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, 2012

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, 2012 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2012

		Six months ended 30th June,	
		2012	2011
		HK$'000	HK$'000
	Note	**(unaudited)**	(unaudited)
Revenue		**1,178,975**	1,255,644
Other income		**21,844**	34,146
Changes in inventories of finished goods and work in progress		**(5,124)**	40,733
Raw materials and consumables used		**(541,541)**	(577,591)
Employee benefits expenses		**(241,088)**	(218,292)
Depreciation of property, plant and equipment		**(86,218)**	(79,234)
Other expenses		**(227,529)**	(225,487)
Interest on bank borrowings wholly repayable within five years		**(2,232)**	(1,125)
Profit before taxation		**97,087**	228,794
Income tax expense	*4*	**(24,006)**	(66,526)

	Notes	Six months ended 30th June, **2012** **HK$'000** **(unaudited)**	2011 HK$'000 (unaudited)
Profit for the period	*5*	**73,081**	162,268
Other comprehensive income:			
Exchange difference arising on translation of foreign operation		**(26,358)**	21,955
Total comprehensive income for the period		**46,723**	184,223
Profit for the period attributable to:			
Owners of the Company		**71,524**	160,438
Non-controlling interests		**1,557**	1,830
		73,081	162,268
Total comprehensive income for the period attributable to:			
Owners of the Company		**45,034**	182,339
Non-controlling interests		**1,689**	1,884
		46,723	184,223
		HK cents	HK cents
Earnings per share	*7*		
— Basic		**11.33**	25.46
— Diluted		**11.32**	25.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2012

	Notes	**At 30th June, 2012 HK$'000 (unaudited)**	At 31st December, 2011 HK$'000 (audited and restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**84,500**	84,500
Property, plant and equipment		**1,133,816**	1,091,659
Prepaid lease payments — non-current portion		**99,506**	108,914
Deposits paid for acquisition of property, plant and equipment		**1,333**	1,493
		1,319,155	1,286,566
Current assets			
Inventories		**495,247**	628,230
Trade and other receivables	*8*	**476,911**	511,996
Bills receivable	*8*	**27,848**	38,906
Prepaid lease payments — current portion		**2,284**	2,505
Bank balances and cash		**791,030**	652,739
		1,793,320	1,834,376
Current liabilities			
Trade and other payables	*9*	**372,858**	454,198
Bills payable	*9*	**22,540**	38,022
Taxation payable		**6,109**	694
Dividend payable		**104**	93
Unsecured bank borrowings — due within one year		**369,150**	252,366
		770,761	745,373
Net current assets		**1,022,559**	1,089,003
Total assets less current liabilities		**2,341,714**	2,375,569

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (audited and restated)
Non-current liability		
Deferred tax liabilities	**52,424**	51,048
	2,289,290	2,324,521
CAPITAL AND RESERVES		
Share capital	**63,134**	63,129
Reserves	**2,215,965**	2,252,890
Equity attributable to owners of the Company	**2,279,099**	2,316,019
Non-controlling interests	**10,191**	8,502
Total equity	**2,289,290**	2,324,521

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs")") issued by the HKICPA:

Amendments to HKFRS 7	*Disclosures – Transfers of Financial Assets*
Amendments to HKAS 12	*Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets,* investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$7,889,000 as at 31st December, 2011, with the corresponding adjustment being recognised in retained profits.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above has no effect on the results for the current and preceding interim periods presented in the condensed consolidated statements of comprehensive income.

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, that is, 31st December, 2011, is as follows:

	As at 31/12/2011 (originally stated)	Adjustments	As at 31/12/2011 (restated)
	HK$'000	HK$'000	HK$'000
Deferred tax liabilities	58,937	(7,889)	51,048
Total effect on net assets	2,316,632	7,889	2,324,521
Retained profits, total effects on equity	1,378,784	7,889	1,386,673

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, that is, 1st January, 2011, is as follows:

	As at 01/01/2011 (originally stated) HK$'000	Adjustments HK$'000	As at 01/01/2011 (restated) HK$'000
Deferred tax liabilities	29,620	(4,226)	25,394
Total effect on net assets	2,185,368	4,226	2,189,594
Retained profits, total effects on equity	1,368,547	4,226	1,372,773

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 operating segment for the Group. For information regarding this segment, reference can be made to the condensed consolidated financial statements as a whole.

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

4. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Taxation in Hong Kong	**1,560**	5,255
Taxation in jurisdictions outside Hong Kong	**21,070**	39,802
Deferred taxation	**1,376**	21,469
	24,006	66,526

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

During the period ended 30th June, 2011, one of the Company's PRC subsidiaries was 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 was the first year of tax exemption granted to that subsidiary. Under the EIT Law, the entity was entitled to a concessionary tax rate of 12.5%. The subsidiary was no longer entitled to the relief in tax rate and was subject to a tax rate of 25% since 1st January, 2012.

In addition, during the period ended 30th June, 2011, one of the Company's PRC subsidiaries was entitled to a transitional tax rate of 24%. The subsidiary was no longer entitled to the transitional rate and was subject to a tax rate of 25% since 1st January, 2012.

