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## Corporate Information

### BOARD OF DIRECTORS

Mr. Siu Tit Lung (*Chairman*)  
Mr. Siu Yuk Lung (*Managing Director*)  
Mr. Mak Koon Chi  
Mr. Wai Lung Shing  
Mr. Fung Wai Hing  
Mr. Liu Wing Ting, Stephen, JP  
Mr. Chan Chun Sing, Colin  
Dr. Lee Tat Yee

### COMPANY SECRETARY

Mr. Wai Lung Shing

### SOLICITORS

Woo, Kwan, Lee & Lo  
2718 Jardine House  
1 Connaught Place  
Hong Kong

### AUDITORS

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
26th Floor  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited  
138 Robinson Road #17-00  
The Corporate Office  
Singapore 068906

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor  
Cheung Kong Electronic Building  
4 Hing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

### WEBSITE

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

## Notice of Annual General Meeting

**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, 3rd May, 2004 at 3:30 p.m. for the following purposes:

### **As ordinary business**

1. 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.
2. To approve and declare a final dividend of the Company for the year ended 31st December, 2003.
3. To determine the maximum number of directors of the Company for the time being be 15.
4. To re-elect and appoint directors of the Company.
5. To authorise the board of directors of the Company to fix the remuneration of directors of the Company.
6. 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.
7. To re-appoint auditors of the Company and authorise the board of directors of the Company to fix their remuneration.

### **As special business**

8. 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.”

## Notice of Annual General Meeting

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

“THAT conditionally upon the following conditions being 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; and
  - 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 among 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 Bye-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.

## Notice of Annual General Meeting

- (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.”
10. 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 otherwise) by the directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than 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 Bye-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

## Notice of Annual General Meeting

(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 Bye-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 option, 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).”

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 this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

## Notice of Annual General Meeting

(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 Bye-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 Bye-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 Bye-law 1 and substituting therefor the words “Section 37 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)”;

## Notice of Annual General Meeting

- (B) (i) by adding in Bye-law 2.(e) 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 Bye-law 2.(j) and substituting therefor a semi-colon “;”;
- (iii) by inserting the following new Bye-law 2.(k) immediately following Bye-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 a 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 Bye-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 Bye-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 Bye-law 77A immediately following Bye-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 Bye-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 no later than 7 days prior to the date of such meeting”;



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(G) by deleting Bye-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 this 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) in respect of money lent by him or any of them or obligations incurred or undertaken by him or 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/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 to be issued pursuant to any offer or invitation to the members or debenture holders or to the public which does not provide the Directors or their associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) any privilege not accorded to any other members or debenture holders or to the public;
- (iv) any contract, arrangement or proposal concerning an offer of the shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase where the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

## Notice of Annual General Meeting

- (v) any contract or arrangement in which the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company or any of its subsidiaries;
  - (vi) any contract, arrangement or proposal concerning any company in which the Director and/or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and/or his associate(s) (as defined by the rules, where applicable, of the Designated Stock Exchange) is/are beneficially interested in shares of that company provided that the Director and/or any of his associate(s) (as defined by the rules, where applicable, of the Designated Stock Exchange) is/are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) is derived);
  - (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to directors, his associates (as defined by the rules, where applicable, of any Designated Stock Exchange) and employees of the Company or of any of its subsidiaries and does not give any Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange), as such an privilege or advantage not accorded to the class of persons to which such scheme or fund relates; or
  - (viii) any proposal concerning the adoption, modification or operation of any scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or its subsidiaries under which the Director or his associate(s) (as defined by the rules, where applicable, of any Designated Stock Exchange) may benefit.”;
- (H) by inserting the words “and Bye-law 153A.” after the words “Subject to Section 88 of the Act” in Bye-law 153;

## Notice of Annual General Meeting

- (I) by inserting the following new Bye-laws 153A. and 153B. immediately following Bye-law 153:

“153A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company’s annual accounts and the directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that article or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company’s computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.”;

- (J) by deleting Bye-law 160 in its entirety and substituting therefor the following:

“160. Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission

## Notice of Annual General Meeting

number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in the Newspapers or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the Member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.";

- (K) (i) by renumbering the existing Bye-laws 161.(b) and 161.(c) as new Bye-law 161.(c) and 161.(d) respectively;

- (ii) by deleting the word "and" at the end of new Bye-law 161.(c);

- (iii) by deleting the full stop "." at the end of new Bye-law 161.(d) and substituting therefor the words "; and";

- (iv) by inserting the following new Bye-law 161.(b) immediately following Bye-law 161.(a):

"if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;"; and

- (v) by inserting the following new Bye-law 161.(e) immediately following new Bye-law 161.(d):

"may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations." "

By Order of the Board

**Wai Lung Shing**

*Director and Company Secretary*

Hong Kong, 26th March, 2004

## Notice of Annual General Meeting

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or if he holds two or more shares more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the head office and principal place of business of the Company at 2nd Floor, Cheung Kong Electronic Building, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. The Register of Members of the Company will be closed from 28th April, 2004 to 3rd May, 2004, both days inclusive, during which period no share transfer will be effected.
5. In order to qualify for the proposed final dividends and bonus shares, all share certificates accompanied by the completed transfer forms either overleaf or separate or standard transfer form, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 27th April, 2004.
6. Singapore shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 27th April, 2004 will be entitled to the proposed final dividends and bonus shares.

