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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

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

RESULTS

The directors of Lung Kee (Bermuda) Holdings Limited (the ''Company'') (the ''Directors'') have pleasure in submitting the audited consolidated results of the Company and its subsidiaries (collectively the ''Group'') for the year ended 31st December, 2008, together with comparative figures for the year ended 31st December, 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Revenue	2	**3,073,547**	2,702,099
Other income		**13,337**	45,636
(Decrease) increase in fair value of investment properties		**(9,900)**	4,700
Changes in inventories of finished goods and work in progress		**(23,136)**	(26,197)
Raw materials and consumables used		**(1,461,505)**	(1,289,623)
Employee benefits expenses		**(477,419)**	(439,070)
Depreciation and amortisation of property, plant and equipment		**(189,773)**	(173,621)
Other expenses		**(475,956)**	(423,489)
Interest on bank borrowings wholly repayable within five years		**(15,965)**	(37,554)
Profit before taxation		**433,230**	362,881
Income tax expense	3	**(140,942)**	(55,381)
Profit for the year		**292,288**	307,500

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Attributable to:			
Equity holders of the Company		**288,333**	305,851
Minority interests		**3,955**	1,649
		292,288	307,500
Dividends recognised as distribution during the year	*4*	**161,203**	89,902
Proposed final dividend of HK11 cents (2007: HK15 cents) per share		**68,201**	93,002
Earnings per share	*5*	***HK cents***	*HK cents*
— Basic		**46.50**	49.33
— Diluted		**46.50**	49.32

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**33,600**	43,500
Property, plant and equipment		**851,556**	813,969
Prepaid lease payments — non-current portion		**43,319**	44,946
Deposits paid for acquisition of property, plant and equipment		**7,382**	8,951
		935,857	911,366
Current assets			
Inventories	*6*	**639,726**	800,843
Trade and other receivables	*7*	**526,652**	687,983
Bills receivable	*7*	**58,674**	40,349
Prepaid lease payments — current portion		**1,047**	1,077
Deferred consideration receivable		**2,483**	7,622
Taxation recoverable		**5,061**	3,032
Bank balances and cash		**309,259**	261,115
		1,542,902	1,802,021
Current liabilities			
Trade and other payables	*8*	**353,892**	412,038
Bills payable	*8*	**53,434**	36,334
Taxation payable		**26,030**	40,183
Dividend payable		**52**	39
Derivative financial instruments		**-**	1,468
Unsecured bank borrowings — due within one year		**203,324**	416,664
		636,732	906,726
Net current assets		**906,170**	895,295
Total assets less current liabilities		**1,842,027**	1,806,661

	2008	2007
	HK$'000	*HK$'000*
Non-current liabilities		
Unsecured bank borrowings — due after one year	**-**	220,000
Deferred tax liabilities	**14,048**	1,634
	14,048	221,634
Net assets	**1,827,979**	1,585,027
CAPITAL AND RESERVES		
Share capital	**62,002**	62,002
Reserves	**1,761,121**	1,522,095
Equity attributable to equity holders of the Company	**1,823,123**	1,584,097
Minority interests	**4,856**	930
Total equity	**1,827,979**	1,585,027

Notes:

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) - Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) - Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) - Int 18	Transfer of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods beginning on or after 30th June, 2009

[5]Effective for annual periods beginning on or after 1st July, 2008
[6]Effective for annual periods beginning on or after 1st October, 2008
[7]Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of returns, allowances, discounts and sales related taxes.

Business segments
For management purposes, the Group's business is currently organised into two operating divisions – mould bases and metal and parts. The two divisions are the basis on which the Group reports its primary segment information.

Segmental information about the two divisions is presented below.

