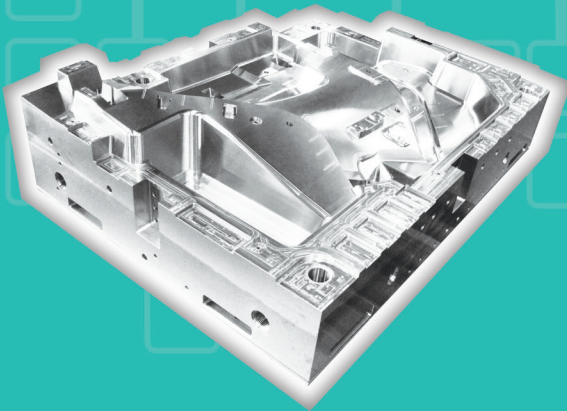
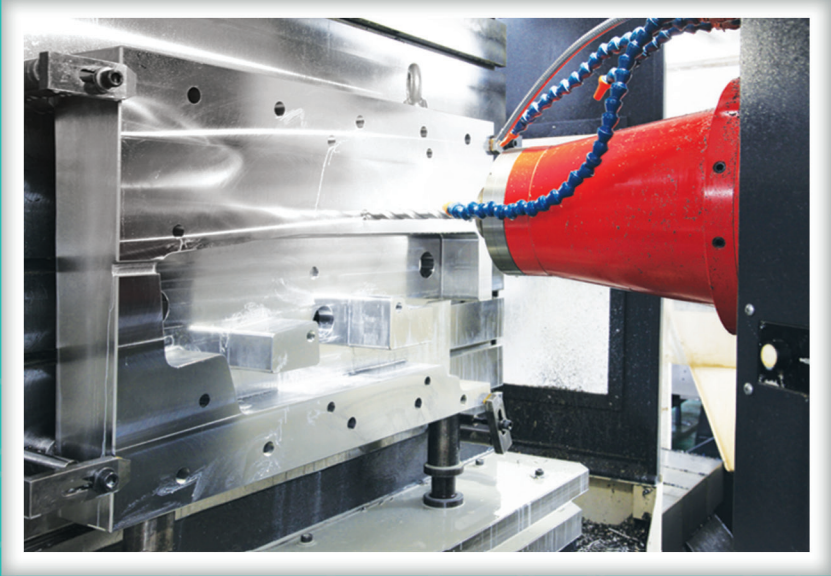




Lung Kee (Bermuda) Holdings Limited

Stock Code: 255



INTERIM REPORT
2021



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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, 2021 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, 27th August, 2021



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, 2021 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, 2021

	Notes	Six months ended 30th June,	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	1,189,026	955,564
Other income, gains and losses	4	17,890	22,044
Decrease in fair value of investment properties		(8,000)	(4,500)
Impairment losses recognised under expected credit loss model, net		(782)	(2,256)
Changes in inventories of finished goods and work in progress		(3,809)	5,606
Raw materials and consumables used		(416,282)	(362,912)
Employee benefits expenses		(300,309)	(262,280)
Depreciation of right-of-use assets		(4,012)	(3,945)
Depreciation of property, plant and equipment		(74,166)	(69,110)
Other expenses	5	(245,943)	(188,333)
Interest expense on lease liabilities		(248)	(252)
Profit before taxation		153,365	89,626
Income tax expense	6	(45,325)	(22,498)
Profit for the period	7	108,040	67,128
Other comprehensive income (expense) for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		10,706	(31,901)
Total comprehensive income for the period		118,746	35,227
Basic earnings per share	9	HK17.10 cents	HK10.63 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2021

	<i>Notes</i>	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	<i>10</i>	173,500	181,500
Property, plant and equipment	<i>10</i>	649,309	656,086
Right-of-use assets	<i>10</i>	82,752	86,094
Deposits paid for acquisition of property, plant and equipment		64,690	40,948
Deferred tax assets		15,306	14,893
		985,557	979,521
Current assets			
Inventories		544,321	577,128
Trade, bills and other receivables	<i>11</i>	270,776	270,372
Bank balances and cash		934,887	918,623
		1,749,984	1,766,123
Current liabilities			
Trade, bills and other payables	<i>12</i>	284,142	261,406
Contract liabilities		46,278	33,839
Lease liabilities		4,589	5,441
Taxation payable		55,002	41,045
Dividend payable		494	241
		390,505	341,972