## Financial Highlights

	<b>1st January, 2003</b>	1st April, 2002
	<b>to</b>	to
	<b>31st December,</b>	31st December,
	<b>2003</b>	2002
	<b>(12 months)</b>	(9 months)
	<b>HK\$'000</b>	HK\$'000

### RESULTS HIGHLIGHTS

Turnover	<b>1,209,613</b>	801,393
Profit from operations	<b>214,485</b>	137,510
Profit attributable to shareholders	<b>157,255</b>	93,360
Shareholders' funds	<b>853,983</b>	750,034

### PER SHARE DATA

Basic earnings per share (HK cents)	<b>32.18</b>	19.22
Cash dividends per share (HK cents)	<b>17</b>	10
Net assets per share (HK dollars)	<b>1.74</b>	1.54

### KEY FINANCIAL RATIOS

Return on average shareholders' funds (%)	<b>19.61%</b>	17.16% (Note)
Profit attributable to shareholders/Turnover (%)	<b>13.00%</b>	11.65%

Note:

Base on 12 months pro-rata of profit attributable to shareholders to calculate the return on average shareholders' funds.

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**

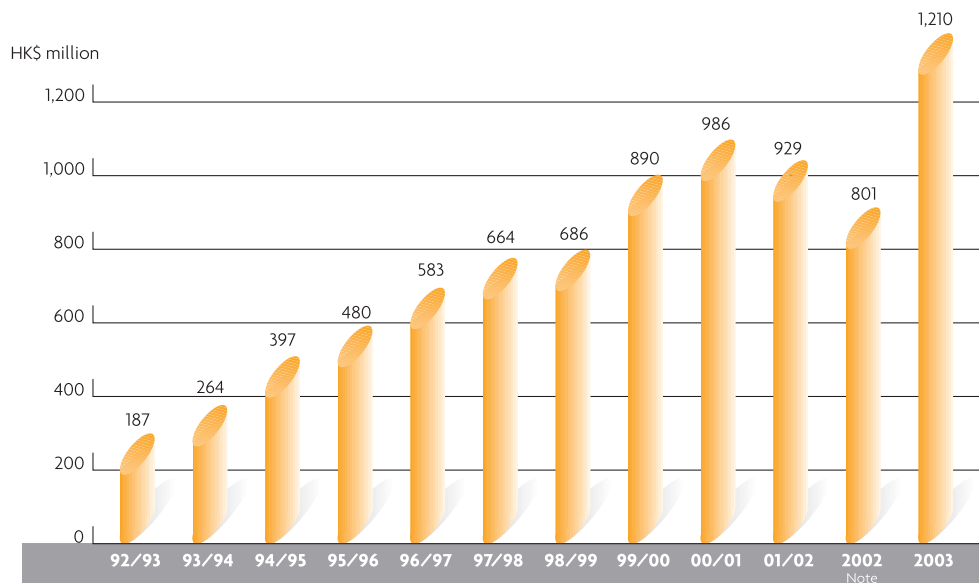
*Chairman*

Hong Kong, 26th March, 2004

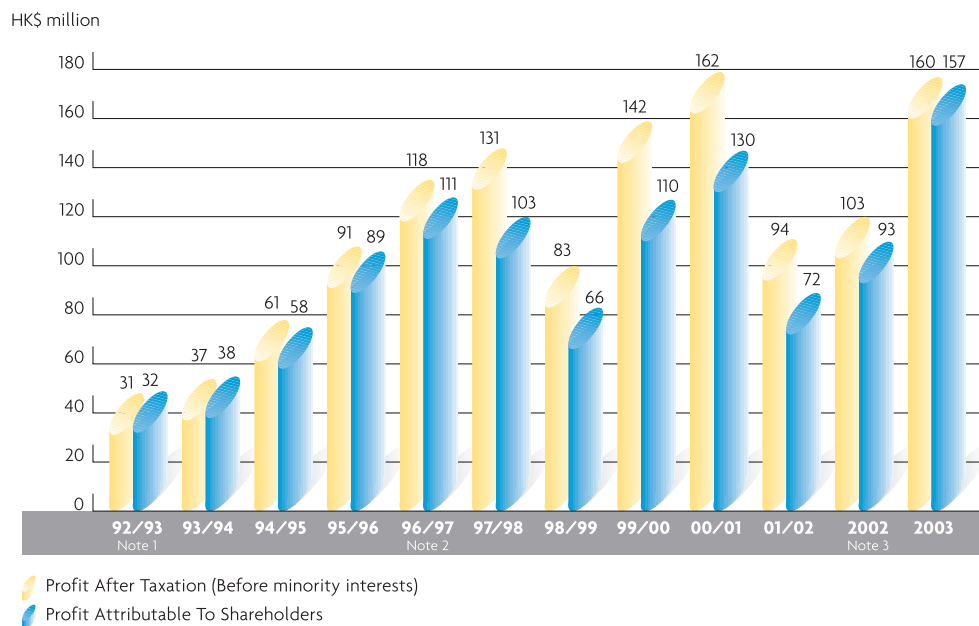


# Financial Statistics since Listing in 1993

## I. Turnover

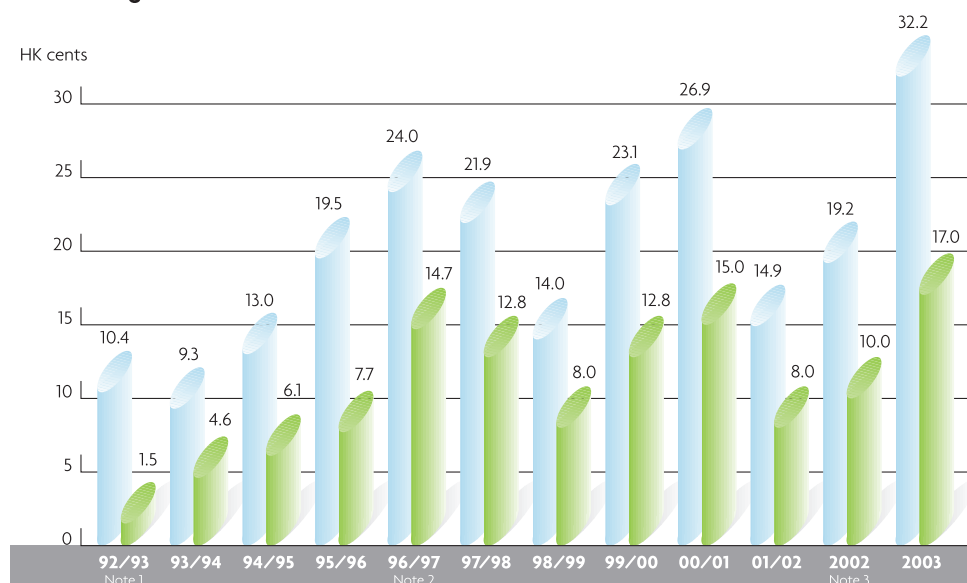


## II. Profit After Tax and Profit Attributable to Shareholders



## Financial Statistics since Listing in 1993

### III. Earnings Per Share and Dividend Per Share

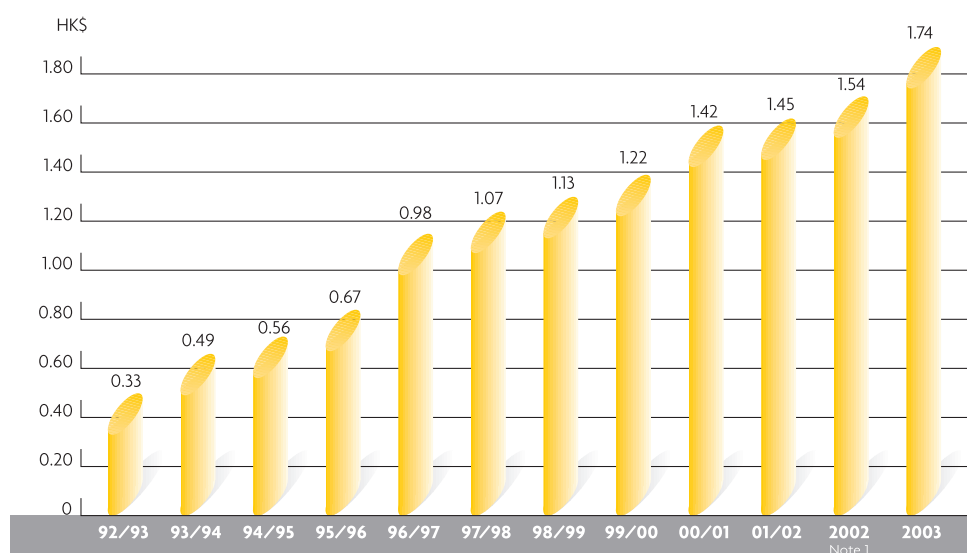


■ Earnings Per Share (Adjusted for bonus share issues)

■ Dividend Per Share (Adjusted for bonus share issues)

