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, 2005

FINANCIAL RESULTS

The directors (the "Directors") of Lung Kee (Bermuda) Holdings Limited (the "Company") 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, 2005 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2005

		Six months ended 30th June,	
		2005	2004
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**898,834**	771,080
Other operating income		**5,901**	6,189
Changes in inventories of finished goods and work in progress		**15,196**	32,687
Raw materials and consumables used		**(417,736)**	(399,051)
Staff costs		**(145,999)**	(115,495)
Depreciation and amortisation of property, plant and equipment		**(55,068)**	(40,309)
Amortisation of goodwill		**—**	(10,860)
Amortisation of patents and trademarks		**—**	(333)
Impairment loss recognised in respect of goodwill		**(9,060)**	—
Impairment loss recognised in respect of patents and trademarks		**(1,056)**	—
Other operating expenses		**(137,806)**	(101,177)
Finance costs		**(9,227)**	(9,295)
Profit before taxation	4	**143,979**	133,436
Taxation	5	**(17,303)**	(22,328)
Profit for the period		**126,676**	111,108
Attributable to:			
Equity holders of the Company		**124,124**	109,167
Minority interests		**2,552**	1,941

	Note		
Profit for the period		**126,676**	111,108
Dividends	6		
Proposed interim dividend of HK9 cents per share (2004: HK8 cents per share)		**55,758**	49,130
Earnings per share	7		
— Basic		**20.04 cents**	17.78 cents
— Diluted		**20.03 cents**	17.77 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2005

	30th June, 2005 (unaudited) ***HK$'000***	31st December, 2004 (audited and restated) *HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	**28,000**	28,000
Property, plant and equipment	**587,632**	515,874
Prepaid lease payments — non-current portion	**40,466**	42,204
Intangible assets	**—**	1,056
Goodwill	**—**	9,060
	656,098	596,194
Current assets		
Inventories	**498,074**	467,567
Trade and other receivables	**513,559**	443,958
Bills receivable	**40,137**	44,045
Prepaid lease payments — current portion	**934**	934
Taxation recoverable	**4,943**	3,373
Bank balances and cash	**198,479**	441,672
	1,256,126	1,401,549
Current liabilities		
Trade and other payables	**224,777**	230,105
Bills payable	**36,068**	52,800
Obligations under finance leases	**—**	2
Unsecured bank borrowings	**372,363**	493,016
Floating rate notes	**150,000**	—
Dividend payables	**23**	9

Taxation payable	**52,151**	59,408
	835,382	835,340
Net current assets	**420,744**	566,209
Total assets less current liabilities	**1,076,842**	1,162,403
Non-current liabilities		
Floating rate notes	**—**	150,000
	1,076,842	1,012,403
CAPITAL AND RESERVES		
Share capital	**61,953**	61,881
Reserves	**993,556**	929,660
Equity attributable to equity holders of the Company	**1,055,509**	991,541
Minority interests	**21,333**	20,862
	1,076,842	1,012,403

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 the Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

(1) Share-based Payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In accordance with the relevant transitional provision, the Group has not applied HKFRS 2 to those share options granted on or before 7th November, 2002 and those share options that were granted after 7th November, 2002 but were vested before 1st January, 2005. Because there were no unvested share options at 1st January, 2005, comparative figures for 2004 need not be restated.

(2) Business Combinations

HKFRS 3 "Business Combination", is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In accordance with HKFRS 3, goodwill is measured at cost less accumulated impairment losses after initial recognition. In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of approximately HK$3,636,000 has been transferred to the Group's accumulated profits on 1st January, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill of approximately HK$11,966,000 previously recorded as capital reserves, with a corresponding increase in accumulated profits at 1st January, 2005.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. Because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures for 2004 have not been restated.

(3) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term. This change in accounting policy has been applied retrospectively. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively.

(4) Investment properties

In previous periods, the Group's investment properties were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. Because the Group did not have any investment property revaluation reserve at 1st January, 2005, the adoption of HKAS 40 did not result in any transfer between the reserve accounts.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions — mould bases and metal & parts. These divisions are the basis on which the Group reports its primary segment information.