Taxation in jurisdictions outside Hong Kong and other than the PRC is calculated based on the applicable rates in those jurisdictions.

5. PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories recognised as an expense	**918,973**	871,852
Gross foreign exchange loss	**2,284**	5,644
Gross foreign exchange gain	**(2,117)**	(21,766)
Gain on disposal of property, plant and equipment	**(7,908)**	(6,052)
Gain on disposal of land lease	**(1,091)**	—
Release of prepaid lease payments	**1,216**	1,213
Interest income	**(8,937)**	(8,504)

6. DIVIDENDS

Interim dividend for the current period:

On 28th August, 2012, the Directors determined that an interim dividend of HK6 cents (2011: HK13 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 14th September, 2012.

Dividend recognised as distribution during the period:

During the current period, a final dividend of HK13 cents (2011: a final dividend of HK18 cents and a final special dividend of HK5 cents) per share amounting to approximately HK$82,067,000 (2011: final dividend of HK$113,398,000 and final special dividend of HK$31,499,000) was declared and paid to the shareholders for the year ended 31st December, 2011.

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,	
	2012	2011
	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	**71,524**	160,438

	2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**631,299,940**	630,054,160
Effect of diluted potential ordinary shares on the exercise of shares options	**273,409**	2,447,764
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**631,573,349**	632,501,924

8. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) of approximately HK$411,783,000 (31st December, 2011: HK$420,893,000).

The following is an analysis of trade and bills receivables (net of allowance for doubtful debts) by age, presented based on the invoice date.

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (audited)
0 to 60 days	**324,414**	343,905
61 to 90 days	**76,179**	89,593
Over 90 days	**39,038**	26,301
	439,631	459,799

9. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK$122,032,000 (31st December, 2011: HK$167,230,000).

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

	At 30th June, 2012 HK$'000 (unaudited)	At 31st December, 2011 HK$'000 (audited)
0 to 60 days	**114,077**	125,930
61 to 90 days	**18,144**	41,422
Over 90 days	**12,351**	37,900
	144,572	205,252

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30th June, 2012 was approximately HK$1,179 million (2011: approximately HK$1,256 million). Profit attributable to owners of the Company for the six months ended 30th June, 2012 was approximately HK$72 million (2011: approximately HK$160 million). Basic earnings per share for the six months ended 30th June, 2012 was HK11.33 cents (2011: HK25.46 cents).

During the period under review, the global economy was being clouded by the debt crisis in Europe and the United States. Bounded by the unfavorable external economic environment, the performance of the Group was inevitably affected. As a result, the Group's result worsened substantially, when compared with that of 2011, for the first half of the year.

The negative impact of the debt crisis in Europe and the United States offered no sign to subside. Distinct from the financial crisis being encountered in the past, the adverse effect did not only confine to a particular region; this time, the negative impact of the debt issues in Europe and the United States has been spreading all over the rest of the world. As confused by uncertainties in the market, investors' faith was weaken, investment for the launching of new products were either withdrew or withheld. As hindered by the downturn of market in the Europe and the United States, the export business of China has slowed down noticeably and growth pace has significantly dropped. On the other hand, the Chinese government sought to maintain its economic growth by boosting domestic consumption. However, the tightening of credit control in banks led to a shortage of cash flow in market, which suppressed the desire to consume, causing further slowing down of the consumer market; consequently, both the domestic and export markets showed a downward trend at the same time. The reduction of aggregate orders activated fierce competition within the mould industry, and product prices were being compressed. To maintain its sales turnover and production economic scale, the Group had to appropriately adjust its product prices, in line with the prevailing market condition. Thus, the Group's profit margin was temporarily squeezed.

The Group has been keen on monitoring the growth rate of its operation costs. Yet, as influenced by the unfavorable external factors, operation costs surged continuously in view of price hiking in oil, electricity, and transportation. The cost of labor also increased continuously due to the shortage of skilled technical labor. As a result, the Group's performance in profitability was further impeded.

During the period under review, the Group continued to enhance its production and management system in various plants located both in the Southern and the Eastern regions of China, in order to improve its production effectiveness. The Group successfully merged the production lines and facilities of the factory in Guangzhou, Guangdong Province of China, into the newly established high precision mould base production workshop located in the Heyuan factory, Guangdong Province of China. The new workshop concentrates in producing high precision mould bases for the overseas markets, including Europe, the United States and Japan, aiming to achieve an optimal scale of production and systemic management control. Starting from the third quarter of last year, the workshop gradually uplifted its productivity in order to meet the needs of the high precision mould customers. During the merging period, the workforce and production facilities demanded time and effort to ameliorate; meanwhile, due to the sluggish market situation in Europe and the United States, the related orders had dropped, the performance of high precision mould base was being affected as well. On the other hand, the construction work of the new plant in Hangzhou city, Zhejiang Province, China has progressed in full swing. The new investment project aims to explore the markets in the Eastern and Northern regions in China in the long run; thus, it is not expected to bring favorable return within the near future.

