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, 2019

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, 2019, together with comparative figures for the year ended 31st December, 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*2*	**2,277,883**	2,580,453
Other income, gains and losses	*3*	**49,030**	9,566
(Decrease) increase in fair value of investment properties		**(10,000)**	18,000
Impairment losses (recognised) reversed under expected credit loss model, net		**(4,511)**	3,946
Changes in inventories of finished goods and work in progress		**6,288**	(13,206)
Raw materials and consumables used		**(895,955)**	(1,070,487)
Employee benefits expenses		**(567,817)**	(592,353)
Depreciation of property, plant and equipment		**(165,929)**	(179,780)
Depreciation of right-of-use assets		**(8,227)**	—
Other expenses		**(488,818)**	(519,362)
Interest expense on lease liabilities		**(423)**	—
Profit before taxation		**191,521**	236,777
Income tax expense	*4*	**(42,182)**	(66,256)
Profit for the year		**149,339**	170,521

	Note	2019 HK$'000	2018 HK$'000
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**(37,100)**	(93,176)
Reclassification of exchange differences upon deregistration of a subsidiary		**(18,714)**	—
Other comprehensive expense for the year		**(55,814)**	(93,176)
Total comprehensive income for the year		**93,525**	77,345
		HK cents	HK cents
Basic earnings per share	*6*	**23.64**	26.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2019

	Notes	**At 31st December, 2019 HK$'000**	At 31st December, 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**198,000**	208,000
Property, plant and equipment		**671,694**	760,066
Right-of use assets		**83,713**	—
Prepaid lease payments — non-current portion		—	70,574
Deposits paid for acquisition of property, plant and equipment		**16,211**	25,583
Deferred tax assets		**5,557**	12,675
		975,175	1,076,898
Current assets			
Inventories	*7*	**537,481**	555,795
Trade, bills and other receivables	*8*	**304,097**	349,777
Prepaid lease payments — current portion		—	1,840
Bank balances and cash		**753,741**	645,777
		1,595,319	1,553,189
Current liabilities			
Trade, bills and other payables	*9*	**269,224**	291,156
Contract liabilities		**23,391**	22,853
Lease liabilities		**5,354**	—
Taxation payable		**32,591**	21,743
Dividend payable		**228**	212
		330,788	335,964
Net current assets		**1,264,531**	1,217,225
Total assets less current liabilities		**2,239,706**	2,294,123

	Note	**At 31st December, 2019** *HK$'000*	At 31st December, 2018 *HK$'000*
Non-current liabilities			
Deferred tax liabilities		**22,949**	30,378
Lease liabilities		**9,362**	—
Other payables	*9*	**92,325**	96,914
		124,636	127,292
Net assets		**2,115,070**	2,166,831
CAPITAL AND RESERVES			
Share capital		**63,168**	63,168
Reserves		**2,051,902**	2,103,663
Total equity		**2,115,070**	2,166,831

Notes:

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'')

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the ''Group'') have applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'') for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

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

1.1 HKFRS 16 *Leases* ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied by the relevant group entities at 3.05%.

	At 1st January, 2019
	HK$'000
Operating lease commitments disclosed as at 31st December, 2018	13,267
Lease liabilities discounted at relevant incremental borrowing rates	12,715
Less: Recognition exemption - short-term leases	(1,153)
Lease liabilities as at 1st January, 2019	11,562
Analysed as	
Current	5,830
Non-current	5,732
	11,562

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	Notes	Right-of-use assets
		HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		11,562
Reclassified from prepaid lease payments	(a)	72,414
Adjustments on rental deposits at 1st January, 2019	(b)	120
		84,096
By class:		
Leasehold lands		72,414
Leased properties		11,682
		84,096

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$1,840,000 and HK$70,574,000, respectively, were reclassified to right-of-use assets.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$120,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st January, 2019. The application has had no impact on the Group's consolidated statement of financial position at 1st January, 2019. However, effective 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The management considers the impact of the discounting effect as insignificant to the consolidated financial statements.

(c) Effective on 1st January, 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2018 *HK$'000*	Adjustments *HK$'000*	Carrying amounts under HKFRS 16 at 1st January, 2019 *HK$'000*
Non-current Assets			
Prepaid lease payments	70,574	(70,574)	—
Right-of-use assets	—	84,096	84,096
Current Assets			
Prepaid lease payments	1,840	(1,840)	—
Trade, bills and other receivables	349,777	(120)	349,657
Current Liabilities			
Lease liabilities	—	(5,830)	(5,830)
Non-current liabilities			
Lease liabilities	—	(5,732)	(5,732)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1st January, 2021.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1st January, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1st January, 2020.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materially judgements. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1st January, 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income

or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1st January, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 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 information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges. As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the consolidated financial statements as a whole. 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 consolidated statement of profit or loss and other comprehensive income respectively.