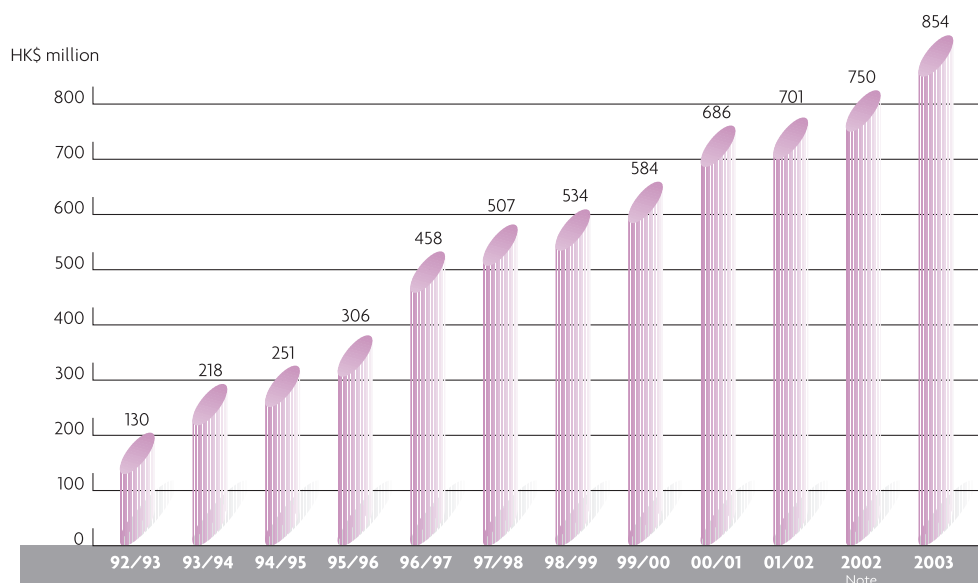
Note 1: Exceptional gain excluded (HK\$9,662,000 interest income on IPO subscription monies)  
 Note 2: Exceptional gain excluded (HK\$99,606,000 gain on disposal and deemed disposal of a subsidiary)  
 Note 3: Only represent 9 months figures as financial reporting date changed from 31st March to 31st December  
 Note 4: For comparison purpose, figures adjusted for bonus shares issued (bonus issue in 95/96, 96/97 and 99/00 of 1 bonus share for every 4 shares held)

### IV. Net Asset Value Per Share



# Financial Statistics since Listing in 1993

## V. Shareholders' Funds



## VI. Major Corporate Finance Activities

### 1993

#### March

Initial public offer of 50 million shares at HK\$1.21 per share

#### December

Placing of 30 million new shares at HK\$2.40 per share

### 1996

#### September

Approximately 59 million bonus shares were issued on the basis of one bonus share for every four shares held

### 1997

#### February

Separate listing of a subsidiary in the Singapore Exchange Securities Trading Limited ("SGX-ST") by offering 50 million shares of the subsidiary at US\$0.55 per share

#### August

Approximately 75 million bonus shares were issued on the basis of one bonus share for every four shares held

### 2000

#### September

Approximately 96 million bonus shares were issued on the basis of one bonus share for every four shares held

### 2002

#### July

Secondary listing of shares in SGX-ST

#### August

Privatization of the listed subsidiary in SGX-ST which was listed in Feb, 1997, by acquiring approximately 61 million shares of the listed subsidiary at S\$0.80 per share

## 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 recorded turnover of approximately HK\$1,210 million and earnings of approximately HK\$157 million for the year.

### **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 enhancement in 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.

The Group has been actively setting up sales outlets and offices in the Guangdong Province and the Eastern region of China, with an aim to provide high quality and direct services to those privately owned enterprises within the regions. Such market strategy has proved to be successful, reflected by favorable response from customers and the increase in sales figures.

**TRADING OF MOULD STEEL**

Regarding the imported mould steel business, the Group has accelerated its sales by providing quality products and technical services package to the market, notable results has been achieved with sales going up. Whereas the quality steel from China launched by the Group has also catered the needs of the market and customers. Since the beginning of the year 2003, the carbon steel price has been rising spirally with unstable supply to the market. In response to this, the Group has paid close attention to the prevailing market situation, acts timely to secure an optimum stock level in meeting the needs of our production and customers. Inevitably, the Group had adjusted its product price twice in light of the market situation.

**LIQUIDITY AND CAPITAL RESOURCES**

As at 31st December, 2003, the Group had a net cash deficit of approximately HK\$199 million. The Group had cash balance of approximately HK\$442 million. Most of the cash balance was placed in USD short term deposits with major banks in Hong Kong.

The Group adopted conservative measures to hedge any exchange fluctuation and incurred approximately HK\$2 million losses on foreign exchange during the year ended 31st December, 2003.

As at 31st December, 2003, the Group had capital commitments of approximately HK\$29 million in respect of the acquisition of property, plant and equipment, which are financed by internal resources.

**GEARING RATIO**

Total debts were approximately HK\$641 million, equal to approximately 75% of shareholders' funds of approximately HK\$854 million.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31st December, 2003, the Group employed a total of approximately 6,000 employees, including approximately 5,700 employees in its PRC production sites and approximately 300 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

**CONTINGENT LIABILITIES**

The Company gave guarantees of approximately HK\$1,109 million to financial institutions in respect of banking facilities granted to subsidiaries.

## Corporate Governance

The Group is committed to standards of corporate governance. The Board believes that good governance is essential to achieving the Group's objectives of maximizing shareholders value and safeguarding the interests of the shareholders.

### **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 (the "Listing Rules").

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. Liu Wing Ting, Stephen and Dr. Lee Tat Yee are the independent non-executive directors of the Company. Mr. Liu is also the chairman of the Audit Committee. Mr. Liu is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants and has been practising as a certified public accountant for many years.

