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, 2010

FINANCIAL HIGHLIGHTS

	Growth
➢ Revenue — approximately HK$1,291 million	25%
➢ Profit attributable to owners of the Company — approximately HK$142 million	38%
➢ Basic earnings per share — HK22.64 cents	37%

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, 2010 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	Six months ended 30th June,	
	2010	2009
	HK$’000	HK$’000
	(unaudited)	(unaudited)
Revenue	**1,290,575**	1,032,238
Other income	**6,422**	27,246
Changes in inventories of finished goods and work in progress	**3,311**	(10,022)
Raw materials and consumables used	**(539,592)**	(476,955)
Employee benefits expenses	**(235,344)**	(174,524)
Depreciation of property, plant and equipment	**(89,191)**	(97,177)
Other expenses	**(226,769)**	(146,862)

	Notes	Six months ended 30th June, 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years		**(445)**	(1,157)
Profit before taxation		**208,967**	152,787
Income tax expense	*4*	**(65,679)**	(50,121)
Profit for the period	*5*	**143,288**	102,666
Other comprehensive income (expense):			
Exchange difference arising on translation of foreign operation		**24,632**	(2,107)
Total comprehensive income for the period		**167,920**	100,559
Profit for the period attributable to:			
Owners of the Company		**141,986**	102,803
Non-controlling interests		**1,302**	(137)
		143,288	102,666
Total comprehensive income for the period attributable to:			
Owners of the Company		**166,840**	100,700
Non-controlling interests		**1,080**	(141)
		167,920	100,559
		HK cents	HK cents
Earnings per share	*7*		
— Basic		**22.64**	16.58
— Diluted		**22.53**	16.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2010

	Notes	**At 30th June, 2010 HK$'000 (unaudited)**	At 31st December, 2009 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**41,400**	41,400
Property, plant and equipment		**682,312**	710,750
Prepaid lease payments — non-current portion		**42,293**	42,308
Deposits paid for acquisition of property, plant and equipment		**24,957**	15,916
Deposits paid relating to leasehold land interests		**5,313**	—
		796,275	810,374
Current assets			
Inventories		**521,967**	426,115
Trade and other receivables	*8*	**606,768**	479,470
Bills receivable	*8*	**30,107**	28,340
Prepaid lease payments — current portion		**1,062**	1,049
Taxation recoverable		**—**	66
Bank balances and cash		**585,068**	629,746
		1,744,972	1,564,786
Current liabilities			
Trade and other payables	*9*	**364,037**	324,711
Bills payable	*9*	**30,276**	36,141
Taxation payable		**34,921**	13,946
Dividend payable		**91**	74
Embedded derivative		**—**	417
Unsecured bank borrowings — due within one year		**46,804**	46,707
		476,129	421,996
Net current assets		**1,268,843**	1,142,790
Total assets less current liabilities		**2,065,118**	1,953,164

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
Non-current liability		
Deferred tax liabilities	**19,698**	19,696
	2,045,420	1,933,468
CAPITAL AND RESERVES		
Share capital	**62,822**	62,274
Reserves	**1,976,528**	1,866,204
Equity attributable to owners of the Company	**2,039,350**	1,928,478
Non-controlling interests	**6,070**	4,990
Total equity	**2,045,420**	1,933,468

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 and certain financial instruments 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 Group's annual financial statements for the year ended 31st December, 2009, except as described below.

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.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "*Business Combinations*" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "*Consolidated and Separate Financial Statements*" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st February, 2010.
3 Effective for annual periods beginning on or after 1st July, 2010.
4 Effective for annual periods beginning on or after 1st January, 2011.
5 Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 "*Financial Instruments*" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company 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 only has one operating segment, based on information reported to the chief operating decision maker (the Group'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 consolidated financial statements as a whole.

The segment result of the Group represents profit after taxation set out in the consolidated statement of comprehensive income.

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Taxation in jurisdictions outside Hong Kong	**65,677**	45,966
Deferred taxation	**2**	4,155
	65,679	50,121

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 average annual tax rate used for the six months ended 30th June, 2010 ranged from 12.5% to 25% (2009: 12.5% to 25%).

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), one of the Company's PRC subsidiaries is entitled to an exemption from PRC income tax for the next two years starting from their first profit-making year, followed by a 50% relief in tax rate for the next three years. 2007 was the first year of tax exemption granted to that subsidiary. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), the relief shall continue and this subsidiary is entitled to a concessionary tax rate of 12.5% for the current period.

