# Lung Kee (Bermuda) Holdings Limited

Stock Code: 255


# 2013 Annual Report

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Ting Chung Ho

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

## COMPANY SECRETARY

Mr. Wai Lung Shing

## SOLICITORS

Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu
*Certified Public Accountants*
35th Floor
One Pacific Place
88 Queensway
Hong Kong

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
(Formerly "Butterfield Fulcrum Group (Bermuda) Limited")
26 Burnaby Street
Hamilton HM11
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

## SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
112 Robinson Road #05–01
Singapore 068902

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor
Crocodile Center
79 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

## WEBSITE

http://www.irasia.com/listco/hk/lkm

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2013.

## BUSINESS REVIEW

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

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

## PROSPECTS

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

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

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

# Chairman's Statement

At the same time, for the new plant in Hangzhou city, Zhejiang Province, China, besides promoting and exploring its steel distribution business, full effort will be put in ameliorating its mould base business. In addition to actively recruiting local technical labor, Heyuan factory, Guangdong Province, China will deploy skilled labor to Hangzhou factory to strengthen its mould base production skill. Furthermore, large size machineries will be installed gradually. Once machineries and equipments can be coordinated with the improved production skills, it is anticipated the mould base production capacity will be sharply lifted and it will facilitate the Group to explore the automobile parts and components mould business and further extend its market share in the Eastern, Central and Northern region of China.

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

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

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

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

Taking this opportunity, the Board of Directors would like to express our thanks to all staff for their hard work and contribution rendered. Also, sincere gratitude is extended to our shareholders and business partners for their great support.

**Siu Tit Lung**
*Chairman*

Hong Kong, 27th March, 2014

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

The Group recorded revenue of approximately HK$2,221 million and earnings of approximately HK$145 million for the year ended 31st December, 2013.

## OPERATIONAL REVIEW

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

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

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

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

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

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

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

### Termination of the disposal of land use right and related assets

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

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

## GEARING RATIO

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

## EMPLOYEES AND REMUNERATION POLICIES

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

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to adopting the standards of corporate governance. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 for the year ended 31st December, 2013.

## THE BOARD

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs. The Board sets strategies for the Group and monitors the performance of the management.

As at the date of this report, the Board consists of five executive directors and three independent non-executive directors.

*Executive directors*
Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Ting Chung Ho

*Independent non-executive directors*
Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

Mr. Siu Tit Lung is the Chairman of the Company and Mr. Siu Yuk Lung is the Managing Director of the Company. They are brothers.

Two independent non-executive directors possess recognised professional qualifications in accounting. The independent non-executive directors bring independent judgement, knowledge and experience to the Board.

During the financial year ended 31st December, 2013, an annual general meeting was held and the Board held four regular meetings at approximately quarterly intervals. The attendance of each director is set out as follows:

| Name of Director | Attendance at annual general meeting | Attendance at board meetings |
|---|---|---|
| *Executive directors* | | |
| Mr. Siu Tit Lung *(Chairman)* | 1/1 | 4/4 |
| Mr. Siu Yuk Lung *(Managing Director)* | 1/1 | 4/4 |
| Mr. Mak Koon Chi | 1/1 | 4/4 |
| Mr. Wai Lung Shing | 1/1 | 4/4 |
| Mr. Ting Chung Ho | 1/1 | 4/4 |
| Mr. Fung Wai Hing (resigned with effect from 31st December, 2013) | 1/1 | 4/4 |
| *Independent non-executive directors* | | |
| Mr. Liu Wing Ting, Stephen, JP | 1/1 | 4/4 |
| Dr. Lee Tat Yee | 1/1 | 4/4 |
| Mr. Lee Joo Hai | 1/1 | 4/4 |

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group while it reserves the right to decide all policy matters of the Group and material transactions.

The Board has delegated the responsibility for performing the corporate governance duties set out in the code provision D.3.1 of the Code to the Audit Committee.

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities. The directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board remain informed and relevant.

All directors have participated in continuous professional development and have provided to the Company the records of the training they received during the financial year ended 31st December, 2013. The individual training record of each director received for the year ended 31st December, 2013 is summarized below:

| Name of Director | Briefings and updates on the business, operations and corporate governance matters | Attending seminars, workshops or exhibitions relevant to the business or directors' duties |
|---|---|---|
| *Executive directors* | | |
| Mr. Siu Tit Lung *(Chairman)* | ✓ | ✓ |
| Mr. Siu Yuk Lung *(Managing Director)* | ✓ | ✓ |
| Mr. Mak Koon Chi | ✓ | ✓ |
| Mr. Wai Lung Shing | ✓ | ✓ |
| Mr. Ting Chung Ho | ✓ | ✓ |
| Mr. Fung Wai Hing (resigned with effect from 31st December, 2013) | ✓ | ✓ |
| *Independent non-executive directors* | | |
| Mr. Liu Wing Ting, Stephen, JP | ✓ | ✓ |
| Dr. Lee Tat Yee | ✓ | ✓ |
| Mr. Lee Joo Hai | ✓ | ✓ |

## THE CHAIRMAN AND THE MANAGING DIRECTOR

The Company segregates the role of Chairman from the Managing Director. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Managing Director is responsible for policy making and corporate management in order to implement the strategies approved by the Board.

## NON-EXECUTIVE DIRECTORS

All independent non-executive directors of the Company are appointed for a specific term, subject to re-election.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. The independent non-executive directors are also members of Audit Committee, Nomination Committee and Remuneration Committee.

## BOARD COMMITTEES

The Company has maintained the Audit Committee, the Nomination Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference, which deal clearly with their authorities and duties. The chairmen of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

## NOMINATION COMMITTEE

A Nomination Committee was established by the Company in 2004. As at the date of this report, the Nomination Committee comprises three independent non-executive directors of the Company, Mr. Lee Joo Hai, Mr. Liu Wing Ting, Stephen, JP and Dr. Lee Tat Yee. Mr. Lee Joo Hai is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December, 2013, the Nomination Committee held four meetings. The attendance of each member is set out as follows:

| Name of Member | Number of attendance |
|---|---|
| Mr. Lee Joo Hai *(Chairman)* | 4/4 |
| Mr. Liu Wing Ting, Stephen, JP | 4/4 |
| Dr. Lee Tat Yee | 4/4 |

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee are circulated to the Board for information.

The following was a summary of the work performed by the Nomination Committee in 2013:

1. reviewed the structure, size and diversity of the Board. The Nomination Committee endorsed that the Board possesses of a diversity of skills, expertise, experience and qualifications and believed that the Board performs its duties competently.

2. assessed the independence of all the independent non-executive directors and reviewed the independent non-executive directors' confirmations on their independence.

3. nominated Mr. Siu Tit Lung, Mr. Mak Koon Chi and Dr. Lee Tat Yee for the Board's recommendations to stand for election at the 2013 annual general meeting of the Company and reviewed the relevant sections in the circular to the shareholders of the Company.

4. interviewed with the executive directors of the Company (including the Chairman and the Managing Director) to realize their plans for succession.

5. reviewed the retirement policy of the Group to see if there was any update.

6. endorsed the resignation of an executive director who resigned for retirement purpose.

7. reviewed the relevant disclosures made in the Directors' Report of the 2012 annual report of the Company (the "Annual Report").

8. reviewed the Corporate Governance Report, which was included in the Annual Report.

9. reviewed the Group's compliance with the Code.

10. endorsed a Board Diversity Policy.

11. endorsed the revised terms of reference of the Nomination Committee.

12. launched the annual "Director's Self-Assessment Review".

13. considered those topics, which were requested by the Board and reviewed those relevant documents.

Below is the summary of the Board Diversity Policy:

The Company recognises and embraces the benefits of having a diverse Board to enhance the overall quality of its performance.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the aforesaid mentioned aspects. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will report annually on the Board's composition under diversified perspectives, and monitor the implementation of this policy. The Nomination Committee will discuss any policy's revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

## REMUNERATION COMMITTEE

A Remuneration Committee was established by the Company in 2004. As at the date of this report, the Remuneration Committee comprises three independent non-executive directors of the Company, Dr. Lee Tat Yee, Mr. Liu Wing Ting, Stephen, JP and Mr. Lee Joo Hai. Dr. Lee Tat Yee is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December, 2013, the Remuneration Committee held four meetings. The attendance of each member is set out as follows:

| Name of Member | Number of attendance |
|---|---|
| Dr. Lee Tat Yee *(Chairman)* | 4/4 |
| Mr. Liu Wing Ting, Stephen, JP | 4/4 |
| Mr. Lee Joo Hai | 4/4 |

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

The following was a summary of the work performed by the Remuneration Committee in 2013:

1. reviewed the Group's emolument policy and structure for the remuneration of directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

2. assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the main board of the Stock Exchange.

3. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

4. reviewed the Corporate Governance Report, which was included in the Annual Report.

5. reviewed the Group's compliance with the Code.

6. considered those topics, which were requested by the Board and reviewed those relevant documents.

The Remuneration Committee has adopted the model set out in the code provision B.1.2(c)(ii) of the Code, i.e. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Details of the remuneration of directors are disclosed on an individual basis and are set out in note 10 to the consolidated financial statements of the Group. As the members of the Board coincide with the members of the senior management of the Group and the remuneration of directors have been disclosed, no disclosure about the remuneration payable to members of senior management could be made.

