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, 2014

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, 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2014

		Six months ended 30th June,	
		2014	2013
		HK$’000	HK$’000
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**1,146,741**	1,067,571
Other income	*4*	**47,013**	17,116
Changes in inventories of finished goods and work in progress		**9,282**	3,791
Raw materials and consumables used		**(512,986)**	(442,607)
Employee benefits expenses		**(273,910)**	(241,460)
Depreciation of property, plant and equipment		**(91,480)**	(98,483)
Other expenses		**(230,745)**	(201,380)
Interest on bank borrowings wholly repayable within five years		**(1,990)**	(2,167)
Profit before taxation		**91,925**	102,381
Income tax expense	*5*	**(27,120)**	(30,110)

	Notes	Six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Profit for the period	*6*	**64,805**	72,271
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss			
Reclassification adjustment of translation reserve upon deregistration of a subsidiary		**(31,190)**	—
Exchange difference arising on translation of foreign operations		**(64,207)**	40,024
Other comprehensive (expense) income for the period		**(95,397)**	40,024
Total comprehensive (expense) income for the period		**(30,592)**	112,295
Profit for the period attributable to:			
Owners of the Company		**63,858**	70,758
Non-controlling interests		**947**	1,513
		64,805	72,271
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(31,569)**	111,136
Non-controlling interests		**977**	1,159
		(30,592)	112,295
		HK cents	HK cents
Earnings per share	*8*		
— Basic		**10.11**	11.20
— Diluted		**10.11**	11.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2014

	Notes	**At 30th June, 2014 HK$'000 (unaudited)**	At 31st December, 2013 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**151,500**	151,500
Property, plant and equipment		**1,117,574**	1,137,129
Prepaid lease payments — non-current portion		**96,972**	100,608
Deposits paid for acquisition of property, plant and equipment		**106,903**	79,163
Deferred tax assets		**16,100**	—
		1,489,049	1,468,400
Current assets			
Inventories		**568,087**	528,927
Trade, bills and other receivables	*9*	**494,344**	472,628
Prepaid lease payments — current portion		**2,332**	2,391
Bank balances and cash		**528,476**	737,441
		1,593,239	1,741,387
Current liabilities			
Trade, bills and other payables	*10*	**409,401**	401,069
Taxation payable		**13,085**	4,676
Dividend payable		**182**	124
Unsecured bank borrowings — due within one year		**175,042**	193,809
		597,710	599,678
Net current assets		**995,529**	1,141,709
Total assets less current liabilities		**2,484,578**	2,610,109

	At 30th June, 2014 HK$'000 (unaudited)	At 31st December, 2013 HK$'000 (audited)
Non-current liabilities		
Deferred tax liabilities	**48,579**	38,480
Other payables	**77,356**	81,326
	125,935	119,806
	2,358,643	2,490,303
CAPITAL AND RESERVES		
Share capital	**63,168**	63,168
Reserves	**2,282,011**	2,414,648
Equity attributable to owners of the Company	**2,345,179**	2,477,816
Non-controlling interests	**13,464**	12,487
Total equity	**2,358,643**	2,490,303

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, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assests and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of these amendments to HKFRSs and Interpretation 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 chief operating decision maker (the Company'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, 2014 and 31st December, 2013, 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,	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The PRC (excluding Hong Kong)	**988,090**	914,614
Hong Kong	**2,547**	2,049
Others	**156,104**	150,908
	1,146,741	1,067,571

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, 2014 and 2013.

4. OTHER INCOME

	Six months ended 30th June,	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**9,113**	9,935
Rental income, net of direct outgoings to approximately HK$211,000 (2013: HK$188,000)	**1,436**	1,593
Gain on disposal of property, plant and equipment	**2,571**	1,976
Exchange gain on deregistration of a subsidiary	**31,190**	—
Net foreign exchange gain	**669**	—
Sundry income	**2,034**	3,612
	47,013	17,116

5. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Taxation in Hong Kong	**47**	48
Taxation in jurisdictions outside Hong Kong	**33,000**	28,658
Deferred taxation	**(5,927)**	1,404
	27,120	30,110

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%.

