

INTERIM RESULTS

The directors (the "Directors") of Lung Kee (Bermuda) Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2000 with comparative figures in 1999. The results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2000

		Six months ended 30th September, 2000 (unaudited) HK\$'000	1999 (unaudited) HK\$'000
	NOTES		
Turnover		505,927	404,136
Other revenue		6,650	2,370
Changes in inventories of finished goods and work in progress		8,344	(795)
Raw materials and consumables used		(240,028)	(199,066)
Staff costs		(77,412)	(58,760)
Depreciation and amortisation		(34,696)	(32,923)
Other operating expenses		(60,163)	(38,259)
Profit from operations		108,622	76,703
Finance costs		(6,580)	(1,820)
Interest income		7,584	1,830
Loss on deemed disposal of a subsidiary		(1,903)	—
Share of result of a jointly controlled entity		—	168
Profit before tax		107,723	76,881
Taxation	3	(18,805)	(13,046)
Profit after tax		88,918	63,835
Minority interests		(17,611)	(13,150)
Net profit for the period		71,307	50,685
Dividends	4	(28,899)	(23,065)
Profit retained for the period		42,408	27,620
Earnings per share	5		
— Basic		14.83 cents	10.68 cents
— Diluted		14.71 cents	10.48 cents

CONDENSED CONSOLIDATED BALANCE SHEET*At 30th September, 2000*

	NOTES	30th September, 2000 (unaudited) HK\$'000	31st March, 2000 (audited) HK\$'000
ASSETS			
Non-current assets			
Investment Property		3,800	3,800
Property, plant and equipment		392,849	390,139
Investment in securities		29,539	50
		426,188	393,989
Current assets			
Inventories		301,702	274,679
Debtors, deposits and other receivables	6	233,653	223,212
Bank balances and cash		332,906	243,101
		868,261	740,992
Current liabilities			
Creditors and other payables	7	159,348	140,725
Taxation payable		42,524	26,787
Borrowings			
— due within one year		263,085	176,312
Dividends payable		28,902	38,492
		493,859	382,316
Net current assets		374,402	358,676
Total assets less current liabilities		800,590	752,665
Non-current liabilities			
Borrowings			
— due after one year		437	2,623
Deferred taxation		2,036	2,036
Minority interests		172,012	163,776
NET ASSETS		626,105	584,230
CAPITAL AND RESERVES			
Share capital	8	48,120	38,441
Reserves and accumulated profits		577,985	545,789
		626,105	584,230

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES*For the six months ended 30th September, 2000*

	Six months ended 30th September, 2000	1999
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Exchange losses arising on translation of overseas operations not recognised in income statement	(108)	(312)
Net profit for the period	71,307	50,685
Total recognised gains	71,199	50,373
Elimination against reserves of goodwill arising on deemed acquisition of a subsidiary	(861)	—
	70,338	50,373

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September, 2000*

	Six months ended 30th September, 2000 (Unaudited) HK\$'000
Net cash inflow from operating activities	121,325
Net cash outflow from returns on investments and servicing of finance	(41,675)
Tax paid	(3,071)
Net cash outflow from investing activities	(66,154)
Net cash inflow before financing	10,425
Net cash inflow from financing	80,712
Increase in cash and cash equivalents	91,137
Cash and cash equivalents at beginning of the period	241,786
Effect of foreign exchange rates changes	(17)
Cash and cash equivalents at end of the period	332,906

NOTES TO THE FINANCIAL STATEMENTS**1. ACCOUNTING POLICIES**

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Comparative figures in the Condensed Consolidated Income Statement have been restated in order to conform with the requirements of SSAPs 1 and 2 (Revised).

