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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, 2013

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, 2013 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

		Six months ended 30th June,	
		2013	2012
		HK$'000	HK$'000
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**1,067,571**	1,178,975
Other income		**17,116**	21,844
Changes in inventories of finished goods and work in progress		**3,791**	(5,124)
Raw materials and consumables used		**(442,607)**	(541,541)
Employee benefits expenses		**(241,460)**	(241,088)
Depreciation of property, plant and equipment		**(98,483)**	(86,218)
Other expenses		**(201,380)**	(227,529)
Interest on bank borrowings wholly repayable within five years		**(2,167)**	(2,232)
Profit before taxation		**102,381**	97,087
Income tax expense	*4*	**(30,110)**	(24,006)

	Notes	Six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Profit for the period	*5*	**72,271**	73,081
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operation		**40,024**	(26,358)
Total comprehensive income for the period		**112,295**	46,723
Profit for the period attributable to:			
Owners of the Company		**70,758**	71,524
Non-controlling interests		**1,513**	1,557
		72,271	73,081
Total comprehensive income for the period attributable to:			
Owners of the Company		**111,136**	45,034
Non-controlling interests		**1,159**	1,689
		112,295	46,723
		HK cents	HK cents
Earnings per share	*7*		
— Basic		**11.20**	11.33
— Diluted		**11.20**	11.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2013

	Notes	**At 30th June, 2013 HK$'000 (unaudited)**	At 31st December, 2012 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**121,500**	121,500
Property, plant and equipment		**1,135,780**	1,176,509
Prepaid lease payments — non-current portion		**100,574**	100,155
Deposits paid for acquisition of property, plant and equipment		**1,398**	2,120
		1,359,252	1,400,284
Current assets			
Inventories		**490,505**	410,497
Trade and other receivables	*8*	**469,579**	447,067
Bills receivable	*8*	**24,200**	30,523
Prepaid lease payments — current portion		**2,362**	2,325
Bank balances and cash		**976,798**	805,044
		1,963,444	1,695,456
Current liabilities			
Trade and other payables	*9*	**320,191**	362,797
Bills payable	*9*	**38,186**	31,728
Taxation payable		**12,383**	6,787
Dividend payable		**1,629**	103
Unsecured bank borrowings — due within one year		**366,380**	221,072
		738,769	622,487
Net current assets		**1,224,675**	1,072,969
Total assets less current liabilities		**2,583,927**	2,473,253

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (audited)
Non-current liabilities		
Deferred tax liabilities	**50,408**	49,021
Other payables	**72,679**	—
	123,087	49,021
	2,460,840	2,424,232
CAPITAL AND RESERVES		
Share capital	**63,168**	63,163
Reserves	**2,385,355**	2,349,911
Equity attributable to owners of the Company	**2,448,523**	2,413,074
Non-controlling interests	**12,317**	11,158
Total equity	**2,460,840**	2,424,232

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 which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2012.

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

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

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

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

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". However, since the new terminology under amendments to HKAS 1 is not mandatory and the directors of the Company opt to remain the title of "statement of comprehensive income" unchanged.

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

Amendments to HKAS 34 "Interim Financial Reporting"
(as part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset and total liabilities information as part of segment information.

HKFRS 10 "Consolidated Financial Statements"

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

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

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

3. SEGMENT INFORMATION

The Group has only one operating segment. The information reported to the CODM (the Group's board of directors) for the purposes of resources allocation and performance assessment 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 revenue and segment result of the Group represents revenue and profit after taxation set out in the condensed consolidated statement of comprehensive income respectively.

Entity-wide disclosures

As at 30th June, 2013 and 31st December, 2012, substantially all of the Group's non-current assets are located in the place 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:

	Six months ended 30th June,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The PRC (excluding Hong Kong)	**914,614**	996,090
Hong Kong	**2,049**	2,173
Others	**150,908**	180,712
	1,067,571	1,178,975

The Group has a very wide customer base covering Europe, America and Asia. No single customer contributed more than 10% of the Group's revenue for each of the six months ended 30th June, 2013 and 2012.

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Taxation in Hong Kong	**48**	1,560
Taxation in jurisdictions outside Hong Kong	**28,658**	21,070
Deferred taxation	**1,404**	1,376
	30,110	24,006

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

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.