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30th June, 2021

	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 HK\$'000 (audited)
<i>Notes</i>		
Net current assets	1,359,479	1,424,151
Total assets less current liabilities	2,345,036	2,403,672
Non-current liabilities		
Deferred tax liabilities	35,642	30,845
Lease liabilities	6,830	8,848
Other payables	86,294	89,585
	128,766	129,278
Net assets	2,216,270	2,274,394
CAPITAL AND RESERVES		
Share capital	63,168	63,168
Reserves	2,153,102	2,211,226
Total equity	2,216,270	2,274,394



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2021

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (note 1)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2020 (audited)	63,168	156,213	325,451	201,492	1,368,746	2,115,070
Profit for the period	—	—	—	—	67,128	67,128
Other comprehensive expense for the period						
Exchange difference arising on translation of foreign operations	—	—	—	(31,901)	—	(31,901)
Total comprehensive (expense) income for the period	—	—	—	(31,901)	67,128	35,227
Final dividend for the year ended 31st December, 2019 (note 8)	—	—	—	—	(69,485)	(69,485)
At 30th June, 2020 (unaudited)	63,168	156,213	325,451	169,591	1,366,389	2,080,812
At 1st January, 2021 (audited)	63,168	156,213	329,434	312,388	1,413,191	2,274,394
Profit for the period	—	—	—	—	108,040	108,040
Other comprehensive income for the period						
Exchange difference arising on translation of foreign operations	—	—	—	10,706	—	10,706
Total comprehensive income for the period	—	—	—	10,706	108,040	118,746
Final dividend for the year ended 31st December, 2020 (note 8)	—	—	—	—	(113,702)	(113,702)
Final special dividend for the year ended 31st December, 2020 (note 8)	—	—	—	—	(63,168)	(63,168)
Transfer	—	—	4,994	—	(4,994)	—
At 30th June, 2021 (unaudited)	63,168	156,213	334,428	323,094	1,339,367	2,216,270

Note:

- i. At 30th June, 2021, included in the Group's statutory reserve of HK\$334,428,000 are the statutory reserve fund of the subsidiaries of the Company established in the People's Republic of China (the "PRC") amounting to HK\$329,434,000. In accordance with the Company Law of PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2021

	Six months ended 30th June,	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Operating cash flows before movements in working capital	229,329	160,081
Decrease in inventories	36,924	37,550
Increase in trade, bills and other receivables	(516)	(178)
Increase (decrease) in trade, bills and other payables	18,032	(25,881)
Increase in contract liabilities	12,439	8,640
Cash generated from operations	296,208	180,212
Income taxes paid	(27,502)	(12,174)
Net cash from operating activities	268,706	168,038
Net cash used in investing activities		
Purchases of property, plant and equipment	(86,617)	(38,131)
Proceeds on disposal of property, plant and equipment	4,412	2,069
Interest received	6,882	7,548
	(75,323)	(28,514)
Cash used in financing activities		
Dividends paid	(176,617)	(69,384)
Repayments of leases liabilities	(2,960)	(3,393)
Interest paid on leases liabilities	(248)	(252)
	(179,825)	(73,029)
Net increase in cash and cash equivalents	13,558	66,495
Cash and cash equivalents at the beginning of the period	918,623	753,741
Effect of foreign exchange rate changes	2,706	(8,838)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	934,887	811,398



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2021

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements of the Group for the six months ended 30th June, 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2020.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current 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 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, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit periods ranging from 30 to 90 days to its trade customers.

The performance obligation of all contracts have an original expected duration of one year or less.

The Group only has one operating segment, based on the information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges. As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the condensed consolidated financial statements as a whole. 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, 2021 and 31st December, 2020, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the PRC.



