



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

POSSIBLE DISCLOSEABLE AND CONNECTED TRANSACTION Offer to acquire all the ordinary shares in Lung Kee Metal Holdings Limited (listed on the Singapore Exchange Securities Trading Limited)

The directors of Lung Kee (Bermuda) Holdings Limited (the "Company") made an announcement dated 14th May 2002 and 4th June 2002 respectively in relation to the possible discloseable and connected transaction. The purpose of this announcement is to summarise the financial effects of the Offer (as defined below) in relation to earnings, net tangible assets and gearing of the Company and its subsidiaries (the "Group") together with the unaudited proforma consolidated financial statements of the Company based on the unaudited consolidated results of the Company which was announced on 11th June 2002.

INTRODUCTION

On 14th May 2002, the directors of the Company made an announcement on the possible discloseable and connected transaction where the Company's wholly-owned subsidiary, Yeekon Limited ("Yeekon") intends to make a voluntary conditional offer (the "Offer") to acquire all the ordinary shares of Lung Kee Metal Holdings Limited ("LKM"). Details of the Offer has been set out in the announcement.

On 4th June 2002, the directors of the Company made a further announcement which summarised the financial effects of the Offer in relation to earnings, net tangible assets and gearing of the Group together with the proforma consolidated financial statements of the Company based on the audited consolidated results of the Company for the financial year ended 31st March 2001.

Following the announcement made by the Company on 11th June 2002 in relation to the unaudited consolidated results of the Company for the financial year ended 31st March 2002, the directors of the Company wish to make this announcement to summarise the financial effects of the Offer in relation to earnings, net tangible assets and gearing of the Group together with the unaudited proforma consolidated financial statements of the Company based on the unaudited consolidated results of the Company for the financial year ended 31st March 2002.

FINANCIAL EFFECTS OF THE OFFER

The financial effects of the Offer in relation to earnings, net tangible assets and gearing of the Group are set out below.

(i) Earnings per Share

The effects of the Offer on the earnings per ordinary share of the Company for the financial year ended 31st March 2002 are as follows:

	Unaudited Before the Offer	After the Offer (note)	
		Alternative 1	Alternative 2
Profit after tax and minority interests but before extraordinary items (HK\$'000)	71,985	72,572	67,418
Weighted average number of issued ordinary shares ('000)	483,086	540,367	483,086
Earnings per share (HK\$)	0.15	0.13	0.14

The reasons for the change in the net profit and the earnings per share after the Offer are due mainly to:

- an additional 24.6% share of the results of LKM and its subsidiaries (the "LKM Group");
- amortisation of the goodwill arising from the acquisition of an additional 24.6% interest in LKM; and
- the issue of new shares of the Company under Alternative 1.

(ii) Net Tangible Assets ("NTA")

The effects of the Offer on the NTA per ordinary share of the Company for the financial year ended 31st March 2002 are as follows:

	Unaudited Before the Offer	After the Offer (note)	
		Alternative 1	Alternative 2
NTA (HK\$'000)	691,737	709,673	622,189
Number of issued ordinary shares of the Company ('000)	483,952	541,233	483,952
NTA per share (HK\$)	1.43	1.31	1.29

The reason for the decrease in NTA per share after the Offer under Alternative 1 is due to the increase in the issued share capital of the Company pursuant to the issue of new shares of the Company. The reason for the decrease in NTA and NTA per share under Alternative 2 after the Offer is due mainly to the goodwill arising from the acquisition of an additional 24.6% interest in LKM, which is deducted in computing the NTA and NTA per share.

(iii) Gross and Net Gearing

The effects of the Offer on the gross and net gearing ratios of the Group as at 31st March 2002 are as follows:

	Unaudited Before the Offer	After the Offer (note)	
		Alternative 1	Alternative 2
Total borrowings (HK\$'000)	373,473	513,578	597,731
Net borrowings (HK\$'000)	Nil	146,334	233,818
Shareholders' funds (HK\$'000)	700,752	763,142	676,077
Gross gearing ratio (no. of times)	0.53	0.67	0.88
Net gearing ratio (no. of times)	Nil	0.19	0.35

"Total borrowings" include all bank borrowings, obligations under finance leases and bills payable of the Group. "Net borrowings" is arrived at after deducting cash and cash equivalents from "total borrowings". "Shareholders' funds" include share capital and reserves. "Gross gearing ratio" is derived based on the total borrowings divided by shareholders' funds. "Net gearing ratio" is derived based on net borrowings divided by shareholders' funds.