## AUDIT COMMITTEE

An Audit Committee was established by the Company in 1998. As at the date of this report, the Audit Committee comprises three independent non-executive directors of the Company, Mr. Liu Wing Ting, Stephen, JP, Dr. Lee Tat Yee and Mr. Lee Joo Hai, two of whom possess recognised professional qualifications in accounting and have wide experience in auditing and accounting. Mr. Liu Wing Ting, Stephen, JP is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The Audit Committee has accepted the Board's delegation of responsibility for performing the corporate governance duties set out in the code provision D.3.1 of the Code. The terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December, 2013, the Audit Committee held four meetings at approximately quarterly intervals to review the quarterly results presented by the management and to discuss the internal audit findings prepared by the Internal Audit Department. The external auditor, Messrs. Deloitte Touche Tohmatsu, attended three regular meetings, which included the meetings in conjunction with the release of the half year and full year results announcements.

During the financial year ended 31st December, 2013, the Audit Committee held four meetings. The attendance of each member is set out as follows:

| Name of Member | Number of attendance |
|---|---|
| Mr. Liu Wing Ting, Stephen, JP *(Chairman)* | 4/4 |
| Dr. Lee Tat Yee | 4/4 |
| Mr. Lee Joo Hai | 4/4 |

The chairman of the Audit Committee will report the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee are circulated to the Board for information.

The following was a summary of the work performed by the Audit Committee in 2013:

1. reviewed the Group's consolidated financial statements for the year ended 31st December, 2012 and the annual results announcement with a recommendation to the Board for approval.

2. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

3. reviewed the Corporate Governance Report, which was included in the Annual Report.

4. met with the external auditor without the presence of the executive directors of the Board.

5. reviewed the Group's consolidated financial statements for the period from 1st January, 2013 to 30th April, 2013 with a recommendation to the Board for approval.

6. assessed broadly any special risks faced by the Group and reviewed the effectiveness of the internal control system of the Group through the Internal Control Review Task Force, which was established by the Audit Committee and comprised all the members of the Audit Committee and Mr. Chan Chun Sing, Colin, the adviser of the Board. Based on the assessment and findings from the review conducted by the Internal Control Review Task Force, it was concluded that the Group operated at a manageable risk level and kept on improving the management system.

7. reviewed the Group's consolidated financial statements for the six months period ended 30th June, 2013 and the interim results announcement with a recommendation to the Board for approval.

8. reviewed the Group's consolidated financial statements for the period from 1st January, 2013 to 31st October, 2013 with a recommendation to the Board for approval.

9. reviewed the Group's policies and practices on corporate governance and make recommendations to the Board.

10. reviewed the training and continuous professional development of directors.

11. reviewed the Group's compliance with the Code.

12. reviewed the annual internal audit plan submitted by the Group's Internal Audit Department.

13. reviewed the findings and recommendations submitted by the Group's Internal Audit Department.

14. reviewed the reports including the 2013 audit planning report and the management letters submitted by external auditor.

15. considered the 2013 audit fees with a recommendation to the Board for approval.

16. considered those topics, which were requested by the Board and reviewed those relevant documents.

At the Audit Committee meeting on 27th March, 2014, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31st December, 2013, the disclosure in this corporate governance report and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor of the Group for 2014 and that the relevant resolution shall be put forth for the consideration of the shareholders of the Company and their approval at the 2014 annual general meeting of the Company.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the consolidated financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body, in accordance with Section 90 of The Companies Act of Bermuda (the "Companies Act"), and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately three months and two months, respectively, after the end of the relevant period in order to enhance high level of corporate transparency.

## INTERNAL CONTROLS

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Internal Control Review Task Force, the Board reviews the effectiveness of the system of internal control of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified so far. The Board opines that the Group's internal control system is effective and the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are adequate. There are no significant areas of concern.

The Group has an Internal Audit Department. The Internal Audit Department plans its internal audit schedules annually. The internal audit includes comprehensive audits of procedures, practices and internal controls of both operational and financial units of the Group. The internal audit plan is then submitted to the Audit Committee for review and comment. The Internal Audit Department conducts independent reviews of the Group's system of internal control, including operational and financial controls. Reports and findings prepared by the Internal Audit Department are submitted to the Board and the Audit Committee.

## AUDITOR'S REMUNERATION

For the financial year ended 31st December, 2013, the fee paid/payable to the Group's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

| **Services rendered** | **Fee paid/payable** HK$'000 |
|---|---|
| Audit services | 2,643 |
| Non-audit services | |
| — Interim review | 460 |
| — Taxation services | 98 |
| — Audit of provident fund | 6 |
| — Review of results announcement | 45 |

## COMPANY SECRETARY

Mr. Wai Lung Shing, an executive director of the Company, was appointed as Company Secretary of the Company on 15th December, 1992. Since Mr. Wai was appointed as Company Secretary on or before 31st December, 1994, he would be required to comply with rule 3.29 of the Listing Rules in relation to professional training for the financial year commencing on 1st January, 2017.

## SHAREHOLDERS' RIGHTS

### (a) Convening of special general meetings on requisition by shareholders

Pursuant to Bye-law 58 of the New Bye-Laws of the Company, the shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitions themselves may do so in accordance with the provisions of section 74(3) of the Companies Act.

The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under section 74 of the Companies Act once a valid requisition is received.

**(b) Procedures for putting forward proposals at general meetings by shareholders**

The following shareholders can submit a written requisition to move a resolution at a general meeting of the Company:

(i) any number of shareholders representing not less than one-twentieth (5%) of the total voting rights of all shareholders having at the date of the requisition a right to vote at the general meeting; or

(ii) not less than one hundred (100) shareholders.

The written requisition specifying the resolution, duly signed by the shareholders concerned, together with a statement of not more than one thousand (1,000) words with respect to the matter referred to in the proposed resolution must be deposited at the registered office of the Company not less than six (6) weeks before the general meeting in case of a requisition requiring notice of a resolution and not less than one (1) week before the general meeting in case of any other requisition. The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under sections 79 and 80 of the Companies Act once valid documents are received.

**(c) Procedures for directing shareholders' enquiries to the board**

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's head office and principal place of business in Hong Kong at 20th Floor, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

## COMMUNICATION WITH SHAREHOLDERS

The annual general meeting enables the shareholders of the Company to exchange views with the Board. A notice of annual general meeting is sent to the shareholders of the Company at least 20 clear business days before the meeting. The chairman of the Board and the chairmen of Audit Committee, Nomination Committee and Remuneration Committee have attended at the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

The chairman of the Board invites the company secretary of the Company to give an explanation of the detailed procedures for conducting a poll at the commencement of the annual general meeting. The company secretary of the Company answers any questions from the shareholders of the Company regarding voting by way of a poll.

## INVESTOR RELATIONS

There is no change in the Company's constitutional documents during the financial year ended 31st December, 2013.

Hong Kong, 27th March, 2014

# Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2013.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacturing and marketing of mould bases and related products. The activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of comprehensive income on page 32.

An interim dividend of HK6 cents per share amounting to approximately HK$37,901,000 and an interim special dividend of HK6 cents per share amounting to approximately HK$37,901,000 were paid to shareholders during the year.

The directors now recommend the payment of a final dividend of HK8 cents per share and a final special dividend of HK8 cents per share to shareholders registered on the register of members on 28th May, 2014, amounting to approximately HK$101,068,000, and the retention of the remaining profits for the year.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 86.

## INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2013 were revalued by an independent firm of qualified professional property valuers. The revaluation increase of HK$30,000,000 has been recognised in the consolidated statement of comprehensive income. Details of the movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements. Details of the major investment properties held by the Group at 31st December, 2013 are set out on page 87.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred capital expenditure in respect of factory premises and staff quarters at a cost of approximately HK$44,000,000. The Group continued its plant expansion policy and expended approximately HK$84,000,000 on new plant and machinery and approximately HK$8,000,000 on other furniture and equipment during the year. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 24 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The amount of the Company's reserves available for distribution to shareholders as at 31st December, 2013 represented the retained profits of approximately HK$323,477,000.

## MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total revenue for the year.

The Group's largest supplier contributed 20% to the total purchases for the year while the Group's five largest suppliers accounted for 53% of the total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

**Executive directors**
Mr. Siu Tit Lung *(Chairman)*
Mr. Siu Yuk Lung *(Managing Director)*
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Ting Chung Ho
Mr. Fung Wai Hing (resigned with effect from 31st December, 2013)

**Independent non-executive directors**
Mr. Liu Wing Ting, Stephen, JP
Dr. Lee Tat Yee
Mr. Lee Joo Hai

In accordance with Bye-laws 87(1) and 169(2) of the Company's Bye-Laws, Mr. Ting Chung Ho, Mr. Liu Wing Ting, Stephen and Mr. Lee Joo Hai retire from office by rotation and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive directors

Mr. Siu Tit Lung, aged 63, elder brother of Mr. Siu Yuk Lung, has been an executive director and the chairman of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, the substantial shareholder of the Company. Mr. Siu is responsible for overall strategic planning and corporate development of the Group. He has many years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Heyuan City, Guangdong Province in the People's Republic of China (the "PRC").

