

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2003.

BUSINESS REVIEW

The Group's turnover in the year ended 31st December, 2003 was approximately HK\$1,210 million (period of nine months from 1st April, 2002 to 31st December, 2002: approximately HK\$801 million). Profit attributable to shareholders in the year ended 31st December, 2003 was approximately HK\$157 million (period of nine months from 1st April, 2002 to 31st December, 2002: approximately HK\$93 million). Earnings per share in the year ended 31st December, 2003 was HK32.18 cents (period of nine months from 1st April, 2002 to 31st December, 2002: HK19.22 cents).

During the first half of last year, the South East Asian economy was overshadowed by the outbreak of SARS. Fortunately, it only generated mild impact on the Group's sales performance, as the business scope of the Group's customers is on diversified and global base, instead of heavily relying on particular market or industry. Coupled with the gradual recovery of the economy in the second half year, the Group has achieved a satisfactory growth on its overall performance during the whole year.

PROSPECTS

The Group always holds good confidence in the future development of the China market. Strong domestic consumption need in China boosts up the sales of plastic related consumer products such as electrical appliances, automobile and computer accessories etc. Looking ahead, a continuous boom in the plastic mould industry is anticipated. With the influx of foreign investment in setting up production plants, China has further strengthened her position as "The Factory of the World". In views of this, the Group will well prepare itself to embrace the subsequent ample market opportunities and sales orders.

The Group will further develop its business in China. The Guangzhou plant will expand its production lines this year to accommodate the increasing sales orders from the U.S.A. and the European countries. On the other hand, the Dongguan factory has been engaged in developing the hot runner products, though still in the starting stage, it has received good response from customers. The hot runner products will be fully launched to the market, once all technical and required back up services are in place; this will further strengthen the development of component business of the Group. For the new plant located in Taizhou, Zhejiang Province, the foundation construction has once been delayed due to soil problem and now is expected to be completed in the middle of this year. Production operation will be started end of this year, which will further consolidate the production capability of the Group in the Eastern Region of China.

Chairman's Statement

In seeking productivity breakthrough and enhancing its effectiveness, the Group will experiment a new production scheme that is to contract out part of its production process internally. It aims to optimize the resources utilization and to reinforce the production efficiency.

Continuous effort will be put in extending its distribution networks over all major industrial cities in China, enlarging the Group's coverage of sales markets and widening its level of services, and finally acquiring a bigger market share in China.

It is expected that China's demand for worldwide raw material is still great. Regarding the mould steel business, the Group will be mindful to the raw material market situation and will appropriately balance its purchase against stock level at the right time. Concerning the Group's products, price will be adjusted in accordance with the market trend.

Besides attracting high talented staffs to the workplace, the Group will continuously conduct internal training program to develop the ability and potential of employees, aiming to build up a more quality and professional Lung Kee team. Improvement work is being done to beautify the environment and upgrade the entertainment facilities in the employee living zone of the Heyuan plant, China. With a more comfortable work place, it should help to enhance productivity of staffs and deepen their sense of belonging to the Group.

Looking ahead, the Group will strive to develop its mould base business and other related business in order to maintain a stable growth. The Group will continue to uphold the goodwill and awareness of LKM brand in China and the international market, further sustaining its leading position in the industry.

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

Siu Tit Lung

Chairman

Hong Kong, 26th March, 2004