For the year ended 31st December, 2008

CONSOLIDATED INCOME STATEMENT

	Mould bases *HK$'000*	**Metal and parts** *HK$'000*	**Total** *HK$'000*
REVENUE			
External sales	**2,901,248**	**172,299**	**3,073,547**
RESULTS			
Segment results	**501,181**	**21,887**	**523,068**
Unallocated income			**13,337**
Unallocated expenses			**(77,310)**
Decrease in fair value of investment properties			**(9,900)**
Interest on bank borrowings wholly repayable within five years			**(15,965)**
Profit before taxation			**433,230**
Income tax expense			**(140,942)**
Profit for the year			**292,288**

For the year ended 31st December, 2007

CONSOLIDATED INCOME STATEMENT

	Mould bases *HK$'000*	Metal and parts *HK$'000*	Total *HK$'000*
REVENUE			
External sales	2,520,152	181,947	2,702,099
RESULTS			
Segment results	400,364	14,157	414,521
Unallocated income			45,636
Unallocated expenses			(64,422)
Increase in fair value of investment properties			4,700
Interest on bank borrowings wholly repayable within five years			(37,554)
Profit before taxation			362,881
Income tax expense			(55,381)
Profit for the year			307,500

Geographical segments

The Group operates in the following geographical market segments – the People's Republic of China (the "PRC") (including Hong Kong) and other countries.

The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Revenue	
	2008 ***HK$'000***	2007 *HK$'000*
The PRC (including Hong Kong)	**2,628,434**	2,317,309
Other countries	**445,113**	384,790
	3,073,547	2,702,099

3. INCOME TAX EXPENSE

	2008 *HK$'000*	2007 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
- current year	**84**	45
- underprovision in prior years	**972**	-
	1,056	45
Taxation in jurisdictions outside Hong Kong		
- current year	**127,077**	53,003
- underprovision in prior years	**395**	699
	127,472	53,702
Deferred taxation		
- current year	**12,517**	1,634
- attributable to a change in tax rate	**(103)**	-
	12,414	1,634
	140,942	55,381

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced the corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in those jurisdictions. The domestic tax rate applicable to the jurisdictions where the operations of the Group is substantially based is 25% (2007: 24%).

One 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 24% to 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is entitled to an exemption from PRC income tax for next two years starting from their first profit-making year, followed by a 50% relief in tax rate for the next three years. 2007 is the first year of tax exemption granted to that subsidiary. Under the New Law, the relief shall continue and be accounted for based on the new tax rate of 25%.

Pursuant to approval by the relevant PRC tax authority, one (2007: two) of the Company's PRC subsidiaries is granted advanced-technology relief from 50% PRC income tax for three years commenced from the year of grant. Under the New Law, the subsidiary continues to enjoy the tax relief, which will be ended in 2009, by enjoying the concessionary tax rate of 14%.

4. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2008 interim dividend of HK11 cents per share	**68,201**	-
2007 final dividend of HK15 cents per share	**93,002**	-
2007 interim dividend of HK8 cents per share	**-**	49,602
2006 final dividend of HK6.5 cents per share	**-**	40,300
	161,203	89,902

The board of directors have determined that a final dividend of HK11 cents (2007: HK15 cents) per share amounting to approximately HK$68,201,000 (2007: HK$93,002,000) should be paid to the shareholders of the Company whose names appear in the register of members on 11th May, 2009.

5. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**288,333**	305,851

	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**620,013,303**	620,010,761
Effect of dilutive potential ordinary shares on exercise of share options	**-**	79,267
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**620,013,303**	620,090,028

The computation of diluted earnings per share for the year ended 31st December, 2008 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price per share for the year.

6. INVENTORIES

	2008	2007
	HK$'000	*HK$'000*
Raw materials	**550,298**	688,279
Work in progress	**74,352**	91,935
Finished goods	**15,076**	20,629
	639,726	800,843

The cost of inventories recognised as an expense during the year by the Group amounted to approximately HK$2,210,581,000 (2007: HK$1,966,749,000).

