

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, 2004.

## **BUSINESS REVIEW**

The Group's turnover in the year ended 31st December, 2004 was approximately HK\$1,600 million (2003: approximately HK\$1,210 million). Profit attributable to shareholders in the year ended 31st December, 2004 was approximately HK\$220 million (2003: approximately HK\$157 million). Earnings per share in the year ended 31st December, 2004 was HK35.81 cents (2003: HK25.75 cents after adjusting for bonus share issue in 2004).

During the year of 2004, the Group recorded substantial growth in business performance.

Throughout the year as reviewed, continuous growth has been registered in the Group's business in China. Robust demand of plastic products in the China market triggered off the rapid development in manufacturing industries and the prominent growth of automobile parts manufacturing industry in China, contributed to the fruitful business performance of the Group. Regarding the cost of raw materials, the price of mould steel has been kept relatively stable during the year. As benefited from the economy of scale, the Group was able to control its total costs effectively, boosting both the figure of turnover and profit to a new height.

## **PROSPECTS**

The Group has full confidence on its future business development in China due to the political stability and domestic economic boom in China. The market is stimulated as well by the continuous launch of mould and die production plants within China territory by the Japanese, Taiwanese and Singaporean enterprises, more and more European manufacturers are outsourcing quality mould products from China. Further, the development of automobile parts manufacturing industry has been accelerated. It is expected that the mould industry in China will enjoy sustained growth in future years. The Group, being the leader of the mould base industry with ample market experience, with sophisticated professional staff and the

most cost effective production plants and facilities, the Group will take advantage of the economic development of China and will reach a new height in its business.

The Board of Directors of the Company (the "Board") either one is optimistic to its future development and expects a continuous growth in its turnover in the year of 2005. To grasp such market opportunities, the Group will stick to its comprehensive development strategy: enhancing its overall management, establishing highly effective and innovatively designed plants, adopting cost and labour saving production processes, upgrading manpower quality by ongoing training, and investing in advanced production facilities etc., with an aim to further sharpening the Group's competitive edge. To further fortify the leading position in the mould base industry, the Group will drive to extend its sales and distribution networks in China, targeting not only the coastal provinces in China, but also the growing market in Eastern region of China. Benefiting from the boom in mould manufacturing market, the Group will strive to develop its mould-related components business, with an aim to provide "one stop service" to meet customers needs.

Despite various favorable conditions, uncertainties still prevail in the market. Entering into the first quarter of the year of 2005, the sharp rise of imported quality steel price has been resulted due to the weakening of US dollars. Coupled with the increase of demand for quality mould steel in China, its price has been continuously pushed upward following the external market factors. In consideration of price rise in various natural resources and the upward trend of steel ore price, it is expected the mould steel price will stay high. However, with years of experience in the mould steel business, the Group clearly understands the operation cycle of mould steel market. Thus, the Group will adopt a cautious attitude to the market trend, and to strengthen its logistics management, enabling to procure ample stocks to meet production and customers needs at appropriate time and reasonable price. The Group will also reasonably adjust its product price; in the hope to minimise the impact of increasing raw materials price towards the Group's profitability performance.

On behalf of the Board, I would like to express gratitude to all shareholders, our employees, customers, suppliers and our business partners for their continued support. The Group will focus on its mission on "striving for excellence". With concerted effort of our staff, the Group will uphold our quality image of the LKM brand, with an aim to sustain its leading position in mould base market as well as contributing its effort to the international mould industry.

**Siu Tit Lung**  
*Chairman*

Hong Kong, 1st April, 2005