



# LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 255)

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

## FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2004

FINANCIAL HIGHLIGHTS		growth
• Turnover — approximately HK\$1,600 million		32%
• Profit attributable to shareholders — approximately HK\$220 million		40%
• Earnings per share — HK\$35.81 cents		39%

### RESULTS

The directors (the “Directors”) of Lung Kee (Bermuda) Holdings Limited (the “Company”) have pleasure in submitting the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2004 together with comparative figures for the year ended 31st December, 2003 as follows:

	NOTES	2004 HK\$'000	2003 HK\$'000
Turnover	1	1,599,505	1,209,613
Other operating income		57,964	42,654
Changes in inventories of finished goods and work in progress		15,909	9,183
Raw materials and consumables used		(785,265)	(530,489)
Staff costs		(249,415)	(206,227)
Depreciation and amortisation of property, plant and equipment		(84,430)	(80,931)
Amortisation of goodwill		(21,015)	(21,720)
Amortisation of patents and trademarks		(666)	(278)
Other operating expenses		(249,904)	(206,370)
Surplus (deficit) arising on revaluation of investment properties		4,900	(950)
Profit from operations	2	287,583	214,485
Finance costs	3	(19,290)	(29,084)
Gain on disposal of subsidiaries		—	2,048
Gain on partial disposal of a subsidiary		399	—
Profit before taxation		268,692	187,449
Taxation	4	(43,702)	(27,870)
Profit after taxation		224,990	159,579
Minority interests		(4,877)	(2,324)
Net profit for the year		220,113	157,255
Earnings per share			
— Basic	6	35.81 cents	25.75 cents
— Diluted	6	35.79 cents	25.68 cents

Notes:

#### 1. 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.

Segmental information about these businesses is presented below.

##### For the year ended 31st December, 2004

	Manufacture of mould base HK\$'000	Trading of metal and parts HK\$'000	Total HK\$'000
<b>TURNOVER</b>			
External sales	1,429,038	170,467	1,599,505
<b>RESULTS</b>			
Segment results	197,861	26,858	224,719
Surplus arising on revaluation of investment properties			4,900
Unallocated corporate income			57,964
<b>PROFIT FROM OPERATIONS</b>			287,583

##### For the year ended 31st December, 2003

	Manufacture of mould base HK\$'000	Trading of metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>TURNOVER</b>				
External sales	1,064,604	145,009	—	1,209,613
Inter-segment sales	25,191	140,596	(165,787)	—
	1,089,795	285,605	(165,787)	1,209,613

Inter-segment sales are charged at prevailing market rates.

	2004 HK\$'000	2003 HK\$'000
<b>RESULTS</b>		
Segment results	154,783	17,998
Deficit arising on revaluation of investment properties		(950)
Unallocated corporate income		42,654
<b>PROFIT FROM OPERATIONS</b>		214,485

##### 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:

	Turnover	
	2004 HK\$'000	2003 HK\$'000
People's Republic of China including Hong Kong	1,304,745	957,907
Other countries	294,760	251,706
	1,599,505	1,209,613

#### 2. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
<b>Profit from operations has been arrived at after charging:</b>		
Allowance for bad and doubtful debts	7,643	8,450
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$255,000 (2003: approximately HK\$1,586,000)	6,362	5,638

#### 3. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Arrangement fee for bank loans	356	3,776
Interest on		
— bank borrowings wholly repayable within five years	16,809	22,425
— obligations under finance leases	1	6
— floating rate notes	2,124	2,877
	19,290	29,084

#### 4. TAXATION

	2004 HK\$'000	2003 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— current year	238	169
— under (over) provision in prior year	17	(1,349)
	255	(1,180)
Taxation in jurisdictions outside Hong Kong		
— current year	42,798	29,894
— underprovision in prior year	649	57
	43,447	29,951
Deferred taxation	—	(901)
	43,702	27,870

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both year.

