



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: <http://www.irasia.com/listco/hk/lkm>

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2001

FINANCIAL HIGHLIGHTS			
			growth
•	Turnover — HK\$985,834,000		10.82%
•	Profit attributable to shareholders — HK\$129,606,000		17.82%
•	Earnings per share — 26.94 cents		16.78%

RESULTS

The Directors of Lung Kee (Bermuda) Holdings Limited (the "Company") have pleasure in submitting the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2001 together with comparative figures for the year ended 31st March, 2000 as follows:

	NOTES	2001 HK\$'000	2000 HK\$'000
Turnover		985,834	889,542
Other revenue		11,357	6,032
Changes in inventories of finished goods and work in progress		13,501	10,842
Raw materials and consumables used		(467,509)	(429,281)
Staff costs		(144,828)	(125,483)
Depreciation and amortisation		(72,097)	(69,718)
Other operating expenses		(134,117)	(109,320)
Profit from operations		192,141	172,614
Finance costs		(15,870)	(6,793)
Bank interest income		17,989	5,628
Loss on deemed disposal of a subsidiary		(1,902)	(2,381)
Share of result of a jointly controlled entity		—	168
Profit before tax		192,358	169,236
Taxation	1	(30,289)	(27,122)
Profit after tax		162,069	142,114
Minority interests		(32,463)	(32,109)
Profit attributable to shareholders		129,606	110,005
Dividends	2	72,219	61,534
Earnings per share			
— Basis	3	26.94 cents	23.07 cents
— Diluted	3	26.72 cents	22.71 cents

NOTES:

(1) TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	18,477	19,708
Taxation in jurisdictions outside Hong Kong	13,478	12,127
	31,955	31,835
Deferred taxation	(1,666)	(4,713)
	30,289	27,122

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates.

(2) DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim dividend of 6 cents (2000: 4.8 cents after adjusting for the Bonus Share Issue) per share paid to the Company's shareholders	28,899	23,065
Proposed final dividend of 9 cents (2000: 8 cents after adjusting for the Bonus Share Issue) per share payable to the Company's shareholders	43,320	38,469
	72,219	61,534

(3) EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of HK\$129,605,505 (2000: HK\$110,004,670) and on the weighted average of 481,059,261 shares (2000: 476,786,531 shares after adjusting for the Bonus Share Issue) in issue during the year.

The calculation of diluted earnings per share is based on the adjusted profit for the year of HK\$129,249,255 (2000: HK\$108,999,670) and on the weighted average of 483,661,094 shares (2000: 479,939,366 shares after adjusting for the Bonus Share Issue) in issue for the purposes of diluted earnings per share during the year.

FINAL DIVIDEND

The Directors have resolved to recommend to shareholders at the forthcoming 2001 Annual General Meeting the payment of a final dividend of 9 cents per share for the year ended 31st March, 2001 to shareholders whose names appear on the Register of Members on 9th August, 2001. Subject to the approval by shareholders at the forthcoming 2001 Annual General Meeting, the proposed final dividend will be despatched to shareholders on or about 15th August, 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group continued to focus on the manufacture and sale of mould bases and trading of special mould steel and related products.

The Group's turnover in 2001 was approximately HK\$986 million, which represented an increase of 10.82% when compared with approximately HK\$890 million in 2000. Profit attributable to shareholders in 2001 was about HK\$130 million, which represented an increase of 17.82% compared with approximately HK\$110 million in 2000. Earnings per share was 26.94 cents, which represented an increase of 16.78% when compared with 23.07 cents in 2000.

Business Review

Affected by external economic factors as a whole, the European and US economies have gradually slowed down while the Asia Pacific economies have been under pressure. This has also restricted the growth of turnover and profit of the Group.

Production capacities of the Group's plants in China have maintained a certain degree of growth in line with the overall development of the Group. Production lines of standard mould bases of the plant in Heyuan have got onto the right track and are now producing medium size non-standard mould bases with part of its capacity, but production flow, use of techniques, staff training and so on are pending coordination, its operation is expected to become mature by the end of this year. The Dongguan plant continued to produce high quality tailor-made mould bases and also act as the support centre of the Group in China, playing an important role in resources deployment and coordination, which enables a more smooth and standardized operations of the Group in China. The plant in Guangzhou mainly produces high quality mould bases for export and the number of clients is on the rise. The Group is also purchasing additional facilities and improving techniques to meet the market demand in Europe and the USA. Thanks to the increase of foreign investments in eastern China, turnover of the plant in Shanghai continued to increase, contributing a stable income to the Group.

The Group's oversea markets also registered a steady growth. Owing to its strengths of "Quick Delivery and High Quality", the Lung Kee LKM has become a favourite brand in the Japanese market and has been growing steadily in terms of sales volume in Japan. As to the operations in Singapore and Malaysia, they have kept up with their last year's figures and have made a contribution to the Group, though economies in Southeast Asia remain weak.

Following the diversification of products and introduction of value-added services, sales of mould steel products continued to increase, contributing a stable income to the Group.