The independence (according to the interpretation in the Listing Rules) of the two independent non-executive directors is confirmed. The Company is going to appoint one more independent non-executive director in the coming months to fulfil the recent amendments to the Listing Rules.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")**

The Company adopted the Model Code (Appendix 10 of the Listing Rules) as its own code of conduct regarding securities transactions by directors.

All the directors declared that they had complied with the Model Code throughout the year.

### **AUDIT COMMITTEE**

The Audit Committee was established in 1998 to provide the Board an independent review of the financial reporting process and the effectiveness of the internal controls. Its authority and duties are set out in written terms of reference that are consistent with those recommended by the Hong Kong Society of Accountants.

The Audit Committee meets at least twice a year to receive reports from external auditors and reviews the interim and annual financial statements. The Audit Committee meets regularly with, and reviews and receives reports from, the Internal Audit Department.

The Audit Committee consists of three members, all of whom are non-executive directors and the majority is independent non-executive director. The members of the Audit Committee are: Mr. Liu Wing Ting, Stephen, Mr. Chan Chun Sing, Colin and Dr. Lee Tat Yee. Mr. Liu is the chairman of the Audit Committee.

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).

## Directors' Report

### 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**

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Name of associated corporation</b>	<b>Number of shares held</b>	<b>Percentage of issued share capital of the class</b>
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

# Auditors' Report

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE MEMBERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 36 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 26th March, 2004

# Consolidated Income Statement

For the year ended 31st December, 2003

		<b>1st January, 2003 to 31st December, 2003 (12 months) HK\$'000</b>	<b>1st April, 2002 to 31st December, 2002 (9 months) HK\$'000</b>
	Notes		
Turnover	5	<b>1,209,613</b>	801,393
Other operating income	7	<b>42,654</b>	21,710
Changes in inventories of finished goods and work in progress		<b>9,183</b>	301
Raw materials and consumables used		<b>(530,489)</b>	(357,276)
Staff costs		<b>(206,227)</b>	(133,841)
Depreciation and amortisation of property, plant and equipment		<b>(80,931)</b>	(61,786)
Amortisation of goodwill		<b>(21,720)</b>	(11,760)
Amortisation of patents and trademarks		<b>(278)</b>	—
Other operating expenses		<b>(206,370)</b>	(120,081)
Deficit on revaluation of investment properties		<b>(950)</b>	(1,150)
Profit from operations	8	<b>214,485</b>	137,510
Finance costs	9	<b>(29,084)</b>	(17,579)
Gain on disposal of subsidiaries		<b>2,048</b>	—
Profit before taxation		<b>187,449</b>	119,931
Taxation	11	<b>(27,870)</b>	(16,747)
Profit after taxation		<b>159,579</b>	103,184
Minority interests		<b>(2,324)</b>	(9,824)
Net profit for the year/period		<b>157,255</b>	93,360
Earnings per share			
— Basic	13	<b>32.18 cents</b>	19.22 cents
— Diluted	13	<b>32.10 cents</b>	19.18 cents

## Consolidated Balance Sheet

As 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Investment properties	14	<b>23,100</b>	24,050
Property, plant and equipment	15	<b>457,487</b>	413,806
Intangible assets	19	<b>1,722</b>	—
Goodwill	20	<b>30,075</b>	51,795
Negative goodwill	21	<b>(22)</b>	(113)
		<b>512,362</b>	489,538
Current assets			
Inventories	22	<b>360,919</b>	283,882
Bills receivable		<b>32,411</b>	32,076
Trade and other receivables	23	<b>472,276</b>	373,530
Taxation recoverable		<b>10,542</b>	6,305
Bank balances and cash		<b>442,247</b>	563,830
		<b>1,318,395</b>	1,259,623
Current liabilities			
Trade and other payables	24	<b>235,216</b>	237,012
Bills payable		<b>36,970</b>	23,924
Taxation payable		<b>51,359</b>	46,387
Obligations under finance leases — due within one year	26	<b>26</b>	40
Unsecured bank borrowings	27	<b>491,413</b>	645,756
Dividend payables		<b>19</b>	24,374
		<b>815,003</b>	977,493
Net current assets		<b>503,392</b>	282,130
Total assets less current liabilities		<b>1,015,754</b>	771,668

# Consolidated Balance Sheet

As 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current liabilities			
Obligations under finance leases — due after one year	26	2	25
Floating rate notes	28	150,000	—
Deferred taxation	29	—	901
		150,002	926
Minority interests		11,769	20,708
		853,983	750,034
<b>CAPITAL AND RESERVES</b>			
Share capital	30	49,130	48,684
Share premium		109,502	104,512
Goodwill reserve		(3,636)	(3,636)
Capital reserve		11,966	11,966
Accumulated profits		685,773	587,251
Translation reserve		1,248	1,257
		853,983	750,034

The financial statements on pages 36 to 83 were approved and authorised for issue by the Board of Directors on 26th March, 2004 and are signed on its behalf by:

**Siu Tit Lung**  
DIRECTOR

**Siu Yuk Lung**  
DIRECTOR

## Balance Sheet

At 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Investment in a subsidiary	16	55,856	55,856
Amounts due from subsidiaries	17	220,753	177,364
Loans to subsidiaries	18	17,000	17,000
		<b>293,609</b>	250,220
Current assets			
Prepayments		312	281
Bank balances and cash		99	59
		<b>411</b>	340
Current liabilities			
Accrued charges		630	568
Amounts due to subsidiaries	25	34,338	22,293
Dividend payable		19	24,374
		<b>34,987</b>	47,235
Net current liabilities		<b>(34,576)</b>	(46,895)
Total assets less current liabilities		<b>259,033</b>	203,325
<b>CAPITAL AND RESERVES</b>			
Share capital	30	49,130	48,684
Share premium	31	109,502	104,512
Accumulated profits	31	100,401	50,129
		<b>259,033</b>	203,325

**Siu Tit Lung**  
DIRECTOR

**Siu Yuk Lung**  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31st December, 2003

	Share capital HK\$'000	Share premium HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st April, 2002	48,395	100,580	(3,636)	11,966	542,575	872	700,752
Final dividend declared for the year ended 31st March, 2002 (note 12)	—	—	—	—	(24,342)	—	(24,342)
Issue of new shares	289	3,932	—	—	—	—	4,221
Exchange differences on translation of overseas subsidiaries not recognised in the income statement	—	—	—	—	—	385	385
Net profit for the period	—	—	—	—	93,360	—	93,360
Interim dividend declared (note 12)	—	—	—	—	(24,342)	—	(24,342)
At 31st December, 2002	48,684	104,512	(3,636)	11,966	587,251	1,257	750,034
Final dividend declared for the nine months ended 31st December, 2002 (note 12)	—	—	—	—	(24,342)	—	(24,342)
Shares issued on exercise of share options	446	4,990	—	—	—	—	5,436
Exchange differences on translation of overseas subsidiaries not recognised in the income statement	—	—	—	—	—	(9)	(9)
Net profit for the year	—	—	—	—	157,255	—	157,255
Interim dividend declared (note 12)	—	—	—	—	(34,391)	—	(34,391)
At 31st December, 2003	49,130	109,502	(3,636)	11,966	685,773	1,248	853,983

The capital reserve of the Group includes an amount of approximately HK\$11,870,000 arising from the reorganisation of the Group, representing the aggregate of (i) the deferred shares of Lung Kee International Limited and Lung Kee Metal Limited; and (ii) the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of the share capital of its subsidiaries acquired at the date of the group reorganisation.



## Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	Note	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		187,449	119,931
Adjustment for:			
Interest income		(14,965)	(8,192)
Interest expenses and finance charges		25,308	15,508
Amortisation of goodwill		21,720	11,760
Release of negative goodwill		(91)	(68)
Amortisation of patents and trademarks		278	—
Deficit arising on revaluation of investment properties		950	1,150
Depreciation and amortisation of property, plant and equipment		80,931	61,786
Loss on disposal of property, plant and equipment		109	1,974
Gain on disposal of subsidiaries		(2,048)	—
Operating cash flows before movements in working capital		299,641	203,849
(Increase) decrease in inventories		(77,545)	19,874
Increase in trade and other receivables		(106,817)	(41,657)
Decrease (increase) in bills receivable		1,838	(8,821)
Increase in trade and other payables		9,888	62,353
Increase in bills payable		13,046	11,835
Exchange differences		2,718	2,023
Cash generated from operations		142,769	249,456
Tax paid			
— Hong Kong		(1,878)	(7,877)
— PRC		(25,026)	—
— Other jurisdictions		(259)	—
Hong Kong Profits Tax refunded		50	41
Interest expenses and finance charges paid		(25,308)	(15,508)
NET CASH FROM OPERATING ACTIVITIES		90,348	226,112

# Consolidated Cash Flow Statement

For the year ended 31st December, 2003

	Note	1st January 2003, to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
INVESTING ACTIVITIES			
Interest received		14,965	8,192
Dividends paid		(83,088)	(24,342)
Dividends paid to minority shareholders of subsidiaries		(8,400)	(1,600)
Purchase of property, plant and equipment		(131,278)	(74,243)
Disposal of subsidiaries	33	(160)	—
Acquisition of additional interest in subsidiaries		—	(234,212)
Payment for purchase of patents and trademarks		(2,000)	—
Proceeds on disposal of property, plant and equipment		5,485	4,560
NET CASH USED IN INVESTING ACTIVITIES		(204,476)	(321,645)
FINANCING ACTIVITIES			
New bank borrowings raised		542,709	432,475
Net decrease in trust receipt loans		(4,910)	(3,209)
Repayment of bank borrowings		(700,245)	(151,454)
Repayment of obligations under finance leases		(44)	(245)
Proceeds from floating rate notes issued		150,000	—
Proceeds from new shares issued		5,436	4,221
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(7,054)	281,788
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(121,182)	186,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		563,029	377,369
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		400	(595)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by		442,247	563,029
Bank balances and cash		442,247	563,830
Bank overdraft		—	(801)
		442,247	563,029

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are primary listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") and secondary listed on The Singapore Exchange Securities Trading Limited ("SGX-ST").

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.

## 2. 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, statement of changes in equity, cash flows 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 to bring 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.