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

#### 5. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend of HK8 cents per share (2003: HK5.6 cents per share after adjusting for bonus share issue in 2004) was paid to the Company's shareholders	49,130	34,391
Proposed final dividend of HK10 cents per share (2003: HK8 cents per share after adjusting for bonus share issue in 2004) payable to the Company's shareholders	61,928	49,130
	111,058	83,521

#### 6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Profit attributable to shareholders (HK\$'000)	220,113	157,255
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	614,584,024	610,813,509
Effect of dilutive potential ordinary shares on exercise of share options of the Company	467,577	1,591,252
Weighted average number of ordinary shares for the purpose of diluted earnings per share	615,051,601	612,404,761

The weighted average number of ordinary shares for the year ended 31st December, 2003 for the purpose of basic earnings per share has been adjusted for the bonus share issue on 3rd May, 2004.

### MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31st December, 2004, 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 the year ended 31st December, 2004 was approximately HK\$1,600 million (2003: approximately HK\$1,210 million). Profit attributable to shareholders in the year ended 31st December, 2004 was approximately HK\$220 million (2003: approximately HK\$157 million). Earnings per share in the year ended 31st December, 2004 was HK\$35.81 cents (2003: HK\$25.75 cents after adjusting for bonus share issue in 2004).

During the year of 2004, the Group recorded substantial growth in business performance.

Throughout the year as reviewed, continuous growth has been registered in the Group's business in China. Robust demand of plastic products in the China market triggered off the rapid development in manufacturing industries and the prominent growth of automobile parts manufacturing industry in China, contributed to the fruitful business performance of the Group. Regarding the cost of raw materials, the price of mould steel has been kept relatively stable during the year. As benefited from the economy of scale, the Group was able to control its total costs effectively, boosting both the figure of turnover and profit to a new height.

#### Mould Base Manufacturing and Marketing

All plants in China had achieved favorable returns.

New workshops of the Heyuan plant in China had been consecutively completed. Through continuous efforts in consolidating of internal resources as well as reengineering of production processes, part of the production previously conducted in Dongguan, China had been successfully merged into the Heyuan plant, China. As a result, the manufacturing processes are better coordinated, and the scale of production increased; thus, further reinforcing productivity of the Group.

The Guangzhou plant in China, in response to an upward demand in high precision mould bases, had enlarged its production capacity to grasp the business opportunity in both overseas and local markets.

Turning to the Dongguan plant in China, it continues to develop its mould components business and related high value-added services including vacuum heat treatment, mould repair-welding services and Physical Vapor Deposition (PVD) coating services etc., not only enhancing its comprehensiveness in business scope, but also providing a reliable source of income to the Group.

The second phase expansion of the Shanghai plant in Eastern China was in full operation, rendering significant growth in business. The new plant located in Taizhou, Zhejiang Province in China had started preliminary production with satisfactory results, obtaining favorable response and general support from local customers.

Overseas operations maintained a stable development. With the recovery of domestic market in Japan, the Group's business in Japan achieved satisfactory growth. Following the upturn of economic development of the South East Asian countries, the Malaysia and the Singapore operations showed a modest growth in business. The sales performance of the Taiwan plant has been gradually improved, offering a healthy return to the Group.

The unstable electricity supply throughout the China region has insignificant impact on the Group's operation. Electricity supply to plants in Southern China remained quite stable, and their operations had not been affected. Though electricity supply in the Eastern region of China was quite unstable, our plants are equipped with in-house power generators, securing the stability of its operations. Further, the shortage in water supply and manpower supply did not pose any threat to the Group's operation in China.

To fuel the long-term market development, the Group has actively extended its distribution network. Currently fifteen direct sales outlets and offices had been set up in the Guangdong Province and the Eastern Region of China, providing high quality direct services to the privately owned enterprises within the regions. With such channel strategy, the Group has succeeded in acquiring a substantial number of new customers, thus widening the customer base of the Group.

#### Trading of Mould Steel

As influenced by the depreciation of US dollars and the fluctuation in the cost of alloy materials, the price of imported quality mould steel had surged upward. However, in views of the adoption of state-of-the-art production facilities and technology by mould steel production plants in China, the Group had already increased its procurement on quality mould steels from China. Meanwhile, effort has been made in developing and marketing a competitive series of quality mould steel from China. As a result, the mould steel business also achieved steady growth.

