

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 subsidiares (the "Group") for the year ended 31st March, 2002 together with comparative figures for the year ended 31st March, 2001 as follows:

March, 2002 together with comparative figures for the year ended 31st March, 2001 as follows:				
	NOTES	2002 HK\$'000	2001 HK\$'000	
Turnover Other income Changes in inventories of finished goods and	2	928,886 16,165	985,834 11,357	
work in progress Raw materials and consumables used Staff costs		2,979 (419,837) (155,219)	13,501 (467,509) (144,828)	
Depreciation and amortisation Other operating expenses		(85,601) (170,574)	(72,097) (133,399)	
Deficit on revaluation of investment properties Profit from operations	3	(8,010) 108,789	(718) 192,141	
Finance costs Interest income Loss on deemed disposal of a subsidiary	4	(21,576) 17,176 (84)	(15,869) 17,989 (1,903)	
Profit before taxation Taxation	5	104,305 (10,351)	192,358 (30,289)	
Profit after taxation Minority interests		93,954 (21,969)	162,069 (32,463)	
Net profit for the year		71,985	129,606	
Dividends Interim dividend of HK3 cents per share	6	14.510	20,000	
(2001: HK6 cents) paid Final dividend of HK5 cents per share (2001: HK9 cents) proposed		14,519 24,197	28,899	
Earnings per share — Basic	7	14.90 cents	26.94 cents	
— Diluted	7	14.85 cents	26.72 cents	
Notes:				

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 ("SSAP(s)") 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.

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

(iii) 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.

(iv)

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.

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

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

Manufacture of mould base

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 Inter-segment sales	781,536 19,764	147,350 68,953	(88,717)	928,886
	801,300	216,303	(88,717)	928,886
RESULTS Segment results Deficit on revaluation of investment properties Unallocated corporate income	78,805	21,829	_	100,634 (8,010) 16,165
PROFIT FROM OPERATIONS			!	108,789

Metal and Mould Base parts HK\$'000 HK\$'000 HK\$'000 TURNOVER 985,834 744.554 241,280 (63,386) Inter-segment sales 14,891 48,495 759,445 289,775 (63,386 985,834 RESULTS Segment results 53,355 130,664 184,019 Unallocated corporate income Unallocated corporate expenses
Deficit on revaluation of investment properties (2,517) (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.

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nterest on bank borrowings wholly repayable within five year nterest on obligations under finance leases				HK\$'0
nterest on bank borrowings wholly repayable within five year nterest on obligations under finance leases			1.983	3.1
AXATION			19,469	12,4
			124	2
			21,576	15,8
the charge (credit) comprises:		:		
the charge (credit) comprises:			2002	20
the charge (credit) comprises:			HK\$'000	HK\$'00
long Kong Profits Tax				
— current year			8,615	18,7
 overprovision in prior year 				. , .
			(3,544)	(2)
axation in jurisdictions outside Hong Kong				18,47
 current year 			(3,544)	

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 DIVIDENDS

Deferred taxation

	HK\$'000	HK\$'000
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
EARNINGS PER SHARE		
The calculation of the basic and diluted earnings per share is based on the following	g data:	

HK\$'000 HK\$'0

Earnings for the purpose of basic earnings per share 71,985 129,606 Editings for the purpose of oasic earlings per snare

Effect of dilutive potential ordinary shares:

Adjustment to the share of results of the group headed by Lung Kee Metal
Holdings Limited ("LKMH") based on dilution of their earnings per share (75) Earnings for the purpose of diluted earnings per share 71,910 129,250 Weighted average number of ordinary shares for the purpose of basic earnings per share
Effect of dilutive potential ordinary shares on exercise of options of 483,086 481.059 1,130 2,602 Weighted average number of ordinary shares for the purpose of diluted earnings per share 484,216 483,661

POST BALANCE SHEET EVENTS

Pursuant to the satisfaction of a conditional offer made in May 2002, Yeekon 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 LKMH shares. Details of the offer are set out in a press announcement made by the Company dated 4th June,

FINAL DIVIDEND

The Directors have resolved to recommend to shareholders at the forthcoming 2002 Annual General Meeting the payment of a final dividend of HK5 cents per share for the year ended 31st March, 2002 to shareholders whose names appear on the Register of Members on 9th September, 2002. Subject to the approval by shareholders at the forthcoming 2002 Annual General Meeting, the proposed final dividend will be despatched to shareholders on or about 17th September, 2002.