2. SEGMENT INFORMATION**Business segments**

	Turnover		Contribution to profit from operations	
	Six months ended			
	30th September,		30th September,	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Manufacture of mould bases	373,618	282,347	81,839	56,832
Trading of metal and parts	132,309	121,789	26,783	19,871
	505,927	404,136	108,622	76,703

Geographical segments

	HK\$'000	HK\$'000	%	%
Hong Kong and elsewhere in the PRC	420,774	349,316	83	86
Other countries	85,153	54,820	17	14
	505,927	404,136	100	100

3. TAXATION

Six months ended
30th September,
2000 1999
HK\$'000 HK\$'000

The charge comprises:

Hong Kong Profits Tax		
— current period	8,805	9,046
Taxation in jurisdictions outside Hong Kong	10,000	4,000
	<hr/> 18,805	<hr/> 13,046

Hong Kong Profits Tax is calculated at 16% (1999: 16%) of the estimated assessable profit for the period.

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

4. DIVIDENDS

The Directors have determined that an interim dividend of HK\$6 cents (1999: HK\$4.8 cents after adjusting for bonus issue) per share should be paid to the shareholders of the Company whose names appear in the Register of members on 5th January, 2001.

5. EARNINGS PER SHARE

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

	Six months ended 30th September, 2000		1999
	HK\$'000		HK\$'000
Earnings			
Earnings for the purposes of basic earnings per share	71,307		50,685
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	(243)		(555)
Earnings for the purposes of diluted earnings per share	71,064		50,130
Number of shares	'000		'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	480,917		474,449
Effect of dilutive potential ordinary shares on exercise of options of the Company	2,201		3,780
Weighted average number of ordinary shares for the purposes of diluted earnings per share	483,118		478,229
The adjustment to comparative basic and diluted earnings per share, arising from bonus issue, is as follows:			
	Basic	Diluted	
	HK cent	HK cent	
Reported figure before adjustment	13.35	13.10	
Adjustment arising from bonus issue	(2.67)	(2.62)	
Restated	10.68	10.48	

6. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

As at 30th September, 2000, 70% of debtors were current and 30% were overdue (65% and 35% for 31st March, 2000 respectively).

7. CREDITORS AND OTHER PAYABLES

As at 30th September, 2000 and 31st March, 2000, 100% of creditors were current.

8. SHARE CAPITAL

	Authorised 30th September, 2000 HK\$'000	31st March, 2000 HK\$'000	Issued and fully paid 30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	60,000	60,000	38,441	37,956
Share issued on exercise of share options	—	—	55	485
Bonus issue (one bonus share for every four shares)	—	—	9,624	—
At end of the period/year	60,000	60,000	48,120	38,441

9. CONTINGENT LIABILITIES

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Discounted bills with recourse	—	6,000

10. CAPITAL COMMITMENTS

	30th September, 2000 HK\$'000	31st March, 2000 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	53,469	20,057

INTERIM DIVIDEND

The Directors have declared an interim dividend of 6 cents (1999: 4.8 cents after adjusting for bonus issue) per share in respect of the six months ended 30th September, 2000 to be payable on 11th January, 2001 to shareholders whose names are on the Register of Members on 5th January, 2001.

BUSINESS REVIEW AND PROSPECTS

Business Review

With the gradual recovery of overall economy, the Group's mould base business and profit have achieved continuous growth. Production capacity of the plants in China keeps on expanding in line with the future development of the Group.

The plant in Heyuan, which mainly produces standard mould bases, has matured in mastering the production skills and operation. It makes significant contribution to the Group's profit.

The plant in Dongguan, China, besides producing high quality tailor-made mould bases, has acted as a logistic and support center for all plants located in China. The services provided include technical advice, production planning, material storage, material planning and so on that further enhance and smooth the operation of all China plants.

The plant in Guangzhou, China, mainly manufactures high quality mould bases for export sales, has achieved constant increment in production volume and customers that brings stable income to the Group.

The production operation of our Shanghai plant has gradually approached to a mature stage. Both its market share in Eastern China and the sales turnover experienced continuous growth that begins to make profit contribution to the Group.

Regarding the Japanese market, the Group's turnover maintained a steady growth. The newly acquired warehouse has been put into use that enables to store more variety of Group's products. It directly speeds up the order delivery time that has positive and promising effect on capturing more sales and orders for the Group.

