

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, 2006.

BUSINESS REVIEW

The Group's turnover in the year ended 31st December, 2006 was approximately HK\$2,135 million (2005: approximately HK\$1,899 million). Profit attributable to equity holders of the Company in the year ended 31st December, 2006 was approximately HK\$150 million (2005: approximately HK\$241 million). Basic earnings per share in the year ended 31st December, 2006 was HK24.27 cents (2005: HK38.88 cents).

The Group's profit in the year ended 31st December, 2006 was significantly less than that of 2005. The profit performance falling behind of expectation was mainly due to the slowdown in business growth of the Asian manufacturing sector and the uplift of material and labour costs in China which boosted up the production cost. During the review period, the Group had to continue its expansion and restructuring of plants in China. This further added pressure on the operating cost and profit margin.

PROSPECTS

The Group still holds good confidence in its long-term business development. Looking forward, it is expected to be a year filling with challenges. Despite great pressures from the market and business environment, the Group still holds a cautious, yet optimistic view toward it.

China still experiences a stable economic development and continuous growth in major industrial sectors, including automobile industry. However, significant orders for large-scale automobile moulds can only be expected in the second half of the year. The mould market remains unstable due to the ebb and flow of customers' business, as a consequent, it is difficult for the Group to formulate an optimum and well-coordinated production plan, which may impair its production efficiency. Furthermore, it is expected that the labour and operation cost in China will keep accelerating and it is unlikely that the additional cost can totally levied on customers at this moment. As a result, the Group's operation cost cannot be reduced in the short-term.

In meeting the challenge, the Group will strategically develop its business in China by enlarging its customer base and exploring potential markets. After experiencing rapid development in several years, market growth in the Southern China will gradually slow down. It is anticipated that markets in the Eastern and Northern China will be the focus of the future. In particular, the Eastern China market is bringing a stable increase in turnover for the Group in recent years. The Group will continuously develop its distribution and logistic network with comprehensive coverage over the mould intensive cities, establish partnership with customers in these areas and secure larger market share to further fortify the competitive edge of the Group.

The Group will strive to enhance its product quality and to control cost in securing its competitive advantage for sustaining development. The production capacity of Heyuan plant in Guangdong Province has been much enlarged after expansion and restructuring. The Group will streamline its production processes continuously through automation and re-engineering so as to improve productivity and efficiency. The Group will also upgrade its mode of management and control, and simplify its administrative organizational structure, aiming to establish a highly effective team that can promptly address the need of the fast-changing market situation by formulating appropriate counter policy and optimizing resources. All these measures can reinforce the Group's operation advantage and its solid foundation.

The Board of Directors would like to take this opportunity to express our heartiest thanks to all staff for their commitment and contribution. Sincere gratitude is extended to our shareholders and business partners for their immense support. The Group will maintain its pragmatic attitude and seek for continuous improvement in the challenging business environment. Being equipped with ample management experience and excellent technical expertise, the Group is full of confidence in maintaining a steady growth in its future business.

Siu Tit Lung
Chairman

Hong Kong, 30th March, 2007