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 2002 was approximately HK\$929 million, which represented a decrease of 5.78% when compared with approximately HK\$986 million in 2001. Profit attributable to shareholders in 2002 was about HK\$72 million, which represented a decrease of 44.46% compared with approximately HK\$130 million in 2001. Earnings per share was HK14.90 cents, which represented a decrease of 44.69% when compared with HK26.94 cents in 2001.

Due to the slowdown in the U.S. economy, the export market has experienced a global contraction. As the sluggish global economy has not improved, there is pressure on the Group's overall business performance.

The Group business in China has still shown steady development. Plants situated in the southern region of China have maintained continued growth in volume. However, due to keen market competition, turnover and profit margins for the Group's products continue to be depressed. Business development in the eastern region of China has been encouraging. Turnover and profits of the Shanghai, PRC plant has recorded steady growth.

Owing to the stagnant economy in South East Asia, with poor domestic consumption, the development of overseas markets was maintained as last year. The performance of both the Singapore and Malaysia businesses were unsatisfactory. Despite the difficult business environment, the Japanese business has achieved significant progress, with an increase in sales volume and gradual improvement in its operations. Furthermore, the Taiwan business proceeded on the right track, with increases in volume and turnover, in line with the Group's overseas market strategy

The mould parts business, which includes mould parts and hot runner mould system, has recorded steady growth, which contributed a reliable source of income to the Group.

For the business of trading of import mould steel, due to the prevailing keen market competition whereas the selling price of steel maintained the same in return, the result is far below the Group's expectation

Liquidity and Capital Resources

As at 31st March, 2002, the Group had a net cash surplus of approximately HK\$16 million, compared with approximately HK\$79 million in 2001. 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\$2 million losses on foreign exchange during the year.

As at 31st March, 2002, the Group had capital commitments of approximately HK\$13 million in respect of the acquisition of property, plant and equipment, which are financed by internal resources.

Gearing Ratio

Total debts were approximately HK\$361 million, equal to approximately 52% of shareholders' funds of approximately HK\$701 million.

Employees and Remuneration Policies

As at 31st March, 2002, the Group employed a total of approximately 4,500 employees, including approximately 4,100 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.

Contingent Liabilities

The Company gave guarantees of HK\$133 million to financial institutions in respect of banking facilities granted to subsidiaries.

3,055

2,225

10,351

13,478

(1,666)

30,289

The global economy is expected to recover gradually. The China market is opening up and the operating environment in China is improving. The Group grasps every business opportunity for further development and enhancement of its market competitiveness. Full effort has been made to expand the Shanghai, PRC plant in order to capture the vast market in the eastern region of China. With the extensive experience accumulated from past operations and investment in China, the Group is confident that such expansion will further strengthen the Group's distribution channels.

Turning to the markets outside the PRC, the Group will devise various contingency plans catering for the needs of different markets. This will be coupled with the flexibility in production planning and adoption of various measures in lowering its operating costs.

The Group will put full effort in marketing variety of high quality steel products from China satisfying different market demand in order to widen its customer base. In response to this, a new company had been set up in Guangzhou, PRC beginning of this year specially for selling steel products to customers located in the southern region of China. The new plant allowed storage of wider range of steel items and further strengthened the logistic planning as a whole that enabling the Group in providing a "one stop" service to the customers. At the same time, the Group will speed up its investments in the mould steel products market in the eastern region of China in order to enlarge its market capacity.

Looking ahead, the global economy is still unclear and unpredictable and the Group's operating environment still remains unfavourable. However, with long established goodwill, stable financial position, a forward-looking management and a customer focused marketing policy, the Board is hopeful that the Group will achieve satisfactory results in the coming year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd September, 2002 to 9th September, 2002, 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 Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services 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 September, 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 year.

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

ADDITIONAL INFORMATION

Reference was made to the Company's press announcement dated 11th June, 2002 which was published on 12th June, 2002 of the Company (the "Announcement"). The Directors of the Company are pleased to advise that there is no material difference between the above audited final results for the year ended 31st March, 2002 and its unaudited results as disclosed in the Announcement.