Mr. Siu Yuk Lung, aged 60, younger brother of Mr. Siu Tit Lung, has been an executive director and the managing director of the Company since December 1992 and is a co-founder of the Group. He is a director of certain subsidiaries of the Company. He is also a director of Pan Island Investments Limited, the substantial shareholder of the Company. Mr. Siu is responsible for policy making and corporate management of the Group. He has many years of experience in metal trading and mould base manufacturing. He is an honorary citizen of Heyuan City, Guangdong Province in the PRC.

Mr. Mak Koon Chi, aged 55, has been an executive director of the Company since December 1992 and is a director of certain subsidiaries of the Company. He is a past chairman of the Society of Manufacturing Engineers (Hong Kong Chapter) and a fellow of The Hong Kong Institute of Directors. Mr. Mak is responsible for policy making, marketing, product development and technological development of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from the Hong Kong Polytechnic University and Murdoch University, Australia with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 52, has been an executive director of the Company since December 1992. He is the company secretary of the Company. He is also a director and a company secretary of certain subsidiaries of the Company. Mr. Wai is responsible for policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick, United Kingdom with a Master of Business Administration Degree. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom and The Hong Kong Institute of Directors. He is also a member of the Institute of Chartered Accountants in England and Wales and the Chinese Institute of Certified Public Accountants. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

Mr. Ting Chung Ho, aged 60, joined the Group in March 2000 as a general manager of a subsidiary of the Company in the PRC and has been appointed as an executive director of the Company since April 2008 and is also a director of certain subsidiaries of the Company. Mr. Ting is responsible for policy making and operation management of the Company. He has many years of experience in enterprise operation and management. Mr. Ting graduated from the Open University of Hong Kong with a Master of Business Administration Degree. He is a member of The Hong Kong Institute of Directors.

## BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 61, has been an independent non-executive director of the Company since December 1992. He is a member of Anhui Provincial Committee of Chinese People's Political Consultative Conference. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited, a member of the Hospital Governing Committee of Kwai Chung Hospital, Princess Margaret Hospital and Tseung Kwan O Hospital and a member of the Audit Committee of the University of Hong Kong. He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom and The Hong Kong Institute of Directors. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the chairman of the Audit Committee of the Company.

Dr. Lee Tat Yee, aged 66, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland, Australia and is a Chartered Engineer of the Engineering Council in the United Kingdom. He is a fellow of The Hong Kong Institute of Directors. Dr. Lee was a director of the Technology Support Centre of The University of Hong Kong specialising in quality assurance management systems and retired. He is the chairman of the Remuneration Committee of the Company.

Mr. Lee Joo Hai, aged 58, has been appointed as an independent non-executive director of the Company in September 2004. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and the Singapore Institute of Directors. He is also a fellow of The Hong Kong Institute of Directors. He has extensive experience in accounting and auditing. He was a partner of a public accounting firm in Singapore before his retirement from the accounting firm. He is the chairman of the Nomination Committee of the Company. Mr. Lee is currently an independent director of Hyflux Ltd, IPC Corporation Limited and Kian Ho Bearings Limited, which are all listed on the main board of The Singapore Exchange Securities Trading Limited ("SGX-ST"). He is also an independent director of Armarda Group Limited, which is listed on the Catalist of the SGX-ST and is also an independent director of Agria Corporation, which is listed on the Nasdaq. Mr. Lee was also an independent director of Adampak Limited, which was listed on the main board of the SGX-ST until 29th June, 2012, from August 2004 to June 2012 and ceased to be an independent director of Adampak Limited subsequent to the delisting of Adampak Limited from the SGX-ST on 29th June, 2012. He was also an independent director of Asiasons WFG Financial Ltd. from March 2008 to May 2012, which was listed on the main board of the SGX-ST. He was also an independent director of Food Junction Holdings Limited, which was listed on the main board of the SGX-ST until 9th December, 2013, from October 2001 to December 2013 and ceased to be an independent director of Food Junction Holdings Limited subsequent to the delisting of Food Junction Holdings Limited from the SGX-ST on 9th December, 2013. Save as disclosed above, Mr. Lee did not hold other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

## DIRECTORS' INTERESTS IN SHARES

At 31st December, 2013, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

### Interests in the Company

| Name of director | Capacity | Number of shares held: Personal interests | Number of shares held: Other interests | Number of share options and corresponding number of underlying shares held pursuant to share options | Total interests | Percentage of Company's issued share capital |
|---|---|---|---|---|---|---|
| Siu Tit Lung *(Notes 1 and 2)* | Beneficial owner and founder of discretionary trust | 37,941,444 | 366,210,937 | 150,000 | 404,302,381 | 64.00% |
| Siu Yuk Lung *(Notes 1 and 2)* | Beneficial owner and founder of discretionary trust | 37,941,444 | 366,210,937 | 150,000 | 404,302,381 | 64.00% |
| Mak Koon Chi | Beneficial owner | 3,843,750 | – | 500,000 | 4,343,750 | 0.69% |
| Wai Lung Shing | Beneficial owner | 3,843,750 | – | 500,000 | 4,343,750 | 0.69% |
| Ting Chung Ho | Beneficial owner | 720,000 | – | 500,000 | 1,220,000 | 0.19% |
| Liu Wing Ting, Stephen | Beneficial owner | 150,000 | – | 150,000 | 300,000 | 0.05% |
| Lee Tat Yee | Beneficial owner | 150,000 | – | 150,000 | 300,000 | 0.05% |
| Lee Joo Hai | Beneficial owner | 300,000 | – | 150,000 | 450,000 | 0.07% |

*Notes:*

1. 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.

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, held 366,210,937 shares in the Company.

## DIRECTORS' INTERESTS IN SHARES *(continued)*

### 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.

The details of the directors' interests in the share options granted by the Company are stated in the following section "Share Options".

Save as disclosed herein and in the section "Share Options" 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 31st December, 2013.

## SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 25 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| | At 1st January, 2013 | Lapsed during the year | Exercised during the year | At 31st December, 2013 | Date of grant | Exercisable period | Exercise price per share HK$ |
| **Category 1: Directors** | | | | | | | |
| Siu Tit Lung | 150,000 | – | – | 150,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Siu Yuk Lung | 150,000 | – | – | 150,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Mak Koon Chi | 500,000 | – | – | 500,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Wai Lung Shing | 500,000 | – | – | 500,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Fung Wai Hing *(note)* | 500,000 | – | – | 500,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Ting Chung Ho | 500,000 | – | – | 500,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Liu Wing Ting, Stephen | 150,000 | (150,000) | – | – | 14th January, 2009 | 14th January, 2010 to 13th January, 2013 | 2.27 |
| | 150,000 | – | – | 150,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Lee Tat Yee | 150,000 | (150,000) | – | – | 14th January, 2009 | 14th January, 2010 to 13th January, 2013 | 2.27 |
| | 150,000 | – | – | 150,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Lee Joo Hai | 150,000 | – | – | 150,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Total | 3,050,000 | (300,000) | – | 2,750,000 | | | |
| **Category 2: Employees** | | | | | | | |
| | 124,000 | (74,000) | (50,000) | – | 14th January, 2009 | 14th January, 2010 to 13th January, 2013 | 2.27 |
| | 3,146,000 | (448,000) | – | 2,698,000 | 9th July, 2010 | 9th July, 2011 to 8th July, 2014 | 4.10 |
| Total | 3,270,000 | (522,000) | (50,000) | 2,698,000 | | | |
| Total all categories | 6,320,000 | (822,000) | (50,000) | 5,448,000 | | | |

*Note:* Mr. Fung Wai Hing resigned as director of the Company during the year.

## SHARE OPTIONS *(continued)*

In respect of the share options exercised during the year ended 31st December, 2013, the weighted average closing price of the Company's shares immediately before the date of which the share options were exercised was approximately HK$2.98 and at the date of exercise was approximately HK$2.98.

Save as disclosed above, 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 year.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2013, 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% |
| Commonwealth Bank of Australia | Interest of controlled corporation | 37,805,000 | 5.98% |
| 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 31st December, 2013.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

## SUFFICIENCY OF PUBLIC FLOAT

Throughout the year ended 31st December, 2013 until the date of this report, based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital is held by the public.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## EMOLUMENT POLICY

The Remuneration Committee reviews the Group's emolument policy and structure for remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme in 2012. Details of the scheme are set out in note 25 to the consolidated financial statements.

## 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 of Hong Kong Limited (the "Listing Rules") throughout the year.

Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" from pages 8 to 19.

## INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company received, from each of the independent non-executive directors, Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee assessed the independence of the independent non-executive directors and affirmed that all independent non-executive directors remained independent.

