bills and other receivables	10	543,095	502,340
Prepaid lease payments			
— current portion		2,334	2,332
Bank balances and cash		451,050	383,774
		1,556,343	1,457,488
Current liabilities			
Trade, bills and other payables	11	392,045	396,690
Taxation payable		10,899	7,774
Dividend payable		155	136
Unsecured bank borrowings			
— due within one year	12	128,261	92,370
		531,360	496,970

		At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
Net current assets		1,024,983	960,518
Total assets less current liabilities		2,543,495	2,510,450
Non-current liabilities			
Deferred tax liabilities		45,237	41,180
Other payables	11	92,416	85,861
		137,653	127,041
Net assets		2,405,842	2,383,409
CAPITAL AND RESERVES			
Share capital	13	63,168	63,168
Reserves		2,328,033	2,306,792
Equity attributable to owners of the Company		2,391,201	2,369,960
Non-controlling interests		14,641	13,449
Total equity		2,405,842	2,383,409

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2015

	Attributable to owners of the Company					Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note)	Translation reserve HK\$'000	Share options reserve HK\$'000				
At 1st January, 2014 (audited)	63,168	156,213	266,862	556,358	4,813	1,430,402	2,477,816	12,487	2,490,303
Profit for the period	–	–	–	–	–	63,858	63,858	947	64,805
Other comprehensive (expense) income for the period									
Reclassification adjustment of translation reserve upon deregistration of a subsidiary	–	–	–	(31,190)	–	–	(31,190)	–	(31,190)
Exchange difference arising on translation of foreign operation	–	–	–	(64,237)	–	–	(64,237)	30	(64,207)
	–	–	–	(95,427)	–	–	(95,427)	30	(95,397)
Total comprehensive (expense) income for the period	–	–	–	(95,427)	–	63,858	(31,569)	977	(30,592)
Transfer on lapse of share options	–	–	–	–	(70)	70	–	–	–
Final dividend for the year ended 31st December, 2013 (note 7)	–	–	–	–	–	(50,534)	(50,534)	–	(50,534)
Final special dividend for the year ended 31st December, 2013 (note 7)	–	–	–	–	–	(50,534)	(50,534)	–	(50,534)
At 30th June, 2014 (unaudited)	63,168	156,213	266,862	460,931	4,743	1,393,262	2,345,179	13,464	2,358,643
Profit for the period	–	–	–	–	–	73,979	73,979	775	74,754
Other comprehensive expense for the period									
Exchange difference arising on translation of foreign operations	–	–	–	(11,297)	–	–	(11,297)	(790)	(12,087)
Total comprehensive (expense) income for the period	–	–	–	(11,297)	–	73,979	62,682	(15)	62,667
Transfer on lapse of share options	–	–	–	–	(4,743)	4,743	–	–	–
Interim dividend for the year ended 31st December, 2014 (note 7)	–	–	–	–	–	(37,901)	(37,901)	–	(37,901)
Transfer	–	–	11,267	–	–	(11,267)	–	–	–
At 31st December, 2014 and 1st January, 2015 (audited)	63,168	156,213	278,129	449,634	–	1,422,816	2,369,960	13,449	2,383,409
Profit for the period	–	–	–	–	–	65,240	65,240	846	66,086
Other comprehensive income for the period									
Exchange difference arising on translation of foreign operations	–	–	–	218	–	–	218	346	564
Total comprehensive income for the period	–	–	–	218	–	65,240	65,458	1,192	66,650
Final dividend for the year ended 31st December, 2014 (note 7)	–	–	–	–	–	(44,217)	(44,217)	–	(44,217)
At 30th June, 2015 (unaudited)	63,168	156,213	278,129	449,852	–	1,443,839	2,391,201	14,641	2,405,842

Note: The statutory reserve represents the appropriation of certain percentages of profit after taxation of subsidiaries established in the People's Republic of China (the "PRC") as pursuant with the PRC regulations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2015