Taxation in other jurisdictions is calculated based on the applicable rates in those jurisdictions.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**804,180**	918,973
Gross foreign exchange loss	**5,613**	2,284
Gross foreign exchange gain	**(4,026)**	(2,117)
Gain on disposal of property, plant and equipment	**(1,976)**	(7,908)
Gain on disposal of prepaid lease payments	**—**	(1,091)
Release of prepaid lease payments	**1,168**	1,216
Interest income	**(9,935)**	(8,937)

6. DIVIDENDS

Interim and special dividends for the current period:

On 23rd August, 2013, the Directors determined that an interim dividend of HK6 cents (2012: HK6 cents) per share amounting to approximately HK$37,901,000 (2012: HK$37,883,000) and a special dividend of HK6 cents per share (2012: Nil) amounting to approximately HK$37,901,000 (2012: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 11th September, 2013.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK12 cents (2012: HK13 cents) per share amounting to approximately HK$75,801,000 (2012: HK$82,068,000) in aggregate was declared and paid to the shareholders for the year ended 31st December, 2012.

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,	
	2013	2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**70,758**	71,524

	2013	2012
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**631,674,541**	631,299,940
Effect of diluted potential ordinary shares on the exercise of shares options	**8,649**	273,409
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**631,683,190**	631,573,349

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) of approximately HK$394,211,000 (31st December, 2012: HK$401,250,000).

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, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (audited)
0 to 60 days	**313,615**	316,887
61 to 90 days	**68,671**	84,835
Over 90 days	**36,125**	30,051
	418,411	431,773

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK$123,037,000 (31st December, 2012: HK$75,513,000).

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

	At 30th June, 2013 HK$'000 (unaudited)	At 31st December, 2012 HK$'000 (audited)
0 to 60 days	**116,079**	76,010
61 to 90 days	**21,643**	18,178
Over 90 days	**23,501**	13,053
	161,223	107,241

10. EVENT AFTER THE END OF THE REPORTING PERIOD

On 6th July, 2013, 上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd., an indirect wholly-owned subsidiary of the Company, had entered into an agreement with an independent third party in relation to the disposal of the land use right of the land situated at No. 68 Min Yi Road, Songjiang District, Shanghai, the PRC, and all premises erected on the land and complementary facilities at an aggregate consideration of RMB109,000,000 (equivalent to approximately HK$137,792,000). Details of the transaction are included in the announcement of the Company dated 8th July, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2013 was approximately HK$1,068 million (2012: approximately HK$1,179 million). Profit attributable to owners of the Company for the six months ended 30th June, 2013 was approximately HK$71 million (2012: approximately HK$72 million). Basic earnings per share for the six months ended 30th June, 2013 was HK11.20 cents (2012: HK11.33 cents).

During the period under review, the global economy remained in a vulnerable state, and the business environment was challenging. As influenced by the debt crisis in Europe and the slow recovery of the global economy, the turnover of the Group for the first half of the year, was similar to that of the same period in 2012, and maintained a quite stable performance.

The negative impact of the debt crisis in Europe on the global economy was not completely subsided, and the global economic outlook still clouded with uncertainties. The European economy was still weak, without notable sign of recovery. The United States market showed a sign of improvement, yet still in a slow pace toward recovery. As hindered by the sluggish economic growth in global economy, demand for goods decreased. Coupled with the appreciation of Renminbi, the growth of export business of China was also pressed down noticeably. On the other hand, domestic consumption of China began to slow down. Due to the shortage of cash flow in the market, the increase of wage level lagging behind the inflation growth rate, and the lack of Government subsidized measures in stimulating the economy, consumption desire was suppressed consequently. Facing the reduction of aggregate orders, demand for mould products lessened and its price was further pressed down. However, with its long established brand name and its market leading position, the Group succeeded in scrambling orders at a reasonable sales price and consolidating its market shares since customers have faith on the Group's products and its brand reputation. Thus, the Group's profit margin can be maintained at a certain level.

During the period under review, following the gradual uplifting of labor skills in production and better co-ordination in running precision machineries, production of the high precision mould base production workshop, located in the Heyuan factory, Guangdong Province, China, has progressed smoothly with gradual increase in production capacity. Nevertheless, due to the relatively low order situation, the present workshop facility and production capacity has not been fully utilized, thus, leaving plenty of rooms for development.

For the new plant in Hangzhou city, Zhejiang Province, China, the newly developed mould steel business has been advanced gradually towards a right direction, further helps to explore the steel business in Eastern regions in China. In addition, preliminary mould base production has been operated quite smoothly and it reached the Group's expectation. At the same time, the Group has actively improved the living environment and related facilities, whilst recruitment and training of manpower to proceed simultaneously.

Turning to the supply of mould steel material, the local mould steel price remained quite stable. For the imported steel, the range of price fluctuation was also relatively small.

