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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, 2011

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, 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2011

		Six months ended 30th June,	
		2011	2010
		HK$'000	HK$'000
	Note	**(unaudited)**	(unaudited)
Revenue		**1,255,644**	1,290,575
Other income		**34,146**	6,422
Changes in inventories of finished goods and work in progress		**40,733**	3,311
Raw materials and consumables used		**(577,591)**	(539,592)
Employee benefits expenses		**(218,292)**	(235,344)
Depreciation of property, plant and equipment		**(79,234)**	(89,191)
Other expenses		**(225,487)**	(226,769)
Interest on bank borrowings wholly repayable within five years		**(1,125)**	(445)
Profit before taxation		**228,794**	208,967
Income tax expense	*4*	**(66,526)**	(65,679)

		Six months ended 30th June,	
		2011	2010
		HK$'000	HK$'000
	Notes	**(unaudited)**	(unaudited)
Profit for the period	*5*	**162,268**	143,288
Other comprehensive income:			
Exchange difference arising on translation of foreign operation		**21,955**	24,632
Total comprehensive income for the period		**184,223**	167,920
Profit for the period attributable to:			
Owners of the Company		**160,438**	141,986
Non-controlling interests		**1,830**	1,302
		162,268	143,288
Total comprehensive income for the period attributable to:			
Owners of the Company		**182,339**	166,840
Non-controlling interests		**1,884**	1,080
		184,223	167,920
		HK cents	HK cents
Earnings per share	*7*		
— Basic		**25.46**	22.64
— Diluted		**25.37**	22.53

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2011

	Notes	**At 30th June, 2011 HK$'000 (unaudited)**	At 31st December, 2010 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**56,500**	56,500
Property, plant and equipment		**910,552**	683,834
Prepaid lease payments — non-current portion		**107,489**	105,959
Deposits paid for acquisition of property, plant and equipment		**25,198**	5,027
		1,099,739	851,320
Current assets			
Inventories		**601,955**	620,020
Trade and other receivables	*8*	**570,309**	580,470
Bills receivable	*8*	**36,935**	44,038
Prepaid lease payments — current portion		**2,445**	1,426
Bank balances and cash		**693,165**	869,956
		1,904,809	2,115,910
Current liabilities			
Trade and other payables	*9*	**361,380**	429,706
Bills payable	*9*	**42,104**	44,502
Taxation payable		**22,228**	19,811
Dividend payable		**85**	72
Embedded derivative		**—**	50
Unsecured bank borrowings — due within one year		**299,977**	258,101
		725,774	752,242
Net current assets		**1,179,035**	1,363,668
Total assets less current liabilities		**2,278,774**	2,214,988

	At 30th June, 2011 HK$'000 (unaudited)	At 31st December, 2010 HK$'000 (audited)
Non-current liability		
Deferred tax liabilities	**51,094**	29,620
	2,227,680	2,185,368
CAPITAL AND RESERVES		
Share capital	**63,045**	62,969
Reserves	**2,156,704**	2,113,434
Equity attributable to owners of the Company	**2,219,749**	2,176,403
Non-controlling interests	**7,931**	8,965
Total equity	**2,227,680**	2,185,368

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 ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised Hong Kong Financial Reporting Standards ("HKFRSs")") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010

HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statments[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st July, 2012
4 Effective for annual periods beginning on or after 1st January, 2012

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 will decrease the deferred tax liability recognised for investment properties.

Except as described above, the directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group only has one operating segment, based on information reported to the chief operating decision maker (the Group'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 condensed consolidated financial statements as a whole.

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

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Taxation in Hong Kong	**5,255**	—
Taxation in jurisdictions outside Hong Kong	**39,802**	65,677
Deferred taxation	**21,469**	2
	66,526	65,679

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

No provision for Hong Kong Profits Tax was made for the period ended 30th June, 2010 as there was no assessable profit for the period.

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 average annual tax rate used for the six months ended 30th June, 2011 ranged from 12.5% to 25% (2010: 12.5% to 25%).

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 two years starting from its first profit-making year, followed by a 50% relief in tax rate for the next three years. 2007 was the first year of tax exemption granted to that subsidiary. Under the Law of the People's Republic of China on Enterprise Income Tax, the relief shall continue and this subsidiary is entitled to a concessionary tax rate of 12.5% for the current period.