7. TRADE, BILLS AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK$478,295,000 (2007: HK$580,146,000).

The Group allows a credit period ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the reporting date:

	2008	2007
	HK$'000	*HK$'000*
0 to 60 days	**358,757**	413,665
61 to 90 days	**130,405**	128,450
Over 90 days	**47,807**	78,380
	536,969	620,495

8. TRADE, BILLS AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$107,691,000 (2007: HK$196,118,000).

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 to 60 days	**124,333**	200,772
61 to 90 days	**24,641**	22,160
Over 90 days	**12,151**	9,520
	161,125	232,452

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31st December, 2008, the Group continued to focus on the manufacturing and marketing of mould bases, metal and parts.

The Group's revenue in the year ended 31st December, 2008 was approximately HK$3,074 million (2007: approximately HK$2,702 million). Profit attributable to equity holders of the Company in the year ended 31st December, 2008 was approximately HK$288 million (2007: approximately HK$306 million). Basic earnings per share in the year ended 31st December, 2008 was HK46.50 cents (2007: HK49.33 cents).

During the year under review, global economic situation underwent unexpected change. In the first half year of 2008, with suitable business operation strategy, the Group strived to gain a continuous growth in revenue. However, when entering into the fourth quarter of the year, being dragged by the global economic turmoil, the Group's performance as a whole was weakened.

The financial tsunami, as triggered off by the Subprime Mortgage Crises of the United States, has posed a negative influence on global economy. Looking back, the past economic crisis encountered was restricted to particular regions such as the Asian Financial Crisis and SARS that did not bring too much impact to the Group. Nevertheless, the wave of this financial tsunami spread all over the world; like a domino effect, the global financial and economic system came into crisis in succession. The shrinkage demand of consumption markets hit unprecedentedly all trades and industries. Order volume of the Group's customers dropped sharply, inevitably the sales performance of the Group was hampered. Fortunately, the Group did not invest in any metal derivatives, keeping off the adverse impact created by the global financial tsunami.

Being referred to as a global manufacturing base, China's export performance faced a significant downward pressure as a result of the rapid deterioration of external market situations. On the other hand, measures of stimulating domestic demand introduced by China government would take time to become effective. Economic and market growth in China slowed down and increasingly fierce competition prevailed in manufacturing industry. The newly developed direct sales outlets and distributors in the Southern, Eastern and Northern regions of China not only fortified the Group's sales network but also provided valuable market information to reinforce the competitive edge of the Group even in the fluctuating market environment, contributing acceptable and sensible result to the Group. Comparatively speaking, the Group's overseas business was of moderate size and its markets were diversified into different regions located in Asia, Europe and America. Therefore, the impact of the external economics on its performance was relatively insignificant and a rather stable development of the overseas business was reported.

During the year under review, the Group was under the pressure of the surge of costs. At the beginning of the year of 2008, the launch of new labor law and regulations, and the Unification of Income Tax Rate for foreign and domestic enterprises in China significantly boosted up labor cost and tax burden laid onto enterprises, thus reducing the profit growth of the Group. With the strengthening of US dollars and the decreasing demand of mould steel, its price fell sharply in the fourth quarter in the year of 2008. Unfortunately, as the Group had kept a base inventory level of mould steel that its material cost could not be alleviated promptly in response to the market requirements.

The Group continued to improve and restructure its management system and production process for plants situated in both Southern and Eastern regions of China, in order to uplift production efficiency and reduce operating cost. The Group also re-evaluated its human resources policy by selecting and appointing talent staffs and flexibly re-allocated jobs with an aim to build up a streamlined and efficient workforce. In addition, the Group has adopted stringent credit evaluation and control system to scrutinize its customers. As a result, bad debt loss was kept at relatively low level, attributing to a healthy and stable financial position.

To conclude, there was a continuous growth in sales revenue during the reviewed year. However, being affected by the surge of operation cost especially the increase of tax burden and the adverse global economic situation, the Group's profit for the year registered a slight decrease.

Liquidity and Capital Resources

As at 31st December, 2008, the Group had bank balances of approximately HK$309 million. The bank balances were placed in short term deposits with major banks in Hong Kong and the PRC.

The Group adopted conservative measures to hedge any exchange fluctuation if the exposure is considered significant by the management.