The Group has endeavored in monitoring the growth rate of its operation costs. However, in view of the spiral rise of oil, electricity, and transportation cost as well as the constant increase of labor cost due to the shortage of skilled technical labor, the Group's profit performance was hindered.

In conclusion, despite of various unfavorable conditions, the Group's performance managed to reach expectation.

EVENT SINCE THE END OF THE FINANCIAL PERIOD

As announced on 8th July, 2013, 上海龍記金屬製品有限公司 Shanghai Lung Kee Metal Products Co., Ltd., an indirect wholly-owned subsidiary of the Company, had entered into an agreement with an independent third party in relation to the disposal of the land use right of the land situated at No. 68 Min Yi Road, Songjiang District, Shanghai, the PRC, and all premises erected on the land and complementary facilities at an aggregate consideration of RMB109,000,000 (equivalent to approximately HK$137,792,000).

PROSPECTS

Economic situation facing the Euro zone is still tough and challenging, however, further substantial adverse impact on the global economy as initiated by the European countries is not expected. The United States economy shows continuous improvement, which should help the global economy to step on the recovery road. The Group foresees that while the global economy may fluctuate constantly, it will turn around in the long run.

The export business of China is rather sluggish in the short term. However, once the economic performance of European countries and the United States revives, and the appreciation rate of Renminbi decelerates, its export business will gradually improves. In views of the lack of new economic stimulus measures put forward by the Chinese Government, market consumption desire has declined. Besides daily necessity, demand for other consumption items has been cooling down. Consumption market in China is undergoing a transitional and structural change. In the long run, policy executed by the Chinese government in boosting up its Gross Domestic Product (GDP) growth will drive up the need for quality products and services in all industry, which in turn will promote a more healthy and balanced development of the economy as a whole. Despite the economic growth pace slows down, China is still the country experiencing the highest economic growth in the world; therefore, its market potential remains enormous. The Group will monitor the market situation and customers' needs in devising its market strategy, and will follow closely the economic development pace of China, in order to fortify a stable business development.

Turning to the production in the Heyuan factory, Guangdong Province, China, the Group strives to enhance its productivity and its product precision through continuously streamlining its production flow and management modes, such as replacing low efficient machineries, adopting a more automated production processes to reduce the reliance on manpower and adopting new production concept, in order to support the regional production need of the Group. It is foreseen that the precision mould base production workshop will be becoming more sophisticated in its production skills, eventually, production efficiency and capacity will be raised, which will in turn further reinforce its development into the in-depth machining services for the medium to high-end quality mould making industries, which helps to sustain the Group's competitiveness.

Regarding the new plant in Hangzhou city, Zhejiang Province, China, the Group keeps further promoting its steel distribution business. For the production of mould bases, the Group will strategically implement the production in phases, considering the factors relating to the market, manpower, machinery and equipment, in order to extend its market shares in the Eastern, Central and Northern regions of China successfully.

As affected by the external market environment, the operation cost of the Group is still in an upward trend. Owing to the skilled labor shortage, labor cost will be unavoidably increased. Resorted to the time and labor saving production process as explored by the Group, the growth rate of its labor cost is basically under control. Facing the rising price of energy and transportation cost, the Group endeavors in monitoring its operation cost, so as to elevate operating effectiveness.

Due to the slow down of global economy, the Group expects that the price of both imported and local mould steel tends to be stable and the range of fluctuation narrows. The Group will cautiously regulate its inventory level in order to restrain its material cost.

Looking ahead, the business-operating environment remains challenging, the Group still upholds a positive attitude and pragmatic principle in seeking for stable and healthy business growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2013, the Group had a net cash surplus of approximately HK$611 million. The Group had cash balance of approximately HK$977 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$366 million, equal to approximately 15% of equity attributable to owners of the Company of approximately HK$2,449 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2013, the Group employed a total of approximately 5,500 employees, including approximately 5,100 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 AND SPECIAL DIVIDENDS

The Directors have determined an interim dividend of HK6 cents per share (2012: HK6 cents per share) and a special dividend of HK6 cents per share (2012: Nil) in respect of the six months ended 30th June, 2013 to be payable on or around 25th September, 2013 to shareholders whose names appear in the Register of Members of the Company on 11th September, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10th September, 2013 to 11th September, 2013, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim and special dividends, 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, 2013.

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, 2013 will be entitled to the interim and special dividends.

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, 2013.

CORPORATE GOVERNANCE

The Company has complied with all code provisions set out in the Corporate Governance Code contained 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, 23rd August, 2013

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.