



LUNG KEE (BERMUDA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Website: <http://www.irasia.com/listco/hk/lkm>

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2003

RESULTS

The directors (the "Directors") of Lung Kee (Bermuda) Holdings Limited (the "Company") have pleasure in submitting the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2003 together with comparative figures for the period of nine months from 1st April, 2002 to 31st December, 2002 as follows:

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
Turnover	3	1,209,613
Other operating income	42,654	21,710
Changes in inventories of finished goods and work in progress	9,183	301
Raw materials and consumables used	(530,489)	(357,276)
Staff costs	(206,227)	(133,841)
Depreciation and amortisation of property, plant and equipment	(80,931)	(61,786)
Amortisation of goodwill	(21,720)	(11,760)
Amortisation of patents and trademarks	(278)	—
Other operating expenses	(206,370)	(120,081)
Deficit on revaluation of investment properties	(950)	(1,150)
Profit from operations	4	214,485
Finance costs	5	(29,084)
Gain on disposal of subsidiaries	—	2,048
Profit before taxation	—	187,449
Taxation	6	(27,870)
Profit after taxation	—	159,579
Minority interests	—	(2,324)
Net profit for the year/period	—	157,255
Earnings per share	8	32.18 cents
— Basic	—	19.22 cents
— Diluted	8	32.10 cents
— Diluted	—	19.18 cents

Notes:

1. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**
The financial statements for the current year cover the year ended 31st December, 2003. The corresponding amounts shown for the income statement and related notes cover the period of nine months from 1st April, 2002 to 31st December, 2002 and therefore may not be comparable with amounts shown for the current year. The period covered by the 2002 financial statements is less than twelve months because the Directors determined that bringing the balance sheet date into line with that of the subsidiaries established in the People's Republic of China. No further changes to reporting dates are anticipated.

2. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS**
In the current year, the Company has adopted for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS"), issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP") and Interpretations approved by the HKSA.

In the current year, the Company has adopted for the first time, revised SSAP 12 ("SSAP 12 (Revised)") issued by the HKSA. The Principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this Standard had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. **TURNOVER AND SEGMENT INFORMATION**
Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year/period, and is analysed as follows:

By business segments
For management purposes, the Group is currently organised into two operating divisions — manufacture of mould base and trading of metal and parts. These divisions are the basis on which the Group reports its primary segment information.

Segmental information about these businesses is presented below.

	Year from 1st January, 2003 to 31st December, 2003			
	Manufacture of mould base HK\$'000	Trading of metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	1,064,604	145,009	—	1,209,613
Inter-segment sales	25,191	140,596	(165,787)	—
	1,089,795	285,605	(165,787)	1,209,613

Inter-segment sales are charged at prevailing market rates.

	RESULTS		
Segment results	154,783	17,998	—
Deficit on revaluation of investment properties	—	—	(950)
Unallocated corporate income	—	—	42,654
Profit from operations	—	—	214,485

	Profit of nine months from 1st April, 2002 to 31st December, 2002			
	Manufacture of mould base HK\$'000	Trading of metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	648,438	152,955	—	801,393
Inter-segment sales	11,085	107,000	(118,085)	—
	659,523	259,955	(118,085)	801,393

Inter-segment sales are charged at prevailing market rates.

	RESULTS		
Segment results	99,012	17,938	—
Deficit on revaluation of investment properties	—	—	(1,150)
Unallocated corporate income	—	—	21,710
Profit from operations	—	—	137,510

By geographical segments
The Group operates in the following geographical market segments — People's Republic of China including Hong Kong and other countries. The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Contribution to profit from operations			
	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
People's Republic of China including Hong Kong	957,907	625,901	180,868	113,066
Other countries	251,706	158,492	35,617	24,444
	1,209,613	784,393	214,485	137,510

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of Lung Kee (Bermuda) Holdings Limited (the "Company") will be held at Peacock Room, 1st Floor, Mandarin Oriental Hotel, 5 Connaught Road Central, Hong Kong on Monday, 2nd May, 2004 at 3:30 p.m. for the following purposes:

- To receive and consider the audited financial statements of the Company and the reports of the directors and auditors of the Company for the year ended 31st December, 2003.
- To approve and declare a final dividend of the Company for the year ended 31st December, 2003.
- To determine the maximum number of directors of the Company for the time being by 15.
- To re-elect and appoint directors of the Company.
- To re-choose the board of directors of the Company to fix the remuneration of directors of the Company.
- To authorise the directors of the Company to appoint any person as a director of the Company either to fill a casual vacancy on the board of directors of the Company or as an addition to the existing board of directors of the Company so long as the number of directors of the Company so appointed shall not exceed 15 or such other maximum number as may be determined from time to time by members of the Company in general meeting at their discretion.
- To re-appoint auditors of the Company and authorise the board of directors of the Company to fix their remuneration.