	Six months ended 30th June,	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash from operating activities	136,200	48,277
Net cash used in investing activities		
Deposits paid and purchase of property, plant and equipment	(75,844)	(124,660)
Interest received	6,285	9,113
Deposit received in respect of disposal of a land lease	6,243	—
Proceeds on disposal of property, plant and equipment	2,044	2,629
	(61,272)	(112,918)
Net cash used in financing activities		
Dividends paid	(44,198)	(101,010)
Repayment of bank borrowings	(14,895)	(99,556)
Interest paid	(969)	(1,990)
New bank borrowings raised	51,000	80,000
	(9,062)	(122,556)
Net increase (decrease) in cash and cash equivalents	65,866	(187,197)
Cash and cash equivalents at the beginning of the period	383,774	737,441
Effect of foreign exchange rates changes	1,410	(21,768)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	451,050	528,476

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

1. BASIS OF PREPARATION

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of these amendments to HKFRSs and Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group has only one operating segment. The 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 condensed 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 condensed consolidated statement of comprehensive income respectively.

Entity-wide disclosures

As at 30th June, 2015 and 31st December, 2014, substantially all of the Group's non-current assets are located in the place of domicile of the relevant group entities, namely the PRC.

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

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The PRC (excluding Hong Kong)	1,029,313	988,090
Hong Kong	2,104	2,547
Others	148,263	156,104
	1,179,680	1,146,741

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, 2015 and 2014.

4. OTHER INCOME

	Six months ended 30th June,	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest Income	6,285	9,113
Rental income, net of direct outgoings of approximately HK\$232,000 (2014: HK\$211,000)	2,417	1,436
Gain on disposal of property, plant and equipment	2,036	2,571
Exchange gain on deregistration of a subsidiary	—	31,190
Net foreign exchange gain	1,146	669
Sundry income	1,257	2,034
	13,141	47,013

5. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
The charge (credit) comprises:		
Taxation in Hong Kong	401	47
Taxation in jurisdictions outside Hong Kong	27,618	33,000
Deferred taxation	(2,884)	(5,927)
	25,135	27,120

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

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.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	920,181	917,865
Gross foreign exchange loss	756	3,376
Gross foreign exchange gain	(1,902)	(4,045)
Release of prepaid lease payments	1,164	1,183

7. DIVIDENDS

Interim dividend for the current period:

On 21st August, 2015, the Directors determined that an interim dividend of HK7 cents (2014: interim dividend of HK6 cents) per share amounting to approximately HK\$44,217,000 (2014: interim dividend of HK\$37,901,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 9th September, 2015.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK7 cents (2014: final dividend of HK8 cents and final special dividend of HK8 cents) per share amounting to approximately HK\$44,217,000 (2014: final dividend of HK\$50,534,000 and final special dividend of HK\$50,534,000) in aggregate was declared and paid to the shareholders in respect of the year ended 31st December, 2014.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months period ended 30th June, 2015 is based on the profit attributable to the owners of the Company of approximately HK\$65,240,000 (six months ended 30th June, 2014: HK\$63,858,000) and on 631,677,303 (2014: 631,677,303) ordinary shares in issue throughout both periods.

Diluted earnings per share is not presented for both periods as there is no potential ordinary shares in issue during the period or at the end of the reporting period.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors considered the carrying amounts of the Group's investment properties as at 30th June, 2015 and 30th June, 2014 did not differ significantly from the fair values. Consequently, no change in fair value has been recognised in both periods.

During the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately HK\$8,000 (2014: HK\$58,000) for cash proceeds of approximately HK\$2,044,000 (2014: HK\$2,629,000), resulting in a gain on disposal of approximately HK\$2,036,000 (2014: HK\$2,571,000).

In addition, the Group incurred expenditures of approximately HK\$22,197,000 (2014: HK\$14,644,000) on the construction in progress in the PRC and spent approximately HK\$77,639,000 (2014: HK\$76,707,000), HK\$1,199,000 (2014: HK\$1,582,000), HK\$nil (2014: HK\$72,000) and HK\$3,510,000 (2014: HK\$3,915,000) during the period on acquisition of plant and machinery, furniture and equipment, buildings, and motor vehicles, respectively, for the purpose of expanding and upgrading the Group's production facilities.

10. TRADE, BILLS AND OTHER RECEIVABLES

	At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
Trade receivables	475,576	446,005
Bills receivables	45,909	32,739
Less: allowance for doubtful debts	(36,608)	(33,587)
	484,877	445,157
Other receivables, deposits and prepayments	58,218	57,183
Total trade, bills and other receivables	543,095	502,340

The Group allows a credit period ranging from 30 days to 90 days to its trade customers.