Six months ended 30th June, 2005

	Mould bases *HK$'000*	**Metal & parts** *HK$'000*	**Total** *HK$'000*
TURNOVER			
External sales	**808,024**	**90,810**	**898,834**
RESULTS			
Segment results	**130,293**	**17,012**	**147,305**
Unallocated corporate income			**5,901**
Finance costs			**(9,227)**
Profit before taxation			**143,979**
Taxation			**(17,303)**
Profit for the period			**126,676**

Six months ended 30th June, 2004

	Mould bases *HK$'000*	Metal & parts *HK$'000*	Total *HK$'000*
TURNOVER			
External sales	688,341	82,739	771,080
RESULTS			
Segment results	122,629	13,913	136,542
Unallocated corporate income			6,189
Finance costs			(9,295)
Profit before taxation			133,436
Taxation			(22,328)
Profit for the period			111,108

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30th June, 2005 HK$'000	2004 HK$'000
(Gain) loss on disposal of property, plant and equipment	**(579)**	528
Interest income	**(3,335)**	(3,986)
Net exchange gain	**(715)**	(1,086)

5. TAXATION

	Six months ended 30th June, 2005 HK$'000	2004 HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax, current period	**60**	127
Taxation in jurisdictions outside Hong Kong		
— current period	**21,730**	22,999
— overprovision in prior year	**—**	(798)
	21,730	22,201
Reinvestment tax credit	**(4,487)**	—
	17,303	22,328

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the periods.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in these jurisdictions.

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), certain of the Company's PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In the current period, certain PRC subsidiaries enjoyed a 50% reduction on PRC income tax.

Pursuant to an approval by local tax authority, a subsidiary of the Company is entitled to benefit of approximately HK$4,487,000 (equivalent to approximately RMB4,779,000) in respect of its reinvestment made in a subsidiary. The amount is presented as a reinvestment tax credit.

6. DIVIDENDS

On 19th May, 2005, a dividend of HK10 cents per share was paid to shareholders as final dividend for the year ended 31st December, 2004 (2004: HK8 cents per share, after adjusting for bonus share issue in 2004).

The Directors have determined that an interim dividend of HK9 cents per share (2004: HK8 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 30th September, 2005.

7. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
Earnings		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**124,124**	109,167
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**619,329,823**	614,123,303
Effect of dilutive potential ordinary shares on exercise of options of the Company	**290,693**	52,058
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**619,620,516**	614,175,361

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the six months ended 30th June, 2005 was approximately HK$899 million (2004: approximately HK$771 million). Profit attributable to equity holders of the Company for the six months ended 30th June, 2005 was approximately HK$124 million (2004: approximately HK$109 million). Basic earnings per share for the six months ended 30th June, 2005 was HK20.04 cents (2004: HK17.78 cents)

As benefited from sustained economic growth, with robust demand for consumer products in China, the manufacturing industry in mainland enjoyed remarkable development, in particular, the automobile parts and component industry. As a result, the sales revenue of the Group achieved a steady growth during the period under review. In the meantime, the mould steel materials price began to fall from its highest level, allowing the production cost of the Group to stabilize. In views of the above factors, the Group continued to record a satisfactory result during the first half of this financial year.

The core business of the Group developed in China reported a continuous growth. The Heyuan plant in Guangdong Province, China, after expansion of its operation, has now become the largest production base of the Group. Equipped with continuously enhanced production skills and with better co-ordinated development of production facilities and work force, the productivity of the Group was further improved. To cope with the increasing demand for high precision mould bases both in overseas and China market, the Guangzhou plant in Guangdong Province, has already strengthened its high precision mould base production capacity in capturing such promising market opportunity. Turning to the Dongguan plant in

Guangdong Province, continued effort will be dedicated to developing its mould-related components business, with an aim to satisfy the customers needs for "one-stop" services, adding a profitable source of income to the Group.

The Shanghai plant in China achieved a promising growth both in productivity and turnover after the completion of its factory expansion. Further, the operation of the Taizhou plant in Zhejiang Province, has developed smoothly and its business has progressed steadily, bringing reasonable return to the Group.