## CHARITABLE DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$105,000.

## AUDITOR

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

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

Hong Kong, 27th March, 2014

Deloitte.
德勤

**TO THE MEMBERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 85, which comprise the consolidated statement of financial position as at 31st December, 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
27th March, 2014

# Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Revenue | 7 | **2,221,203** | 2,401,503 |
| Other income | 9 | **38,510** | 42,014 |
| Increase in fair value of investment properties | 15 | **30,000** | 37,000 |
| Changes in inventories of finished goods and work in progress | | **25,543** | (27,912) |
| Raw materials and consumables used | | **(967,557)** | (1,058,114) |
| Employee benefits expenses | | **(513,410)** | (499,485) |
| Depreciation of property, plant and equipment | | **(191,865)** | (181,525) |
| Other expenses | | **(446,348)** | (456,225) |
| Interest on bank borrowings wholly repayable within five years | | **(4,505)** | (5,242) |
| Profit before taxation | | **191,571** | 252,014 |
| Income tax expense | 11 | **(44,688)** | (53,227) |
| Profit for the year | 12 | **146,883** | 198,787 |
| Other comprehensive income: | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange difference arising on translation of foreign operations | | **70,677** | 20,104 |
| Total comprehensive income for the year | | **217,560** | 218,891 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **145,197** | 196,529 |
| Non-controlling interests | | **1,686** | 2,258 |
| | | **146,883** | 198,787 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **216,231** | 216,235 |
| Non-controlling interests | | **1,329** | 2,656 |
| | | **217,560** | 218,891 |
| | | **HK cents** | HK cents |
| Earnings per share | 14 | | |
| — Basic | | **22.99** | 31.13 |
| — Diluted | | **22.98** | 31.12 |

# Consolidated Statement of Financial Position

At 31st December, 2013

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| Non-current assets | | | |
| Investment properties | 15 | **151,500** | 121,500 |
| Property, plant and equipment | 16 | **1,137,129** | 1,176,509 |
| Prepaid lease payments — non-current portion | 17 | **100,608** | 100,155 |
| Deposits paid for acquisition of property, plant and equipment | | **79,163** | 2,120 |
| | | **1,468,400** | 1,400,284 |
| Current assets | | | |
| Inventories | 18 | **528,927** | 410,497 |
| Trade, bills and other receivables | 19 | **472,628** | 477,590 |
| Prepaid lease payments — current portion | 17 | **2,391** | 2,325 |
| Bank balances and cash | 20 | **737,441** | 805,044 |
| | | **1,741,387** | 1,695,456 |
| Current liabilities | | | |
| Trade, bills and other payables | 21 | **401,069** | 394,525 |
| Taxation payable | | **4,676** | 6,787 |
| Dividend payable | | **124** | 103 |
| Unsecured bank borrowings — due within one year | 22 | **193,809** | 221,072 |
| | | **599,678** | 622,487 |
| Net current assets | | **1,141,709** | 1,072,969 |
| Total assets less current liabilities | | **2,610,109** | 2,473,253 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 23 | **38,480** | 49,021 |
| Other payables | 21 | **81,326** | — |
| | | **119,806** | 49,021 |
| | | **2,490,303** | 2,424,232 |

# Consolidated Statement of Financial Position

At 31st December, 2013

| | NOTES | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 24 | **63,168** | 63,163 |
| Reserves | | **2,414,648** | 2,349,911 |
| Equity attributable to owners of the Company | | **2,477,816** | 2,413,074 |
| Non-controlling interests | | **12,487** | 11,158 |
| Total equity | | **2,490,303** | 2,424,232 |

The consolidated financial statements on pages 32 to 85 were approved and authorised for issue by the Board of Directors on 27th March, 2014 and are signed on its behalf by:

**Siu Tit Lung**
*DIRECTOR*

**Siu Yuk Lung**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2013

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 | **Statutory reserve** HK$'000 (note) | **Translation reserve** HK$'000 | **Share options reserve** HK$'000 | **Retained profits** HK$'000 | **Sub-total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| At 1st January, 2012 | 63,129 | 155,197 | 239,685 | 465,618 | 5,717 | 1,386,673 | 2,316,019 | 8,502 | 2,324,521 |
| Profit for the year | – | – | – | – | – | 196,529 | 196,529 | 2,258 | 198,787 |
| Exchange difference arising on translation of foreign operations | – | – | – | 19,706 | – | – | 19,706 | 398 | 20,104 |
| Total comprehensive income for the year | – | – | – | 19,706 | – | 196,529 | 216,235 | 2,656 | 218,891 |
| Transfer on lapse of share options | – | – | – | – | (157) | 157 | – | – | – |
| Share issued on exercise of share options | 34 | 886 | – | – | (149) | – | 771 | – | 771 |
| Final dividend for the year ended 31st December, 2011 (note 13) | – | – | – | – | – | (82,068) | (82,068) | – | (82,068) |
| Interim dividend for the year ended 31st December, 2012 (note 13) | – | – | – | – | – | (37,883) | (37,883) | – | (37,883) |
| Transfer | – | – | 27,282 | – | – | (27,282) | – | – | – |
| At 31st December, 2012 | 63,163 | 156,083 | 266,967 | 485,324 | 5,411 | 1,436,126 | 2,413,074 | 11,158 | 2,424,232 |
| Profit for the year | – | – | – | – | – | 145,197 | 145,197 | 1,686 | 146,883 |
| Exchange difference arising on translation of foreign operations | – | – | – | 71,034 | – | – | 71,034 | (357) | 70,677 |
| Total comprehensive income for the year | – | – | – | 71,034 | – | 145,197 | 216,231 | 1,329 | 217,560 |
| Transfer on lapse of share options | – | – | – | – | (577) | 577 | – | – | – |
| Share issued on exercise of share options | 5 | 130 | – | – | (21) | – | 114 | – | 114 |
| Final dividend for the year ended 31st December, 2012 (note 13) | – | – | – | – | – | (75,801) | (75,801) | – | (75,801) |
| Interim dividend for the year ended 31st December, 2013 (note 13) | – | – | – | – | – | (37,901) | (37,901) | – | (37,901) |
| Interim special dividend for the year ended 31st December, 2013 (note 13) | – | – | – | – | – | (37,901) | (37,901) | – | (37,901) |
| Transfer | – | – | (105) | – | – | 105 | – | – | – |
| At 31st December, 2013 | 63,168 | 156,213 | 266,862 | 556,358 | 4,813 | 1,430,402 | 2,477,816 | 12,487 | 2,490,303 |

*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.

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before taxation | **191,571** | 252,014 |
| Adjustments for: | | |
| Reversal of allowance for inventories | **(4,843)** | (5,543) |
| Depreciation of property, plant and equipment | **191,865** | 181,525 |
| Interest on bank borrowings wholly repayable within five years | **4,505** | 5,242 |
| Increase in fair value of investment properties | **(30,000)** | (37,000) |
| Interest income | **(23,661)** | (18,554) |
| Gain on disposal of property, plant and equipment | **(5,922)** | (8,663) |
| Gain on disposal of a land lease | **—** | (1,091) |
| Release of prepaid lease payments | **2,353** | 2,363 |
| Impairment loss recovered in respect of trade receivables | **(629)** | (582) |
| Operating cash flows before movements in working capital | **325,239** | 369,711 |
| (Increase) decrease in inventories | **(105,685)** | 227,519 |
| Decrease in trade, bills and other receivables | **13,436** | 77,606 |
| Increase (decrease) in trade, bills and other payables | **74,486** | (100,382) |
| Cash generated from operations | **307,476** | 574,454 |
| Income taxes paid | **(58,116)** | (49,733) |
| NET CASH FROM OPERATING ACTIVITIES | **249,360** | 524,721 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | **(212,949)** | (286,781) |
| Interest received | **23,661** | 18,554 |
| Proceeds on disposal of property, plant and equipment | **10,098** | 35,118 |
| Deposit received in respect of disposal of a land lease | **6,395** | — |
| Proceeds on disposal of a land lease | **—** | 8,371 |
| NET CASH USED IN INVESTING ACTIVITIES | **(172,795)** | (224,738) |

# Consolidated Statement of Cash Flows

For the year ended 31st December, 2013

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| FINANCING ACTIVITIES | | |
| New bank borrowings raised | **162,000** | 130,000 |
| Proceeds from new shares issued | **114** | 771 |
| Repayment of bank borrowings | **(182,270)** | (155,769) |
| Dividends paid | **(151,582)** | (119,941) |
| Interest paid | **(4,505)** | (5,242) |
| NET CASH USED IN FINANCING ACTIVITIES | **(176,243)** | (150,181) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(99,678)** | 149,802 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | **805,044** | 652,739 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **32,075** | 2,503 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash | **737,441** | 805,044 |

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are primarily listed on The Stock Exchange of Hong Kong Limited and secondarily listed on the Singapore Exchange Securities Trading Limited. The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacturing and marketing of mould bases and related products.

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

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

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

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

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

**HKFRS 10 "Consolidated Financial Statements"**

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) — Int 12 "Consolidation — Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### HKFRS 13 "Fair Value Measurement"

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 15 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

**New and revised HKFRSs in issue but not yet effective**

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or for administrative purposes (other than freehold land and construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is stated at cost less accumulated impairment losses, if any.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment *(continued)*

Construction in progress includes property, plant and equipment in the course of construction for production or administrative purposes. Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as approximate).

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial instruments** *(continued)*

***Financial assets*** *(continued)*

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivables' original effective interest rate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial instruments** *(continued)*

***Financial assets*** *(continued)*

*Impairment of loans and receivables (continued)*

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or to the extent that the carrying amount of the loan and receivable at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instrument*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities (including trade, bills and other payables and unsecured bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Financial instruments** *(continued)*

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Share-based payment arrangements**

***Equity-settled share-based payment transactions***

*Share options granted to directors and employees*

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to retained profits.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

***Deferred taxation on investment properties***

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Estimated impairment of trade receivables*

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2013, the carrying amount of trade receivables (net of allowance for doubtful debts of approximately HK$31,928,000) is approximately HK$395,051,000 (31st December, 2012: HK$401,250,000, net of allowance for doubtful debts of approximately HK$32,634,000).