In addition, one of the Company's PRC subsidiaries is entitled to a transitional tax rate of 24% (2010: 22%) for the current period.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**871,852**	867,187
Gross foreign exchange loss	**5,644**	9,539
Gross foreign exchange gain	**(21,766)**	(478)
(Gain) loss on disposal of property, plant and equipment	**(6,052)**	4,057
Interest income	**(8,504)**	(1,430)
Government grants *(note)*	**—**	(1,277)

Note: The amount represented government grants received from the local treasury authority in the PRC as a general support for the Group's contribution in advanced technology development.

6. DIVIDENDS

Interim dividend for the current period:

On 26th August, 2011, the Directors determined that an interim dividend of HK13 cents (2010: interim dividend of HK13 cents and interim special dividend of HK5 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 16th September, 2011.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK18 cents (2010: HK11 cents) per share amounting to approximately HK$113,398,000 (2010: HK$69,043,000) and a final special dividend of HK5 cents (2010: Nil) per share amounting to approximately HK$31,499,000 (2010: Nil) were declared and paid to the shareholders for the year ended 31st December, 2010.

7. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**160,438**	141,986

	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**630,054,160**	627,214,541
Effect of diluted potential ordinary shares on the exercise of shares options	**2,447,764**	2,942,991
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**632,501,924**	630,157,532

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

The Group allows a credit period ranged from 30 to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK$487,468,000 (31st December, 2010: HK$476,892,000).

The following is an analysis of trade and bills receivables (net of allowance for doubtful debts) by age, presented based on the invoice date.

	At 30th June, 2011 HK$'000 (unaudited)	At 31st December, 2010 HK$'000 (audited)
0 to 60 days	**381,131**	403,311
61 to 90 days	**97,184**	94,727
Over 90 days	**46,088**	22,892
	524,403	520,930

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK$114,828,000 (31st December, 2010: HK$131,688,000).

The following is an analysis of trade and bills payables by age, presented based on the invoice date.

	At 30th June, 2011 HK$'000 (unaudited)	At 31st December, 2010 HK$'000 (audited)
0 to 60 days	**136,351**	139,643
61 to 90 days	**18,244**	27,714
Over 90 days	**2,337**	8,833
	156,932	176,190

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2011 was approximately HK$1,256 million (2010: approximately HK$1,291 million). Profit attributable to owners of the Company for the six months ended 30th June, 2011 was approximately HK$160 million (2010: approximately HK$142 million). Basic earnings per share for the six months ended 30th June, 2011 was HK25.46 cents (2010: HK22.64 cents).

In the beginning of this year, as the negative impact due to the financial tsunami gradually subsided, the economy in some regions began to recover. In this connection, the Group's performance in the first quarter of 2011 has significantly improved. However, in March, Japan unfortunately suffered a massive earthquake and tsunami, the negative effects of this mishap gradually appeared. Apart from that, the global economy was clouded with uncertainty by the debt crisis surfaced in Europe and the United States; as a result, the Group's turnover in the second quarter recorded a sign of regression. The Group's turnover in the first half year as a whole, when compared with that of the same period in 2010, registered a slight decrease.

The massive earthquake and tsunami occurred in Japan led to ceased operation of some production plants in the affected areas, resulting a serious shortage of supply in machinery and critical parts and components. Owing to this, some of the Group's customers withheld their new projects. Turning to the overseas markets, economic growth has cooled down in Europe and the United States as debt crisis haunted those areas; and the pace of the export business of China was also slowing down. The Group's business was also hindered, and could not achieve the expected growth in revenue and profit. On the other hand, the once positive effect triggered by the domestic economic stimulus measures launched by the Chinese government began to diminish; worse still, the Chinese government has tightened credit control in banks in order to suppress inflation rate, resulting a shortage of cash flow. Such move held back the development of domestic consumer market in China, and the domestic consumption inevitably subsided. In views of the prevailing market situation with reduction of potential orders, the Group could not freely uplift its product price to alleviate the pressure due to the increasing labor and operating costs. As bounded by various unfavorable external factors, the Group's core business performance fell back slightly in the first half year.