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

6. PROFIT FOR THE PERIOD

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

	Six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Cost of inventories recognised as an expense	**917,865**	804,180
Gross foreign exchange loss	**3,376**	5,613
Gross foreign exchange gain	**(4,045)**	(4,026)
Release of prepaid lease payments	**1,183**	1,168

7. DIVIDENDS

Interim dividend for the current period:

On 18th August, 2014, the Directors determined that an interim dividend of HK6 cents (2013: interim dividend of HK6 cents and interim special dividend of HK6 cents) per share amounting to approximately HK$37,901,000 (2013: interim dividend of HK$37,901,000 and interim special dividend of HK$37,901,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 4th September, 2014.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK8 cents (2013: HK12 cents) per share amounting to approximately HK$50,534,000 (2013: HK$75,801,000) in aggregate and a final special dividend of HK8 cents (2013: Nil) per share amounting to approximately HK$50,534,000 (2013: Nil) in aggregate were declared and paid to the shareholders in respect of the year ended 31st December, 2013.

8. 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,	
	2014	2013
	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	**63,858**	70,758

	2014	2013
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**631,677,303**	631,674,541
Effect of diluted potential ordinary shares on the exercise of shares options	**—**	8,649
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**631,677,303**	631,683,190

The computation of diluted earnings per share for the current period does not assume the exercise of the Company's outstanding share options because the exercise price of these options was higher than the average market price for shares for the period.

9. TRADE, BILLS AND OTHER RECEIVABLES

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

Included in trade, bills and other receivables are trade receivables (net of allowance for doubtful debts) of approximately HK$414,457,000 (31st December, 2013: HK$395,051,000) and bills receivables of approximately HK$35,944,000 (31st December, 2013: HK$27,244,000).

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, 2014 HK$'000 (unaudited)	At 31st December, 2013 HK$'000 (audited)
0 to 60 days	**331,275**	318,723
61 to 90 days	**54,275**	87,222
Over 90 days	**64,851**	16,350
	450,401	422,295

10. TRADE , BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of approximately HK$161,879,000 (31st December, 2013: HK$145,130,000) and bills payables of approximately HK$42,357,000 (31st December, 2013: HK$30,013,000).

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

	At 30th June, 2014 HK$'000 (unaudited)	At 31st December, 2013 HK$'000 (audited)
0 to 60 days	**135,862**	125,513
61 to 90 days	**50,921**	20,960
Over 90 days	**17,453**	28,670
	204,236	175,143

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2014 was approximately HK$1,147 million (2013: approximately HK$1,068 million). Profit attributable to owners of the Company for the six months ended 30th June, 2014 was approximately HK$64 million (2013: approximately HK$71 million). Basic earnings per share for the six months ended 30th June, 2014 was HK10.11 cents (2013: HK11.20 cents).

During the period under review, the global economic performance remained quite stable, yet without a notable sign of economic recovery. The business operating environment was still clouded with uncertainties. Despite the Group recorded a profit in the first half of the year, as dragged by the expenditure required in the initial implementation phase of the new plant in Hangzhou city, Zhejiang Province, China, the Group's performance was not satisfactory when compared with that of the same period in 2013. However, as benefited from the exchange gain contributed by the deregistration of the subsidiary located in Guangzhou, Guangdong Province, China, the aggregate drop of profit rate was decelerated.

The European economy gradually tended to be stable, yet its consumption market was still weak. Though the United States market showed a positive development, its growth speed still fell behind expectation. Influenced by the sluggish economic growth in global economy, the global consumption and capital investment desire was not be significantly boosted. Consequently, the growth of export business of China was still greatly impeded. On the other hand, the economy in China underwent restructuring, cash flow in the market was tightened. As a result, consumption desire was suppressed, lacking motive force to push up the domestic consumption of China. Hindered by the slow growth pace of both export and domestic consumption business in China, the aggregate mould orders reduced and thus triggered off a severe competition within the mould industry. Hence the mould product price was further pressed down and the Group's profit margin lowered.

During the period under review, the Heyuan factory, Guangdong Province, China, registered a steady development. Gradual improvement was achieved with the continuing effort made by the Group in enhancing its plant's operation and equipment. By adopting automated production equipment and processes in replacing low efficient machineries and reducing the manpower, the Group succeeded in uplifting its productivity and product quality.

For the new plant in Hangzhou city, Zhejiang Province, China, through reinforcing communication with customers and expediting the delivery service, the mould steel business was gradually expanding that also facilitating the exploration of steel business in Eastern region in China. However, the development of mould base production was not up to the Group's expectation. The mould base equipment and facilities were not yet completely installed, coupled with the shortage of skilled technical labor and the time required for recruiting and training new staff, the economy of scale of production could not be achieved as expected. On the other hand, mould base business mainly targeted at the automobile industry located in the Eastern, Central and Northern regions of China, which demanded large sized mould bases. To explore the target customers, it requires long time for communication and cooperation with customers in order to suit the customers' needs and establish long-term relationship with them. In this relation, during its initial implementation stage, its business performance as a whole, not only could not bring effectual results yet had negative impact on the Group's aggregate profit.