#### *Allowance for inventories*

Management of the Group reviews its inventories at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such items primarily based on the latest invoice prices and current market conditions. The Group carries out an inventory review by making use of the aging analysis at the end of the reporting period and make allowance for obsolete items. As at 31st December, 2013, the carrying amount of inventories (net of allowance for inventories of approximately HK$83,275,000) is approximately HK$528,927,000 (31st December, 2012: HK$410,497,000, net of allowance for inventories of approximately HK$85,763,000).

#### *Fair value measurements and valuation processes*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and non-financial instruments. Notes 6(c) and 15 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings as disclosed in note 22, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis by considering the cost of capital and the risks associated with each class of capital. Based on recommendation of directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt and the redemption of existing debt.

## 6. FINANCIAL INSTRUMENTS

### 6a. Categories of financial instruments

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **1,172,772** | 1,244,340 |
| **Financial liabilities** | | |
| Amortised cost | **368,952** | 367,254 |

### 6b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, bank balances and cash, trade, bills and other payables and unsecured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

***(a) Interest rate risk***

The Group's bank balances carry interest at variable rates and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The directors of the Company consider the Group's exposure is not significant as those interest-bearing bank balances are within a short maturity period.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### 6b. Financial risk management objectives and policies *(continued)*

**Market risk** *(continued)*

***(a) Interest rate risk*** *(continued)*

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 22 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy in relation to interest rate risks. The directors of the Company monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and Cost of Funds Index arising from the Group's borrowings.

*Sensitivity analysis*

The sensitivity analyses have been determined based on the exposure to interest rates for variable-rate bank deposits and bank borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank deposits and bank borrowings respectively.

Based on the sensitivity analysis, the directors of the Company consider that the impact on profit or loss from changes in interest rates for both years is insignificant.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### 6b. Financial risk management objectives and policies *(continued)*

**Market risk** *(continued)*

***(b) Currency risk***

The Group's principal subsidiaries are operating in the PRC, Japan, Malaysia, Singapore and Taiwan. The transactions are denominated and settled in its respective functional currency. The management will consider using foreign exchange forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are considered as significant by the management, at the end of the reporting period are as follows:

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| RMB | **—** | — | **24,855** | 233,740 |
| USD | **22,033** | 23,707 | **17,511** | 7,141 |
| EUR | **—** | — | **32,992** | 33,530 |
| JPY | **22,163** | 36,059 | **1,340** | 9,634 |

## 6. FINANCIAL INSTRUMENTS *(continued)*

### 6b. Financial risk management objectives and policies *(continued)*

**Market risk** *(continued)*

***(b) Currency risk*** *(continued)*

*Sensitivity analysis*

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. No sensitivity analysis is presented for HKD against USD as HKD is pegged to USD. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year where the functional currency of the relevant group entity strengthen 5% (2012: 5%) against the relevant foreign currency. For a 5% (2012: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on post-tax profit for the year.

| | **RMB Impact (i)** | | **EUR Impact (i)** | | **JPY Impact (i)** | |
|---|---|---|---|---|---|---|
| | **2013 HK$'000** | 2012 HK$'000 | **2013 HK$'000** | 2012 HK$'000 | **2013 HK$'000** | 2012 HK$'000 |
| Post-tax profit for the year | **(1,184)** | (11,130) | **(1,571)** | (1,597) | **992** | 1,258 |

(i) This is mainly attributable to the exposure outstanding on receivables, payables, bank borrowings and bank balances in the respective foreign currency at year end.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### 6b. Financial risk management objectives and policies *(continued)*

#### Credit risk

As at 31st December, 2013, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group, is the failure to recover the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debts on a collective basis at the end of the reporting period to ensure that adequate impairment losses are made for doubtful amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties.

#### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivatives financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### 6b. Financial risk management objectives and policies *(continued)*

**Liquidity risk** *(continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

*Liquidity and interest risk tables*

| | Weighted average effective interest rate % | Less than 1 month or on demand HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at the end of the reporting period HK$'000 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade, bills and other payables | **N/A** | **81,620** | **67,737** | **25,786** | **175,143** | **175,143** |
| Variable-rate bank borrowings | **1.59** | **193,809** | **–** | **–** | **193,809** | **193,809** |
| | | **275,429** | **67,737** | **25,786** | **368,952** | **368,952** |

| | Weighted average effective interest rate % | Less than 1 month or on demand HK$'000 | 1-3 months HK$'000 | 3 months to 1 year HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount at the end of the reporting period HK$'000 |
|---|---|---|---|---|---|---|
| **2012** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade, bills and other payables | N/A | 47,166 | 84,404 | 14,612 | 146,182 | 146,182 |
| Variable-rate bank borrowings | 1.75 | 221,072 | – | – | 221,072 | 221,072 |
| | | 268,238 | 84,404 | 14,612 | 367,254 | 367,254 |

## 6. FINANCIAL INSTRUMENTS *(continued)*

### 6b. Financial risk management objectives and policies *(continued)*

**Liquidity risk** *(continued)*

Bank loans with a repayment on demand clause are included in the "Less than 1 month or on demand" time band in the above maturity analysis. As at 31st December, 2013 and 31st December, 2012, the aggregate undiscounted principal amounts of these bank loans amounted to HK$193,809,000 and HK$221,072,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$193,853,000 (2012: HK$221,242,000).

The amounts included above for variable-rate bank borrowings of which the undiscounted cash flows are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### 6c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their respective fair values at the end of the reporting period.

## 7. REVENUE

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.

## 8. SEGMENT INFORMATION

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

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

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

## 8. SEGMENT INFORMATION *(continued)*

### Entity-wide disclosures

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

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

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

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

## 9. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Government grants (note) | **600** | 968 |
| Interest income | **23,661** | 18,554 |
| Rental income, net of direct outgoings of approximately HK$387,000 (2012: HK$349,000) | **3,097** | 3,454 |
| Gain on disposal of property, plant and equipment | **5,922** | 8,663 |
| Gain on disposal of a land lease | **—** | 1,091 |
| Sundry income | **5,230** | 3,860 |
| Net foreign exchange gain | **—** | 5,424 |
| | **38,510** | 42,014 |

*Note:* The amount represents government rewards received during the year from the local treasury authority in the PRC as a general reward for the Group's contribution in business development.

## 10. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the nine (2012: nine) directors were as follows:

| | Siu Tit Lung HK$'000 | Siu Yuk Lung HK$'000 | Mak Koon Chi HK$'000 | Wai Lung Shing HK$'000 | Fung Wai Hing HK$'000 | Ting Chung Ho HK$'000 | Liu Wing Ting, Stephen HK$'000 | Lee Tat Yee HK$'000 | Lee Joo Hai HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | (note 1) | | | | | |
| **2013** | | | | | | | | | | |
| Fees | – | – | – | – | – | – | 396 | 384 | 342 | 1,122 |
| Other emoluments | | | | | | | | | | |
| Salaries and other benefits | 6,480 | 6,480 | 1,944 | 1,944 | 1,560 | 1,934 | – | – | – | 20,342 |
| Contributions to retirement benefit schemes | 713 | 713 | 214 | 214 | 172 | 213 | – | – | – | 2,239 |
| Bonus (note) | 50 | 50 | 4,700 | 4,700 | 2,000 | 3,000 | – | – | – | 14,500 |
| Total emoluments | 7,243 | 7,243 | 6,858 | 6,858 | 3,732 | 5,147 | 396 | 384 | 342 | 38,203 |

| | Siu Tit Lung HK$'000 | Siu Yuk Lung HK$'000 | Mak Koon Chi HK$'000 | Wai Lung Shing HK$'000 | Fung Wai Hing HK$'000 | Ting Chung Ho HK$'000 | Liu Wing Ting, Stephen HK$'000 | Lee Tat Yee HK$'000 | Lee Joo Hai HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | | | | | | | | | | |
| Fees | – | – | – | – | – | – | 336 | 336 | 336 | 1,008 |
| Other emoluments | | | | | | | | | | |
| Salaries and other benefits | 6,480 | 6,480 | 1,944 | 1,944 | 1,560 | 1,908 | – | – | – | 20,316 |
| Contributions to retirement benefit schemes | 713 | 713 | 214 | 214 | 171 | 210 | – | – | – | 2,235 |
| Bonus (note) | 2,100 | 2,100 | 4,700 | 4,700 | 2,950 | 2,950 | – | – | – | 19,500 |
| Total emoluments | 9,293 | 9,293 | 6,858 | 6,858 | 4,681 | 5,068 | 336 | 336 | 336 | 43,059 |

*Note:* The bonus is determined based on performance of the Group and the current market environment.

*Note 1:* Mr. Fung Wai Hing resigned as director of the Company during the year.

No directors waived any emoluments in the years ended 31st December, 2013 and 2012.

The five highest paid individuals in the Group in both years were all directors of the Company and details of their emoluments are presented above.

