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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, 2017

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, 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2017

		Six months ended 30th June,	
		2017	2016
		HK$'000	HK$'000
	Notes	**(unaudited)**	(unaudited)
Revenue	3	**1,201,807**	1,060,718
Other income	4	**7,647**	11,065
Gain on disposal of non-current asset classified as held for sale	5	**67,149**	—
Increase in fair value of investment properties		**2,500**	—
Changes in inventories of finished goods and work in progress		**5,736**	(483)
Raw materials and consumables used		**(468,907)**	(368,688)
Employee benefits expenses		**(272,493)**	(274,309)
Depreciation of property, plant and equipment		**(90,402)**	(105,149)
Other expenses		**(239,860)**	(210,832)
Interest on bank borrowings		**—**	(5)
Profit before taxation		**213,177**	112,317
Income tax expense	6	**(63,199)**	(35,788)
Profit for the period	7	**149,978**	76,529

	Notes	Six months ended 30th June, 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		**59,555**	(15,531)
Other comprehensive income (expense) for the period		**59,555**	(15,531)
Total comprehensive income for the period		**209,533**	60,998
Profit (loss) for the period attributable to:			
Owners of the Company		**151,337**	75,709
Non-controlling interests		**(1,359)**	820
		149,978	76,529
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**209,818**	59,832
Non-controlling interests		**(285)**	1,166
		209,533	60,998
Basic earnings per share	*9*	**HK23.96cents**	HK11.99cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2017

	Notes	At 30th June, 2017 HK$'000 (unaudited)	At 31st December, 2016 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**182,000**	179,500
Property, plant and equipment		**870,229**	884,164
Prepaid lease payments — non-current portion		**74,022**	72,495
Deposits paid for acquisition of property, plant and equipment		**49,833**	36,753
Deferred tax assets		**27,322**	29,933
		1,203,406	1,202,845
Current assets			
Inventories		**484,922**	397,783
Trade, bills and other receivables	*10*	**440,447**	370,192
Prepaid lease payments — current portion		**1,857**	1,796
Bank balances and cash		**697,297**	745,111
		1,624,523	1,514,882
Non-current asset classified as held for sale		**—**	15,665
		1,624,523	1,530,547
Current liabilities			
Trade, bills and other payables	*11*	**406,770**	366,482
Taxation payable		**22,565**	14,309
Dividend payable		**1,186**	162
		430,521	380,953
Net current assets		**1,194,002**	1,149,594
Total assets less current liabilities		**2,397,408**	2,352,439

	At 30th June, 2017 HK$'000 (unaudited)	At 31st December, 2016 HK$'000 (audited)
Non-current liabilities		
Deferred tax liabilities	**20,633**	23,811
Other payables	**111,801**	106,507
	132,434	130,318
Net assets	**2,264,974**	2,222,121
CAPITAL AND RESERVES		
Share capital	**63,168**	63,168
Reserves	**2,201,806**	2,143,590
Equity attributable to owners of the Company	**2,264,974**	2,206,758
Non-controlling interests	**—**	15,363
Total equity	**2,264,974**	2,222,121

Notes:

1. BASIS OF PREPARATION

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

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, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2016.

In relation to the acquisition of an additional interest of a subsidiary, the Group adopts the following new accounting policy in this interim period.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

In the current interim period, the Group has applied, for the first time, the following 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of these amendments to 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, but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31st December, 2017.

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, 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 revenue and segment result of the Group represents revenue and profit after taxation set out in the condensed consolidated statement of profit or loss and other comprehensive income respectively.

Entity-wide disclosures

As at 30th June, 2017 and 31st December, 2016, 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,	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The PRC (excluding Hong Kong)	**1,051,500**	913,595
Hong Kong	**1,719**	1,729
Others	**148,588**	145,394
	1,201,807	1,060,718

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, 2017 and 2016.

