



LUNG KEE (BERMUDA) HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
 Website: <http://www.irasia.com/listco/hk/lkm>

**INTERIM RESULTS ANNOUNCEMENT
 FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2002**

FINANCIAL RESULTS

The directors (the “Directors”) of Lung Kee (Bermuda) Holdings Limited (the “Company”) 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 September, 2002 together with the comparative figures as follows:

| <i>Notes</i> | Six months ended 30th September, 2002 | | 2001 (unaudited) <i>HK\$'000</i> |
|--|---|--------------------------------|--|
| | (unaudited) <i>HK\$'000</i> | (unaudited) <i>HK\$'000</i> | |
| Turnover | 525,184 | 451,609 | |
| Other operating income | 13,973 | 18,969 | |
| Changes in inventories of finished goods and work in progress | 2,560 | 2,397 | |
| Raw materials and consumables used | (233,148) | (207,947) | |
| Staff costs | (85,292) | (75,182) | |
| Depreciation and amortisation of property, plant and equipment | (41,658) | (41,656) | |
| Amortisation of goodwill | (6,400) | (546) | |
| Other operating expenses | <u>(82,920)</u> | <u>(71,169)</u> | |
| Profit from operations | 4 92,299 | 76,475 | |
| Finance costs | (11,558) | (10,816) | |
| Loss on deemed disposal of a subsidiary | — | (84) | |
| Profit before taxation | 80,741 | 65,575 | |
| Taxation | 5 (11,821) | (10,247) | |
| Profit after taxation | 68,920 | 55,328 | |
| Minority interests | <u>(8,664)</u> | <u>(12,297)</u> | |
| Net profit for the period | <u><u>60,256</u></u> | <u><u>43,031</u></u> | |
| Dividend | 6 | | |
| Proposed interim dividend of HK5 cents per share (2001: HK3 cents per share) | <u><u>24,342</u></u> | <u><u>14,519</u></u> | |
| Earnings per share | 7 | | |
| — Basic | <u><u>12.42 cents</u></u> | <u><u>8.92 cents</u></u> | |
| — Diluted | <u><u>12.36 cents</u></u> | <u><u>8.86 cents</u></u> | |

Notes:

1. BASIS OF PREPARATION

The condensed 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 the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice 15 “Cash Flow Statements” issued by the Hong Kong Society of Accountants (“SSAP15 (Revised)”). The revised Standard has introduced revised disclosure requirements which have been adopted in these condensed financial statements. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

Cash Flow Statements

In accordance with SSAP15 (Revised) cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under separate headings, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes/short-term loans that are financing in nature. Cash flows of subsidiaries outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and resulted in a restatement of the comparative amounts shown in the cash flow statement.

3. SEGMENT INFORMATION

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.

Six months ended 30th September, 2002

| | Mould base <i>HK\$'000</i> | Metal and parts <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------|
| TURNOVER | | | | |
| External sales | 407,588 | 117,596 | — | 525,184 |
| Inter-segment sales | <u>10,948</u> | <u>82,679</u> | <u>(93,627)</u> | <u>—</u> |
| | <u><u>418,536</u></u> | <u><u>200,275</u></u> | <u><u>(93,627)</u></u> | <u><u>525,184</u></u> |
| RESULTS | | | | |
| Segment results | <u><u>72,378</u></u> | <u><u>14,481</u></u> | <u><u>—</u></u> | <u><u>86,859</u></u> |
| Unallocated corporate income | | | | <u><u>5,440</u></u> |
| Profit from operations | | | | <u><u>92,299</u></u> |

Six months ended 30th September, 2001

| | Mould base <i>HK\$'000</i> | Metal and parts <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|----------------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------|
| TURNOVER | | | | |
| External sales | 358,258 | 93,351 | — | 451,609 |
| Inter-segment sales | <u>6,662</u> | <u>13,659</u> | <u>(20,321)</u> | <u>—</u> |
| | <u><u>364,920</u></u> | <u><u>107,010</u></u> | <u><u>(20,321)</u></u> | <u><u>451,609</u></u> |
| RESULTS | | | | |
| Segment results | <u><u>55,119</u></u> | <u><u>11,788</u></u> | <u><u>—</u></u> | 66,907 |
| Unallocated corporate income | | | | <u><u>9,568</u></u> |
| Profit from operations | | | | <u><u>76,475</u></u> |

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

| | Six months ended 30th September, 2002 | 2001 (unaudited) <i>HK\$'000</i> |
|--|---|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss (gain) on disposal of property, plant and equipment | 1,153 | (632) |
| Gain on disposal of investment in securities | — | (2,235) |
| Interest income | <u>(5,440)</u> | <u>(9,568)</u> |

5. TAXATION

| | Six months ended 30th September, 2002 | 2001 (unaudited) <i>HK\$'000</i> |
|---|---|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| The charge comprises: | | |
| Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period | 1,281 | 2,106 |
| Taxation in jurisdictions outside Hong Kong | <u>10,540</u> | <u>8,141</u> |
| | <u><u>11,821</u></u> | <u><u>10,247</u></u> |

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

Pursuant to the relevant laws and regulations in the PRC, the Group’s PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In the current period, certain PRC subsidiaries are exempted from PRC income tax, and other PRC subsidiaries enjoyed a 50% reduction on PRC income tax.

Certain income of the Group is not subject to taxation in the jurisdictions in which the Group operates.

6. DIVIDENDS

On 17th September, 2002, a dividend of HK5 cents per share (2001 final dividend: HK9 cents per share) was paid to shareholders as final dividend for 2002.

The Directors have determined that an interim dividend of HK5 cents per share (2001: HK3 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 3rd January, 2003.