## 11. INCOME TAX EXPENSE

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| The charge (credit) comprises: | | |
| Hong Kong Profits Tax | | |
| — current year | 127 | 8,991 |
| — overprovision in prior years | (40) | (19) |
| | 87 | 8,972 |
| Taxation in jurisdictions outside Hong Kong | | |
| — current year | 50,104 | 41,367 |
| — overprovision in prior years | (2,683) | (1,215) |
| — transfer from deferred taxation | 7,721 | 6,130 |
| | 55,142 | 46,282 |
| Deferred taxation (note 23) | | |
| — current year | (2,820) | 4,103 |
| — transfer to current income tax | (7,721) | (6,130) |
| | (10,541) | (2,027) |
| | 44,688 | 53,227 |

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

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

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

## 11. INCOME TAX EXPENSE *(continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Profit before taxation | **191,571** | 252,014 |
| Tax at PRC income tax rate of 25% (2012: 25%) (note) | **47,893** | 63,004 |
| Tax effect of non-deductible expenses | **7,661** | 9,420 |
| Tax effect of non-taxable income | **(12,233)** | (10,179) |
| Utilisation of tax losses previously not recognised | **(1,150)** | (1,077) |
| Tax effect of unused tax losses not recognised | **10,219** | 1,099 |
| Overprovision in prior years | **(2,723)** | (1,234) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(12,213)** | (11,363) |
| Deferred tax charge arising on undistributed profits of PRC subsidiaries | **7,234** | 3,557 |
| Tax charge for the year | **44,688** | 53,227 |

*Note:* The domestic tax rate applicable to the jurisdictions where the operations of the Group is substantially based is 25% for both years.

## 12. PROFIT FOR THE YEAR

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Auditors' remuneration | | |
| — current year | **3,954** | 4,536 |
| — overprovision in prior year | **(35)** | (8) |
| Gross foreign exchange loss | **9,374** | 1,196 |
| Gross foreign exchange gain | **(7,505)** | (6,620) |
| Operating lease rentals in respect of | | |
| — rented premises | **14,280** | 12,554 |
| — plant and machinery | **79** | 92 |
| Depreciation of property, plant and equipment | **191,865** | 181,525 |
| Release of prepaid lease payments | **2,353** | 2,363 |
| Impairment loss recovered in respect of trade receivables, net | **(629)** | (582) |
| Reversal of allowance for inventories | **(4,843)** | (5,543) |

## 13. DIVIDENDS

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

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

## 14. EARNINGS PER SHARE

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

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

Number of shares:

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

## 15. INVESTMENT PROPERTIES

| | **Completed investment properties** |
|---|---|
| | HK$'000 |
| FAIR VALUE | |
| At 1st January, 2012 | 84,500 |
| Unrealised gain on property revaluation included in profit or loss | 37,000 |
| At 31st December, 2012 | 121,500 |
| Unrealised gain on property revaluation included in profit or loss | 30,000 |
| At 31st December, 2013 | 151,500 |

## 15. INVESTMENT PROPERTIES *(continued)*

All of the Group's property interests held under medium-term operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are held under medium-term leases in Hong Kong and are held for rental income under operating leases.

The fair value of the Group's investment properties at 31st December, 2013 and 31st December, 2012 has been arrived at on the basis of a valuation carried out on the respective dates 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. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the price per square feet, which ranged from HK$5,039 to HK$10,641. A slight increase in the price per square feet used would result in a significant increase in fair value measurement of the respective investment properties, and vice versa.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Buildings | Furniture, fixtures and fittings | Plant and machinery | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| COST | | | | | | | |
| At 1st January, 2012 | 21,317 | 542,327 | 163,998 | 1,865,025 | 41,185 | 211,617 | 2,845,469 |
| Currency realignment | — | 4,167 | 808 | 16,187 | 79 | 1,642 | 22,883 |
| Additions | — | 2,894 | 5,698 | 169,919 | 7,582 | 100,061 | 286,154 |
| Disposals | — | (48,902) | (14,456) | (43,834) | (9,009) | — | (116,201) |
| At 31st December, 2012 | 21,317 | 500,486 | 156,048 | 2,007,297 | 39,837 | 313,320 | 3,038,305 |
| Currency realignment | — | 14,066 | 2,233 | 38,725 | 603 | 8,900 | 64,527 |
| Additions | — | 1,388 | 3,533 | 83,751 | 4,590 | 42,644 | 135,906 |
| Disposals | — | — | (5,949) | (33,785) | (11,634) | — | (51,368) |
| Transfer | — | 189,924 | 537 | 1,972 | — | (192,433) | — |
| At 31st December, 2013 | 21,317 | 705,864 | 156,402 | 2,097,960 | 33,396 | 172,431 | 3,187,370 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1st January, 2012 | — | 158,036 | 138,449 | 1,429,933 | 27,392 | — | 1,753,810 |
| Currency realignment | — | 1,504 | 575 | 14,067 | 62 | — | 16,208 |
| Provided for the year | — | 25,992 | 11,384 | 136,671 | 7,478 | — | 181,525 |
| Eliminated on disposals | — | (24,053) | (13,748) | (43,834) | (8,112) | — | (89,747) |
| At 31st December, 2012 | — | 161,479 | 136,660 | 1,536,837 | 26,820 | — | 1,861,796 |
| Currency realignment | — | 4,950 | 2,010 | 36,467 | 345 | — | 43,772 |
| Provided for the year | — | 30,255 | 7,932 | 147,818 | 5,860 | — | 191,865 |
| Eliminated on disposals | — | — | (5,691) | (33,785) | (7,716) | — | (47,192) |
| At 31st December, 2013 | — | 196,684 | 140,911 | 1,687,337 | 25,309 | — | 2,050,241 |
| CARRYING AMOUNTS | | | | | | | |
| At 31st December, 2013 | 21,317 | 509,180 | 15,491 | 410,623 | 8,087 | 172,431 | 1,137,129 |
| At 31st December, 2012 | 21,317 | 339,007 | 19,388 | 470,460 | 13,017 | 313,320 | 1,176,509 |

## 16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, except for freehold land and construction in progress, are depreciated, taking into account their residual value, on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Buildings | Over the shorter of 20 years or the term of the relevant land use right |
| Furniture, fixtures and fittings | 15% |
| Plant and machinery | 20% |
| Motor vehicles | 30% |

Freehold land is not depreciated and construction in progress is also not depreciated until completion of construction and the properties are ready for their intended use.

The carrying value of land and buildings above comprises properties located on:

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Freehold land outside Hong Kong | **21,317** | 21,317 |
| Building on land under medium-term land use rights outside Hong Kong | **509,180** | 339,007 |
| | **530,497** | 360,324 |

The construction in progress are buildings under construction and machinery of HK$172,431,000 (2012: HK$313,320,000) situated outside Hong Kong and are erected on land under medium-term land use rights.

## 17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land located in the PRC held under medium-term land use rights.

| | 2013<br>HK$'000 | 2012<br>HK$'000 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Non-current asset | **100,608** | 100,155 |
| Current asset | **2,391** | 2,325 |
| | **102,999** | 102,480 |

On 6th July, 2013, 上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd., an indirect wholly-owned subsidiary of the Company, had entered into an agreement with an independent third party in relation to the disposal of the land use right of the land situated at No. 68 Min Yi Road, Songjiang District, Shanghai, the PRC, and all premises erected on the land and complementary facilities at an aggregate consideration of RMB109,000,000 (equivalent to approximately HK$137,792,000). On 18th October, 2013, the transaction was terminated as the purchaser failed to fulfil the payment terms of the agreement and the deposit received of RMB5,000,000 (equivalent to approximately HK$6,395,000) is recognised as other payables as at 31st December, 2013.

## 18. INVENTORIES

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

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

## 19. TRADE, BILLS AND OTHER RECEIVABLES

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

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

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

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

## 19. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

### Aged analysis of trade receivables which are past due but not impaired

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of approximately HK$13,165,000 (2012: HK$20,399,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the whole amount has been subsequently settled after the end of the reporting period. The Group does not hold any collateral over these balances.

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| 91 to 180 days | **13,165** | 20,399 |

Other than the above trade receivables which are past due but not impaired, the Group has provided fully for all trade receivables over the credit period granted.

### Movements in the allowance for doubtful debts

| | **2013**<br>**HK$'000** | 2012<br>HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **32,634** | 34,447 |
| Currency realignment | **674** | 220 |
| Impairment losses reversed | **(484)** | (562) |
| Amounts recovered during the year | **(145)** | (20) |
| Amounts written off as uncollectible | **(751)** | (1,451) |
| Balance at the end of the year | **31,928** | 32,634 |

At the end of reporting period, the allowance for doubtful debts are individually impaired trade receivables, which are considered irrecoverable by the management after consideration of the credit quality of those individual customers and the aging of these receivables. The Group does not hold any collateral over these balances.

## 20. BANK BALANCES AND CASH

Bank balances and cash of the Group comprise bank balances and short-term bank deposits that are interest-bearing at prevailing market saving rates and are with maturity of three months or less. The bank deposits carry interest at market rates ranged from 0.5% to 5.3% (2012: 0.4% to 4.9%) per annum for the year ended 31st December, 2013.