#### Liquidity and Capital Resources

As at 31st December, 2004, the Group had a net cash deficit of approximately HK\$201 million. The Group had cash balance of approximately HK\$442 million. Most of the cash balance was placed in USD short term deposits with major banks in Hong Kong.

The Group adopted conservative measures to hedge any exchange fluctuation and incurred approximately HK\$5 million losses on foreign exchange during the year ended 31st December, 2004.

The Group continues to incur capital expenditure for the plant expansion and factory construction, which is financed by internal resources.

#### Gearing Ratio

Total debts were approximately HK\$643 million, equal to approximately 65% of shareholders' funds of approximately HK\$992 million.

#### Employees and Remuneration Policies

As at 31st December, 2004, the Group employed a total of approximately 7,600 employees, including approximately 7,300 employees in its PRC production sites and approximately 300 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.

#### Contingent Liabilities

The Company gave guarantees of approximately HK\$1,195 million to financial institutions in respect of banking facilities granted to its subsidiaries.

#### PROSPECTS

The Group has full confidence on its future business development in China due to the political stability and domestic economic boom in China. The market is stimulated as well by the continuous launch of mould and die production plants within China territory by the Japanese, Taiwanese and Singaporean enterprises, more and more European manufacturers are out-sourcing quality mould products from China. Further, the development of automobile parts manufacturing industry has been accelerated. It is expected that the mould industry in China will enjoy sustained growth in future years. The Group, being the leader of the mould base industry with ample market experience, with sophisticated professional staff and the most cost effective production plants and facilities, the Group will take advantage of the economic development of China and will reach a new height in its business.

The Board of Directors of the Group is optimistic to its future development and expects a continuous growth in its sales turnover in the year of 2005. To grasp such market opportunities, the Group will stick to its comprehensive development strategy: enhancing its overall management, establishing highly effective and innovatively designed plants, adopting cost and labour saving production processes, upgrading manpower quality by ongoing training, and investing in advanced production facilities etc., with an aim to further sharpening the Group's competitive edge. To further fortify the leading position in the mould base industry, the Group will drive to extend its sales and distribution networks in China, targeting not only the coastal provinces in China, but also the growing market in Eastern region of China. Benefiting from the boom in mould manufacturing market, the Group will strive to develop its mould related components business, with an aim to provide “one stop service” to meet customers needs.

Despite various favorable conditions, uncertainties still prevail in the market. Entering into the first quarter of the year of 2005, the sharp rise of imported quality steel price has been resulted due to the weakening of US dollars. Coupled with the increase of demand for quality mould steel in China, its price has been continuously pushed upward following the external market factors. In consideration of price rise in various natural resources and the upward trend of steel ore price, it is expected the mould steel price will stay high. However, with years of experience in the mould steel business, the Group clearly understands the operation cycle of mould steel market. Thus, the Group will adopt a cautious attitude to the market trend, and to strengthen its logistics management, enabling to procure ample stocks to meet production and customers needs at appropriate time and reasonable price. The Group will also reasonably adjust its product price; in the hope to minimize the impact of increasing raw materials price towards the Group's profitability performance.

#### FINAL DIVIDEND

The Directors have resolved to recommend to shareholders at the forthcoming Annual General Meeting the payment of a final dividend of HK10 cents per share for the year ended 31st December, 2004 to shareholders whose names appear on the Register of Members on 9th May, 2005. Subject to the approval by the shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be despatched to shareholders on or about 19th May, 2005.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4th May, 2005 to 9th May, 2005, 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 forms, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 3rd May, 2005.

Shareholders in Singapore whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 3rd May, 2005 will be entitled to the proposed final 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 year ended 31st December, 2004.

#### PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 published on the website of the Stock Exchange in due course.

By Order of the Board  
**Siu Tit Lung**  
Chairman

Hong Kong, 1st April, 2005

As at the date of this announcement, the executive directors of the Company are Siu Tit Lung (Chairman), Siu Yuk Lung, Mak Koon Chi, Wai Lung Shing and Fung Wai Hing, the non-executive director of the Company is Chan Chun Sing, Colin and the independent non-executive directors of the Company are Liu Wing Ting, Stephen, Lee Tai Yee and Lee Joo Hai.