As special business
To consider and, if thought fit, pass, with or without modifications, the following resolution as an Ordinary Resolution.
"THAT the authorised share capital of the Company be increased from HK\$60,000,000 to HK\$100,000,000 by the creation of an additional 400,000,000 shares of HK\$0.10 each ranking pari passu in all respects with the existing shares of the Company."

To consider and, if thought fit, pass, with or without modifications, the following resolution as an Ordinary Resolution.
"THAT the following conditions be fulfilled:
— the passing of the relevant ordinary resolution to approve the Bonus Issue at the Annual General Meeting;
— the passing of the relevant ordinary resolution to increase the authorised share capital at the Annual General Meeting;
— the granting by the Bermuda Monetary Authority of the relevant permissions in respect of the Bonus Issue (if required);
— the Listing Committee of the Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in such shares to be issued by the Company pursuant to this resolution;
— the Singapore Exchange Securities Trading Limited granting listings of, and permission to deal in such shares to be issued by the Company pursuant to this resolution;

(A) subject to the approval of Resolution No. 8, upon the recommendation of the directors of the Company, such part of the amount standing to the credit of the share premium account of the Company as would be required to be applied in paying up in full at par shares of HK\$0.10 each in the capital of the Company, such shares to be allotted and distributed (subject as referred to in paragraph (C) of this Resolution) credited as fully paid upon the persons who were registered as holders of the existing issued shares in the capital of the Company on 3rd May, 2004 in the proportion of one new share for every four existing shares held, be capitalised and applied in such manner and the directors of the Company be and they are hereby authorised to allot and issue such shares;

(B) such shares shall not rank for the final dividend for the year ended 31st December, 2003 but shall, subject to the Memorandum of Association and By-laws of the Company, rank pari passu in all other respects with the existing issued shares of HK\$0.10 each in the capital of the Company;

(C) no fractional shares shall be allotted and distributed as aforesaid, but shares representing fractional entitlements shall be aggregated and issued to a nominee to be named by the directors of the Company and such shares shall at such time as the nominee thinks fit be sold and the net proceeds shall be retained for the benefit of the Company; and

(D) the directors of the Company be authorised to do all acts and things as may be necessary and expedient in connection with the bonus issue of new shares referred to in paragraph (A) of this Resolution including but not limited to determining the amount to be capitalised out of the share premium account and the number of shares to be allotted and distributed in the manner referred to in paragraph (A) of this Resolution."

To consider and, if thought fit, pass, with or without modifications, the following resolution as an Ordinary Resolution.
"THAT:

(A) subject to paragraph (C) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(B) the approval in paragraph (A) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or entitlement) by the directors of the Company pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares upon the exercise of subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantee as specified in such scheme or similar arrangement of Shares or rights to acquire the Shares; or (iii) an issue of Shares pursuant to any scrip dividends or similar arrangement providing for allotment of Shares in lieu of the whole or part of the dividend on Shares in accordance with the By-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(D) for the purpose of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
(i) the conclusion of the next annual general meeting of the Company; or
(ii) the expiration of the period within which the next annual general meeting of the Company is required by the By-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors the holders of Shares, or any class of Shares, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such Shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill	21,720	11,760
Amortisation of patents and trademarks	2,117	1,932
Auditors' remuneration	80,931	61,786
Exchange loss	2,234	9,737
Loss on disposal of property, plant and equipment	109	1,974
Operating lease rental expense	4,215	3,340
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$1,586,000 (period of nine months from 1st April, 2002 to 31st December, 2002: approximately HK\$671,000)	5,638	3,963

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
FINANCE COSTS		
Arrangement fee for bank loans	3,776	2,071
Interest on		
— bank borrowings wholly repayable within five years	22,425	15,482
— obligations under finance leases	6	26
— floating rate notes	2,877	—
	29,084	17,579

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
TAXATION		
The charge (credit) comprises:		
Hong Kong Profits Tax	169	1,491
— current year/period	(1,249)	(123)
— overprovision in prior year	(1,180)	1,468
Taxation in jurisdictions outside Hong Kong		
— current year/period	29,894	17,287
— under (over) provision in prior year	57	(314)
	29,951	16,973
Deferred taxation	(901)	(1,694)
	27,870	16,747

Hong Kong Profits Tax is calculated at 17.5% (period of nine months from 1st April, 2002 to 31st December, 2002: 16%) of the estimated assessable profit for both year/period.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in those jurisdictions.

