LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 255)

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

FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2011

RESULTS

The directors of Lung Kee (Bermuda) Holdings Limited (the ‘‘Company’’) (the ‘‘Directors’’) have pleasure in submitting the audited consolidated results of the Company and its subsidiaries (collectively the ‘‘Group’’) for the year ended 31st December, 2011, together with comparative figures for the year ended 31st December, 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	2	**2,532,460**	2,611,583
Other income		**42,272**	14,581
Increase in fair value of investment properties		**28,000**	15,100
Changes in inventories of finished goods and work in progress		**4,854**	(17,566)
Raw materials and consumables used		**(1,124,591)**	(1,080,763)
Employee benefits expenses		**(471,450)**	(495,654)
Depreciation of property, plant and equipment		**(161,269)**	(168,126)
Other expenses		**(460,866)**	(420,452)
Interest on bank borrowings wholly repayable within five years		**(3,136)**	(1,110)
Profit before taxation		**386,274**	457,593
Income tax expense	3	**(109,500)**	(135,105)

	Note	2011 HK$'000	2010 HK$'000
Profit for the year		**276,774**	322,488
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		**75,246**	90,589
Total comprehensive income for the year		**352,020**	413,077
Profit for the year attributable to:			
Owners of the Company		**273,965**	318,825
Non-controlling interests		**2,809**	3,663
		276,774	322,488
Total comprehensive income for the year attributable to:			
Owners of the Company		**349,565**	409,102
Non-controlling interests		**2,455**	3,975
		352,020	413,077
		HK cents	HK cents
Earnings per share	*5*		
- Basic		**43.45**	50.77
- Diluted		**43.33**	50.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**84,500**	56,500
Property, plant and equipment		**1,091,659**	683,834
Prepaid lease payments — non-current portion		**108,914**	105,959
Deposits paid for acquisition of property, plant and equipment		**1,493**	5,027
		1,286,566	851,320
Current assets			
Inventories	*6*	**628,230**	620,020
Trade and other receivables	*7*	**511,996**	580,470
Bills receivable	*7*	**38,906**	44,038
Prepaid lease payments — current portion		**2,505**	1,426
Bank balances and cash		**652,739**	869,956
		1,834,376	2,115,910
Current liabilities			
Trade and other payables	*8*	**454,198**	429,706
Bills payable	*8*	**38,022**	44,502
Taxation payable		**694**	19,811
Dividend payable		**93**	72
Derivative financial instruments		**—**	50
Unsecured bank borrowings — due within one year		**252,366**	258,101
		745,373	752,242
Net current assets		**1,089,003**	1,363,668
Total assets less current liabilities		**2,375,569**	2,214,988

	2011	2010
	HK$'000	*HK$'000*
Non-current liability		
Deferred tax liabilities	**58,937**	29,620
	2,316,632	2,185,368
CAPITAL AND RESERVES		
Share capital	**63,129**	62,969
Reserves	**2,245,001**	2,113,434
Equity attributable to owners of the Company	**2,308,130**	2,176,403
Non-controlling interests	**8,502**	8,965
Total equity	**2,316,632**	2,185,368

Notes:

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) -Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) -Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) -Int 20	Stripping Costs in the Production Phase of a Surface Mine[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 January, 2015.
[4] Effective for annual periods beginning on or after 1st January, 2012.
[5] Effective for annual periods beginning on or after 1st July, 2012.
[6] Effective for annual periods beginning on or after 1st January, 2014.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1st January, 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may decrease the deferred tax liability recognised for investment properties that are measured using the fair value model.

Except as described above, the directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and marketing of mould bases and related products. Revenue represents the invoiced valued of goods sold during the year, after allowances for returns and trade discounts excluding intra-group transactions.

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 consolidated financial statements as a whole.

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

Entity-wide disclosures

As at 31st December, 2010 and 2011, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the People's Republic of China (the "PRC").

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

	2011	2010
	HK$'000	*HK$'000*
The PRC (excluding Hong Kong)	**2,182,691**	2,269,224
Hong Kong	**5,708**	8,078
Others	**344,061**	334,281
	2,532,460	2,611,583

The Group has a very wide customer base, including in Europe, America and Asia, no single customer contributed more than 10% of the Group's revenue for each of the years ended 31st December, 2010 and 2011.

3. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
- current year	**12,141**	1,483
- underprovision in prior years	**52**	44
	12,193	1,527
Taxation in jurisdictions outside Hong Kong		
- current year	**71,377**	122,704
- (over)underprovision in prior years	**(4,623)**	124
- transfer from deferred taxation	**1,236**	826
	67,990	123,654
Deferred taxation		
- current year	**30,553**	10,750
- transfer to current income tax	**(1,236)**	(826)
	29,317	9,924
	109,500	135,105

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% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is entitled to an exemption from PRC income tax for two years starting from their 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 EIT Law, the relief shall continue and this subsidiary is entitled to a concessionary tax rate of 12.5% (2010: 12.5%) for the current year.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is entitled to a transitional tax rate of 24% (2010: 22%) for the current year.

