



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, 2002

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, 2002 together with comparative figures for the year ended 31st March, 2001 as follows:

		2002 HK\$'000	2001 HK\$'000
Turnover		928,886	985,834
Other income	2	16,165	11,357
Changes in inventories of finished goods and work in progress		2,979	13,501
Raw materials and consumables used		(419,837)	(467,509)
Staff costs		(155,219)	(144,828)
Depreciation and amortisation		(85,601)	(72,097)
Other operating expenses		(170,574)	(133,399)
Deficit on revaluation of investment properties		(8,010)	(718)
Profit from operations	3	108,789	192,141
Finance costs	4	(21,576)	(15,869)
Interest income		17,176	17,989
Loss on deemed disposal of a subsidiary		(84)	(1,903)
Profit before taxation		104,305	192,358
Taxation	5	(10,351)	(30,289)
Profit after taxation		93,954	162,069
Minority interests		(21,969)	(32,463)
Net profit for the year		71,985	129,606
Dividends	6		
Interim dividend of HK3 cents per share (2001: HK6 cents) paid		14,519	28,899
Final dividend of HK5 cents per share (2001: HK9 cents) proposed		24,197	43,320
Earnings per share			
— Basic	7	14.90 cents	26.94 cents
— Diluted	7	14.85 cents	26.72 cents

1. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs described above has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

- Dividends proposed or declared after the balance sheet date**
In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits as at 1st April, 2000 by HK\$38,469,000 and as at 1st April, 2001 by HK\$43,320,000 respectively.
- Leases**
SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior periods and, accordingly, no prior year adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative disclosures have been restated in order to achieve a consistent presentation.
- Segment reporting**
In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.
- Goodwill**
In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year, and is analysed as follows:

By business segments

For management purposes, the Group is currently organised into two operating divisions — manufacture of mould base and trading of metal and parts. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Mould base	—	Manufacture of mould base
Metal and parts	—	Trading of metal and parts

Segmental information about these businesses is presented below.

	2002	Mould Base HK\$'000	Metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER					
External sales		781,536	147,350	—	928,886
Inter-segment sales		19,764	68,953	(88,717)	—
		801,300	216,303	(88,717)	928,886
RESULTS					
Segment results		78,805	21,829	—	100,634
Deficit on revaluation of investment properties					(8,010)
Unallocated corporate income					16,165
PROFIT FROM OPERATIONS					108,789

	2001	Mould Base HK\$'000	Metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER					
External sales		744,554	241,280	—	985,834
Inter-segment sales		14,891	48,495	(63,386)	—
		759,445	289,775	(63,386)	985,834

RESULTS					
Segment results		130,664	53,355	—	184,019
Unallocated corporate income					11,357
Unallocated corporate expenses					(2,517)
Deficit on revaluation of investment properties					(718)

PROFIT FROM OPERATIONS 192,141

By geographical segments

The Group operates in the following geographical market segments — People's Republic of China including Hong Kong and other countries.

The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
People's Republic of China including Hong Kong	727,704	811,536	82,624	156,430
Other countries	201,182	174,298	26,165	35,711
	928,886	985,834	108,789	192,141

	2002 HK\$'000	2001 HK\$'000
PROFIT FROM OPERATIONS		
Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill	2,027	—
Depreciation and amortisation of fixed assets	83,574	72,097
Auditors' remuneration	2,407	2,359
Exchange loss	1,977	1,487
Allowance for bad and doubtful debts	7,234	6,848
Operating lease rental expenses	4,061	2,839
Release of negative goodwill	(91)	—
Rental income from investment properties, net of outgoings of approximately HK\$19,000 (2001: HK\$16,000)	(418)	(351)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$321,000 (2001: HK\$1,713,000)	5,546	3,508
	108,789	192,141

	2002 HK\$'000	2001 HK\$'000
FINANCE COSTS		
Arrangement fee for raising of bank loans	1,983	3,178
Interest on bank borrowings wholly repayable within five years	19,469	12,441
Interest on obligations under finance leases	124	250
	21,576	15,869

	2002 HK\$'000	2001 HK\$'000
TAXATION		
The charge (credit) comprises:		
Hong Kong Profits Tax	8,615	18,749
— current year	(3,544)	(272)
— overprovision in prior year	5,071	18,477
Taxation in jurisdictions outside Hong Kong	3,452	13,478
— current year	(397)	—
— overprovision in prior year	3,055	13,478
Deferred taxation	2,225	(1,666)
	10,351	30,289

	2002 HK\$'000	2001 HK\$'000
DEFIDENDS		
Interim dividend of HK3 cents (2001: HK6 cents) per share paid to the Company's shareholders	14,519	28,899
Proposed final dividend of HK5 cents (2001: HK9 cents) per share payable to the Company's shareholders	24,197	43,320
	38,716	72,219

	2002 HK\$'000	2001 HK\$'000
EARNINGS PER SHARE		
The calculation of the basic and diluted earnings per share is based on the following data:		
Earnings		
Earnings for the purpose of basic earnings per share	71,985	129,606
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of the group headed by Lung Kee Metal Holdings Limited ("LKM") based on dilution of their earnings per share	(75)	(356)
Earnings for the purpose of diluted earnings per share	71,910	129,250

	2002 HK\$'000	2001 HK\$'000
POST BALANCE SHEET EVENTS		
Weighted average number of ordinary shares for the purpose of basic earnings per share	483,086	481,059
Effect of dilutive potential ordinary shares on exercise of options of the Company	1,130	2,602
Weighted average number of ordinary shares for the purpose of diluted earnings per share	484,216	483,661

Pursuant to the satisfaction of a conditional offer made in May 2002, Yeelon Limited, a wholly-owned subsidiary of the Company which was acquired after 31st March, 2002, intends to make a voluntary conditional offer to acquire all the LKM shares. Details of the offer are set out in a press announcement made by the Company dated 4th June, 2002.

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for both years.

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

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Effect of dilutive potential ordinary shares:

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Earnings for the purpose of diluted earnings per share

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