3. REVENUE AND SEGMENT INFORMATION *(continued)*

Entity-wide disclosures *(continued)*

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

	Six months ended 30th June,	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
The PRC	1,037,422	821,029
Others	151,604	134,535
	1,189,026	955,564

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, 2021 and 2020.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30th June,	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest Income	6,882	7,548
Rental income, net of direct outgoings of approximately HK\$253,000 (2020: HK\$236,000)	1,936	1,792
Government grants (note)	2,670	6,990
Sundry income	1,665	4,388
Gain on disposal of property, plant and equipment	4,362	2,060
Net foreign exchange gain (loss)	375	(734)
	17,890	22,044

Note: The government grants without any unfulfilled condition attached amounting to HK\$2,670,000 (six months ended 30th June, 2020: HK\$6,990,000) is the awards for the advancement of production facilities and technology of a subsidiary in the PRC.



5. OTHER EXPENSES

Six months ended 30th June,

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Tooling costs	66,919	51,627
Transportation expenses	39,857	29,634
Electricity and water	26,726	23,186
Repair and maintenance expenses	36,206	21,048
Factory supplies	19,294	16,821
Other taxes and government charges	12,587	10,705
Fuels & lubricant oil	8,286	6,671
Sub-contracting charges	4,079	4,059
Travelling and motor car expenses	3,257	3,943
Promotion and packing expenses	4,333	3,198
Software and system expense	5,839	2,623
Auditors' remuneration (including remuneration for non-audit services)	2,388	2,317
Others	16,172	12,501
	245,943	188,333



6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
The charge comprises:		
Taxation in Hong Kong	2,678	1,248
Taxation in jurisdictions outside Hong Kong	38,436	18,234
Deferred taxation	4,211	3,016
	45,325	22,498

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

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

7. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cost of inventories recognised as an expense	872,397	733,315
Allowance for (reversal of allowance for) inventories	286	(169)



8. DIVIDENDS

Interim dividend for the current period:

On 27th August, 2021, the Directors determined an interim dividend of HK15 cents (2020: HK10 cents) per share amounting to approximately HK\$94,752,000 (2020: HK\$63,168,000) to be paid to the shareholders of the Company whose names appear in the Register of Members on 15th September, 2021.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK18 cents (2020: HK11 cents) per share amounting to approximately HK\$113,702,000 (2020: HK\$69,485,000) and a final special dividend of HK10 cents (2020: Nil) per share amounting to approximately HK\$63,168,000 (2020: Nil) were declared and paid to the shareholders in respect of the year ended 31st December, 2020.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30th June, 2021 is based on the profit attributable to the owners of the Company for the six months ended 30th June, 2021 of approximately HK\$108,040,000 (six months ended 30th June, 2020: HK\$67,128,000) and the number of 631,677,303 (2020: 631,677,303) ordinary shares in issue during the period.

No diluted 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 year and it is classified as Level 3 hierarchy.

The resulting decrease in fair value of investment properties of HK\$8,000,000 (six months ended 30th June, 2020: decrease in fair value of investment properties of HK\$4,500,000) has been recognised directly in profit or loss during the period.

During the period, the Group disposed of certain property, plant and equipment with an aggregate net carrying amount of approximately HK\$50,000 (six months ended 30th June, 2020: HK\$9,000) for cash proceeds of approximately HK\$4,412,000 (six months ended 30th June, 2020: HK\$2,069,000), resulting in a gain on disposal of approximately HK\$4,362,000 (six months ended 30th June, 2020: HK\$2,060,000).

In addition, during the current interim period, the Group acquired approximately HK\$62,067,000 (six months ended 30th June, 2020: HK\$24,523,000), HK\$448,000 (six months ended 30th June, 2020: HK\$322,000) and HK\$360,000 (six months ended 30th June, 2020: HK\$1,550,000) of plant and machinery, furniture and equipment and motor vehicles, respectively, for the purpose of expanding and upgrading the Group's production facilities.

During the current interim period, the Group entered into several new lease agreements with lease terms of 2 years (six months ended 30 June 2020: the Group did not enter into any new lease agreement). The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets of HK\$368,000 and lease liabilities of HK\$368,000.



11. TRADE, BILLS AND OTHER RECEIVABLES

	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 HK\$'000 (audited)
Trade receivables	193,228	190,791
Bills receivables	18,344	18,372
Less: allowance for credit losses	(21,196)	(20,346)
	190,376	188,817
Other receivables	3,594	2,582
Deposits and prepayments	76,806	78,973
	270,776	270,372

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/year.

