LUNG KEE (BERMUDA) HOLDINGS LIMITED

(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, 2008

FINANCIAL HIGHLIGHTS

	Growth
➢ Turnover — approximately HK$1,554 million	25%
➢ Profit attributable to equity holders of the Company — approximately HK$178 million	43%
➢ Basic earnings per share — HK28.65 cents	43%

FINANCIAL RESULTS

The directors of Lung Kee (Bermuda) Holdings Limited (the "Company") (the "Directors") are pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2008 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

		Six months ended 30th June,	
		2008	2007
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**1,554,483**	1,248,492
Other income		**13,866**	4,168
Changes in inventories of finished goods and work in progress		**26,782**	(10,198)
Raw materials and consumables used		**(757,876)**	(606,112)
Employee benefits expenses		**(256,293)**	(208,027)
Depreciation and amortisation of property, plant and equipment		**(90,321)**	(86,032)
Other expenses		**(213,323)**	(178,392)
Interest on bank borrowings wholly repayable within five years		**(9,762)**	(17,916)
Profit before taxation	*4*	**267,556**	145,983
Income tax expense	*5*	**(88,593)**	(21,142)
Profit for the period		**178,963**	124,841

		Six months ended 30th June,	
		2008	2007
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Attributable to:			
Equity holders of the Company		**177,655**	124,170
Minority interests		**1,308**	671
		178,963	124,841
Dividends recognised as distribution during the period	*6*	**93,002**	40,300
Interim dividend of HK11 cents (2007: HK8 cents) per share	*6*	**68,201**	49,602
		HK cents	HK cents
Earnings per share	*7*		
— Basic		**28.65**	20.03
— Diluted		**28.65**	20.03

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	Notes	30th June, 2008 (unaudited) HK$'000	31st December, 2007 (audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**43,500**	43,500
Property, plant and equipment		**855,580**	813,969
Prepaid lease payments — non-current portion		**45,463**	44,946
Deposits paid for acquisition of property, plant and equipment		**17,693**	8,951
		962,236	911,366
Current assets			
Inventories		**808,951**	800,843
Trade and other receivables	*8*	**846,785**	687,983
Bills receivable	*8*	**47,488**	40,349
Prepaid lease payments — current portion		**1,094**	1,077
Deferred consideration receivable		**5,023**	7,622
Taxation recoverable		**3,649**	3,032
Derivative financial instruments		**225**	—
Bank balances and cash		**197,754**	261,115
		1,910,969	1,802,021
Current liabilities			
Trade and other payables	*9*	**492,269**	412,038
Bills payable	*9*	**36,312**	36,334
Taxation payable		**61,186**	40,183
Dividend payable		**48**	39
Derivative financial instruments		**—**	1,468
Unsecured bank borrowings — due within one year		**500,575**	416,664
		1,090,390	906,726
Net current assets		**820,579**	895,295
Total assets less current liabilities		**1,782,815**	1,806,661

	30th June, 2008 (unaudited) *HK$'000*	31st December, 2007 (audited) *HK$'000*
Non-current liabilities		
Unsecured bank borrowings — due after one year	**—**	220,000
Deferred tax liabilities	**14,581**	1,634
	14,581	221,634
	1,768,234	1,585,027
CAPITAL AND RESERVES		
Share capital	**62,002**	62,002
Reserves	**1,703,863**	1,522,095
Equity attributable to equity holders of the Company	**1,765,865**	1,584,097
Minority interests	**2,369**	930
	1,768,234	1,585,027

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008.

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]

[1]Effective for annual periods beginning on or after 1st January, 2009
[2]Effective for annual periods beginning on or after 1st July, 2009
[3]Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Since over 90% of the revenue and results are generated from the manufacturing and marketing of mould bases, no segment information is presented.

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**1,083,852**	908,809
Gain on disposal of property, plant and equipment and land use rights	**(6,831)**	(244)
Interest income	**(1,960)**	(1,350)

5. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Taxation in jurisdictions outside Hong Kong		
- Current period	**75,510**	21,142
- Underprovision in prior period	**135**	—
	75,645	21,142
Deferred taxation	**12,948**	—
	88,593	21,142

No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2007 and 30th June, 2008 as there are no assessable profit for both periods.

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated annual tax rate used for the six months ended 30th June, 2008 is ranged from 14% to 25% (six months ended 30th June, 2007: 12% to 27%).