The development of overseas operations remained stable. However, as compared with the China market, the growth pace of the overseas market was relatively slow, attributed directly to the economic performance of these markets.

The mould steel business has achieved a reasonable growth. As a result of gradual depreciation of alloy prices, the price of mould steel, both for imported and domestically produced in China, has slightly gone down from its highest level. During the period under review, the material price has become relatively stable.

Prospects

Continuous boom in the retail business and manufacturing industry in China is expected due to its persistent economic growth. Therefore, plastic and mould industries will still enjoy growth. In addition, manufacturing skill of Chinese mould makers has become more sophisticated, which helps to promote the exporting of mould products. As a result, it triggers off an increase in the demand for high quality mould base and mould steel, in fulfilling the higher quality standards as required by overseas customers. With competitive advantages and goodwill enjoyed by "LKM" in the mould base industry, the Group looks forward to a favorable growth in its future business development.

The Board of Directors of the Group has devised a long-term development strategy, in expanding its investment in China, which further fortifying its business position in China. The Group has escalated its investment in its Heyuan plant, Guangdong Province, for further expansion including new workshops, living and accommodation zone and other supportive facilities. It is expected that the expansion project will be completed in the first quarter of next year, when trial production begins. Through this investment project, the Group does not only uplift its production scale as a whole in order to embrace the market opportunity, but also create a solid foundation for future development; the aim is to upgrade its product quality and production skill up to international leading level, and to supply the most competitive quality products and mould related services to the worldwide mould manufacturing market.

Continuous effort will be made to enlarge its sales and distribution networks in China. The Group plans to set up offices in the potential industrial cities in Northern China. These offices will serve as sales centers, warehouses and logistic centers, to reinforce business relationship with customers in those areas.

However, unfavorable factors do exist in the worldwide business environment. The unstable oil price leads to sharp price fluctuation in plastic materials, posing a direct threat to the plastic manufacturing sector. The Group expects such negative impact is only on a short-term basis, but the Group will be cautious to the changes of the material market, in order to devise appropriate counter policies. Impact of the appreciation of Renminbi on the Group is considered as positive, since most of its businesses focus on the domestic sales within the China territory.

Looking ahead, the Group will continue to develop its core, as well as other related businesses, to improve continuously its management and production system, and to upgrade its services standard, in order to attain more promising results and to sustain its leading position in the mould making industry.

Liquidity and Financial Resources

As at 30th June, 2005, the Group had cash balance of approximately HK$198 million. The cash balance was placed in short term deposits with major banks in Hong Kong.

Total debts of the Group were approximately HK$522 million, equal to approximately 49% of equity attributable to equity holders of the Company of approximately HK$1,056 million.

Employees and Remuneration Policies

As at 30th June 2005, the Group employed a total of approximately 9,180 employees, including approximately 8,830 employees in its PRC production sites and approximately 350 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 auditors, 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 DIVIDENDS

The Directors have declared an interim dividend of HK9 cents per share (2004: HK8 cents per share) in respect of the six months ended 30th June, 2005 to be payable on or about 18th October, 2005 to shareholders whose names appear in the Register of Members on 30th September, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29th September, 2005 to 30th September, 2005, 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 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 28th September, 2005.

Shareholders in Singapore whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 28th September, 2005 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, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with deviation from Code provision A.4.2 in respect of the rotation of directors, throughout the review period. Relevant amendment to the Bye-Laws of the Company to comply with Code provision A.4.2 had been proposed at the earliest opportunity after the announcement of the Code, and such amendment was approved by shareholders at the annual general meeting of the Company held on 9th May, 2005.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 9th September, 2005

As at the date of this announcement, the executive directors of the Company are Siu Tit Lung (Chairman), Siu Yuk Lung, Mak Koon Chi, Wai Lung Shing and Fung Wai Hing, the non-executive director of the Company is Chan Chun Sing, Colin and the independent non-executive directors of the Company are Liu Wing Ting, Stephen, Lee Tat Yee and Lee Joo Hai.

Please also refer to the published version of this announcement in ***(South China Morning Post)***