7. EARNINGS PER SHARE

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

| | Six months ended 30th September, 2002 | | 2001 (unaudited) <i>HK\$'000</i> |
|---|---|--------------------------------|--|
| | (unaudited) <i>HK\$'000</i> | (unaudited) <i>HK\$'000</i> | |
| Earnings | | | |
| Earnings for the purposes of basic earnings per share | 60,256 | 43,031 | |
| Effect of dilutive potential ordinary shares: | | | |
| Adjustment to the share of results of the group headed by Lung Kee Metal Holdings Limited based on dilution of their earnings per share | <u>(289)</u> | <u>(94)</u> | |
| Earnings for the purposes of diluted earnings per share | <u><u>59,967</u></u> | <u><u>42,937</u></u> | |
| Number of shares | <i>'000</i> | <i>'000</i> | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 485,047 | 482,225 | |
| Effect of dilutive potential ordinary shares on exercise of options of the Company | — | 2,122 | |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | <u><u>485,047</u></u> | <u><u>484,347</u></u> | |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Despite the global economy shows no significant sign for recovery, the Group, through concerted effort, still recorded a stable growth during the past months.

Following the economic boom of the China market, the influx of foreign investments has created vast opportunities in the manufacturing sectors; a substantial increase in domestic consumption is resulted. Therefore, the Group’s production bases, located in China, have enjoyed smooth and satisfactory development. The sales turnover of our plants in the southern region of China has achieved continuous growth. The operation of our second phase of Heyuan plant, PRC has become more matured and stable, serving very well in accommodating the growing production requirements of the Group as a whole. The successful expansion of the plant, enables us to take advantage of the economy of scale, improved our profit margin. Currently, our Dongguan plant in China concentrates in the production of high-value-added products, and the development of mould parts and components business, which will generate a reliable source of income for the Group.

On the other hand, more and more multi-national corporations have established manufacturing facilities in the eastern region of China, the demand for quality moulds in the region has been considerably boosted. As a result, our Shanghai plant, PRC realised constant growth in sales turnover. To match the increase in sales orders, the Group is now undertaking a second phase construction in expanding its Shanghai plant.

The market development in South East Asia is stable. The sales performance in both Singapore and Malaysia is considered to be fair at this moment, without significant breakthrough. In Japan, the quality of our products has gained positive recognition and the LKM brand becomes more popular. Most Japanese manufacturers specify LKM as one of their authorised suppliers for their subsidiaries in the PRC. Taiwan plant underwent an innovative and effective restructuring, transforming from a standard mould base plant into a medium-sized tailor-made mould base manufacturing center. Moreover, due to the establishment of our base in Taiwan, the Group has gained more insight and understanding in the background and policies of Taiwanese corporations who have factories in the PRC, enhancing the Group’s ability in global business development.

To fortify its mould steel trading business, the Group has successfully marketed a wide variety of quality tool steels. Apart from offering precision machining services, we offer a diversified range of value-added-services, such as vacuum heat treatment and mould repairing services, to meet the needs of the market. The Group’s mould steel business has achieved satisfactory result, evidencing the success of our marketing strategy.

Prospects

The Group feels optimistic in its future development in the China market. Taking advantage of the continual opening up of market opportunities, arising from the accession of China into WTO, many international renowned automobile manufacturers decided to set up factories in China. It is expected that, the demand for automobile moulds will be substantially increased; and the automobile industry will become one of the major driving force of the mould industry, following the trends of the electrical appliances, toys and the computer industries.

To grasp such promising business opportunity, the Group will continue to set up sales offices in the eastern region, and in the coastal areas along the Zhejiang and Fujian Provinces, PRC, with an aim to strengthen its distribution network, and to capture the vast market in China. At the same time, the Group will formulate its long-term strategy in launching the LKM brand effectively in the international market, in order to sustain its reputable brand image in the worldwide mould industry.

Liquidity and Financial Resources

As at 30th September, 2002, the Group had cash balance of approximately HK\$520 million. Most of the cash balance was placed in HKD and USD short term deposits with major banks in Hong Kong.

Total debts of the Group were approximately HK\$621 million, equal to approximately 84% of shareholders’ funds of approximately HK\$741 million.

Employees and Remuneration Policies

As at 30th September, 2002, the Group employed a total of approximately 4,800 employees, including approximately 4,400 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 auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including the review of the unaudited interim financial statements.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK5 cents per share (2001: HK3 cents per share) in respect of the six months ended 30th September, 2002 to be payable on 15th January, 2003 to shareholders whose names appear in the Register of Members on 3rd January, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 2nd January, 2003 to 3rd January, 2003, 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 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 31st December, 2002.

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 September, 2002.

CODE OF BEST PRACTICE

During the six months ended 30th September, 2002, the directors are not aware of any information that would indicate that the Company was not in compliance with the “Code of Best Practice” as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (the “Listing Rules”).

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

COMPULSORY ACQUISITION AND DELISTING OF THE SHARES OF LUNG KEE METAL HOLDINGS LIMITED

During the period, Yeekon Limited (“Yeekon”), a wholly-owned subsidiary of the Company, made a voluntary conditional offer to acquire all the shares of Lung Kee Metal Holdings Limited (“LKM”) which shares were listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Subsequent to the compulsory acquisition, LKM became a wholly-owned subsidiary of Yeekon. Thereafter, Yeekon made an application to the SGX-ST and that the shares of LKM has been delisted from the SGX-ST with effect from 23rd August, 2002.

SECONDARY LISTING

During the period, the Company applied to the SGX-ST for listing of and permission to deal in the shares of the Company on the Main Board of the SGX-ST. The shares of the Company has commenced trading on the Main Board of the SGX-ST on 23rd July, 2002.

On Yuh of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 13th December, 2002