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, 2009

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, 2009 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

		Six months ended 30th June,	
		2009	2008
		HK$'000	HK$'000
	Notes	**(unaudited)**	(unaudited)
Revenue		**1,032,238**	1,554,483
Other income		**27,246**	13,866
Changes in inventories of finished goods and work in progress		**(10,022)**	26,782
Raw materials and consumables used		**(476,955)**	(757,876)
Employee benefits expenses		**(174,524)**	(256,293)
Depreciation of property, plant and equipment		**(97,177)**	(90,321)
Other expenses		**(146,862)**	(213,323)
Interest on bank borrowings wholly repayable within five years		**(1,157)**	(9,762)
Profit before taxation		**152,787**	267,556
Income tax expense	*4*	**(50,121)**	(88,593)

	Notes	Six months ended 30th June, **2009** **HK$'000** **(unaudited)**	2008 HK$'000 (unaudited)
Profit for the period	*5*	**102,666**	178,963
Other comprehensive income:			
Exchange difference arising on translation		**(2,107)**	94,996
Total comprehensive income for the period		**100,559**	273,959
Profit for the period attributable to:			
Owners of the Company		**102,803**	177,655
Minority interests		**(137)**	1,308
		102,666	178,963
Total comprehensive income for the period attributable to:			
Owners of the Company		**100,700**	272,520
Minority interests		**(141)**	1,439
		100,559	273,959
		HK cents	HK cents
Earnings per share	*7*		
— Basic		**16.58**	28.65
— Diluted		**16.58**	28.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	Notes	**At 30th June, 2009 HK$'000 (unaudited)**	At 31st December, 2008 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**33,600**	33,600
Property, plant and equipment		**798,516**	851,556
Prepaid lease payments — non-current portion		**42,757**	43,319
Deposits paid for acquisition of property, plant and equipment		**2,190**	7,382
		877,063	935,857
Current assets			
Inventories		**529,545**	639,726
Trade and other receivables	*8*	**457,417**	526,652
Bills receivable	*8*	**35,708**	58,674
Prepaid lease payments — current portion		**1,047**	1,047
Deferred consideration receivable		**—**	2,483
Taxation recoverable		**5,244**	5,061
Bank balances and cash		**352,131**	309,259
		1,381,092	1,542,902
Current liabilities			
Trade and other payables	*9*	**278,138**	353,892
Bills payable	*9*	**24,287**	53,434
Taxation payable		**23,989**	26,030
Dividend payable		**58**	52
Unsecured bank borrowings		**51,891**	203,324
		378,363	636,732
Net current assets		**1,002,729**	906,170
Total assets less current liabilities		**1,879,792**	1,842,027

	At 30th June, 2009 HK$'000 (unaudited)	At 31st December, 2008 HK$'000 (audited)
Non-current liability		
Deferred tax liabilities	**18,203**	14,048
Net assets	**1,861,589**	1,827,979
CAPITAL AND RESERVES		
Share capital	**62,002**	62,002
Reserves	**1,794,872**	1,761,121
Equity attributable to owners of the Company	**1,856,874**	1,823,123
Minority interests	**4,715**	4,856
Total equity	**1,861,589**	1,827,979

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.

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 Group for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation

HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "*Segment Reporting*", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[4]

[1] Effective for annual periods beginning on or after 1st July, 2009

[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate

[3] Effective for annual periods beginning on or after 1st January, 2010

[4] Effective for transfers on or after 1st July, 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary. The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Group's board of directors) in order to allocate resources to segments and to assesses its performance. In contrast, the predecessor standard, HKAS 14 "*Segment Reporting*" required an entity to identity two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financing reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reporting segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, primary segment information was analysed on the basis of two operating divisions:

i) Mould bases – manufacturing and marketing of mould bases; and

ii) Metal and parts – manufacturing and marketing of metal and parts.

However, information reported to the Directors for the purposes of resource allocation and performance assessment only focuses on the consolidated results of the two operating divisions, inclusion of any income, expenses and tax charges.

As a result, there is only one reportable segment for the Group under HKFRS 8, which is manufacturing and marketing of mould bases, metal and parts. Information regarding this segment can be made reference to the condensed consolidated financial statements as a whole.