Entity-wide disclosures

As at 31st December, 2019, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the People's Republic of China (the "PRC").

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

	2019	2018
	HK$'000	*HK$'000*
The PRC	**1,947,791**	2,198,286
Others	**330,092**	382,167
	2,277,883	2,580,453

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 the year ended 31st December, 2019 (2018: Nil).

3. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Interest income	**14,412**	10,670
Rental income, net of direct outgoings of approximately HK$566,000 (2018: HK$546,000)	**3,144**	3,005
Sundry income	**5,816**	3,787
Exchange gain realised on deregistration of a subsidiary	**18,714**	—
Gain on disposal of property, plant and equipment	**8,241**	2,857
Net foreign exchange loss	**(1,297)**	(10,753)
	49,030	9,566

4. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
- current year	**3,103**	1,098
- overprovision in prior years	**(30)**	(14)
	3,073	1,084
Taxation in jurisdictions outside Hong Kong		
- current year	**25,799**	51,122
- PRC withholding tax	**13,055**	—
- overprovision in prior years	**—**	(22)
	38,854	51,100
Deferred taxation		
- charge for the year	**255**	14,072
	42,182	66,256

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the 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 years.

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

5. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2019 Interim – HK11 cents (2018: 2018 interim dividend of HK12 cents) per share	**69,485**	75,801
2018 Final – HK12 cents (2018: 2017 final dividend of HK16 cents) per share	**75,801**	101,069
2018 Final special – nil (2018: 2017 final special dividend of HK12 cents) per share	**—**	75,801
	145,286	252,671

The board of directors have determined that a final dividend of HK11 cents (2018: HK12 cents) per share amounting to approximately HK$69,485,000 (2018: HK$75,801,000) should be paid to the shareholders of the Company whose names appear in the register of members on 10th June, 2020.

6. BASIC EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**149,339**	170,521

	2019	2018
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	**631,677,303**	631,677,303

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

7. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**471,168**	495,770
Work in progress	**61,567**	42,462
Finished goods	**4,746**	17,563
	537,481	555,795

The cost of inventories recognised as an expense by the Group during the year amounted to approximately HK$1,771,815,000 (2018: HK$1,998,189,000).

8. TRADE, BILLS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**210,310**	263,697
Bills receivables	**23,700**	19,095
Less: allowance for credit losses	**(20,102)**	(16,257)
	213,908	266,535
Other receivables	**1,573**	1,234
Deposits and prepayments	**88,616**	82,008
Total trade, bills and other receivables	**304,097**	349,777

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 credit losses) presented based on the invoice dates at the end of the reporting year.

	2019	2018
	HK$'000	*HK$'000*
0 to 60 days	**175,026**	201,896
61 to 90 days	**34,678**	46,652
Over 90 days	**4,204**	17,987
	213,908	266,535

9. TRADE, BILLS AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade payables	**61,467**	93,580
Bills payables	**22,097**	15,712
VAT payables	**27,475**	21,650
Provision of employee economic compensation	**142,898**	150,940
Payables for salaries and bonuses	**59,168**	62,598
Deposits and accruals	**30,799**	28,555
Other payables	**17,645**	15,035
Total	**361,549**	388,070
Less: Amount due within one year shown under current liabilities	**(269,224)**	(291,156)
Amount due after one year	**92,325**	96,914

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

	2019 *HK$'000*	2018 *HK$'000*
0 to 60 days	**52,938**	84,519
61 to 90 days	**24,089**	15,519
Over 90 days	**6,537**	9,254
	83,564	109,292

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

10. EVENT AFTER THE REPORTING PERIOD

The outbreak of the Coronavirus Disease 2019 ("COVID-19") and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had an impact on the operations of the Group.

The Group had to suspend its manufacturing activities in the PRC after Chinese New Year holiday due to the PRC government mandatory quarantine measures in an effort to contain the spread of the epidemic. The Group's production plants in the PRC have already resumed the manufacturing activities since mid-February 2020. At the beginning, the operating capacities of these plants have not met the normal levels as a lot of the workers were still under the health monitoring and quarantine. Following the resumption of works of the affected workers, the manufacturing activities of these plants have returned to normal since mid-March 2020.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impact on the financial position and operating results of the Group. Up to the date of the approval of these financial statements, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31st December, 2019, 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, 2019 was approximately HK$2,278 million (2018: approximately HK$2,580 million). Profit attributable to owners of the Company in the year ended 31st December, 2019 was approximately HK$149 million (2018: approximately HK$171 million). Basic earnings per share in the year ended 31st December, 2019 was HK23.64 cents (2018: HK26.99 cents).