The following is an analysis of trade and bills receivables (net of allowance for doubtful debts) by age, presented based on the invoice date.

	At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
0 to 60 days	334,106	334,424
61 to 90 days	103,158	83,829
Over 90 days	47,613	26,904
	484,877	445,157

11. TRADE, BILLS AND OTHER PAYABLES

	At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
Trade payables	144,830	124,843
Bills payables	14,297	30,917
Advance receipt from customers	57,521	44,428
Deposits received in respect of disposal of a land lease	12,486	6,238
Provision of employee economic compensation	139,742	129,831
Payables for salaries and bonuses	51,666	62,940
Other payables	63,919	83,354
Total	484,461	482,551
Less: Amount due within one year shown under current liabilities	(392,045)	(396,690)
Amount due after one year	92,416	85,861

The following is an analysis of trade and bills payables by age, presented based on the invoice date.

	At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
0 to 60 days	112,792	117,443
61 to 90 days	30,284	21,165
Over 90 days	16,051	17,152
Total	159,127	155,760

12. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK\$51,000,000 (2014: HK\$80,000,000) for general working capital requirements.

In addition, the Group repaid bank loans amounting to approximately HK\$14,895,000 (2014: HK\$99,556,000) during the period using the funds generated from operations.

13. SHARE CAPITAL

The Company has 631,677,303 ordinary shares of HK\$0.1 each in issue throughout both periods.

14. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements

At 30th June, 2015 HK\$'000 (unaudited)	At 31st December, 2014 HK\$'000 (audited)
41,858	43,870

15. RELATED PARTY TRANSACTIONS

Transactions between group companies have been eliminated on consolidation and are not disclosed in this note.

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

	Six months ended 30th June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short-term benefits	16,288	16,215
Post-employment benefits	1,035	1,035
	17,323	17,250

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2015 was approximately HK\$1,180 million (2014: approximately HK\$1,147 million). Profit attributable to owners of the Company for the six months ended 30th June, 2015 was approximately HK\$65 million (2014: approximately HK\$64 million). Basic earnings per share for the six months ended 30th June, 2015 was HK10.33 cents (2014: HK10.11 cents).

During the period under review, the global economic development gradually tended to be stable, yet without a notable sign of economic recovery. The market performance of the United States progressed in a positive direction. Moreover, a favorable turn emerged for solving the Greece debt crisis as all parties concerned were trying to find a suitable resolution. This temporarily lessened the negative impact posed on the Euro zone countries. Nevertheless, the aggregate economic growth of the European countries remained sluggish. Since the global economic performance showed no further improvement, the growth pace of both export and domestic business of China was impeded. As a result, the development of mould industry was unavoidably affected. In spite of the business environment operated under unfavorable conditions, the Group continued to put great effort to uplift its production effectiveness as well as monitor its cost and expenditure. In addition, benefited from the decrease of material cost and the improved operation of the plant in Hangzhou city, Zhejiang Province, China, the Group's performance and profit recorded a slight increase when compared with that of the same period in 2014. If excluding the exchange gain contributed last year by the deregistration of the subsidiary located in Guangzhou, Guangdong Province, China, the Group reported a remarkable improvement in its profit gain.

Hindered by the uncertain market situation in the United States, European and other overseas countries, the growth pace of export business of China was slow down. Following the tightening of bank credit implemented in China, the domestic consumption market also tended to be quiet down. Consequently, the aggregate mould orders reduced, a severe competition triggered within the mould industry. The business performance of some of the Group's customers was barely satisfactory. Owing to inadequate technical labor and the initiative to save production and labor cost, some of the Group's customers changed to order high precision mould products with in-depth machining content from the Group. This increased the revenue of the Group and helped to lift up its profit margin.

During the period under review, the Heyuan factory in Guangdong Province, China, continued to enhance its plant's operation and equipment. Through adopting automated production equipment to reduce manpower, restructuring and simplifying its production process to increase efficiency, the Group succeeded in continuous uplifting its productivity per capita and product quality. As a result, it fortified the production capability and know-

how of the Group that in turn offered strong support to cater for the stringent requirements of the customers.