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), one of the Company's PRC subsidiaries is entitled to an exemption from PRC income tax for next two years starting from their first profit-making year, followed by a 50% reduction in tax rate for the next three years. 2008 is the second year of tax exemption granted to that subsidiary.

Pursuant to an approval by the PRC tax authority, one (six months ended 30th June, 2007: two) of the Company's PRC subsidiaries is granted advanced-technology exemption from 50% PRC income tax for three years commencing from the year of grant. While the tax exemption granted to one of the subsidiaries ended in 2007, another subsidiary continues to be under tax exemption, which will be ended in 2009, by enjoying the concessionary tax rate of 14%.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 24% to 25% for all subsidiaries in the PRC from 1st January, 2008, except for the two continuing tax exemption cases as mentioned above. Such exemptions will continue and be determined based on the new tax rate of 25%.

6. DIVIDENDS

On 15th May, 2008, a dividend of HK15 cents per share was paid to shareholders as final dividend for the year ended 31st December, 2007 (six months ended 30th June, 2007: HK6.5 cents per share).

The Directors have determined that an interim dividend of HK11 cents per share (six months ended 30th June, 2007: HK8 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 11th September, 2008.

7. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	**177,655**	124,170

	Six months ended 30th June,	
	2008	2007
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**620,013,303**	620,008,132
Effect of dilutive potential ordinary shares on exercise of share options of the Company	**—**	11,702
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**620,013,303**	620,019,834

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for six months ended 30th June, 2008.

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

The Group allows an average credit period of 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK$670,557,000 (31st December, 2007: HK$580,146,000).

An aged analysis of the Group's trade and bills receivables is presented below:

	30th June, 2008 (unaudited) *HK$'000*	31st December, 2007 (audited) *HK$'000*
0 to 60 days	**490,730**	413,665
61 to 90 days	**144,893**	128,450
Over 90 days	**82,422**	78,380
	718,045	620,495

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK$225,507,000 (31st December, 2007: HK$196,118,000).

An aged analysis of the Group's trade and bills payables is presented below:

	30th June, 2008 (unaudited) *HK$'000*	31st December, 2007 (audited) *HK$'000*
0 to 60 days	**212,417**	200,772
61 to 90 days	**36,984**	22,160
Over 90 days	**12,418**	9,520
	261,819	232,452

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the six months ended 30th June, 2008 was approximately HK$1,554 million (six months ended 30th June, 2007: approximately HK$1,248 million). Profit attributable to equity holders of the Company for the six months ended 30th June, 2008 was approximately HK$178 million (six months ended 30th June, 2007: approximately HK$124 million). Basic earnings per share for the six months ended 30th June, 2008 was HK28.65 cents (six months ended 30th June, 2007: HK20.03 cents).

The Group's performance for the six months ended 30th June, 2008 registered a substantial growth as compared with that of the same period in the year of 2007.

During the period under review, domestic consumption in China began to slow down. Though keen competition and "survival of the fittest" situation prevailed in the manufacturing industry as a whole, individual industries and enterprises still reported excellent performance. The automobile parts and accessories industry in China maintained a continuous growth; as a result, the orders for mould base and steel from this industry accounted for a notable share of the Group's turnover. The Group continued to develop new direct sales outlets and distributors in the Southern, Eastern and Northern regions of China, which helps to reinforce close contacts with customers and to fortify the Group's sales network. Furthermore, the market coverage of the Group was also widened. To sum up, the Group's business in China recorded a favorable growth in sales turnover, coupled with stable development of the overseas business, the Group achieved a satisfactory growth in profit.

Inevitably, the Group was also affected by the external unfavorable economic factors. The Subprime Mortgage Crises of the United States brought uncertainties to the global business environment. The surge of oil and raw material prices drove up production cost. The launch of the new labor law and regulations, and the Unification of Income Tax Rate for foreign and domestic enterprises in China further boosted up labor cost and tax burden laid onto enterprises. Directed by profound experience, a cautious mind and positive attitude, the Group reacted promptly with strategic adjustment and effective cost control measures.

With the smooth operation of plants situated both in Southern and Eastern regions of China, the Group continued to improve and restructure its management system and production process, in order to uplift production efficiency and reduce operating cost. At the same time, the Group kept on enhancing its value added machining ability and product precision, with an aim to gain more confidence and support from customers. During the reviewed period, the Group duly adjusted its product price, to accommodate part of the increase in material costs, which helped to alleviate the cost pressure imposed on the Group. The Group also strengthened its credit evaluation and management system. As a result, average collection period of accounts receivable was maintained at a reasonable level, and credit collection rate was also improved, contributing to a more healthy and stable financial position of the Group.