## 21. TRADE, BILLS AND OTHER PAYABLES

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

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

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

## 22. UNSECURED BANK BORROWINGS

The amounts represent floating rate bank loans repayable on demand.

The bank loans carry interest at the Hong Kong Interbank Offered Rate plus a fixed margin or Cost of Funds Index of the relevant bank plus a fixed margin. The effective borrowing rates of the Group ranged from 1.05% to 3.75% (2012: 1.05% to 3.65%) per annum.

## 23. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years are summarised below:

| | **Accelerated tax depreciation** HK$'000 | **Withholding tax** HK$'000 | **Tax loss** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|
| At 1st January, 2012 | 1,311 | 49,737 | — | 51,048 |
| Charge for the year | 546 | 3,557 | — | 4,103 |
| Transfer to current income tax | — | (6,130) | — | (6,130) |
| At 31st December, 2012 | 1,857 | 47,164 | — | 49,021 |
| (Credit) charge for the year | (765) | 7,234 | (9,289) | (2,820) |
| Transfer to current income tax | — | (7,721) | — | (7,721) |
| At 31st December, 2013 | 1,092 | 46,677 | (9,289) | 38,480 |

At the end of the reporting period, the Group has unused tax losses of approximately HK$79,906,000 (2012: HK$47,103,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$37,155,000 (2012: Nil) of such losses. The remaining tax losses of approximately HK$42,751,000 (2012: HK$47,103,000) are not recognised due to the unpredictability of future profit streams. Except for unused tax losses of approximately HK$65,014,000 will expire from 2015 to 2021, other unused tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, starting from 1st January, 2008, 10% withholding income tax is imposed on dividends declared in respect of profits earned by the companies established in the PRC from the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. Deferred tax has been provided for in respect of the temporary differences attributable to such profits for the year amounting to approximately HK$144,671,000 (2012: HK$71,145,000). The Group has applied the preferential rate of 5% on such profits as all the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

## 24. SHARE CAPITAL

| | Authorised | | Issued and fully paid | |
|---|---|---|---|---|
| | **Number of shares** | HK$'000 | **Number of shares** | HK$'000 |
| Ordinary shares of HK$0.1 each: | | | | |
| At 1st January, 2012 | 1,000,000,000 | 100,000 | 631,287,303 | 63,129 |
| Shares issued on exercise of share options | — | — | 340,000 | 34 |
| At 31st December, 2012 | 1,000,000,000 | 100,000 | 631,627,303 | 63,163 |
| Shares issued on exercise of share options | — | — | 50,000 | 5 |
| At 31st December, 2013 | 1,000,000,000 | 100,000 | 631,677,303 | 63,168 |

The new shares rank pari passu with existing shares in all respects.

## 25. SHARE OPTION SCHEME

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") and the termination of the share option scheme of the Company which was adopted by the shareholders of the Company on 9th September, 2002 (the "2002 Scheme"). Thereafter, no option will be granted under the 2002 Scheme but the subsisting options granted prior to the termination of the 2002 Scheme will continue to be valid and exercisable in accordance with the terms of the 2002 Scheme.

Under the 2012 Scheme, the board of directors of the Company or a duly authorised committee (the "Board") may grant options to (i) any executive or non-executive directors of the Company (or any persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; (iii) any consultants and professional advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company, as absolutely determined by the Board (the "Participants"), to subscribe for shares in the Company. The 2012 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants 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.

## 25. SHARE OPTION SCHEME *(continued)*

The total number of shares in respect of which options may be granted under the 2012 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2012 Scheme, unless prior approval from the Company's shareholders is obtained. Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within a period of 28 days from the date of grant, upon payment of HK$1 per grant. An exercise period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Participant who accepts the option offer as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the share option ("Exercise Period"). Options may be exercised in accordance with the terms of the 2012 Scheme at any time during the Exercise Period after the option has been granted. The exercise price is determined by the Board, and shall be at least the highest of the nominal value of the Company's share, the closing price of the Company's shares on the date of grant and the average closing price of the Company's shares for the five business days immediately preceding the date of grant.

As 31st December, 2013, no option was granted under the 2012 Scheme but the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 5,448,000, representing about 0.86% of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by the Participants and movements in such holdings during the years ended 31st December, 2013 and 2012:

| Exercise price | Date of grant | Exercisable period | Outstanding at 1.1.2012 | Exercised during the year ended 31.12.2012 | Lapsed during the year ended 31.12.2012 | Outstanding at 31.12.2012 and 1.1.2013 | Exercised during the year ended 31.12.2013 | Lapsed during the year ended 31.12.2013 | Outstanding at 31.12.2013 |
|---|---|---|---|---|---|---|---|---|---|
| HK$ | | | | | | | | | |
| 2.27 | 14.1.2009 | 14.1.2010 — 13.1.2013 | 764,000 | (340,000) | — | 424,000 | (50,000) | (374,000) | — |
| 4.10 | 9.7.2010 | 9.7.2011 — 8.7.2014 | 6,068,000 | — | (172,000) | 5,896,000 | — | (448,000) | 5,448,000 |
| Total | | | 6,832,000 | (340,000) | (172,000) | 6,320,000 | (50,000) | (822,000) | 5,448,000 |
| Exercisable at the end of the year | | | | | | 6,320,000 | | | 5,448,000 |

## 25. SHARE OPTION SCHEME *(continued)*

Details of the share options held by the directors included in the above table are as follows:

| Exercise price | Outstanding at 1.1.2012 | Exercised during the year ended 31.12.2012 | Outstanding at 31.12.2012 and 1.1.2013 | Lapsed during the year ended 31.12.2013 | Outstanding at 31.12.2013 (note) |
|---|---|---|---|---|---|
| HK$ | | | | | |
| 2.27 | 450,000 | (150,000) | 300,000 | (300,000) | — |
| 4.10 | 2,750,000 | — | 2,750,000 | — | 2,750,000 |
| Total | 3,200,000 | (150,000) | 3,050,000 | (300,000) | 2,750,000 |
| Exercisable at the end of the year | | | 3,050,000 | | 2,750,000 |

*Note:* Mr. Fung Wai Hing who is holding 500,000 share options, resigned as director of the Company during the year.

In respect of the share options exercised during the year ended 31st December, 2013, the weighted average closing price of the Company's shares immediately before the date of which the options were exercised was approximately HK$2.98 (2012: HK$2.72) and at the date of exercise was approximately HK$2.98 (2012: HK$2.69).

## 26. CAPITAL COMMITMENTS

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | **97,776** | 69,150 |

## 27. OPERATING LEASES

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

| | **2013** **HK$'000** | 2012 HK$'000 |
|---|---|---|
| Within one year | **12,137** | 7,898 |
| In the second to fifth year inclusive | **13,168** | 10,181 |
| Over five years | **1,391** | 2,165 |
| | **26,696** | 20,244 |

Operating lease payments represent rental payables by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two to seven years.

## 27. OPERATING LEASES *(continued)*

### The Group as lessor

Property rental income earned during the year was approximately HK$3,484,000 (2012: HK$3,803,000).

At the end of the reporting period, the Group had minimum lease receipts, which represent rentals receivable by the Group for its investment properties, under non-cancellable operating leases which fall due as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within one year | **2,900** | 1,662 |
| In the second to fifth year inclusive | **2,195** | — |
| | **5,095** | 1,662 |

The investment properties held have committed tenants for an average term of two (2012: one) years.

## 28. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme.

For members of the MPF Scheme, the Group contributes at the lower of HK$1,250 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from the Group at rates ranging from 7% to 11% of the employee's basic salary, depending on the length of service with the Group.

## 28. RETIREMENT BENEFITS SCHEME *(continued)*

The employees in the Group's subsidiaries in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. Those subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The total cost charged to income approximately HK$12,003,000 (2012: HK$14,384,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2013 and 2012, no contribution due in respect of the reporting period had not been paid over to the schemes.

## 29. 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 year was as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term benefits | **35,964** | 40,824 |
| Post-employment benefits | **2,239** | 2,235 |
| | **38,203** | 43,059 |

## 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 31st December, 2013 is as follows:

| | **2013** | 2012 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| ASSETS | | |
| Investment in a subsidiary | **55,856** | 55,856 |
| Amounts due from subsidiaries | **835,553** | 835,668 |
| Prepayments | **226** | 227 |
| Bank balances | **487** | 354 |
| | **892,122** | 892,105 |
| LIABILITIES | | |
| Accrued charges | **1,048** | 1,102 |
| Amount due to a subsidiary | **343,279** | 192,254 |
| Dividend payable | **124** | 103 |
| | **344,451** | 193,459 |
| NET ASSETS | **547,671** | 698,646 |
| CAPITAL AND RESERVES | | |
| Share capital | **63,168** | 63,163 |
| Reserves (note) | **484,503** | 635,483 |
| | **547,671** | 698,646 |