Pursuant to an approval by the relevant PRC tax authority, one (2009: one) of the Company's PRC subsidiaries is granted advanced-technology relief from PRC income tax for three years commenced from the year of grant. Under the EIT Law, the subsidiary continues to enjoy the tax relief by enjoying a concessionary tax rate of 22% until the end of 2010.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**867,187**	771,386
Loss on disposal of property, plant and equipment	**4,057**	159
Government grants *(note)*	**(1,277)**	(20,414)
Interest income	**(1,430)**	(1,077)

Note: The amount represents government grants received during the period from the local treasury authority in the PRC as a general support for the Group's contribution in advanced technology development.

6. DIVIDENDS

Interim and special dividends for the current period:

On 20th August, 2010, the Directors determined that an interim dividend of HK13 cents (2009: HK10 cents) per share and a special dividend of HK5 cents per share (2009: Nil) should be paid to the shareholders of the Company whose names appear in the Register of Members on 8th September, 2010.

Dividend recognised as distribution during the period:

During the current period, a dividend of HK11 cents per share amounting to approximately HK$69,043,000 (2009: HK$68,202,000) was declared and paid to the shareholders as final dividend for the year ended 31st December, 2009 (2009: HK11 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,	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**141,986**	102,803

	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**627,214,541**	620,013,303
Effect of diluted potential ordinary shares on the exercise of shares options	**2,942,991**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**630,157,532**	620,013,303

For six months ended 30th June 2009, 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 the period.

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$525,768,000 (31st December, 2009: HK$429,828,000).

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

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
0 to 60 days	**409,678**	353,595
61 to 90 days	**124,546**	86,023
Over 90 days	**21,651**	18,550
	555,875	458,168

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK$116,902,000 (31st December, 2009: HK$101,543,000).

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

	At 30th June, 2010 HK$'000 (unaudited)	At 31st December, 2009 HK$'000 (audited)
0 to 60 days	**93,657**	106,471
61 to 90 days	**25,523**	16,203
Over 90 days	**27,998**	15,010
	147,178	137,684

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2010 was approximately HK$1,291 million (2009: approximately HK$1,032 million). Profit attributable to owners of the Company for the six months ended 30th June, 2010 was approximately HK$142 million (2009: approximately HK$103 million). Basic earnings per share for the six months ended 30th June, 2010 was HK22.64 cents (2009: HK16.58 cents).

Since the outbreak of financial tsunami in September, 2008, the global economy has undergone a difficult adjustment process for over one year. Up till now, the negative impact as imposed by the financial tsunami gradually subsided and the economy in some region began to recover. In this connection, the Group's performance in the first quarter of 2010 has significantly improved, and the momentum carried on throughout the second quarter. As a result, the Group's turnover in the first half year, when compared with that of the same period in 2009, achieved a substantial growth; and the Group's performance gradually resumes the turnover level prior to the financial tsunami.

Economic situation of overseas markets amid Europe and America are gradually recovering, though in a rather slow pace. Overseas customers demand high quality mould products, which is effectively matched by the Group, readily equipped with the production skills and market competitive edge for high precision moulds. On the other hand, as triggered by proactive domestic economic stimulus measures being launched by the Chinese government, the domestic consumer market in China has experienced a substantial growth. At the same time, privately owned enterprises were keen on increasing their export business; consequently there was a satisfactory growth in both domestic and exports trade in China. Moreover, due to the shortage of skilled labor and the upsurge of labor cost, some of our customers in China resort to direct sourcing of quality mould products and parts from the Group; it further expedited the pace of the Group in developing the in-depth machining services for the medium-high end mould industry.

During the period under review, the Group's effort as invested in cost control and uplifting operation efficiency has gained satisfactory return. The Group endeavored to enhance its internal management system in the various plants being located in the Southern and Eastern regions of China, fortifying its market edge and leading position through upgrading of its product quality. Furthermore, the Group advocated excellence and innovative mind; and has achieved higher productivity by discarding obsolete and low efficient equipment, adding high precision machineries, and implementing automation system. At the same time, the Group improved both its efficiency and output value per head by reengineered its production processes, streamlined its manpower structure, as well as strengthened its manpower training system. Thus, it resulted in a raise in production efficiency as a whole.