	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 HK\$'000 (audited)
0 to 60 days	156,590	159,859
61 to 90 days	37,706	29,504
Over 90 days	17,276	19,800
	211,572	209,163

As at 30th June, 2021, total bills received amounting to HK\$18,344,000 (31st December 2020: HK\$18,372,000) are held by the Group for future 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 of less than one year.



12. TRADE, BILLS AND OTHER PAYABLES

	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 HK\$'000 (audited)
Trade payables	67,055	57,448
Bills payables	14,454	11,799
Provision of employee economic compensation	133,785	138,770
Payables for salaries and bonuses	64,902	71,530
Deposits and accruals	25,295	23,427
Value-added tax payables	40,669	36,220
Other payables	24,276	11,797
Total	370,436	350,991
Less: Amount due within one year shown under current liabilities	(284,142)	(261,406)
Amount due after one year	86,294	89,585

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

	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 HK\$'000 (audited)
0 to 60 days	65,223	49,956
61 to 90 days	10,712	15,875
Over 90 days	5,574	3,416
Total	81,509	69,247

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, 2021 and throughout both periods.



14. CAPITAL COMMITMENTS

	At 30th June, 2021 HK\$'000 (unaudited)	At 31st December, 2020 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	101,828	36,339

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	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Companies controlled by certain directors of the Company (note)	Repayments of lease liabilities	1,182	1,165
	Rental deposit paid	614	583
	Interest expense on lease liabilities	44	1

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short-term benefits	24,389	20,383
Post-employment benefits	1,325	1,326
	25,714	21,709

No director waived any emoluments for both periods.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2021 was approximately HK\$1,189,026,000 (2020: HK\$955,564,000). Profit attributable to owners of the Company for the six months ended 30th June, 2021 was approximately HK\$108,040,000 (2020: HK\$67,128,000). Basic earnings per share for the six months ended 30th June, 2021 was HK17.10 cents (2020: HK10.63 cents).

During the year under review, the world was still affected by Coronavirus Disease 2019 ("COVID-19") pandemic, and the economy failed to fully recover. However, the COVID-19 pandemic situation in China is relatively under control, thus its market conditions improved. Owing to this, the Group's sales revenue and operating profit margins also improved. As a result, the Group's net profit recorded a favorable growth as compared with the corresponding period in 2020, and the Group had issued a positive profit alert to shareholders and potential investors on 9th July, 2021.

During the first half year, the COVID-19 pandemic repeatedly broke out around the world, and even a new variant of coronavirus appeared, which greatly harmed the global economy and severely affected the consumer market and production supply chain. Fortunately, the pandemic situation in China was relatively under control, and its domestic market kept turning good. Owing to this, the Group had continued its production advantages in the second half of last year and achieved steady growth in sales. Overview of the market situation, due to pandemic, the automobile industry was perplexed by the shortage of chips and imported parts and components, so its new projects could not be launched to the market as scheduled, thus its sales performance was not satisfactory. Since the supply of medical and pandemic prevention products turned to be stable, demand for medical and healthcare products slowed down slightly. Market performance for small size household appliances and hi-tech electronic products and toys was still encouraging. In addition, as the productivity of European countries and the United States was not yet recovered, large number of global orders had been directed to China for production, driving up the growth of export business in China. Benefited from the steady development of the aggregate market in China, the Group's sales and profits recorded satisfactory growths.

The price of mould steel materials, due to inflationary pressure, increased significantly with high volatility. However, as the Group constantly maintained its inventory to a certain level that the rise of steel price had only mild impact on its material cost. At the same time during the reviewed period, the Group's operating costs including labor costs also escalated but were managed within a reasonable range, so the gross profit margin of the product could be maintained.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL REVIEW

The Group's revenue for the six months ended 30th June, 2021 increased by 24.4% mainly due to the market condition had been improved as the COVID-19 pandemic were relatively under control in the PRC. During the period under review, the relevant costs of raw materials and consumables used (including the changes in inventories of finished goods and work in progress) for generating the revenue increased by 17.6% and their costs as percentage of revenue decreased to 35.3% (2020: 37.4%). The manufacturing costs of the Group were under control while the employee benefit expenses and the other expenses increased by 14.5% and 30.6% respectively. In addition, depreciation of property, plant and equipment increased by 7.3%.