Siu Tit Lung

Hong Kong, 27th June, 2002

NOTICE IS HEREBY GIVEN that the 2002 annual general meeting of shareholders of the Company will be held at Mandarin Oriental Hotel, 23rd Floor West Room, 5 Connaught Road Central, Hong Kong on 9th September, 2002 at 3:30 p.m. for the following purposes:

- To receive and consider the audited financial statements of the Company and the reports of the directors and auditors of the Company for the year ended 31st March, 2002. To approve and declare a final dividend of the Company for the year ended 31st March, 2002.
- To determine the maximum number of directors of the Company for the time being be 15
- To re-elect and appoint directors of the Company.
- To authorise the board of directors of the Company to fix the remuneration of directors of the
- To authorise the directors of the Company to appoint any person as a director of the Company either to fill a casual vacancy on the board of directors of the Company or as an addition to the existing board of directors of the Company so long as the number of directors of the Company so appointed shall not exceed 15 or such other maximum number as may be determined from time to time by members of the Company in general meeting at their discretion.
- To re-appoint auditors of the Company and authorise the board of directors of the Company to fix
- To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution.

- subject to paragraph (C) of this Resolution, the exercise by the directors of the Company (A) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- the approval in paragraph (A) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are vertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;
- the aggregate nominal amount of share capital 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) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of exercise of subscription rights under any option scheme or arrangement for the time being adopted for the grant or issue to the grantee as specified in such scheme or similar arrangement of Shares or rights to acquire the Shares; or (iii) an issue of Shares pursuant to any scrip dividends or similar arrangement providing for allotment of Shares in lieu of the whole or part of the dividend on Shares in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing 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

- (i) the conclusion of the next annual general meeting of the Company; or (ii)
- 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; and

NOTICE OF ANNUAL GENERAL MEETING

"Rights Issue" means an offer of Shares or issue of option, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors the holders of Shares, or any class of Shares, whose name appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such Shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors 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 recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

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

"THAT:

- subject to paragraph (B) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to remod (as nereinater defined) of all the powers of the Company (or perpurchase shares of HKS0.10 each in the capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other exchange on which the Shares 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 which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution 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
- for the purpose of this Resolution,

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

- the conclusion of the next annual general meeting of the Company; or
- 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

To consider and, if thought fit, pass, with or without modifications, the following resolution as an

"THAT subject to the passing of the Ordinary Resolutions Nos. 8 and 9 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") pursuant to the Ordinary Resolution No. 8 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 Shares repurchased by the Company under the authority granted pursuant to the Ordinary Resolution No. 9 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the Ordinary Resolution No. 9

"THAT:

(iii)

subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval of the share option scheme of the Company (the "New Scheme"), the rules of which are produced to this meeting and for the purposes of identification initialled by any director of the Company, and the granting of any options thereunder and the listing of, and permission to deal in, the shares of HK\$0.10 each

To consider and, if thought fit, pass, with or without modifications, the following resolution as an

in the capital of the Company ("Shares") to be issued pursuant to the exercise of any such options, the New Scheme be and is hereby approved and adopted and the board of directors of the Company be and is hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Scheme including but without limitation:

- to administer the New Scheme under which options will be granted to participants eligible under the New Scheme to subscribe for Shares;
- to modify and/or amend the New Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Scheme relating to modification and/or amendment
- to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
- to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the options under the

immediately upon the conditions for the adoption of the New Scheme having been fully

to consent, if it so deems fit and expedient, to such conditions, modifications and/or

variations as may be required or imposed by the relevant authorities in relation to the existing share option scheme for the employees of the Company and its subsidiaries including any executive directors of the Company and its subsidiaries) which was adopted by the Company at its general meeting on 11th February, 1993 be and is hereby terminated

Hong Kong, 27th June, 2002

By Order of the Board Wai Lung Shing Director and Company Secretary

- A member of the Company entitled to attend and vote at the meeting 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 and principal place of business 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.
- Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- The Register of Members of the Company will be closed from 3rd September, 2002 to 9th September, 2002, 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 Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services 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 September, 2002.