The Group continues to incur capital expenditure for the plant expansion and factory construction, which is financed by internal resources.

Gearing Ratio

Total debts of the Group were approximately HK$203 million, equal to approximately 11% of equity attributable to equity holders of the Company of approximately HK$1,823 million.

Employees and Remuneration Policies

As at 31st December, 2008, the Group employed a total of approximately 8,000 employees, including approximately 7,600 employees in its PRC production sites and approximately 400 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to employees with reference to the individual's performance.

PROSPECTS

As struck by the global financial tsunami, the worldwide economy tumbles; while operating cost cannot be lessened substantially within a short period, the business-operating environment is expected to be very tough. Yet, the Group still maintains a prudent view, and adopts flexible and steady business development plan in order to overcome the adverse business environment and grasp new opportunities in the market.

The financial tsunami has set back the export business of China that resulting a slow down in domestic economic growth. However, the launch of proactive stimulus measures by the China government will have direct effect in stimulating its economic growth in the long run. Domestic demand taking over export as the major economic driver for growth is expected to help offset the negative effect of the weakening export demand and will revive the market gradually. Since it takes time for the stimulus plan to become effective with remarkable results, the market is still clouded with uncertainties. The Group expects its business performance this year will be a bit inferior compared with that of the year 2008. However, following the gradual recovery of the China economy, the Group, with its foundation planted in China for many years and equipped with abundant domestic sales promotion experience as well as in-depth knowledge of the market operation, will keep pace with the China development and finally tide over the present difficult time. The Group will further fortify its sales channel and alert persistently to the market changes and customer needs in order to formulate suitable market strategies to maintain a steady development of its business.

The Group keeps on enhancing its value added machining ability and product precision of its plants in the Southern and Northern China, with an aim to uplift its product quality to secure more confidence and support from its customers. With a vision to strive for excellence, the Group persistently meliorates its internal management system, production techniques and manpower training. The Group will also look for on-going improvement in its core value and ability on product quality and customer-centric services to achieve excellence. The Group further reinforces its credit risk management to ensure a healthy and stable financial position that cannot be shaken in the fluctuating economic environment.

Following the recent strengthening of U.S. dollars, prices of both import and China mould steels have dropped though fluctuate continuously. The Group will revise its inventory strategy such that the inventory level can be flexibly varied in accordance with the market situation, aiming to strike a balance between maintaining sufficient material stock level for production and avoiding excess stock. It is expected that labor cost, taxation and other operational costs will still be kept at a high level. In light of this, the Group will put great effort on cost analysis, monitoring and control in order to enhance its operating effectiveness.

Though the business environment is full of uncertainties, the Group will still adopt a cautious yet optimistic attitude to face every challenge positively. The Group will concentrate on its core business continuously and seek for on-going development. The Group is well prepared itself by closely alerting the market change and flexibly deploying its manpower in order to capitalize new business opportunities and put forward further development projects at appropriate time. Directed by a cautious mind and positive attitude, and armed with ample management and sales experience, the Group can overcome the adversity and achieve satisfactory results in maintaining its leading position in its industry.

AUDIT COMMITTEE

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31st December, 2008 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

FINAL DIVIDEND

The Directors have resolved to recommend to shareholders at the forthcoming Annual General Meeting the payment of a final dividend of HK11 cents per share for the year ended 31st December, 2008 to shareholders whose names appear on the Register of Members on 11th May, 2009. Subject to the approval by the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be despatched to shareholders on or about 21st May, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6th May, 2009 to 11th May, 2009, both days inclusive, during which period no share transfers will be effected.

In order to qualify for the proposed final dividend, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer forms, 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 5th May, 2009.

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 5th May, 2009 will be entitled to the proposed final dividend.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the year ended 31st December, 2008.

CORPORATE GOVERNANCE

During the year ended 31st December, 2008, the Company complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
Siu Tit Lung
Chairman

Hong Kong, 20th March, 2009

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, the non-executive director of the Company is Mr. Chan Chun Sing, Colin and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.