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LUNG KEE GROUP HOLDINGS LIMITED
龍記集團控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 255)
Website: http://www.irasia.com/listco/hk/lkm

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2024

FINANCIAL RESULTS

The directors of Lung Kee Group Holdings Limited (formerly known as Lung Kee (Bermuda) Holdings Limited) (the "Company") (the "Directors") are pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2024 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2024

		Six months ended 30th June,	
		2024	2023
		HK$'000	HK$'000
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**785,212**	708,923
Other income, gains and losses	*4*	**6,188**	5,411
Decrease in fair value of investment properties		**(5,100)**	(1,500)
Impairment losses recognised under expected credit loss model, net		**(2,626)**	(244)
Changes in inventories of finished goods and work in progress		**(31,509)**	5,000
Raw materials and consumables used		**(282,438)**	(306,019)
Employee benefits expenses		**(215,457)**	(204,317)
Depreciation of right-of-use assets		**(2,782)**	(3,018)
Depreciation of property, plant and equipment		**(82,139)**	(81,720)
Other expenses		**(196,977)**	(173,838)
Interest expense on lease liabilities		**(129)**	(230)

	Notes	Six months ended 30th June, **2024** **HK$'000** **(unaudited)**	2023 HK$'000 (unaudited)
Loss before taxation		**(27,757)**	(51,552)
Income tax credit	*5*	**3,842**	20,046
Loss for the period	*6*	**(23,915)**	(31,506)
Other comprehensive expense for the period:			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**(39,385)**	(69,825)
Total comprehensive expense for the period		**(63,300)**	(101,331)
		HK cents	HK cents
Loss per share	*8*		
- Basic		**(3.79)**	(4.99)
- Diluted		**(3.79)**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2024

	Notes	At 30th June, 2024 HK$'000 (unaudited)	At 31st December, 2023 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**161,400**	166,500
Property, plant and equipment		**586,249**	655,982
Right-of-use assets		**62,623**	67,055
Deposits paid for acquisition of property, plant and equipment		**9,186**	23,580
Deferred tax assets		**46,336**	43,422
		865,794	956,539
Current assets			
Inventories		**480,295**	530,511
Trade, bills and other receivables	*9*	**181,211**	177,177
Bank balances and cash		**470,541**	428,758
		1,132,047	1,136,446
Current liabilities			
Trade, bills and other payables	*10*	**143,645**	128,073
Contract liabilities		**18,254**	26,931
Lease liabilities		**1,966**	3,307
Taxation payable		**34,177**	34,684
Dividend payable		**361**	310
		198,403	193,305
Net current assets		**933,644**	943,141
Total assets less current liabilities		**1,799,438**	1,899,680

	At 30th June, 2024 HK$'000 (unaudited)	At 31st December, 2023 HK$'000 (audited)
Non-current liabilities		
Deferred tax liabilities	**10,104**	11,109
Lease liabilities	**2,502**	3,258
Other payables	**82,954**	86,551
	95,560	100,918
Net assets	**1,703,878**	1,798,762
CAPITAL AND RESERVES		
Share capital	**63,168**	63,168
Reserves	**1,640,710**	1,735,594
Total equity	**1,703,878**	1,798,762

Notes:

1. BASIS OF PREPARATION

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

Pursuant to a special resolution passed on 27th May, 2024, the name of the Company was changed from Lung Kee (Bermuda) Holdings Limited to Lung Kee Group Holdings Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements of the Group for the six months ended 30th June, 2024 are the same as those presented in the Group's annual financial statements for the year ended 31st December, 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the Group's annual period beginning on 1st January, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2022)
Amendments to HKAS 1	Non-current Liabilities with covenants
Amendments HKAS 7 and HKFRS 7	Supplier Finance Arrangement

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

Revenue from manufacturing and marketing of mould bases and related products

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

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

The Group only has one operating segment, based on the information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resources allocation and performance assessment, which is the aggregated results of the Group, including all income, expenses and tax charges. As a result, there is only one reportable segment for the Group. For information regarding this segment, reference can be made to the condensed consolidated financial statements as a whole. No other discrete financial information is provided. Accordingly, only entity-wide disclosures and geographic information are presented.

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

Entity-wide disclosures

As at 30th June, 2024 and 31st December, 2023, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, i.e. the People's Republic of China (the "PRC").