Turning to the supply of mould steel material, the local mould steel price decreased in general. For the imported steel, the price remained stable and its range of fluctuation was also relatively small.

In the reviewed period, in view of the spiral rise of operation cost, though the Group achieved improvement in its productivity and turnover, its performance was hampered. The constant increase of wages due to the prolonged shortage of skilled technical labor aggravated the labor cost of the Group. Moreover, the initial operation costs of the new plant in Hangzhou city, Zhejiang Province, China, was high, thus its revenue and expenditure could not be balanced, further intensified the operation burden of the Group.

PROSPECTS

Though the European and the United States markets are improved, the global business operating environment is still clouded with uncertainties. Factors such as regional political instability, the occurrence of localized war, natural disaster and earthquake etc have adverse impact on the global economy. The Group foresees, in the second half year, the global economic situation will still face constant fluctuation and the business operating environment will not turn around remarkably.

As the United States economy develops comparatively well and the appreciation rate of Renminbi decelerates, the export business is expected to improve. Following the adjustments and restructuring of the consumption market in China, there is a sign that the Chinese Government will gradually loosen its economic control over the market that has positive effect on the domestic consumption market. In light of the recent partial relaxation on the purchase restriction order imposed on the property markets, the consumption desire for the electrical appliance and electronic products will be stimulated. Furthermore, the Chinese Government has secured a stable growth in its Gross Domestic Product (GDP), it will help all industries to step toward recovery. The Group will follow closely the economic development pace of China in suitably devising its development strategy.

The Heyuan factory, Guangdong Province, China, still has room for enhancing its aggregate production effectiveness. The Group strives to streamline its production process and adopt a time and manpower saving work flow aiming at relieving the pressure imposed by the labor shortage and rising labor cost. In addition, the Group continues to meliorate the plant’s equipment by adding precision and automated equipments in order to raise its efficiency and production capacity, which further support the regional production need of the Group.

Turning to the new plant in Hangzhou city, Zhejiang Province, China, the Group keeps exploring new markets with an aim to promote its mould steel distribution and mould base production business. The Group devises its marketing strategy, including order coordination and logistic aspects, based on the characteristic of local customers especially the automobile industry, aiming to provide quality services to customers. At the same time, the Group continues to reinforce its contact with customers in order to monitor the ever-changing market situation and tailor its services to meet the customers’ needs in order to obtain their faith and support. Eventually, it will help the Group to extend its market share in the Eastern, Central and Northern regions of China. Furthermore, it is expected the required production equipments and facilities will be in place successively. However, due to the shortage of skilled technical labor, the Group will put effort in recruiting and training the manpower, ensuring that manpower, machinery and equipment can be perfectly coordinated so as to enlarge its production capacity and achieve economy of scale, ultimately making positive contribution to the Group’s turnover.

The Group expects that the price of both imported and local mould steel remains stable and the range of fluctuation narrows. The Group will prudently regulate its inventory level in order to reduce its material cost. Facing the rising price of energy, transportation cost and other costs, the Group endeavors to monitor its operation cost, with an aim to uplift its operating effectiveness and sustain its competitiveness.

Looking ahead, the Group strives to develop its core business and continues to enhance its management and production mode as well as its service quality in seeking for steady business growth and consolidating its continuous leading position in the industry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2014, the Group had a net cash surplus of approximately HK$353 million. The Group had cash balance of approximately HK$528 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$175 million, equal to approximately 7% of equity attributable to owners of the Company of approximately HK$2,345 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2014, the Group employed a total of approximately 6,100 employees, including approximately 5,700 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 HK6 cents per share (2013: interim dividend of HK6 cents per share and interim special dividend of HK6 cents per share) in respect of the six months ended 30th June, 2014 to be payable on or around 17th September, 2014 to shareholders whose names appear in the Register of Members of the Company on 4th September, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd September, 2014 to 4th September, 2014, 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 2nd September, 2014.

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 September, 2014 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, 2014.

CORPORATE GOVERNANCE

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

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 18th August, 2014

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 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.