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

4. DIVIDENDS

	2011 ***HK$'000***	2010 *HK$'000*
Dividends recognised as distribution during the year:		
2011 Interim - HK13 cents (2010: 2010 interim dividend HK13 cents) per share	**82,024**	81,684
2011 Interim Special – Nil (2010: HK5 cents) per share	**—**	31,417
2010 Final – HK18 cents (2010: 2009 final dividend HK11 cents) per share	**113,398**	69,043
2010 Final Special – HK5 cents (2010: Nil) per share	**31,499**	—
	226,921	182,144

The board of directors have determined that a final dividend of HK13 cents (2010: a final dividend of HK18 cents and a final special dividend of HK5 cents) per share amounting to approximately HK$82,067,000 (2010: final dividend of HK$113,398,000 and final special dividend of HK$31,499,000) should be paid to the shareholders of the Company whose names appear in the register of members on 15th May, 2012.

5. 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:

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**273,965**	318,825

Number of shares:

	2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**630,548,599**	627,929,802
Effect of dilutive potential ordinary shares:		
Share options	**1,705,123**	3,501,192
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**632,253,722**	631,430,994

6. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	**562,776**	559,420
Work in progress	**49,743**	47,408
Finished goods	**15,711**	13,192
	628,230	620,020

The cost of inventories recognised as an expense during the year by the Group amounted to approximately HK$1,842,030,000 (2010: HK$1,801,012,000).

7. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK$420,893,000 (2010: HK$476,892,000).

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 date at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
0 to 60 days	**343,905**	403,311
61 to 90 days	**89,593**	94,727
Over 90 days	**26,301**	22,892
	459,799	520,930

8. TRADE, BILLS AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$167,230,000 (2010: HK$131,688,000) and receipt in advances of approximately HK$20,825,000 (2010: HK$18,797,000).

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

	2011	2010
	HK$'000	*HK$'000*
0 to 60 days	**125,930**	139,643
61 to 90 days	**41,422**	27,714
Over 90 days	**37,900**	8,833
	205,252	176,190

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31st December, 2011, the Group continued to focus on the manufacturing and marketing of mould bases and related products.

The Group's revenue in the year ended 31st December, 2011 was approximately HK$2,532 million (2010: approximately HK$2,612 million). Profit attributable to owners of the Company in the year ended 31st December, 2011 was approximately HK$274 million (2010: approximately HK$319 million). Basic earnings per share in the year ended 31st December, 2011 was HK43.45 cents (2010: HK50.77 cents).

During the year under review, the global economy was afflicted by the historic earthquake and tsunami disaster in Japan, while the debt crisis clouded Europe and the United States. As a result, the Group's result, showed a regression comparing with that of 2010.

In March 2011, Japan suffered badly from massive earthquake and tsunami and most of the production plants in the affected region ceased operation. Consequently, there was a serious shortage in supply of machine parts and critical components, which affected the production of some of the Group's customers, and some new projects were temporarily withheld. Bothered by the negative impact of the debt crisis in Europe and the United States, investors lost their interest in making new investment and withdrew or withheld the introduction of new products. Bounded by various unfavorable external factors, the growth of export business of China was also slowed down. The development pace of the Group's business in Europe and the United States was also hindered. On the other hand, the Chinese government tightened credit control in banks in order to suppress inflation, resulting a shortage of cash flow. The domestic consumption in China inevitably subsided. Facing the reduction of aggregate orders in the market, the competition within the mould industry became more serious, and product price went down. To cope with the prevailing market situation, the Group had to suitably adjust its product price in order to maintain its market share.

In addition, operation costs surge continuously, as a result of price hiking in oil, electricity, transportation as well as the cost of labor, the Group's profit performance was further impeded. Fortunately, the Group has succeeded in monitoring the growth rate of its operation cost through cost control and operation process restructuring as well as reducing unessential cost and wastage.

During the period under review, the Group has increased its investment in enhancing its production and internal management system in various plants located both in the Southern and Eastern regions of China. The construction work of the new plant in Hangzhou city, Zhejiang Province, China has progressed mildly satisfactory. Though the new investment project has increased the Group's capital investment, which may not bring significant return within a short period, it is expected that the business development of Eastern and Northern regions in China will be benefited in the long run.

On the other hand, in order to reinforce its production effectiveness and streamline its overall management system, the Group has successfully merged the production line and facility of factory in Guangzhou, Guangdong Province, China into the newly established high precision mould base production workshop located in the Heyuan factory, Guangdong Province, China. The new workshop concentrated on producing high precision mould base for exporting to overseas countries including Europe, the United States and Japan. During the merging period, the production efficiency of high precision mould base had been temporarily affected, but it is expected that the production will be gradually regain its impetus and become more efficient.