## 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

*Note:*

| | Share premium HK$'000 | Share options reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1st January, 2012 | 155,197 | 5,717 | 437,177 | 598,091 |
| Profit for the year | — | — | 156,606 | 156,606 |
| Transfer on lapse of share options | — | (157) | 157 | — |
| Share issued on exercise of share options | 886 | (149) | — | 737 |
| Final dividend for the year ended 31st December, 2011 | — | — | (82,068) | (82,068) |
| Interim dividend for the year ended 31st December, 2012 | — | — | (37,883) | (37,883) |
| At 31st December, 2012 | 156,083 | 5,411 | 473,989 | 635,483 |
| Profit for the year | — | — | 514 | 514 |
| Transfer on lapse of share options | — | (577) | 577 | — |
| Share issued on exercise of share options | 130 | (21) | — | 109 |
| Final dividend for the year ended 31st December, 2012 | — | — | (75,801) | (75,801) |
| Interim dividend for the year ended 31st December, 2013 | — | — | (37,901) | (37,901) |
| Interim special dividend for the year ended 31st December, 2013 | — | — | (37,901) | (37,901) |
| At 31st December, 2013 | 156,213 | 4,813 | 323,477 | 484,503 |

## 31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Group's material subsidiaries as at 31st December, 2013 and 2012 which, in the opinion of the directors, principally affected the results or net assets of the Group are set out below. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

| Name of subsidiary | Place of incorporation/ establishment and operations | Issued and fully paid share capital/ paid up capital | Proportion of nominal value of issued capital/ paid up capital indirectly held by the Company | Principal activities |
|---|---|---|---|---|
| | | | % | |
| 河源龍記金屬製品有限公司 Heyuan Lung Kee Metal Products Co., Ltd. | The PRC (note a) | HK$550,870,000 | 100 | Manufacturing and marketing of mould bases |
| 杭州龍記金屬製品有限公司 Hangzhou Lung Kee Metal Products Co., Ltd. | The PRC (note a) | US$75,000,000 | 100 | Manufacturing and and marketing of mould bases |
| Lung Kee International Limited | Hong Kong | HK$2 ordinary shares HK$2,000,002 non-voting deferred shares (note b) | 100 | Investment holding |
| Lung Kee Metal Limited | Hong Kong | HK$2 ordinary shares HK$10,000,002 non-voting deferred shares (note b) | 100 | Manufacturing and marketing of mould bases |
| Lung Kee Metal Japan Company Limited | Japan | JPY300,000,000 | 100 | Manufacturing and marketing of mould bases |
| Lung Kee Metal (Malaysia) Sdn. Bhd. | Malaysia | RM750,000 | 100 | Manufacturing and marketing of mould bases |
| Super Visions International Limited | British Virgin Islands | US$2 | 100 | Holding and licensing of trademarks |
| 台州龍記金屬製品有限公司 Taizhou Lung Kee Metal Products Co., Ltd. | The PRC (note a) | US$6,000,000 | 100 | Manufacturing and marketing of mould bases |
| 仕霸工業股份有限公司 Taiwan Supertech Industrial Company Limited | Republic of China (note c) | NT$36,880,000 | 70 | Manufacturing and marketing of mould bases |

## 31. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES *(continued)*

*Notes:*

a. These companies are wholly-owned foreign enterprises established in the PRC.

b. The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

c. The entity contributes the Group's material non-controlling interest as at 31st December, 2013.

None of the subsidiaries had any debenture outstanding at the end of the year or at any time during the year.

# Financial Summary

## RESULTS

| | Year ended 31st December, | | | | |
|---|---|---|---|---|---|
| | 2009 HK$'000 | 2010 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | **2013 HK$'000** |
| | | (restated) | (restated) | | |
| REVENUE | 2,234,680 | 2,611,583 | 2,532,460 | 2,401,503 | **2,221,203** |
| PROFIT BEFORE TAXATION | 319,895 | 457,593 | 386,274 | 252,014 | **191,571** |
| INCOME TAX EXPENSE | (98,935) | (130,879) | (105,837) | (53,227) | **(44,688)** |
| PROFIT FOR THE YEAR | 220,960 | 326,714 | 280,437 | 198,787 | **146,883** |
| ATTRIBUTABLE TO: | | | | | |
| OWNERS OF THE COMPANY | 220,928 | 323,051 | 277,628 | 196,529 | **145,197** |
| NON-CONTROLLING INTERESTS | 32 | 3,663 | 2,809 | 2,258 | **1,686** |
| | 220,960 | 326,714 | 280,437 | 198,787 | **146,883** |

## ASSETS AND LIABILITIES

| | At 31st December, | | | | |
|---|---|---|---|---|---|
| | 2009 HK$'000 | 2010 HK$'000 | 2011 HK$'000 | 2012 HK$'000 | **2013 HK$'000** |
| | | (restated) | (restated) | | |
| TOTAL ASSETS | 2,375,160 | 2,967,230 | 3,120,942 | 3,095,740 | **3,209,787** |
| TOTAL LIABILITIES | (441,692) | (777,636) | (796,421) | (671,508) | **(719,484)** |
| NET ASSETS | 1,933,468 | 2,189,594 | 2,324,521 | 2,424,232 | **2,490,303** |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | 1,928,478 | 2,180,629 | 2,316,019 | 2,413,074 | **2,477,816** |
| NON-CONTROLLING INTERESTS | 4,990 | 8,965 | 8,502 | 11,158 | **12,487** |
| TOTAL EQUITY | 1,933,468 | 2,189,594 | 2,324,521 | 2,424,232 | **2,490,303** |

# Properties held for Investment

## Investment properties

| Location | Type of properties | Attributable interest | Lease term |
|---|---|---|---|
| Workshop 6 on ground floor<br>Kwong Sang Hong Centre<br>Nos.151–153 Hoi Bun Road<br>Kowloon | Office premises | 100% | Medium-term lease |
| Workshop No.2 on ground floor<br>and the yard adjoining thereto<br>Hung Tat Industrial Building<br>No.43 Hung To Road<br>Kowloon | Factory | 100% | Medium-term lease |
| Factory A, C on G/F<br>Mai Hing Industrial Building<br>Nos.16–18<br>Hing Yip Street<br>Kowloon | Factory | 100% | Medium-term lease |
| Car parking space No. L2<br>and L5 on G/F<br>Mai Hing Industrial Building<br>Nos.16–18<br>Hing Yip Street<br>Kowloon | Carpark | 100% | Medium-term lease |

隨著中國汽車業的不斷擴展，更多大型及高品質的模具在中國製造，對大型模架的需求也隨之而上升。

Through continuous development of the automotive industry in China, more large size and better quality moulds are being made in China, thus increase the demand for bigger size mould bases.

中國杭州廠擁有齊全的特殊鋼庫存及機加工能力，向中國江蘇省及浙江省客戶快速供應經六面加工的內模件。

China Hangzhou plant possesses ample stock of special steels with massive machining capacity, which can provide customers in Jiangsu and Zhejiang Provinces, China speedy delivery services for mould inserts with 6-faces machined.

位於中國杭州廠的熱處理車間，擁有不同容量的先進真空熱處理爐，為生產壓鑄模具及工程塑料所用硬模之客戶提供高效服務。

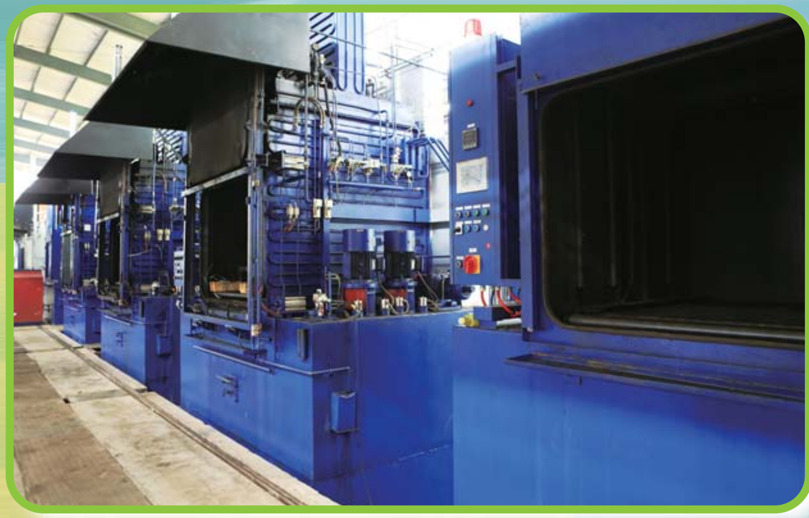
The heat treatment workshop in China Hangzhou plant possesses sophisticated vacuum heat treatment furnaces with various capacities, which can provide efficient high quality heat treatment services for die casting moulds as well as hard moulds for plastic processing.

透過與模具客戶的深入溝通與合作，龍記集團在型框加工方面更能與客戶之需要全面配合，從而達致互利雙贏。

Through in depth communication and collaboration with mould makers, Lung Kee Group can provide more detailed profile machining tailoring to the need of customers, thus benefiting both parties.

用於大批量生產模架零配件的多用途熱處理爐，大大提升產能及產品質素。

Multi-purpose heat treatment furnaces for mass production of mould base components greatly enhance the productivity and the quality of the product.




大型的多功能設備，使更多加工能在同一機床上進行，以減省人力成本之餘也加快了交貨速度。

Large size and multi-function machines enable more machining processes to be completed in a single setup, thus saving the labour cost and shorten the delivery time.

先進加工機床，滿足客戶對提升品質及交貨速度的需求。

Advanced machineries satisfy the demand of customers towards better quality and speedy delivery services.



為海外客戶製作超大型的壓鑄模模架。

Serving overseas customers in producing over-sized mould bases for die casting moulds.