The net borrowings and net gearing ratio are nil before the Offer as the Group is in a positive net cash position.

The increase in total borrowings, net borrowings, gross and net gearing ratios after the Offer is due mainly to the increase in bank borrowings to finance the cash consideration for the Offer.

Note: Alternative 1 assumes all the shareholders of LKM elect the Share cum Cash Offer (except for those who have given the irrevocable undertakings) and Alternative 2 assumes all the shareholders of LKM elect Cash Alternative.

UNAUDITED PROFORMA CONSOLIDATED INCOME STATEMENT

The unaudited proforma consolidated income statement for the financial year ended 31st March 2002 is set out below:

	Unaudited Before the Offer	Alternative 1 After the Offer	Alternative 2 After the Offer
(HK\$'000)			
Turnover	928,886	928,886	928,886
Profit before taxation	104,305	84,786	79,632
Taxation	(10,351)	(10,351)	(10,351)
Profit after taxation	93,954	74,435	69,281
Minority interests	(21,969)	(1,863)	(1,863)
Net profit for the year	71,985	72,572	67,418
Earnings per share			
— basic (HK\$)	0.15	0.13	0.14
— diluted (HK\$)	0.15	0.13	0.14

UNAUDITED PROFORMA CONSOLIDATED BALANCE SHEET

The unaudited proforma consolidated balance sheet as at 31st March 2002 is set out below:

	Unaudited Before the Offer	Alternative 1 After the Offer	Alternative 2 After the Offer
(HK\$'000)			
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	27,765	27,765	27,765
Property, plant and equipment	405,481	405,481	405,481
Goodwill	9,196	53,650	54,069
Negative Goodwill	(181)	(181)	(181)
	442,261	486,715	487,134
Current assets	1,034,925	1,024,800	1,021,469
Less: Current liabilities	584,414	584,414	584,414
	450,511	440,386	437,055
Less: Non-current liabilities			
Obligations under finance leases	134	134	134
Bank borrowings — due after one year	—	140,106	224,259
Deferred taxation	2,595	2,595	2,595
	2,729	142,835	226,988
Minority interests	189,291	21,124	21,124
	700,752	763,142	676,077
CAPITAL AND RESERVES			
Share capital	48,395	54,123	48,395
Reserves	652,357	709,019	627,682
	700,752	763,142	676,077

BASIS OF PREPARATION OF THE UNAUDITED PROFORMA CONSOLIDATED FINANCIAL STATEMENTS

The above unaudited proforma consolidated financial statements are for illustrative purposes only and do not reflect the actual future financial situation of the enlarged Group after the Offer. They have been prepared on the following key assumptions and bases:-

- based on the respective unaudited financial statements of the Group and the LKM Group for the financial year ended 31st March 2002;
- all the option holders would accept the options proposal;
- Alternative 1 assumes that all the shareholders of LKM elect the Shares cum Cash Offer (save for those who have given their irrevocable undertakings) and the Company issues 57,280,500 new shares at an issue price of HK\$1.46 for each new share;
- assume the 57,280,500 new shares of the Company are issued at the beginning of the financial year and are also entitled to the dividend declared for the financial year ended 31st March 2002;
- Alternative 2 assumes that all the shareholders of LKM elect the Cash Alternative;
- assume that all cash consideration will be financed by bank borrowings at an interest rate of 6% per annum;
- goodwill arising from the transaction will be amortised on a straight line basis to the income statement over a period of five years; and
- all interest arising from the bank loan will be fully paid at the end of each financial year.

GENERAL

As the Offer may or may not become unconditional, investors should exercise caution when dealing in the shares of the Company.

By Order of the Board of
Lung Kee (Bermuda) Holdings Limited
Wai Lung Shing
Director and Company Secretary

Hong Kong, 14th June 2002