During the year under review, as clouded by the tense trade relations between China and the United States, the aggregate business operating environment was perplexed, economic growth was hindered, and the Group's performance was inevitably negatively affected. In consequence, the Group's earning in the first half year was declined significantly, so a profit warning was issued on 12th July, 2019. Although the Group's sales performance was improved in the second half year, it was ultimately implicated by the weak global economy. Compared with the overall performance of the same period of last year, even including the exchange gains obtained by the deregistration of Shanghai Lung Kee Metal Products Co., Ltd., the Group's sales turnover and profit still recorded a fall.

Under the reviewed year, the tug of trade war between China and the United States caused damage to the bilateral trade. As dimmed by the unclear future situation, many investment projects were suspended or cancelled, which greatly affected the export business of the domestic mould manufacturers and the market atmosphere was quiet. Following the trade negotiation between China and the United States began to progress in the fourth quarter and the Brexit situation became a foregone conclusion, the tense situation slightly eased. Coupled with the economic measures launched by the Central Government of China produced a desired result, thus, the overall development of manufacturing industry had been stabilized slightly in the second half year.

The Group continued to consolidate and enhance its internal business operations and production effectiveness during the reviewed year. On the other hand, the Group strived to improve its marketing strategy by actively participating exhibitions held in different territories to explore the business opportunities in China and other overseas markets and successfully expanded its market coverage and uplifted its reputation in overseas markets. Eventually it helped to diversify the market risk.

Both the price of local mould steel and imported mould steel remained quite stable in the reviewed year.

As a whole, subject to the weak global economy and the slow down of China economy, the Group's business performance was still not satisfactory as compared with the year of 2018.

Liquidity and Capital Resources

As at 31st December, 2019, the Group had bank balances of approximately HK$754 million and did not have any borrowings.

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

Employees and Remuneration Policies

As at 31st December, 2019, the Group employed a total of approximately 4,000 employees. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to employees with reference to the individual's performance.

PROSPECTS

With the signing of phase one economic and trade agreement between China and the United States, the trade disputes between two sides can be temporarily relieved. However, entering the year of 2020, China and worldwide have to face a more severe challenge. As the Coronavirus Disease 2019 ("COVID-19") has been confirmed to be transmitted through person-to-person contact before the Chinese New Year of 2020, the Chinese Government has adopted a series of epidemic prevention measures including transportation and people flow control as well as extension of the Chinese New Year holiday in order to restrain the outspread of the epidemic. Although epidemic prevention measures began to take effect on mid-February, the domestic industrial activities generally took apparently longer time to recover than the Chinese New Year last year. Moreover, in early March, other countries in the world also began to face the proliferation of COVID-19. As different countries adopt diverse epidemic prevention measures, it is difficult to assess the adverse effect of epidemic imposed on the global economy at this moment.

The Group's production plants in China have gradually resumed its production capacity since mid-February and made effort to recover the loss of production progress due to the production suspension period. At the same time, the Group actively communicate and follow up with customers so as to minimize the epidemic impact on the supply chain.

Despite the unpredictable market outlook, the Group will continue to enhance its internal production efficiency and control its cost aimed at sustaining its strength and competitive edge in order to provide cost-effective products and services to its customers and seize the business opportunities arising from the market change. Moreover, the Group will endeavor to explore potential markets so as to enlarge its market coverage and fortify its leading position in the market.

Apart from this, the Group expects a downward pressure on mould steel price. The Group will keep close track on the global economic trend and market change, further control on its operation cost and strengthen its credit risk assessment on customers with an aim to achieve a stable development and reduce overall operation risk amid an unclear business operating environment.

Taking this opportunity, the Board of Directors would like to thank all staff for their efforts and contribution rendered and express sincere gratitude to shareholders and business partners for their great support to the Group.

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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2019 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 DIVIDEND

The Directors have resolved to recommend to shareholders at the annual general meeting of the Company to be held on 1st June, 2020 (the "AGM") the payment of a final dividend of HK11 cents (2018: HK12 cents) per share for the year ended 31st December, 2019 to shareholders whose names appear on the Register of Members on 10th June, 2020. Subject to the approval by the shareholders at the AGM, the proposed final dividend will be despatched to shareholders on or about 22nd June, 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27th May, 2020 to 1st June, 2020, 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 26th May, 2020.

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, 2020 will be entitled for attending and voting at the AGM.

The register of members of the Company will also be closed from 9th June, 2020 to 10th June, 2020, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend, 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 8th June, 2020.

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 8th June, 2020 will be entitled for the proposed final dividend.

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, 2019.

CORPORATE GOVERNANCE

During the year ended 31st December, 2019, 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, 31st March, 2020

As at the date of this announcement, the executive directors of the Company are Mr. Siu Tit Lung (Chairman), Mr. Siu Yuk Lung, Mr. Wai Lung Shing, Mr. Ting Chung Ho, Mr. Siu Yuk Tung, Ivan and Mr. Siu Yu Hang, Leo; and the independent non-executive directors of the Company are Dr. Lee Tat Yee, Mr. Lee Joo Hai and Mr. Wong Hak Kun.