

The directors present their annual report and the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacture and marketing of mould bases and the trading of metal and parts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 36.

An interim dividend of HK 7 cents per share amounting to approximately HK\$34,391,000 was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK 10 cents per share payable to shareholders registered on 3rd May, 2004, amounting to approximately HK\$49,130,000 and the retention of the remaining profits for the year.

PROPOSED BONUS ISSUE OF SHARES

The directors propose a bonus issue of shares on the basis of one share for every four shares held at 3rd May, 2004.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial periods is set out on page 84.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2003 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group constructed factory premises and staff quarters at a cost of approximately HK\$29 million. The Group continued its plant expansion policy and expended approximately HK\$81 million on new plant and machinery and approximately HK\$12 million on furniture, fixtures and fittings during the year. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2003 are set out on pages 85 to 87 of the annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 30 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group has a very wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover for the year.

The Group's largest supplier contributed 13% to the total purchases for the year. The Group's five largest suppliers accounted for 53% of the total purchases for the year.

At no time during the year did a director, an associate of a director or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st December, 2003 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.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Siu Tit Lung (Chairman)

Siu Yuk Lung (Managing Director)

Mak Koon Chi

Wai Lung Shing

Fung Wai Hing

Non-executive director

Chan Chun Sing, Colin

Independent non-executive directors

Liu Wing Ting, Stephen, JP

Lee Tat Yee

In accordance with Clauses 87(1) and 169(2) of the Company's Bye-Laws, Mr. Fung Wai Hing and Dr. Lee Tat Yee retire from office by rotation and, being eligible, offer themselves for re-election.

The term of office for each non-executive director and independent non-executive director is the year up to his retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**Executive directors**

Mr. Siu Tit Lung, aged 53, elder brother of Mr. Siu Yuk Lung, has been the chairman of the Company since December 1992 and is a co-founder of the Group. Mr. Siu is responsible for the overall strategic planning and corporate development of the Group. He has over 34 years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Dongguan City and Heyuan City in the PRC.

Mr. Siu Yuk Lung, aged 50, younger brother of Mr. Siu Tit Lung, has been the managing director of the Company since December 1992 and is a co-founder of the Group. Mr. Siu is responsible for policy making and the corporate management of the Group. He has over 32 years of experience in metal trading and mould base manufacturing. He has, since 1995, been serving as a member of the Executive Committee of the Hong Kong Mould Association. He is also an honorary citizen of Heyuan City in the PRC.

Mr. Mak Koon Chi, aged 45, has been an executive director of the Company since December 1992 and is a senior member and past Chairman of the Society of Manufacturing Engineers (Hong Kong Chapter). Mr. Mak is responsible for policy making, marketing and manufacturing of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from Murdoch University with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 42, has been an executive director of the Company since December 1992 and is responsible for the policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick with a Master of Business Administration Degree. He is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

Mr. Fung Wai Hing, aged 51, has been an executive director of the Company since August 1997 and is responsible for policy making and trading business of the Group. Mr. Fung graduated from the University of Birmingham with a Master of Science Degree in Industrial Management and from the University of Hong Kong with a Master of Business Administration Degree. He is currently one of the directors and past president of the Institute of Industrial Engineers (Hong Kong Chapter). He is also a senior member of the Society of Manufacturing Engineers (Hong Kong Chapter). He has extensive experience in the trading business.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)**Non-executive director**

Mr. Chan Chun Sing, Colin, aged 49, has been appointed to the Board of the Company since December 1992. He is a non-executive director of the Company. Mr. Chan graduated from the University of Toronto with a Bachelor of Science (Hons.) Degree in Engineering and from the Chinese University of Hong Kong with a Master of Business Administration Degree. He has many years of experience in the information technology industry.

Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 51, has been an independent non-executive director of the Company since December 1992. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited and a member of the Prince of Wales Hospital Governing Committee of the Hospital Authority. He is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the Chairman of the Audit Committee of the Company.

Dr. Lee Tat Yee, aged 56, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland and is a Chartered Engineer of the Engineering Council in the United Kingdom. Dr. Lee is currently a director of the Technology Support Centre of the University of Hong Kong specialising in quality assurance management systems.

Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2003, the directors and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"):

Interests in the Company

Name of Director	Capacity	Number of shares held		Total interests	Percentage of the Company's issued share capital
		Personal interests	Other interests		
Siu Tit Lung (Notes 1, 2 and 4)	Beneficial owner and founder of discretionary trust	29,433,156	246,093,750	275,526,906	56.08%
Siu Yuk Lung (Notes 1, 3 and 4)	Beneficial owner and founder of discretionary trust	29,433,156	246,093,750	275,526,906	56.08%
Mak Koon Chi	Beneficial owner	1,875,000	—	1,875,000	0.38%
Wai Lung Shing	Beneficial owner	1,875,000	—	1,875,000	0.38%
Fung Wai Hing	Beneficial owner	765,625	—	765,625	0.16%

Notes:

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 26,105,031 shares in the Company and each owned a further 3,328,125 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.

DIRECTORS' INTERESTS IN SHARES (Cont'd)**Interests in associated corporations of the Company**

Name of Director	Nature of interests	Name of associated corporation	Number of shares held	Percentage of issued share capital of the class
Siu Tit Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%
Siu Yuk Lung	Personal	Lung Kee International Limited	1,000,000 non-voting deferred shares	49.99%
	Personal	Lung Kee Metal Limited	5,000,000 non-voting deferred shares	49.99%

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or its associated corporations.

The details of the directors' interests in the share options granted by the Company are stated in the following section "Share Options".

Save as disclosed herein and in the section "Share Options" and other than certain shares in subsidiaries held as nominees by certain directors of the Group, none of the directors and their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 32 to the financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options				Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st January, 2003	Exercised during the year	Cancelled during the year	At 31st December, 2003			
Category 1: Directors							
Siu Tit Lung	500,000	(500,000)	—	—	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Siu Yuk Lung	500,000	(500,000)	—	—	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Mak Koon Chi	500,000	(500,000)	—	—	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Wai Lung Shing	500,000	(500,000)	—	—	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Fung Wai Hing	500,000	(500,000)	—	—	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Total	2,500,000	(2,500,000)	—	—			
Category 2: Employees	2,500,000	(1,955,000)	(545,000)	—	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Total all categories	5,000,000	(4,455,000)	(545,000)	—			

The weighted average closing price of the Company shares immediately before the dates on which the options were exercised was HK\$3.075.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares/ underlying shares held	Percentage of Company's issued share capital
Pan Island Investments Limited	Beneficial owner	199,218,750	40.55%
Rickdee Investments Limited	Beneficial owner	46,875,000	9.54%
Robin Hill Investments Limited	Beneficial owner	46,875,000	9.54%
Commonwealth Bank of Australia (<i>Note</i>)	Interest of controlled corporation	40,415,687	8.23%

Note:

Commonwealth Bank of Australia had an interest of 40,415,687 shares in the Company, through its wholly-owned subsidiaries, namely, Colonial First State Group Ltd, Colonial Holding Company (No. 2) Pty Limited, Colonial Holding Company Pty Ltd, Colonial Ltd, The Colonial Mutual Life Assurance Society Ltd, First State Investments (UK Holdings) Limited, First State Investment Management (UK) Limited and SI Holdings Limited.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director or a chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December, 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES OF SIGNIFICANCE

Other than the share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

- (1) During the year, the Group had the following transactions with non-wholly owned subsidiaries:

	HK\$'000
Sales	15,585
Purchases	1,259
Management fee income	1,080

- (2) At 31st December, 2003, a banking facility of the Group amounting to NT\$100,000,000 equivalent to HK\$22,843,000 was guaranteed jointly and severally by a minority shareholder of Taiwan Supertech Industrial Company Limited ("Supertech") and the Company without charge. The minority shareholder of Supertech is also a director of Supertech.
- (3) At 31st December, 2003, a banking facility of the Group amounting to HK\$4,000,000 was guaranteed jointly and severally by a minority shareholder of LKM Heatlock Company Limited ("LKM Heatlock") and the Company without charge. The minority shareholder of LKM Heatlock is also a director of LKM Heatlock.

The independent non-executive directors confirm that the transactions were entered into by the Group in its ordinary course of business and in accordance with the terms of the agreements governing such transactions.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Siu Yuk Lung

DIRECTOR

Hong Kong, 26th March, 2004