During the period under review, the Group continued to enhance its internal management and production system in the various plants located both in the Southern and Eastern regions in order to increase its operation efficiency and at the same time, decrease its operation cost. The Group, through reinforcing its long term production effectiveness and streamlining its whole management system, has gradually merged the production line and facility in Guangzhou factory into the newly established high precision mould base production workshop located in the Heyuan factory, Guangdong Province, China. The new workshop aims at producing high precision mould base for exporting to overseas countries including Europe, United States and Japan. During the merging period, the production efficiency of high precision mould base unavoidably affected, but it is expected that the production will be gradually regain its impetus and the overall efficiency will become better. On the other hand, construction work of the newly invested plant in Hangzhou city, Zhejiang Province, China has progressed smoothly. Owing to its advantageous location, construction work has not been affected by the recent heavy rainfalls occurred in Zhejiang Province, China and it has progressed according to the schedule.

The mould steel price was relatively stable throughout the reviewed period. Though the price increased mildly, range of fluctuation was relatively small. However, operation and labor cost still surges upward, the Group, through persistently strengthening its cost control, restructuring its operation process and reducing unessential cost and wastage, endeavored to lessen the burden imposed by the uplifting cost.

PROSPECTS

Being dimmed by uncertainties caused by the debt crisis in Europe and United States, coupled with the downgrading credit rating of the United States, the Group expects the market of European countries and the United States will still be weak and fragile, as hidden risks perceived in the second half year. In this connection, export business will be hampered. The Group hopes that European countries and the United States can formulate effective economic stimulus measures which can promptly revive their domestic economies, and at the same time alleviates its adverse impact imposed on the global economy.

The Group expects the Chinese domestic market gradually improves after undergoing an adjustment process in the first half year. Apparently, inflation has nearly reached its climax as well as the rise of average income in China; the domestic consumer market is expected to rebound. It is believed that the Chinese government will loosen its credit policy, allowing enterprises to have more funds to invest in new projects; as a result, a favorable turnaround in the manufacturing industry is not far away. Moreover, the Group expects market demand for products integrated with environmental protection concept will be increased and environmentally friendly products will be an upcoming development trend, which opens more market opportunities. In addition, automobile parts and components industry will continue to boom, which in turn offers ample rooms for future business development to the Group.

To pursue its long-term development goal, the Group has set up a new plant in Hangzhou city, Zhejiang Province, China; the construction of infrastructure and plant will be completed by the end of this year. Internal decoration of the plant will start at the beginning of 2012, machineries and other facilities can be installed in mid-2012, and production can be partly started in the third quarter of 2012. Once the new plant completes its construction and operates smoothly, the Group’s business development in Eastern and Northern region of China will be enhanced. Turning to the plants in Southern regions of China, the Group has continuously reengineered its production process and reallocated its production facility. The merging of its Guangzhou factory into the high precision mould base production workshop located in Heyuan factory, Guangdong Province, China will be completed at the end of this year. Once production facilities and workforce are fully outfitted, the productivity of high precision mould bases will be substantially uplifted. This further expedites the Group’s pace in developing the in-depth machining services for the medium-high end mould industry, further fortifying the Group’s competitive edge and sustaining its leading position in the industry.

The Group expects that the cost of both imported and China mould steel will remain stable. The Group will cautiously regulate its inventory level in response to the ever-changing steel market in order to lower its production cost. In light of the ever-rising operation cost, the Group will exert great effort on cost analysis and control, with an aim to further reduce its operation cost and risk.

Looking ahead, the business-operating environment is full of risk and opportunity. The Group will adhere to its positive and pragmatic principles in facing every challenge, and in achieving a steady business development and healthy growth in the coming future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2011, the Group had a net cash surplus of approximately HK$393 million. The Group had cash balance of approximately HK$693 million. The cash balance was placed in short term deposits with major banks in Hong Kong and the PRC.

Total debts of the Group were approximately HK$300 million, equal to approximately 14% of equity attributable to owners of the Company of approximately HK$2,220 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2011, the Group employed a total of approximately 6,500 employees, including approximately 6,100 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 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 DIVIDEND

The Directors have determined an interim dividend of HK13 cents per share (2010: interim dividend of HK13 cents per share and interim special dividend of HK5 cents per share) in respect of the six months ended 30th June, 2011 to be payable on or around 28th September, 2011 to shareholders whose names appear in the Register of Members on 16th September, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15th September, 2011 to 16th September, 2011, 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 14th September, 2011.

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 14th September, 2011 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, 2011.

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, 26th August, 2011

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.