The price of steel tends to rebound after a period of price reduction; remarkably, the Group has executed persistently its cost monitoring measures, which offers favorable effects. By reducing expenditure on consumable materials, flexible regulation of stock, strict control on purchasing prices etc, the Group managed to lessen its total operating costs. Apart from monitoring cost closely, the Group also appropriately adjusted its product price to alleviate the heavy burden imposed by the ever-increasing operating costs.

During the period under review, owing to its ample management experience and the adoption of effective pragmatic policy, the Group succeeded in gaining satisfactory results; and managed to surf over the financial crisis; and continued to march towards new development.

PROSPECTS

Following the launch of economic stimulus measures by the Chinese government and the co-operative management introduced by European countries and the United States in stabilizing the economy, the global economy is becoming more stable. As a result, the Group achieves encouraging results under the review period, and anticipates such good impetus can be sustained throughout the year.

The Group expects the Chinese government will continue its current economic stimulus measures in boosting domestic economic development. It is foreseen that the continuous economic improvement of China that will drive the revival of global economy back to the level before the occurrence of financial tsunami. On the other hand, due to the increasing global concern on environmental protection, market demand for low-carbon and energy-saving products increases. Manufacturers of automobile, electrical appliances and office equipments etc are keen to develop new products implementing environment protection elements, in response to the need of modern society. In this connection, consumer products integrated with environmental protection concept will emerge as a new market, which may in turn bring new business opportunities to the Group.

In pursuing a long-term development in the China market, the Group will invest in setting up a new plant in Hangzhou city, Zhejiang Province, China. The new plant is situated in a convenient location with is conveniently accessible within 3 hours transport time to more than 80 % of customers dispersed in the Zhejiang and Jiangsu Provinces. It does not only shorten the product delivery time, but also enables the Group to serve its customers more closely by entertaining their needs more effectively. The new investment project further facilitates the business development of the Group in the Southern, Eastern and Northern regions in China that eventually will uplift its production capability and enhance its logistic network, which will in turn strengthen the competitive edge of the Group.

In response to the ever-increasing operating cost and fierce market competitive, the Group continues to strive for higher productivity and product precision. The Group will further enhance its production efficiency and competitiveness by actively ameliorating its production processes, replacing low efficiency equipment, seeking a higher level of automation and reducing the reliance on manpower. Furthermore, the Group will make effort to further alleviate its operating cost and risk, by exercising effective cost analysis and control, in the hope to reduce ineffective expenditure and wastage. Through excelling its internal management, human resources reallocation and manpower training, the Group will build a more effective work team.

Following the gradual improvement in economic situations, the Group expects the prices of steels will gradually adjust upwards. In view of this, the Group will intensely monitor the market situation and steel price changes, and timely regulate its inventory level, with an aim to minimize production cost. Simultaneously, the Group consistently adheres to its prudent financial management principle. Despite the fluctuation of foreign currency, the Group still keeps a relative stable currency policy; and as Renminbi is the dominating trading currency in its business transaction, the Group will maintain an adequate reserve in order to meet various investment and operation needs.

The business-operating environment ahead is not at all predictable. To seek for a continuous and steady growth, the Group will proactively, yet prudently, devise its development strategy, and adopts suitable policy at the right time, in order to preserve its strength for new challenges, and to capitalize new business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2010, the Group had a net cash surplus of approximately HK$538 million. The Group had cash balance of approximately HK$585 million. The cash balance was placed in short term deposits with major banks in Hong Kong and the PRC.

Total debts of the Group were approximately HK$47 million, equal to approximately 2% of equity attributable to owners of the Company of approximately HK$2,039 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2010, the Group employed a total of approximately 7,200 employees, including approximately 6,800 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 AND SPECIAL DIVIDENDS

The Directors have determined an interim dividend of HK13 cents per share (2009: HK10 cents per share) and a special dividend of HK5 cents per share (2009: Nil) in respect of the six months ended 30th June, 2010 to be payable on or around 21st September, 2010 to shareholders whose names appear in the Register of Members on 8th September, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7th September, 2010 to 8th September, 2010, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim and special dividends, 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 6th September, 2010.

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 6th September, 2010 will be entitled to the interim and special dividends.

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, 2010.

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, 20th August, 2010

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.