During the period under review, the decrease in fair value of investment properties increased by approximately HK\$3,500,000 compared with the same period of last year. Other income decreased by approximately HK\$4,154,000 mainly due to the decrease of the PRC government grant. Income tax expense increased by 101.5% which was mainly caused by the increase of PRC income tax provision and the effective tax rate increased to 29.6% (2020: 25.1%).

As a result of the foregoing, profit for six months ended 30th June, 2021 increased by 60.9% to approximately HK\$108,040,000 (2020: HK\$67,128,000).

Liquidity and Financial Resources

The total equity of the Group as at 30th June, 2021 was approximately HK\$2,216,270,000 (as at 31st December, 2020: HK\$2,274,394,000). As at 30th June, 2021, the Group had bank balances and cash of approximately HK\$934,887,000 (as at 31st December, 2020: HK\$918,623,000) and did not have any borrowings (31st December, 2020: Nil).

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

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

Employees and Remuneration Policies

As at 30th June, 2021, the Group employed a total of approximately 3,500 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 year, the global economy will still be struck by the continuous outbreak of COVID-19 and its new variant viruses. Nevertheless, as the vaccination work launched by European countries and the United States tend to be matured, the Group believes that the negative impact of the pandemic on the global economy will be slightly relieved. However, due to the development of pandemic and the progress of vaccination work are not synchronized, strength and pace of the economic recovery in various countries exist a great variation. Furthermore, the transportation and logistics industry is still affected by the blockage caused by container ships stranded on the Suez Canal in Egypt at the beginning of this year and the successive outbreak of pandemic in various freight ports leading to complete or partial closures, eventually obstructing the international shipping operations and resulting in high freight costs. Owing to this, the supply of goods become instable which further puts pressure on the global supply chain. Therefore, the Group expects that the external economy and business prospects are still full of uncertainties.

Domestic market in China will continue to develop and market development of consumer products such as small size household appliances, hi-tech electronic products and medical products will still remain steady. However, due to the shortage of chips and imported parts and components, the normal production and the promotion of new projects of automobile industry will still be impeded and thus will drag down its recovery speed in the short term. Following the successful implementation of vaccination programs in European countries and the United States, their economic activities and productivity will be revived and gradually resumed. As a result, their reliance on products from China may gradually decrease. The Group will monitor marketing changes closely and devise its market strategies in order to achieve a balanced business development.

The Group's operating costs will continue to rise. Facing the shortage of production manpower and rising labor costs, the Group, in addition to consolidate its production processes, will actively develop automated production lines to enhance its machining ability and productivity and to reduce its reliance on manpower. Apart from this, the Group expects that the price of mould steel materials will keep fluctuating. The Group will flexibly adapt its procurement strategies to monitor its cost fluctuation range so as to reduce operational risks.

Looking forward, the business environment is still full of challenges and uncertainties. However, with accumulated experience and a pragmatic approach to financial management, the Group is confident of achieving stable development and business growth in a complex and volatile macro environment.



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 HK15 cents (2020: HK10 cents) per share in respect of the six months ended 30th June, 2021 to be payable on or around 28th September, 2021 to shareholders whose names appear in the Register of Members of the Company on 15th September, 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14th September, 2021 to 15th September, 2021, 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 13th September, 2021.

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 13th September, 2021 will be entitled to the interim dividend.

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

Mr. Wong Hak Kun ceased to be an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited subsequent to the voluntary withdrawal of listing of the H shares of Zhejiang Cangnan Instrument Group Company Limited from the main board of the Stock Exchange on 5th July, 2021.



OTHER INFORMATION *(continued)*

DIRECTORS' INTERESTS IN SHARES

As at 30th June, 2021, the directors and their associates had the following interests or short positions in shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”).

Interests in the Company

Name of director	Capacity	Number of shares held			Total interests	Percentage of Company's issued share capital
		Personal interests	Family interests	Other interests		
Siu Tit Lung <i>(Notes 1 & 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 & 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 & 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, 2021.

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.



OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2021, 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 <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, 2021.



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, 2021.

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, 27th August, 2021