Prospects

The operation of the second phase of our Heyuan plant in China will fully mature by the end of this year that further enhances the Group's overall productivity. It is expected that the business of mould base exports in Guangzhou will grow continuously, and therefore in respect of the increasing orders for exports, the Group has purchased more land for further development of the second phase of our plant.

As China joining the WTO becomes imminent, the Group has formulated extensive strategic plans including enhancing product qualities, providing best-quality customer service, ameliorating with techniques to strengthen production efficiency, and training for professionals, so as to meet clients' needs and capitalize on the market opportunities in the mainland. In pace with the reform and opening up of domestic enterprises in the mainland, it is expected that there will be a larger room for development in the mould base industry in China while market competition will become keen gradually. Adhering to the principles of pragmatism and steady growth, the Group strives to enhance competitiveness with its own strength and to face every challenge positively for the continuous growth in business.

On-line trading has been initiated and well received as customer enquiries have come from different regions. The Group will secure its global reputation with Internet application to develop new business initiatives.

The Group is acquiring a Taiwan-based mould base company in the notion of leveraging on the Taiwanese market to market Lung Kee branded products directly. This initiative is set to perfect our marketing network in Asia.

In addition, the Group will strengthen its horizontal development by continuing to develop spare parts of mould bases and promote spare parts of high quality mould bases and hot runner mould system throughout Europe and the USA.

As to the sales of mould steel, the Group will introduce more international standard products, such as some quality steel types from the USA and France, with a view to diversifying and fine tuning our mould steel product and thus further strengthening our sales and development of mould steel.

Looking ahead, the growth of Europe and US economies may remain slow while demands for products from Asia will grow. Meanwhile, the Board anticipates that competition in local markets will become more intense and the Group is set to face extraordinary challenges. In light of that, the Board will stick to its cautious attitude and principle, as always, to strengthen our foundation and enhance our competitiveness, thereby ensuring the momentum of our future business.

Liquidity and Capital Resources

As at 31st March, 2001, the Group had a net cash surplus of approximately HK\$79 million, compared with approximately HK\$52 million in 2000. Most of the cash balance was placed in HKD and USD short term deposits with major banks in Hong Kong.

The Group adopted conservative measures to hedge any exchange fluctuation and incurred approximately HK\$1.5 million losses on foreign exchange during the year.

As at 31st March, 2001, the Group had capital commitments of approximately HK\$7.7 million in respect of the acquisition of property, plant and equipment, which are financed by internal resources.

Gearing Ratio

Total debts were approximately HK\$295 million, equal to approximately 46% of shareholders' funds of approximately HK\$642 million.

Contingent Liabilities

The Company gave guarantees of HK\$138 million to financial institutions in respect of banking facilities granted to subsidiaries.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd August, 2001 to 9th August, 2001, 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 Form must be lodged with the Hong Kong Branch Registrars of the Company, Central Registration Hong Kong Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 2nd August, 2001.

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.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange will be subsequently published on the website of the Stock Exchange in due course.

By Order of the Board
Siu Tit Lung
Chairman

Hong Kong, 22nd June, 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2001 Annual General Meeting of shareholders of the Company will be held at Mandarin Oriental Hotel, 10th Floor, Ivy Room, 5 Connaught Road Central, Hong Kong on 9th August, 2001 at 3:30 p.m. for the following purposes:

- To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st March, 2001.
- To approve and declare a final dividend for the year ended 31st March, 2001.
- To determine a maximum number of Directors for the time being, re-elect and appoint Directors and authorise the Board of Directors to fix the remuneration of Directors and appoint additional Directors.
- To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
- To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution.

"THAT:

- subject to paragraph (C) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- the approval in paragraph (A) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital to be allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) above, otherwise than pursuant to (i) a Right Issue (as hereinafter defined), or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
 - the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Right Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized body or any stock exchange in any territory applicable to the Company)."

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution.

"THAT:

- subject to paragraph (B) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other exchange on which

the shares in the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- the aggregate nominal amount of shares in the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or The Companies Act 1981 of Bermuda (as amended) or any other applicable law of Bermuda to be held; or
 - the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution.

"THAT subject to the passing of Resolution No 6 set out in the notice convening this meeting, the general unconditional mandate granted to the Directors of the Company to exercise the powers of the Company to allot shares referred to in Resolution No 5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No 6 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution."

By Order of the Board
Wai Lung Shing
Company Secretary

Hong Kong, 22nd June, 2001

Notes:

- A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the head office of the Company at 1st Floor, Cheung Kong Electronic Building, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- The Register of Members of the Company will be closed from 3rd August, 2001 to 9th August, 2001, both days inclusive during which period no share transfer will be effected.
- In order to qualify for the proposed dividends, all share certificates accompanied by the completed transfer forms either overleaf or separate or Standard Transfer Form, must be lodged with the Hong Kong Branch Registrars of the Company, Central Registration Hong Kong Limited of 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 2nd August, 2001.