For the plant in Hangzhou city, Zhejiang Province, China, following both equipment and facilities required for production were in place, the recruitment and training of the technical labor progressed smoothly, its mould production capacity was gradually improved and developed on the right track. Though the balance of revenue and expenses of the plant had not yet been achieved, the expenditure burden of the Group was greatly alleviated. Through reinforcing communication and connection with customers located in the Eastern, Central and Northern regions of China, and improving its sales channel and transportation network, customers based in target areas were further explored and their faith on the Group's product was strengthened. During the review period, the aggregate business operation of Hangzhou plant progressed smoothly and the negative effect imposed on the Group's profit lessened substantially.

Owing to the over-supply of the mould steel in China, the price of the middle to low end mould steel decreased significantly. For the imported steel, the price remained stable with comparatively minor fluctuation. The Group regulated its inventory suitably to keep track with the market change so as to suppress the material cost, bringing positive gain to the Group's business.

In conclusion, despite of unstable market environment, the Group still achieved a significant improvement in its results, as compared with the same period last year after excluding the exchange gain contributed last year by the deregistration of the subsidiary located in Guangzhou, Guangdong Province, China, its performance was satisfactory. During the period under review, the Group's aggregate productivity and turnover was enhanced. The operation costs including labor cost constantly increased, yet it was fluctuated within the controlled and managed range of the Group. In addition, the decline of material cost and the improved performance of the plant in Hangzhou city, Zhejiang Province, China, helped to greatly reduce the operation cost, thus alleviating the aggregate operation burden of the Group.

PROSPECTS

The United States economy exhibits a promising sign. The Group expects its growth rate will be accelerated with the increase of interest rate, which brings hope to the global economic recovery. The quantitative easing monetary policy put forward by the Euro zone will also push up the economic growth of the European countries. Nevertheless, Euro zone economy will still be obsessed by the Greece debt crisis in case effective resolution cannot be implemented timely and completely to solve the debt issue. The revival speed of the Euro zone economy will be decelerated if the investors' faith cannot be regained thoroughly. On the other hand, the Chinese government has revised its Gross Domestic Product (GDP) growth rate downward to 7%, launched the monetary policy such as

reduction of interest rate, lowered the bank reserve as well as implemented the fiscal policy in aiding particular industries, all these have positive effects on securing continual economic growth. Recently, the Chinese government has allowed the depreciation of Renminbi and adjusted the exchange rate market oriented mechanism, in the hope of boosting up its sluggish export business. The Group foresees the global economic development will experience sustained improvement in long term. Nevertheless, uncertain factors such as regional political instability, the occurrence of localized war, natural disaster and earthquake still exist, the business operating environment will still face constant fluctuations.

In light of the improved performance of the United States economy and the bi-directional floating of Renminbi, it is expected the export business of China to be pushed up. The Group anticipates the demand for mould product exported to the United States and European countries will be increased. The high precision mould base production workshop located in Heyuan factory, Guangdong Provinces, China, can substantially utilize both its production capacity and delicate machining skills in satisfying the high quality requirements demanded by the export oriented customers.

While seeking for stable economic growth, the Chinese government has put forward anti-corruption campaign, suitable monetary and fiscal policies, aiming at securing steady growth of the Gross Domestic Product (GDP). The aggregate business environment of China, after undergoing the adjustments and restructuring stage, will be more normalized and stabilized, which will help all industries to step toward recovery. Following the increase of average wage and the uplift of quality of life of Chinese citizens, the demand for household electrical appliances and electronic products such as computer, tablet personal computer and mobile phone as well as the energy-saving and environmental friendly products, continues to be stimulated. On the other hand, the development of automobile industry experiences temporary fluctuation. However, owing to the sustained infrastructure construction plans devised to improve urban facilities all over China, there will be ample room for the development of automobile industry once the highway network system is further ameliorated. The Group foresees that the market of China will turnaround gradually and bring plenty business opportunities to the Group. The Group will strengthen its direct sales team by deploying various sales channels such as opening up more sales offices and adopting internet sales platform so as to actively explore new market for its mould steel trading and mould base manufacturing business, aiming at enlarging its market share in the mould industry.