During the period as reviewed, China had unfortunately experienced a severe snowstorm in the South and a disastrous earthquake in the Sichuan Province, which imposed great impact on its economy and people. Nevertheless, the Group's staff and business partners in China were not much affected by these misfortunes, allowing the Group to continue its contribution to the economic development of China.

PROSPECTS

As influenced by external economic factors and the spiraling costs, both the global market situations and business-operating environment are expected to be clouded with uncertainties. Yet, the Group still maintains a cautious and positive view, and seeks to devise an appropriate long term development plan, to lessen the risks as incurred by the market fluctuation, and to grasp potential business opportunities in the market.

The negative impact imposed by the U.S.A. Subprime Mortgage Crisis has surfaced in the first half year. It is expected that further severe impact exerted upon the market is unlikely to take place. The macro-economic measures implemented by Chinese government have come to effect for a period of time. Though the domestic economy has slightly slowed down, the market potential is still enormous. To capitalize the business opportunities of the upcoming “Three Direct Linkages of trade (mail, air and shipping services) across the Taiwan Straits”, the Group will further strengthen the capacity of its Taiwan plant, and to fortify sales offices situated in Fujian Province of China, by consolidating the sales distribution network and comprehensive services. The Group will further expand the production capacity of Taizhou plant in the Eastern region of China, to cater for the increasing demand for quality mould of private-owned enterprises in Zhejiang Province. The Group will strive to alert persistently to the market changes and customer needs in different regions, in order to formulate a suitable market strategies to maintain its competitive edge and leading position in the fluctuating market environment.

Through years of effort, plants in the Southern and Northern China have accumulated valuable management experience and sophisticated production techniques, providing a stable and solid production base to the Group. With vision to pursue excellence, the Group persistently meliorates its core ability by adopting new mindset and concept, to sharpen its management skills and to explore new production modes. It aims to improve the management and production techniques in all levels, including the front desks and the back up offices, to uplift the operational effectiveness as a whole. In addition, the Group will introduce new production facilities, such as “Simultaneous 5-axis machining center”, to improve the precision of products, to shorten its delivery leadtime, and to advance into a more high-end product segment. This will reinforce LKM brand name promotion and expand new customer base, and ultimately bring profit growth to the Group.

Following the recent strengthening of U.S. dollars, prices of the raw materials and mould steels have dropped slightly but raw material prices will expect to fluctuate continuously. As driven by the prevailing inflation, labor cost, transportation cost and other operational cost will be jacked up increasingly. In light of this, the Group will put great emphasis on its cost analysis, as well as monitoring and control, to reduce ineffective expenditure and waste. At the same time, by streamlining its management and production structure, through manpower restructuring and training, the Group expects to generate optimal operational effectiveness.

Though the business environment is still full of uncertainties, the Group will positively face every challenge and strive for ongoing improvement in its sales and marketing management techniques, production methods and service quality, in order to achieve a steady development and healthy growth in its future business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2008, the Group had a net cash deficit of approximately HK$303 million. The Group had cash balance of approximately HK$198 million. The cash balance was placed in short term deposits with major banks in Hong Kong.

Total debts of the Group were approximately HK$501 million, equal to approximately 28% of equity attributable to equity holders of the Company of approximately HK$1,766 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2008, the Group employed a total of approximately 9,000 employees, including approximately 8,700 employees in its PRC production sites and approximately 300 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

INTERIM DIVIDENDS

The Directors have declared an interim dividend of HK11 cents per share (six months ended 30th June, 2007: HK8 cents per share) in respect of the six months ended 30th June, 2008 to be payable on or about 25th September, 2008 to shareholders whose names appear in the Register of Members on 11th September, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th September, 2008 to 11th September, 2008, 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, 2008.

Shareholders whose securities accounts with The Central Depository (Pte) Limited in Singapore are credited with shares in the Company as at 5:00 p.m. on 9th September, 2008 will be entitled to the interim dividend.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the review period.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 25th August, 2008

As at the date of this announcement, the executive directors of the Company are Mr. Siu Tit Lung (Chairman), Mr. Siu Yuk Lung, Mr. Mak Koon Chi, Mr. Wai Lung Shing, Mr. Fung Wai Hing and Mr. Ting Chung Ho, the non-executive director of the Company is Mr. Chan Chun Sing, Colin and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.