During the period, the mould steel price was relatively stable and the range of fluctuation was relatively small.

In conclusion, the Group's result did fall back due to various unfavorable conditions; yet, it still achieved steady business development.

Liquidity and Capital Resources

As at 31st December, 2011, the Group had bank balances of approximately HK$653 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$252 million, equal to approximately 11% of equity attributable to owners of the Company of approximately HK$2,308 million.

Employees and Remuneration Policies

As at 31st December, 2011, the Group employed a total of approximately 5,700 employees, including approximately 5,300 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.

PROSPECTS

Recently, there are indications that the debt crisis in Europe and the United States may improve but the revival pace of individual countries differs greatly. If the affected countries cannot put forward effective measures to deal with the debt crisis completely, its adverse impact may continue to haunt the global economy and the faith of investors will not be fully restored. The Group expects the economic performance of European countries and the United States will still be weak in the coming months and the export business will be hampered. Furthermore, the Chinese Government has just announced to target its Gross Domestic Product (GDP) growth to 7.5%. The bank's credit policy will not be loosened obviously. It is foreseen that market investors will adopt a relative conservative attitude. However, the Group, always aims to pursuing an ongoing and long term stable growth in business development, continues to hold a positive view towards the market fluctuation.

The Group expects that China will lessen its reliance on export by boosting the domestic consumption market in achieving economic growth. It also aims to promote the energy-saving and environmental friendly industries as well as the new-energy automobile manufacturing. The Group has always targeted at serving the China domestic market, in particular the newly developed market for products which integrate environmental protection and energy saving concepts. The new plant in Hangzhou city, Zhejiang Province, China, aims to match the needs of the upcoming environmental friendly industry and the large sized automobile parts and components manufacturing industries. It is expected that, when the average income level of the China working force rises, the domestic consumption market will continue to boom.

To pursue its long-term development goal, the Group has set up a new plant in Hangzhou city, Zhejiang Province, China. It is expected preliminary operation of the mould steel sales can be started in the third quarter of 2012,and the production of mould bases will partly commence in the first quarter of 2013. Once the construction of the new plant is completed, and the production line begins to run, the Group will gain new impetus to further exploit the business potential in the Eastern and Northern region of China.

Regarding the production in the Heyuan factory, Guangdong Provinces, China, in addition to continuous enhancement in the production facilities and management system of the existing operation, the newly-added high precision mould base production workshop will gradually achieve optimum scale of production. Production facilities and workforce are gradually outfitted; hence, the production of high precision mould bases will be able to run at full maturity by the end of this year. Eventually, production capacity will be uplifted, which will in turn reduce the operation cost and improve the profit margin. At the same time, it will further realize the Group’s target in developing the in-depth machining services for the medium to high-end quality mould making industries.

The operation cost is still expected to follow an upward trend. To cope with the continuous increase in energy price and labor cost, the Group exerts great effort in advocating “green production”, which takes on the concept of both environment protection and energy saving. The Group has invested substantially in new machineries, to replace low efficient machineries, and to achieve a higher level of automation. By stressing the importance of machines preventive maintenance, and by promoting effective resources utilization and waste reduction, the Group also manages to uplift the enterprise efficiency and lower its operating cost as well as operating risks. Furthermore, the Group emphasizes on human resources training and has already put forward a comprehensive human resources policy in attracting and retaining high caliber technical personnel. Despite the skilled labor shortage prevails in China, the Group tends to suffer less on such aspect. Nevertheless, its labor cost will be unavoidably increased.

Due to the slowing down of global economy, the Group expects that the cost of both imported and local mould steel will remain quite stable. The Group will cautiously regulate its inventory level, in response to the ever-changing steel market, in order to lower its production cost.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the consolidated financial statements.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINAL DIVIDEND

The Directors have resolved to recommend to shareholders at the annual general meeting of the Company to be held on 7th May, 2012 (the "AGM") the payment of a final dividend of HK13 cents per share (2010: final dividend of HK18 cents per share and final special dividend of HK5 cents per share) for the year ended 31st December, 2011 to shareholders whose names appear on the Register of Members on 15th May, 2012. Subject to the approval by the shareholders at the AGM, the proposed final dividend will be despatched to shareholders on or about 29th May, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3rd May, 2012 to 7th May, 2012, both days inclusive, during which period no share transfer will be effected. In order to qualify for attending and voting at the AGM, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer form, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 2nd May, 2012.

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 2nd May, 2012 will be entitled for attending and voting at the AGM.

The register of members of the Company will also be closed from 14th May, 2012 to 15th May, 2012, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer form, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 11th May, 2012.

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 11th May, 2012 will be entitled for the proposed final dividend.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the year ended 31st December, 2011.

CORPORATE GOVERNANCE

During the year ended 31st December, 2011, the Company complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
Siu Tit Lung
Chairman

Hong Kong, 23rd March, 2012

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; and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.