The businesses in Singapore and Malaysia achieved a stable growth. Both areas have gradually become a regional marketing point in the South East Asia and assisted in securing orders of large tailor-made mould bases for supporting the production capacity of other plants of the Group. As a result, the marketing ability of the Group has further been strengthened and enhanced.

The sales of mould steel maintained a constant growth rate and the product range has been enlarged in variety. Value-added services have been constantly developed including the vacuum heat treatment, nitrating heat treatment and quality repair welding services provided in the hope to promote one-stop and comprehensive services to customers. It not only keeps a closer tie with customers but also offers a fruitful income to the Group.

Prospects

The extension of the plant in Heyuan, China will be completed by the end of this year and expected to start production in the first quarter of the coming year. The production capacity of the Group will further be reinforced.

For the export business of the plant in Guangzhou, China, an optimistic view towards the markets in Europe and United States will be taken. With the strong customer base, reasonable pricing and international graded quality standard, the Group's products are still found to be very attractive and competitive in both European and U.S. markets.

It is expected that the entrance of China into WTO will bring tremendous trading and business opportunities to the market. The Group will take a positive move by upgrading product quality and enhancing customers services in order to grasp at such promising opportunity for further business development and penetration into the market in China.

Facing with the keen foreign competition, domestic enterprises of China also upgrade their product standard by increasing demand on high quality mould bases and mould steel for production. Also, increasing numbers of foreign investors such as Taiwan investors have obviously moved their production base alongside the coastal areas in Guangdong Province. The booming of mould business is expected and so thus the market competition will become more severe. However, with the long established LKM name in Mainland China, strong financial background, firm customer base,

innovative and continuous improved production techniques, the Group will well prepare to face any challenges and anticipates reaching a new business height.

The Group will continue to develop the e-commerce business and hopefully in the next mid year, it can make use of internet in deepening the linkage with various markets in the world and facilitating closer communication with customers. By breaking the boundary barrier, the Group can further secure its firm position in the international arena.

As plants in China have already equipped with skills and experience in manufacturing high quality mould bases, in the coming year, the Group will concentrate the mould base production to China in maximizing the comparative advantage over there. In line with such development strategy, the mould base operation in Hong Kong will totally be shifted to Mainland China in the coming end of January.

The Group expects to meet much more challenges in the coming year, but with the concerted effort of our staff, we will treasure every challenge as new and favorable chance that will in turn motivate "Lung Kee" to advance forward in sustaining continuous growth.

LIQUIDITY AND FINANCIAL CONDITIONS

As at 30th September, 2000, the Group has cash balance of approximately HK\$333 million. Most of the cash balance was placed in HK\$ and US\$ short-term deposits with major banks in Hong Kong.

Total debts was approximately HK\$263 million, equal to approximately 42% of shareholders' fund.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd January, 2001 to 5th January, 2001, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the abovementioned 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, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 2nd January, 2001.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30th September, 2000, the interests of the directors, and their associates in the share capital of the Company and its associated corporations recorded in the register kept by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Company	Name of Director	Personal interests	Family interests	Corporate interests	Other interests
The Company	Siu Tit Lung	30,431,093	—	—	246,093,750
	(Notes 1, 2 & 4)				
	Siu Yuk Lung	30,431,093	—	—	246,093,750
	(Notes 1, 3 & 4)				
	Mak Koon Chi	2,500,000	—	—	—
Lung Kee Metal Holdings Limited ("LKM"), a subsidiary of the Company	Wai Lung Shing	2,500,000	—	—	—
	Fung Wai Hing	390,625	—	—	—
	Siu Tit Lung	1,875,000	—	—	—
	(Note 5)				
	Siu Yuk Lung	1,875,000	—	—	—
	(Note 5)				
	Wai Lung Shing	562,500	—	—	—
	Mak Koon Chi	562,500	—	—	—

Notes:

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 27,602,968 shares in the Company and each owned a further 2,828,125 shares in the Company registered in their own name.
- (2) Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, held 46,875,000 shares in the Company.
- (3) Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, held 46,875,000 shares in the Company.
- (4) Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung other than Messrs. Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries, held 199,218,750 shares in the Company.
- (5) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 1,875,000 shares in Lung Kee Metal Holdings Limited.