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

	Six months ended 30th June,	
	2024	2023
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The PRC	**694,610**	611,445
Others	**90,602**	97,478
	785,212	708,923

The Group has a very wide customer base covering Asia, Europe and America. No single customer contributed more than 10% of the Group's revenue for each of the six months ended 30th June, 2024 and 2023.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30th June,	
	2024	2023
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income:		
Interest income	**4,578**	4,174
Rental income, net of direct outgoings of HK$309,000 (2023: HK$292,000)	**1,432**	2,824
Sundry income	**970**	455
	6,980	7,453
Other gains and losses:		
Gain on disposal of property, plant and equipment	**913**	1,830
Net foreign exchange loss	**(1,705)**	(3,872)
	(792)	(2,042)
	6,188	5,411

5. INCOME TAX CREDIT

	Six months ended 30th June,	
	2024	2023
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The credit comprises:		
Taxation in Hong Kong	**(179)**	(631)
Taxation in jurisdictions outside Hong Kong	**(819)**	2,367
Deferred taxation	**4,840**	18,310
	3,842	20,046

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

Dividend distribution out of the retained profits of foreign-invested enterprises in the PRC earned after 1st January, 2008 is subject to withholding income tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and the Mainland China, the withholding income tax rate applicable to the Group is 5%.

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

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30th June,	
	2024	2023
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**685,156**	644,168
Recognition of inventories provision	**56**	2,243

7. DIVIDENDS

Interim dividend for the current period:

On 23rd August, 2024, the Directors determined an interim dividend of HK5 cents (six months ended 30th June, 2023: HK5 cents) per share amounting to HK$31,584,000 (six months ended 30th June, 2023: HK$31,584,000) to be paid to the shareholders of the Company whose names appear in the Register of Members on 11th September, 2024.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK5 cents (six months ended 30th June, 2023: HK6 cents) per share amounting to HK$31,584,000 (six months ended 30th June, 2023: HK$37,901,000) was declared and paid to the shareholders in respect of the year ended 31st December, 2023 (six months ended 30th June, 2023: in respect of the year ended 31st December, 2022).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the six months ended 30th June, 2024 is based on the loss attributable to the owners of the Company for the six months ended 30th June, 2024 of HK$23,915,000 (six months ended 30th June, 2023: HK$31,506,000) and the number of 631,677,303 (2023: 631,677,303) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30th June, 2024 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price of the shares for the relevant period.

No diluted loss per share was presented for the six months ended 30th June, 2023 as there was no potential ordinary share outstanding during that period or at the end of that reporting period.

9. TRADE, BILLS AND OTHER RECEIVABLES

In general, the Group allows a credit period ranging from 30 days to 90 days to its trade customers.

Included in trade, bills and other receivables are trade receivables (net of allowance for credit losses) of HK$104,364,000 (31st December, 2023: HK$85,387,000) and bills receivables of HK$8,230,000 (31st December, 2023: HK$10,238,000).

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

	At 30th June, 2024 HK$'000 (unaudited)	At 31st December, 2023 HK$'000 (audited)
0 to 60 days	**89,620**	83,882
61 to 90 days	**22,849**	12,410
Over 90 days	**12,073**	8,923
	124,542	105,215

10. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of HK$35,755,000 (31st December, 2023: HK$35,820,000).

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

	At 30th June, 2024 HK$'000 (unaudited)	At 31st December, 2023 HK$'000 (audited)
0 to 60 days	**28,515**	30,613
61 to 90 days	**4,750**	3,242
Over 90 days	**2,490**	1,965
	35,755	35,820

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2024 was HK$785,212,000 (2023: HK$708,923,000). Loss attributable to owners of the Company for the six months ended 30th June, 2024 was HK$23,915,000 (2023: HK$31,506,000). The basic loss per share for the six months ended 30th June, 2024 was HK3.79 cents (2023: HK4.99 cents).

Throughout the review period, the external business environment remained complex and severe, significantly impacting the global economy. The domestic market in China also required further restoration, thus the path of economic recovery still encountered multiple challenges. In response to a subdued market environment and escalating costs, the Group actively explored market opportunities and endeavored to enhance its production technology to strengthen its competitive advantage. Consequently, the Group's performance in the first half of the year, compared to the same period in 2023, slightly improved.

The geopolitical situations were tense, the ongoing war between Russia and Ukraine and the persistent Israel-Palestine clashes, imposed high risks on global economic and financial system. Furthermore, major economies such as those in Europe and the United States had not yet reduced interest rates during the review period, creating a cautious market atmosphere that slowed down the pace of global economic recovery. Restricted by the sluggish global economy and the continued trade disputes between China and the United States, China's export business performance fluctuated, failing to drive a notable upsurge in market orders.

Following the pandemic recession and stimulated by macroeconomic policies, consumption desire of Chinese citizens rebounded. However, the economy was still in the recovery stage, and consumer confidence had not yet restored to pre-pandemic levels. In addition, affected by the downturn in the real estate market, demand for consumer goods remained insufficient, leading to a slow recovery pace in the domestic market in China. In conclusion, the overall market development in China continued under significant pressure.