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
DIVIDENDS		
Interim dividend of HK7 cents per share (for the period of nine months from 1st April, 2002 to 31st December, 2002: HK5 cents per share) was paid to the Company's shareholders	34,391	24,342
Proposed final dividend of HK10 cents per share (for the period of nine months from 1st April, 2002 to 31st December, 2002: HK5 cents per share) payable to the Company's shareholders	49,130	24,342
	83,521	48,684

8. **EARNINGS PER SHARE**
The calculation of the basic and diluted earnings per share is based on the following data:

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
Earnings	157,255	93,360
Earnings for the purpose of basic earnings per share	157,255	93,360
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of the group headed by Lung Kee Metal Holdings Limited based on dilution of their earnings per share	—	(192)
Earnings for the purpose of diluted earnings per share	157,255	93,168

Number of shares '000 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share 488,651 485,468
Effect of dilutive potential ordinary shares on exercise of options of the Company 1,275 94
Weighted average number of ordinary shares for the purpose of diluted earnings per share 489,926 485,742

MANAGEMENT DISCUSSION AND ANALYSIS
During the year ended 31st December, 2003, the Group continued to focus on the manufacture and sale of mould bases and trading of special mould steel and related products.

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).

Mould Base Manufacturing and Marketing
The Group's businesses in the Southern Region of China have progressed steadily. As a result of the expansion of Heyuan plants, production operates smoothly, reinforcing the productivity of the Group.

The Guangzhou factory, which devotes to produce high precision mould base, has experienced a continuous growth of sales orders from overseas clients due to the increasing awareness of LKM brand in the U.S.A. and among the European countries. Besides performing logistic and support role to all plants in China, the Dongguan plant continues to develop its mould components business and high value-added services including vacuum heat treatment, mould repair-welding services and Physical Vapor Deposition (PVD) coating services, it does not only offer more comprehensive services to customers but also provides a reliable source of income to the Group.

Turning to the Shanghai plant, China, operation becomes more matured after the completion of factory expansion. Productivity has been boosted up significantly with an upward growth in sales turnover.

Comparatively speaking, the market size of South East Asian countries is small, and renders relatively less contribution to the Group. Nevertheless, positive emphasis on cost effectiveness has been reported after merging the plants in Singapore and Malaysia, showing improvement both in sales and profit performance.

After restructuring, the Japan office has recorded surplus account. Moreover, the Group has enlarged its market share in Japan, with the help of increasing popularity of LKM brand in the local market.

Business of the plant in Taiwan progressed in a steady pace. Sales performance has been gradually improved and loss has been minimized; soon, it will offer positive contribution to the Group.

NOTICE OF ANNUAL GENERAL MEETING

11. To consider and, if thought fit, pass, with or without modifications, the following resolution as an Ordinary Resolution.
"THAT:

(A) subject to paragraph (B) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company ("Shares") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for the purpose of the applicable laws and the requirements of the Listing Rules of the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(B) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(C) for the purpose of this Resolution,
"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
(i) the conclusion of the next annual general meeting of the Company; or
(ii) the expiration of the period within which the next annual general meeting of the Company is required by the By-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
(iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting."

12. To consider and, if thought fit, pass, with or without modifications, the following resolution as an Ordinary Resolution.
"THAT subject to the passing of Ordinary Resolutions Nos. 10 and 11 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") pursuant to Ordinary Resolution No. 10 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 11 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this Resolution."

13. To consider and, if thought fit, pass, the following resolution as a Special Resolution.
"THAT the existing By-laws of the Company be and are hereby amended in the following manner:

(A) by deleting the words "Section 2 of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong)" in the definition of "Clearing House" in By-law 1 and substituting therefor the words "Section 37 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)";

(B) (i) by adding in By-law 2(c) after the words "visible form" the words " , and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member's election comply with all applicable Statutes, rules and regulations";
(ii) by deleting the full stop "." at the end of By-law 2(j) and substituting therefor a semi-colon ";";

(iii) by inserting the following new By-law 2(k) immediately following By-law 2(j):
"references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include any notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not."

(C) by inserting in By-law 44 after the words "any other newspapers in accordance with the requirements of any Designated Stock Exchange" the words "or by any means in such manner as may be accepted by the Designated Stock Exchange";

(D) by inserting in By-law 51 after the words "in the Newspapers" the words "or by any means in such manner as may be accepted by the Designated Stock Exchange";

(E) by inserting the following new By-law 77A immediately following By-law 77:
"77A. Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted;"

(F) by deleting the words "not less than seven (7) days before the date appointed for the meeting" in By-law 88 and substituting therefor the words "during the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending not later than 7 days prior to the date of such meeting";

(G) by deleting By-law 103(1) in its entirety and substituting therefor the following:
"103.(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange) is, to the knowledge of such Director, materially interested, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum of such resolution of the Board but his prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) or to any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) has/have himself/himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement by a Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) to subscribe for shares or debentures or other securities of the Company or any of its subsidiaries or to make or grant offers, agreements or options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into his/her interest in shares or debentures or other securities of the Company or any of its subsidiaries;

(iv) any contract, arrangement or proposal concerning an offer of the shares or debentures or other securities of the Company or any of its subsidiaries or to the knowledge of such Director, materially interested, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum of such resolution of the Board but his prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) or to any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) has/have himself/himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement by a Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange