

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the period of nine months from 1st April, 2002 to 31st December, 2002.

The Group recorded turnover of approximately HK\$801 million and earnings of approximately HK\$93 million for the period of nine months from 1st April, 2002 to 31st December, 2002.

BUSINESS REVIEW

As compared with that of last year, the Group's business continued to record growth.

The Group's business in China has achieved a smooth development, further enhancing the productivity of the Group. Productivity of the Heyuan plant in China has increased steadily, thus lowering our production cost and improving our profit margin. The Dongguan plant has performed its important role as a logistic and support center for all plants located in China, successfully coordinating the operations among various plants. Our Shanghai plant has devoted itself to serve customers in the Eastern Region of China, with constant growth in turnover.

The Group has put continuous effort in restructuring its overseas business, in accordance with the direction of the Board. The Group has decided to gradually transfer its existing production facilities in Singapore to our plant located in Malaysia. The Singapore office is now confined to regional sales promotion and marketing activities. Relatively speaking, the economic performance of Malaysia is more stable, and the Group's business in Malaysia still maintained a substantial market share. The Group's business in Japan has undergone process restructuring, in order to lower its operating cost and to increase productivity. Our plant in Taiwan experienced structural transformation in the past year, as a result, a minor loss has been recorded. On the other hand, the LKM brand is becoming more known to the Taiwan market, which made LKM, the pre-approved brand, amongst Taiwanese manufacturing plants actively expanded in the Jiangsu and Kunshan area in China, indirectly benefiting the Group's business as a whole.

Facing the shrinkage of manufacturing business in the U.S. and European countries, the Group's export business to these countries remains stagnant. Nevertheless, those foreign owned factories in China, as financed by the U.S. and European capitals, have placed a lot of orders to the Group's plants in China for high quality mould base for production, thus compensating the loss of direct orders from those markets.

Owing to the upward trend of oil price, worldwide materials prices follow suit. Mould steel price had been driven upward continuously in the past year. Fortunately, the impact of its rising price on the Group is kept to be minimal as the Group always maintains a safety buffer stock for steel materials. Inevitably, the rising cost of the steel materials has caused a slight price increase for mould base products.

Regarding the mould steel business, the Group continues to market its comprehensive range of quality mould steels. Besides distributing steel products from Sweden, Germany and Japan, the Group has introduced quality special steel from U.S. and France to the market to enhance its competitive edge. In addition, the Group has provided a wide scope of value-added services such as six-sides machining, vacuum heat treatment and mould repairing services, catering the increasing demand for "one-stop services" as required by our customers.

PROSPECTS

The Group holds a positive view towards the future development of the China market. Following the influx of international investment flow from the U.S, Europe, Japan, Singapore and Taiwan etc to China in establishing factories and plants, China has successfully fortified its position as "The Global Manufacturing Center". As the local automobile industry continues to boom, demand of high quality mould products has been growing fast in China; this helps to foster rapid development of mould base business in China whereas its selling price also moving moderately upward.

The Group will seize such business opportunities in further sustaining its leading position in the mould base and special mould steel business in China. Besides seeking continuous improvement in both management and production technique, the Group will take a step forward by establishing a new supporting plant in Zhejiang Provinces, China being nicknamed as "The Hometown of Mould Makers" and surrounded by privately owned enterprises to cope with the growing demand in the Eastern Region of China. To reinforce its distribution network, the Group will set up a few more direct sales office in China in order to offer more efficient and intimate services to customers, thus facilitating closer interaction and communication with them.

Looking ahead, mould industry in China will experience a prosperous growth. The Group will take concerted effort and positive move in sustaining its leading position in the industry. Further, the Group will position LKM as a quality and well-received brand, and consolidate its vital status in the China and the international markets.

On behalf of the Directors, I would like to thank our employees for their loyal services and dedication and our suppliers, bankers, business associates and customers for their continued supports.

Siu Tit Lung
Chairman

Hong Kong, 28th March, 2003