At 30th September, 2000, certain directors had personal interests in options to subscribe for shares in the Company granted under the share option scheme of the Company as follows:

Name of director	Number of share options					Exercisable period	Exercise price per share HK\$
	At 1st April, 2000	Granted during the period	Exercised during the period	Adjustment* during the period	At 30th September, 2000		
Siu Tit Lung	300,000	—	—	75,000	375,000	01/05/1998 – 30/04/2001	1.492*
	300,000	—	—	75,000	375,000	03/09/1998 – 02/09/2001	0.964*
	600,000	—	—	150,000	750,000		
Siu Yuk Lung	300,000	—	—	75,000	375,000	01/05/1998 – 30/04/2001	1.492*
	300,000	—	—	75,000	375,000	03/09/1998 – 02/09/2001	0.964*
	600,000	—	—	150,000	750,000		
Mak Koon Chi	300,000	—	—	75,000	375,000	01/05/1998 – 30/04/2001	1.492*
	300,000	—	—	75,000	375,000	03/09/1998 – 02/09/2001	0.964*
	300,000	—	—	75,000	375,000	29/09/1999 – 28/09/2002	0.440*
	400,000	—	—	100,000	500,000	26/10/1999 – 25/10/2002	0.580*
	1,300,000	—	—	325,000	1,625,000		
Wai Lung Shing	300,000	—	—	75,000	375,000	01/05/1998 – 30/04/2001	1.492*
	300,000	—	—	75,000	375,000	03/09/1998 – 02/09/2001	0.964*
	300,000	—	—	75,000	375,000	29/09/1999 – 28/09/2002	0.440*
	400,000	—	—	100,000	500,000	26/10/1999 – 25/10/2002	0.580*
	1,300,000	—	—	325,000	1,625,000		
Fung Wai Hing	300,000	—	—	75,000	375,000	01/05/1998 – 30/04/2001	1.492*
	300,000	—	—	75,000	375,000	03/09/1998 – 02/09/2001	0.964*
	300,000	—	—	75,000	375,000	29/09/1999 – 28/09/2002	0.440*
	400,000	—	—	100,000	500,000	26/10/1999 – 25/10/2002	0.580*
	1,300,000	—	—	325,000	1,625,000		

* During the period, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.

At 30th September, 2000, two directors had personal interests in options to subscribe for shares in LKMH granted under the share option scheme of LKMH as follows:

Name of director	Number of share options					Exercise price per share S\$
	At 1st April, 2000	Granted during the period	Exercised during the period	Adjustment* during the period	At 30th September, 2000	
Mak Koon Chi	450,000	—	—	112,500	562,500	0.564*
	450,000	—	450,000	—	—	0.220
	450,000	—	—	112,500	562,500	0.592*
	—	450,000	—	112,500	562,500	0.508*
	<u>1,350,000</u>	<u>450,000</u>	<u>450,000</u>	<u>337,500</u>	<u>1,687,500</u>	
Wai Lung Shing	450,000	—	—	112,500	562,500	0.564*
	450,000	—	450,000	—	—	0.220
	450,000	—	—	112,500	562,500	0.592*
	—	450,000	—	112,500	562,500	0.508*
	<u>1,350,000</u>	<u>450,000</u>	<u>450,000</u>	<u>337,500</u>	<u>1,687,500</u>	

Save as disclosed above, and other than certain nominee shares in subsidiaries held in trust for the Group, at 30th September, 2000, (i) none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance; and (ii) none of the directors or their spouses or children under 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

* During the period, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2000 according to the register required to be kept under section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

	Number of shares held
Pan Island Investments Limited	199,218,750
Rickdee Investments Limited	46,875,000
Robin Hill Investments Limited	46,875,000

Save as disclosed above, no other person is recorded in the register as having an interest of 10% or more of the issued share capital of the Company.

CODE OF BEST PRACTICE

During the six months ended 30th September, 2000, 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.

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, 2000.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 18th December, 2000