4. OTHER INCOME

	Six months ended 30th June,	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest income	**3,634**	3,855
Gain on disposal of property, plant and equipment	**163**	3,100
Rental income, net of direct outgoings of approximately HK$267,000 (2016: HK$255,000)	**1,479**	2,755
Net foreign exchange gain	**1,325**	—
Sundry income	**1,046**	1,355
	7,647	11,065

5. GAIN ON DISPOSAL OF NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 4th July, 2016, 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 in Shanghai, the PRC and the related assets at a consideration of RMB90,000,000 (equivalent to approximately HK$100,044,000) (the "Disposal"). As the rights of the land has been transferred during the current period, the related non-current asset has been derecognised from the condensed consolidated statement of financial position. As a result, a disposal gain of approximately RMB59,561,000 (equivalent to approximately HK$67,149,000) was recognised. The gain attributable to the owners of the Company was approximately RMB49,703,000 (equivalent to approximately HK$56,035,000).

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge (credit) comprises:		
Taxation in Hong Kong	**229**	311
Taxation in jurisdictions outside Hong Kong	**63,623**	38,248
Deferred taxation	**(653)**	(2,771)
	63,199	35,788

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.

7. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**875,486**	789,631
Impairment loss recognised in respect of trade receivables, net	**10,224**	40
Release of prepaid lease payments	**911**	1,075
Allowance (recovered) recognised for inventories	**3,158**	(9,094)

8. DIVIDENDS

Interim dividend and interim special dividend for the current period:

On 25th August, 2017, the Directors determined that an interim dividend of HK12 cents (2016: HK7 cents) per share amounting to approximately HK$75,801,000 (2016: HK$44,217,000) and an interim special dividend of HK8 cents (2016: HK5 cents) per share amounting to approximately HK$50,534,000 (2016: HK$31,584,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 13th September, 2017.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK12 cents (2016: HK8 cents) per share amounting to approximately HK$75,801,000 (2016: HK$50,534,000) and a final special dividend of HK12 cents (2016: HK5 cents) per share amounting to approximately HK$75,801,000 (2016: HK$31,584,000) were declared and paid to the shareholders in respect of the year ended 31st December, 2016.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months period ended 30th June, 2017 is based on the profit attributable to the owners of the Company of approximately HK$151,337,000 (six months ended 30th June, 2016: HK$75,709,000) and the number of 631,677,303 (2016: 631,677,303) ordinary shares in issue during the period.

Diluted earnings per share is not presented for both periods as there is no potential ordinary shares outstanding during the period or at the end of the reporting period.

10. 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$301,553,000 (31st December, 2016: HK$305,264,000) and bills receivables of approximately HK$28,618,000 (31st December, 2016: HK$22,859,000).

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, 2017 HK$'000 (unaudited)	At 31st December, 2016 HK$'000 (audited)
0 to 60 days	**242,197**	261,530
61 to 90 days	**72,594**	56,869
Over 90 days	**15,380**	9,724
	330,171	328,123

11. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables are trade payables of approximately HK$132,068,000 (31st December, 2016: HK$93,792,000) and bills payables of approximately HK$22,516,000 (31st December, 2016: HK$12,631,000).

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

	At 30th June, 2017 HK$'000 (unaudited)	At 31st December, 2016 HK$'000 (audited)
0 to 60 days	**124,313**	83,420
61 to 90 days	**19,608**	14,625
Over 90 days	**10,663**	8,378
	154,584	106,423

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2017 was approximately HK$1,202 million (2016: approximately HK$1,061 million). Profit attributable to owners of the Company for the six months ended 30th June, 2017 was approximately HK$151 million (2016: approximately HK$76 million). Basic earnings per share for the six months ended 30th June, 2017 was HK23.96 cents (2016: HK11.99 cents).

The Group's operating profit in the first half year, excluding the one-off profit from the land sale of Shanghai Lung Kee Metal Products Co., Ltd., witnessed a substantial growth as compared with the same period in 2016. During the period under review, the raw material price relatively increased comparing with that in last year, however, as other production costs were suitably monitored that the aggregate operation cost was managed to fluctuate in a narrow range. Attributed to an upward growth in sales turnover and effective control of fixed costs, the Group's after tax profit recorded an encouraging growth as compared with the same period in the previous year.

Domestic market of China experienced steady development. Continued booming demand in automobile and its components, intelligent household appliances and latest high-tech electronic products stimulated the sales growth of mould products. To synchronize the market trend, the Group devoted to ameliorate its marketing strategy and consolidate its sales network, ultimately its sales business in Southern and Eastern regions of China had experienced a satisfactory growth, extending the profitability of the Group. Turning to overseas markets, the market performance of the United States turned good, the political environment gradually tended to be stable after the completion of election in some of European countries and the "Brexit" became an inevitable outcome. Despite there was no significant sign of revival in global economy, export business to the United States and European countries improved slightly.