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Taxation in jurisdictions outside Hong Kong	**45,966**	75,645
Deferred taxation	**4,155**	12,948
	50,121	88,593

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the six months ended 30th June, 2009. No provision for Hong Kong Profits Tax has been made as there was no assessable profit for both periods.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated annual tax rate used for the six months ended 30th June, 2009 is ranged from 12.5% to 25% (2008: 14% to 25%).

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), one of the PRC subsidiaries is entitled to an exemption from PRC income tax for two years starting from its 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. The basic tax rate for the subsidiary is 25%.

Pursuant to an approval by the relevant PRC tax authority, one of the PRC subsidiaries was granted advanced-technology relief from 50% PRC income tax for three years commenced from the year of grant. The tax relief will end in 2009, in which the subsidiary enjoys the concessionary tax rate of 15%.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2009	2008
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**771,386**	1,083,852
Loss (gain) on disposal of property, plant and equipment and land use rights	**159**	(6,831)
Government grants *(note)*	**(20,414)**	(1,167)
Interest income	**(1,077)**	(1,960)

Note: The amount for the six months ended 30th June, 2009 represents an unconditional subsidy received from the local treasury authority in Heyuan City, the PRC as a general support for the Group's advanced technology development.

6. DIVIDENDS

Interim dividend for the current period:

On 7th September, 2009, the Directors determined that an interim dividend of HK10 cents (2008: HK11 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 25th September, 2009.

Dividend recognised as distribution during the period:

During the current period, a dividend of HK11 cents per share amounting to approximately HK$68,202,000 (2008: HK$93,002,000) was declared and paid to the shareholders as final dividend for the year ended 31st December, 2008 (2008: HK15 cents per share).

7. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2009	2008
	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	**102,803**	177,655
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**620,013,303**	620,013,303

For six months ended 30th June, 2009 and 2008, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market prices for shares for both periods.

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

Included in trade and other receivables are trade receivables of approximately HK$384,367,000 (31st December, 2008: HK$478,295,000).

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

	At 30th June, 2009 HK$'000 (unaudited)	At 31st December, 2008 HK$'000 (audited)
0 to 60 days	**291,278**	358,757
61 to 90 days	**77,372**	130,405
Over 90 days	**51,425**	47,807
	420,075	536,969

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK$95,523,000 (31st December, 2008: HK$107,691,000).

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

	At 30th June, 2009 HK$'000 (unaudited)	At 31st December, 2008 HK$'000 (audited)
0 to 60 days	**87,679**	124,333
61 to 90 days	**18,355**	24,641
Over 90 days	**13,776**	12,151
	119,810	161,125

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2009 was approximately HK$1,032 million (2008: approximately HK$1,554 million). Profit attributable to owners of the Company for the six months ended 30th June, 2009 was approximately HK$103 million (2008: approximately HK$178 million). Basic earnings per share for the six months ended 30th June, 2009 was HK16.58 cents (2008: HK28.65 cents).

The outbreak of financial tsunami in September last year triggered the global economic recession, and it resulted in an unprecedented challenging business operating environment. As a result, the Group's results in the first half year, as compared with that of the same period in 2008, dropped substantially.

As dragged by the credit crisis in finance sector, the global manufacturing industry was pushed to the edge of collapse. The performance of the major export markets of the Group's customers - Japan, Europe and America - was not satisfactory and the business of the Group was adversely affected. As market confidence impaired, investors held back their investment activities. The shrinkage in global consumption spending led to a sharp contraction in demand, as a result, business-operating environment worsened rapidly. The Group, despite its leading position in the industry coupled with a healthy financial status, still unavoidably impacted by a drop in sales order volume owing to the weakening investment confidence prevailed in the market. In response to the sluggish market, a price war was started in the industry in order to scramble for sales orders, thus, selling price of the products continued to drop. The Group's profit performance, as greatly influenced by the fall of both order quantity and product selling price, suffered a notable regression.

To source for more orders, the Group flexibly adjusted its sales strategy to enhance quality services to customers. In addition to direct sales offices set up in the surrounding areas near its factories located in Southern and Eastern regions in China, the Group also worked closely with the local distributors in the more remote areas to formulate suitable and comprehensive sales plans to promote the Group's products and services. Moreover, both sales offices and distributors constantly feedback valuable market information, enabling the Group to timely capture market change signals and to serve customers intimately with the hope to uphold its competitive edge amid the fluctuating market environment.