## 3. 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.

SSAP 12 (Revised)

Income Taxes

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 recognised 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 recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis 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.

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December.

The results of subsidiaries which are acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2002 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2002 is capitalised and amortised on a straight-line basis over its useful economic life and is presented separately in the balance sheet.

On disposal of investments in subsidiaries, the attributable amount of unamortised goodwill/ goodwill previously eliminated against or credited to reserves is included in the determination of the gain or loss on disposal.

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Negative goodwill (Cont'd)**

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a deduction from assets.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

#### **Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable from bank deposits.

Rental income, including rental invoiced in advance, from properties let under operating leases, is recognised on a straight-line basis over the period of relevant leases.

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Investment properties (Cont'd)

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

### Patents and trademarks

Patents and trademarks are measured initially at cost and are amortised on a straight-line basis over their estimated useful life.

### Property, plant and equipment

Property, plant and equipment, other than properties under construction, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment other than properties under construction over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the leases
Freehold property	2%
Buildings	2%
Furniture, fixtures and fittings	15%
Plant and machinery	20%
Motor vehicles	30%

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property, plant and equipment (Cont'd)

Properties under construction are stated at cost which includes all development expenditure and other direct costs attributable to such projects. Properties under construction are not depreciated until completion of construction when the properties are ready for their intended use. Costs on completed construction work are transferred to the appropriate category of assets.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the leases.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Leases (Cont'd)

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

#### Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.



## Notes to the Financial Statements

For the year ended 31st December, 2003

### 4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **Taxation (Cont'd)**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **Retirement benefits scheme contributions**

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as an expense as they fall due.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 5. TURNOVER

Turnover represents the amounts received and receivable for goods sold, less returns, to outside customers during the year/period, and is analysed as follows:

	<b>1st January, 2003 to 31st December, 2003 (12 months) HK\$'000</b>	<b>1st April, 2002 to 31st December, 2002 (9 months) HK\$'000</b>
Manufacture of mould bases	<b>1,064,604</b>	648,438
Trading of metal and parts	<b>145,009</b>	152,955
	<b>1,209,613</b>	801,393

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### (a) Business segments

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

Principal activities are as follows:

Mould base	—	Manufacture of mould base
Metal and parts	—	Trading of metal and parts

## Notes to the Financial Statements

For the year ended 31st December, 2003

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****(a) Business segments (Cont'd)**

Segmental information about these businesses is presented below.

For the year ended 31st December, 2003

	<b>Mould base</b>	<b>Metal and parts</b>	<b>Elimination</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
TURNOVER				
External sales	<b>1,064,604</b>	<b>145,009</b>	<b>—</b>	<b>1,209,613</b>
Inter-segment sales	<b>25,191</b>	<b>140,596</b>	<b>(165,787)</b>	<b>—</b>
	<b>1,089,795</b>	<b>285,605</b>	<b>(165,787)</b>	<b>1,209,613</b>

Inter-segment sales are charged at prevailing market rates.

RESULTS				
Segment results	<b>154,783</b>	<b>17,998</b>	<b>—</b>	<b>172,781</b>
Deficit on revaluation of investment properties				<b>(950)</b>
Unallocated corporate income				<b>42,654</b>
PROFIT FROM OPERATIONS				<b>214,485</b>
Finance costs				<b>(29,084)</b>
Gain on disposal of subsidiaries	<b>—</b>	<b>2,048</b>	<b>—</b>	<b>2,048</b>
PROFIT BEFORE TAXATION				<b>187,449</b>
Taxation				<b>(27,870)</b>
PROFIT AFTER TAXATION				<b>159,579</b>

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

### (a) Business segments (Cont'd)

	Mould base HK\$'000	Metal and parts HK\$'000	Total HK\$'000
OTHER INFORMATION			
Capital expenditure	127,479	5,799	133,278
Release of negative goodwill	(91)	—	(91)
Amortisation of patents and trademarks	—	278	278
Depreciation and amortisation of property, plant and equipment	74,411	6,520	80,931
Amortisation of goodwill	21,720	—	21,720
Allowance for bad and doubtful debts	7,228	1,222	8,450
ASSETS			
Segment assets	1,262,195	109,980	1,372,175
Unallocated corporate assets			458,582
Consolidated total assets			1,830,757
LIABILITIES			
Segment liabilities	244,775	25,000	269,775
Unallocated corporate liabilities			695,230
Consolidated total liabilities			965,005

## Notes to the Financial Statements

For the year ended 31st December, 2003

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****(a) Business segments (Cont'd)**

For the period from 1st April, 2002 to 31st December, 2002

	Mould base	Metal and parts	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	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	—	116,950
Deficit on revaluation of investment properties				(1,150)
Unallocated corporate income				21,710

PROFIT FROM OPERATIONS	137,510
Finance costs	(17,579)

PROFIT BEFORE TAXATION	119,931
Taxation	(16,747)

PROFIT AFTER TAXATION	103,184
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# Notes to the Financial Statements