Turning to the mould steel material, the local mould steel price recorded a noticeable decrease as compared to that of last year. However, as the Group usually maintains a certain level of inventory, the fall of steel price would not be reflected instantly in the cost of materials. Whereas for the imported steel, its price remained relatively stable, and the range of fluctuation was relatively small.

In conclusion, as affected by various unfavorable factors, the Group still maintained a stable business operation. Yet, due to the slump in global economic situation and the uprising operation cost, the Group's profit, as compared with that of last year, showed a substantial drop and its performance fell behind expectation.

PROSPECTS

Until now, European countries and the United States have not yet put forward effective measures to deal with their debt issues comprehensively. Further, there is general doubt of whether the effect of the debt crisis has already been bottomed, and whether new debt problems may appear. If the affected countries cannot put forward effective measures to clear up the debt issues, the confidence of investors can hardly be restored, the adverse impact will continue to afflict the global economy, and recovery will never take place within the foreseeable future. Bounded by all the uncertainties, the Group foresees that all business operators will face an unprecedented challenge.

The Group expects the economic performance of European countries and the United States will stay weak, and the export business of China will continuously be hampered. Moreover, there is no significant sign that the Chinese Government will loosen its control on bank's credit policy; thus, investors will hold a conservative attitude towards new investment. As market confidence impairs, consumption market will gradually be constricted, posing an unprecedented crash to all trades and industries. Orders from customers of the Group will continue to fall, the demand for mould base will decrease correspondingly, and market competition will become fierce. Following the law of nature, "survival of the fittest", some of the customers and competitors with poor competitiveness will have to quit the mould industry; only those companies with solid foundation can stand firm. Equipped with strong financial strength, ample management experience, the Group, as the market leader, will maintain its competitive edge and market position, even in an adverse environment. Nevertheless, the Group's performance will be unavoidably affected under this situation. It is believed that, once the Central Government of China put forward new stimulus measures to loosen its monetary policy, market will gradually turn around. The Group has good faith in its ability to follow closely the economic revival pace of China, and to undergo a breakthrough when the time comes. The Group will monitor closely the ever-changing market situation and customer demands, flexibly devise its market strategy and set its long-term development direction, in order to maintain a stable business growth.

The Group will continue to restructure its various plants located both in the Southern and the Eastern regions of China, in order to uplift its product quality and capture the faith and support of customers. Regarding the production in the Heyuan factory, Guangdong Provinces of China, through streamlining its production flow, replacing low efficient machineries, achieving a higher level of automation, reducing reliance on manpower and adopting new production concept, the

Group aims at uplifting its machining ability and enhancing product precision. The newly established precision mould base production workshop will continue to meliorate its production efficiency and will become more sophisticated by the year end. Eventually, production capacity will be uplifted, which will in turn reduce the operation cost, allowing promising business development in the high level machining services, for the medium to high-end quality mould making industries. Regarding the new plant in Hangzhou city, Zhejiang Province of China, it is expected that the operation of the mould steel distribution can be started by the end of 2012; and the production of mould bases will partly commence in the first half year of 2013. Once the construction of the new plant is completed, and the production line begins to run, the Group will further expand its market share in the Eastern and the Northern regions of China.

The operation cost is still expected to follow an upward trend. Owing to the skilled labor serious shortage, labor cost will be unavoidably increased. Thanks to the continuous effort in the past years, the Group basically manages to control the growth rate of its labor cost. In response to the increasing price of energy and transportation cost which will in turn pushing up the operation cost, the Group exerts great effort in advocating "green production", which integrates the concept of both environment protection and energy saving. Moreover, the Group promotes effective resources utilization and waste reduction, seeking to lower its operating cost and to uplift operating effectiveness. In addition, the Group has always been putting great emphasis on its credit risk management, attributing to a healthy and stable financial position, which will not be shaken under the fluctuating economic situation.

Due to the slowing down of global economy, the Group expects that the cost of both imported and local mould steel will be adjusted downward, but tends to be stable gradually. The Group will cautiously regulate its inventory level, in response to the ever-changing steel market, in order to lower its material cost.

Facing the difficult and complicated market situation, the Group will continue to uphold its positive attitude and principle, to seek for long-term and stable business growth. The Group will adopt flexible, yet stable business development strategies, to adapt to the ever-changing market environment, with an aim to overcome the depression skillfully, and to capture the new opportunity eventually.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2012, the Group had a net cash surplus of approximately HK$422 million. The Group had cash balance of approximately HK$791 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$369 million, equal to approximately 16% of equity attributable to owners of the Company of approximately HK$2,279 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2012, the Group employed a total of approximately 5,800 employees, including approximately 5,400 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 HK6 cents per share (2011: HK13 cents per share) in respect of the six months ended 30th June, 2012 to be payable on or around 27th September, 2012 to shareholders whose names appear in the Register of Members on 14th September, 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 13th September, 2012 to 14th September, 2012, 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 12th September, 2012.

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 12th September, 2012 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, 2012.

CORPORATE GOVERNANCE

The Company has complied with all code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1st April, 2012) throughout the review period.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 28th August, 2012

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; and the independent non-executive directors of the Company are Mr. Liu Wing Ting, Stephen, Dr. Lee Tat Yee and Mr. Lee Joo Hai.