Subject to the global economic environment, although the aggregate order volume increased as compared with the same period in last year, the overall production capacity had not yet been fully achieved. Despite the declining trend in the prices of mould steel, the fixed operating costs remained persistently high. In consequence, while the Group's performance showed improvement during the reviewed period, the outcome did not meet expectations.

FINANCIAL REVIEW

The Group's revenue for the six months ended 30th June, 2024 increased by 10.8% as compared with the same period of last year. The revenue was increased as there was a slight improvement of economy. During the period under review, the relevant costs of raw materials and consumables used (including the changes in inventories of finished goods and work in progress) for generating the revenue increased by 4.3% and their costs as percentage of revenue decreased to 40.0% (2023: 42.5%). The ratio of the relevant costs of raw materials and consumables used as percentage of revenue was decreased mainly due to the slight increase of selling prices. The increase in activities caused the increase of other expenses by 13.3% while the employee benefits expenses were moderately increased by 5.5%.

During the period under review, the decrease in fair value of investment properties increased by HK$3,600,000 as compared with the same period of last year. Other income increased by HK$777,000. The impairment losses recognised under expected credit loss model, net increased by HK$2,382,000. The income tax credit decreased by HK$16,204,000 mainly due to the decrease in deductible losses.

As a result of the foregoing, loss for the six months ended 30th June, 2024 decreased by 24.1% to HK$23,915,000 (2023: HK$31,506,000).

Liquidity and Financial Resources

The total equity of the Group as at 30th June, 2024 was HK$1,703,878,000 (as at 31st December, 2023: HK$1,798,762,000). As at 30th June, 2024, the Group had bank balances and cash of HK$470,541,000 (as at 31st December, 2023: HK$428,758,000) and did not have any borrowings (as at 31st December, 2023: Nil).

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

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

Employees and Remuneration Policies

As at 30th June, 2024, the Group employed a total of approximately 3,000 employees. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

PROSPECTS

Looking ahead to the second half of the year, the global business environment and political situation are still full of uncertainties and difficult to predict. Despite the economic outlook is not optimistic, the Group will carefully assess the market environment and demand to cope with future changes and challenges.

The intensification of geopolitical conflicts, the rise of trade protectionism, and the increase in uncertainty surrounding economic policies adopted during the election year in various countries, all hinder and impose risks to global economic recovery. Consequently, the export business of China has been severely impacted. The Group expects that China will actively explore emerging trade markets such as ASEAN member states in order to expand its trade partnerships and reduce market risks. The Group will closely monitor market changes and adjust its marketing strategies prudently, and explore other emerging overseas markets to bring stable development and revenue to the Group.

To consolidate the development of the domestic market, the Chinese government will launch various measures to boost consumption and investment, such as encouraging trade-in old consumer goods for new ones and promoting upgrade of large-scale equipment to strengthen the confidence and consumption desire of investors and citizens, so as to expedite the recovery of the domestic market and drive steady economic growth in China. The Group expects "advance new and old simultaneously" approach will be adopted through dual track development of environmentally friendly new energy vehicles and traditional fuel vehicles. At the same time, demand for consumer goods such as high-tech electronic products and intelligent home appliances will also improve. Furthermore, to cultivate new productive forces, efforts will be put to explore more high-end technology markets such as the development of low-altitude economy in order to support the long-term economic development of China. The Group will leverage the advantages of the Chinese market, actively seek potential business opportunities and markets to ensure its leading position in the industry.

The Group maintains a solid financial position and will concentrate on research and development of technology to enhance its overall processing capabilities and product quality and adopt time-saving and labour-saving automated production lines to boost production efficiency. Furthermore, the Group will continue to monitor and reduce operational costs to mitigate operational risks and strengthen the competitive advantage of its products.

With accumulated experience and a prudent approach, the Group is confident in its ability to cope with the ever-changing business environment and achieve steady and healthy business development.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with management and the external auditor, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements.

INTERIM DIVIDEND

The Directors have determined an interim dividend of HK5 cents (2023: HK5 cents) per share in respect of the six months ended 30th June, 2024 to be payable on or around 24th September, 2024 to shareholders whose names appear in the Register of Members of the Company on 11th September, 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th September, 2024 to 11th September, 2024, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 9th September, 2024.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2024.

CORPORATE GOVERNANCE

The Company has complied with all code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the review period.

On behalf of the Board
Lung Kee Group Holdings Limited
Siu Yuk Lung
Managing Director

Hong Kong, China, 23rd August, 2024

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