In pursuing its long-term development goal, the Heyuan factory, Guangdong Province, China, will continue to streamline its management, restructure its production flow, add precision and automated equipments and provide production technical training to manpower. It aims at uplifting its production efficiency and capacity so as to reinforce its competitive edge in order to fortify its position as a strong and powerful production and technical supporting base of the Group.

Turning to the plant in Hangzhou city, Zhejiang Province, China, equipments and facilities for the plant are basically installed in place. The recruitment and training of technical labor has progressed satisfactorily, production skills will become more proficient and production capacity will gradually lift up. The Group strives to meliorate facilities, machineries, manpower and management of the plant in order to further enlarge its production capacity and reduce its production cost so as to achieve a balance of revenue and expenditure expeditiously. This plant will ultimately make positive contribution to the Group's turnover.

The Group expects that the price of local mould steel will move up from its lowest point and fluctuates within a narrow range. Due to the currency value in the export countries tends to be stable without much variation, the price of imported steel remains steady with only slight fluctuation. The Group will prudently regulate its inventory level in order to minimize its material cost. The Group also estimates that the labor cost will surge on yearly basis but with a decelerating rate. The Group endeavors to monitor its costs fluctuating within a manageable and controllable range.

Looking ahead, though the business operating environment is still under uncertainties and full of challenge, the Group strives to develop and streamline its core business in seeking for steady and healthy business growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2015, the Group had a net cash surplus of approximately HK\$323 million. The Group had cash balance of approximately HK\$451 million. The cash balance was placed in short term deposits with major banks in Hong Kong and the PRC.

Total debts of the Group were approximately HK\$128 million, equal to approximately 5% of equity attributable to owners of the Company of approximately HK\$2,391 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2015, the Group employed a total of approximately 5,600 employees, including approximately 5,200 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 staff with reference to the individual's performance.

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 interim financial statements.

INTERIM DIVIDEND

The Directors have determined an interim dividend of HK7 cents per share (2014: interim dividend of HK6 cents per share) in respect of the six months ended 30th June, 2015 to be payable on or around 22nd September, 2015 to shareholders whose names appear in the Register of Members of the Company on 9th September, 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 8th September, 2015 to 9th September, 2015, 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 7th September, 2015.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 7th September, 2015 will be entitled to the interim dividend.

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2015, 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	Other interests		
Siu Tit Lung (Notes 1 & 2)	Beneficial owner and founder of discretionary trust	37,941,444	366,210,937	404,152,381	63.98%
Siu Yuk Lung (Notes 1 & 2)	Beneficial owner and founder of discretionary trust	37,941,444	366,210,937	404,152,381	63.98%
Mak Koon Chi	Beneficial owner	3,843,750	—	3,843,750	0.61%
Wai Lung Shing	Beneficial owner	3,843,750	—	3,843,750	0.61%
Ting Chung Ho	Beneficial owner	720,000	—	720,000	0.11%
Liu Wing Ting, Stephen	Beneficial owner	150,000	—	150,000	0.02%
Lee Tat Yee	Beneficial owner	150,000	—	150,000	0.02%
Lee Joo Hai	Beneficial owner	300,000	—	300,000	0.05%

Notes:

- Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 32,631,288 shares in the Company and each owned a further 5,310,156 shares in the Company registered in their own names.
- 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, held 366,210,937 shares in the Company.

Interests in associated corporations of the Company

Name of director	Nature of interests	Name of associated corporation	Number of shares held	Percentage of issued share capital of the class
Siu Tit Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%
Siu Yuk Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or its associated corporations.

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, 2015.

SHARE OPTION SCHEME AND DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At the annual general meeting of the Company held on 7th May, 2012, the shareholders of the Company approved the adoption of a new share option scheme of the Company (the "2012 Scheme"). The 2012 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants, as defined in the 2012 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, and will expire on 6th May, 2022.

No option was granted since the adoption of the 2012 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2015, 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:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of Company's issued share capital
Pan Island Investments Limited	Beneficial owner	366,210,937	57.97%
Schroders Plc	Investment manager	37,787,500	5.98%

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, 2015.

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, 2015.

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, 21st August, 2015