During the period under review, the Group still encountered the negative effect of surging costs. At the beginning 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 drove up labor cost and tax burden laid onto enterprises, thus squeezing the profit margin of the Group. Fortunately, the Group has actively exercised cost control persistently: streamlining organization structure, manpower realignment, restructuring production processes, reducing spending on consumable goods, regulating inventory to reasonable level, strict control on purchasing price, etc, aiming at lowering total operating costs. Yet, some fixed costs such as depreciation costs for machinery and factory could not be reduced. To sum up, the Group achieved a quite satisfactory result in cost control, though more effort would be required to alleviate the strong setback initiated by the volatile economy.

Following the deterioration of external economic situation, the demand for mould base steel relatively declined and its price moved downward persistently, however, the descending rate gradually slowed down recently. The Group, as usual, responding closely to the market change and the steel price fluctuation, suitably regulated its inventory level in reducing its product cost. In addition, the Group adopted a stringent approach to select its customers by evaluating their creditability, thus resulted a low bad debt rate, attributing to a healthy and stable financial position in sustaining its long-term business development.

Resorted to the abundant management experience accumulated throughout the years, the Group still managed to fortify its competitive edge through effective cost control and amelioration of operation management in confronting the financial tsunami crisis. However, as affected by the downturn of global economic condition and the continuous surging of operating cost, the Group's profit in the first half year, as compared with that of last year, experienced a substantial decrease, its performance fell behind expectation.

PROSPECTS

The outburst of financial tsunami has taken place for nearly one year. Despite there are signals showing that in the second half year global economy will revive mildly from its trough, it will still take time for total recovery from its economic downturn. The Group expects that the business environment will still be clouded with uncertainties.

The launch of proactive stimulus measures by the China government, in particular promoting domestic demand as a major economic driver, has produced desirable effects that help local manufacturers to go through their most difficult times. Furthermore, the Group anticipates the export business of China will experience a moderate rebound in the near future. As driven by both domestic demand and export business, the China market will revive gradually. The Group, with its foundation deeply rooted in China for many years, will follow the China recovery pace and finally tide over the present adverse situation.

With a vision to strive for excellence, the Group continues in amplifying its value added machining ability and product precision of its plants in the Southern and Eastern China, with an aim to uplift its product quality and reliability. The Group also persistently meliorates its production processes by discarding low efficient facilities, enlarging its automation ability and lessening the reliance on manual operations in order to enhance production efficiency. Besides, the Group keeps ameliorating its internal management system and emphasizing manpower training. The Group will stick to its core values for on-going improvement in product quality and customer-centered services, with full confidence to secure trust and support from its customers even during the difficult times. Through continuous cost analysis, monitoring and control, the Group endeavors to further diminish its operating cost that in turn will uplift its operation effectiveness as a whole.

As the global economy is still filled with uncertainties, the Group will re-evaluate and set its future development strategy. At the same time, the Group will intently alert the market change in different sales regions. To match with the long-term direction in developing Eastern and Northern China set by the China government, the Group will timely reallocate its resources in reinforcing the related marketing processes and sales channels, ensuring to satisfy customers' needs in these areas.

With the gradual improvement in economic situations, the Group expects that the prices of its import and China mould steels will follow suit to adjust upwards. In views of this, the Group will revise its procurement and inventory strategy in accordance with the market situation, flexibly regulating its inventory level to suit the requirements.

The Group will adopt a positive attitude in facing the tough market environment. By continuously sticking to its core business, core values and service commitment, seeking for on-going improvement in internal management, formulating marketing strategy flexibly and adhering to consistent financial management principle, the Group assures and equips itself with ample capability to capture new business opportunities brought about by the coming economic revival and prepares to attain excellent results.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2009, the Group had a net cash surplus of approximately HK$300 million. The Group had cash balance of approximately HK$352 million. The cash balance was placed in short term deposits with major banks in Hong Kong.

Total debts of the Group were approximately HK$52 million, equal to approximately 3% of equity attributable to owners of the Company of approximately HK$1,857 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2009, the Group employed a total of approximately 7,700 employees, including approximately 7,300 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 HK10 cents per share (2008: HK11 cents per share) in respect of the six months ended 30th June, 2009 to be payable on or around 8th October, 2009 to shareholders whose names appear in the Register of Members on 25th September, 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24th September, 2009 to 25th September, 2009, 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 23rd September, 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 23rd September, 2009 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, 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 7th September, 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.