Owing to the sustained improvement efforts made by the Group, production skills and machining capability of plants situated at Heyuan, Guangdong Province and Hangzhou, Zhejiang Province, China, progressed steadily. Moreover, the Group adopted advanced equipment to replace the low efficiency one and save manual operations in order to enhance the flexibility of production deployment. In spite of the spiral increase of wage cost, the Group succeeded in further uplifting its productivity per capita and production efficiency. At the same time, the depreciation cost of machinery reduced as compared with the same period in last year, thus, the rising pace of production cost was alleviated.

During the review period, the price of the imported steel still remained stable. However, the price of local mould steel gradually moved up. As a result, the material cost of the Group, relative to the same period in last year, slightly uplifted. Fortunately it only had a mild impact on the aggregate production cost. In conclusion, the aggregate operation cost of the Group was controlled within a reasonable range, thus the product profit margin could be maintained.

PROSPECTS

The Group foresees that uncertainties still exist in the global business operating environment. The United States and European economy turn better, however, regional political situation was still unpredictable. Threats such as the occurrence of localized war and the terror attack by

Middle East countries will cause unforeseeable variation to the present status. Turning to the economy of China, though its development pace slows down, it still maintains a stable growth relatively compared with other countries. In addition, the currency of Renminbi becomes more stable that also helps to reduce operation and exchange risk.

Together with the economic performance of the United States and European countries turning back to the right track, it is expected that new products will be promoted to the market and the export business will be revived. The Group also expects ample business opportunities exist in the domestic market of China. With the rise of standard of living of Chinese citizens, there is plenty room for business development in the automobile parts and components market, domestic branded mobile phone as well as educational and intelligent toys. To cope with the market opportunity prevailing in China, the Group will strive to uplift its product quality and meliorate its sales team in order to fortify its market competitiveness and to enlarge its market coverage in China.

Facing shortage of skilled labor and continued rise of wage cost, plants situated at Heyuan, Guangdong Province and Hangzhou, Zhejiang Province, China, will keep enhancing its production efficiency and strengthening manpower training in management and production skills, coupled with the operation of automated machinery, in order to achieve a more flexible deployment in its manpower and production equipment. It further aims at enlarging its machining capability and production effectiveness that will not only decrease its operation cost but also satisfy the need of both domestic market of China and overseas markets.

The Group foresees that the price of the imported steel will remain stable. However, the price of local mould steel will go upward and restore to its normal price level. The Group will keep track of the raw material price closely and will suitably regulate its inventory level and adjust its product price in order to mitigate its operation risk. At the same time, the Group will make good use of its resources and promote appropriate monitoring policy to further lower its operation cost in order to maintain its competitive advantage.

Looking ahead, the business operating environment is full of uncertainties and challenges, but there are business opportunities as well. The Group will resort to its prudent business operating experience and pragmatic attitude in seeking for a continuous and steady business development that will bring healthy and fruitful return.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2017, the Group had cash balance of approximately HK$697 million and did not have any borrowings.

The cash balance was placed in short term deposits with major banks in Hong Kong and the PRC.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2017, the Group employed a total of approximately 4,600 employees, including approximately 4,300 employees in its PRC production sites and approximately 300 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual’s performance.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

INTERIM DIVIDEND AND INTERIM SPECIAL DIVIDEND

The Directors have determined an interim dividend of HK12 cents (2016: HK7 cents) per share and an interim special dividend of HK8 cents (2016: HK5 cents) per share in respect of the six months ended 30th June, 2017 to be payable on or around 26th September, 2017 to shareholders whose names appear in the Register of Members of the Company on 13th September, 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 12th September, 2017 to 13th September, 2017, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend and interim special 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 11th September, 2017.

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 September, 2017 will be entitled to the interim dividend and interim special 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, 2017.

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, 25th August, 2017

As at the date of this announcement, the executive directors of the Company are Mr. Siu Tit Lung (Chairman), Mr. Siu Yuk Lung, Mr. Wai Lung Shing, Mr. Ting Chung Ho, Mr. Siu Yuk Tung, Ivan and Mr. Siu Yu Hang, Leo; and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.