For the year ended 31st December, 2003

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

### (a) Business segments (Cont'd)

	Mould base HK\$'000	Metal and parts HK\$'000	Total HK\$'000
OTHER INFORMATION			
Capital expenditure	72,413	1,830	74,243
Goodwill arising from acquisition of additional interest in a subsidiary	54,359	—	54,359
Release of negative goodwill	(68)	—	(68)
Depreciation and amortisation of property, plant and equipment	58,512	3,274	61,786
Amortisation of goodwill	11,760	—	11,760
Allowance for bad and doubtful debts	2,749	549	3,298
ASSETS			
Segment assets	1,054,410	147,285	1,201,695
Unallocated corporate assets			547,466
Consolidated total assets			1,749,161
LIABILITIES			
Segment liabilities	249,965	62,268	312,233
Unallocated corporate liabilities			666,186
Consolidated total liabilities			978,419

### (b) Geographical segments

The Group operates in the following geographical market segments — People's Republic of China (the "PRC") including Hong Kong and other countries.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)****(b) Geographical segments (Cont'd)**

The following table shows an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	<b>Turnover</b>		<b>Contribution to profit from operations</b>	
	<b>1st January, 2003</b>	<b>1st April, 2002</b>	<b>1st January, 2003</b>	<b>1st April, 2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31st December, 2003</b>	<b>31st December, 2002</b>	<b>31st December, 2003</b>	<b>31st December, 2002</b>
	<b>(12 months)</b>	<b>(9 months)</b>	<b>(12 months)</b>	<b>(9 months)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC	<b>957,907</b>	625,901	<b>180,868</b>	113,066
Other countries	<b>251,706</b>	175,492	<b>33,617</b>	24,444
	<b>1,209,613</b>	801,393	<b>214,485</b>	137,510

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment and intangible assets</b>	
	<b>1st January, 2003</b>	<b>1st April, 2002</b>	<b>1st January, 2003</b>	<b>1st April, 2002</b>
	<b>to</b>	<b>to</b>	<b>to</b>	<b>to</b>
	<b>31st December, 2003</b>	<b>31st December, 2002</b>	<b>31st December, 2003</b>	<b>31st December, 2002</b>
	<b>(12 months)</b>	<b>(9 months)</b>	<b>(12 months)</b>	<b>(9 months)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
The PRC	<b>1,661,079</b>	1,574,124	<b>130,862</b>	111,473
Other countries	<b>159,136</b>	168,732	<b>2,416</b>	17,129
	<b>1,820,215</b>	1,742,856	<b>133,278</b>	128,602

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 7. OTHER OPERATING INCOME

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
Income from sales of scrap	21,137	8,459
Interest income	14,965	8,192
Release of negative goodwill	91	68
Rental income from investment properties, net of outgoings of approximately HK\$290,000 (1st April, 2002 to 31st December, 2002: HK\$122,000)	1,778	706
Sundry income	4,683	4,285
	<b>42,654</b>	21,710



## Notes to the Financial Statements

For the year ended 31st December, 2003

## 8. 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
Profit from operations has been arrived at after charging:		
Amortisation of goodwill	21,720	11,760
Amortisation of patents and trademarks	278	—
Auditors' remuneration:		
— current year	2,117	1,782
— underprovision in prior year	—	150
Depreciation and amortisation:		
— owned assets	80,892	61,700
— assets held under finance leases	39	86
Exchange loss	2,234	9,737
Loss on disposal of property, plant and equipment	109	1,974
Operating lease rentals in respect of:		
— rented premises	4,166	3,307
— plant and machinery	49	33
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$1,586,000 (1st April, 2002 to 31st December, 2002: HK\$671,000)	5,638	3,963

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 9. FINANCE COSTS

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

## 10. DIRECTORS' REMUNERATION

	<b>1st January, 2003 to 31st December, 2003 (12 months) HK\$'000</b>	<b>1st April, 2002 to 31st December, 2002 (9 months) HK\$'000</b>
Fees paid to non-executive and independent non-executive directors	<b>558</b>	405
Other emoluments paid to executive directors:		
Salaries and other benefits	<b>18,408</b>	13,806
Bonus	<b>15,000</b>	9,000
Retirement benefits scheme contributions	<b>2,001</b>	1,495
Total emoluments	<b>35,967</b>	24,706

## Notes to the Financial Statements

For the year ended 31st December, 2003

**10. DIRECTORS' REMUNERATION (Cont'd)**

The emoluments of the directors were within the following bands:

	<b>Number of directors</b>	
	<b>1st January, 2003</b>	1st April, 2002
	<b>to</b>	to
	<b>31st December, 2003</b>	31st December, 2002
	<b>(12 months)</b>	<b>(9 months)</b>
Nil to HK\$1,000,000	<b>3</b>	3
HK\$2,500,001 to HK\$3,000,000	<b>—</b>	1
HK\$3,500,001 to HK\$4,000,000	<b>—</b>	2
HK\$4,000,001 to HK\$4,500,000	<b>1</b>	—
HK\$5,000,001 to HK\$5,500,000	<b>2</b>	—
HK\$7,000,001 to HK\$7,500,000	<b>—</b>	2
HK\$10,000,001 to HK\$15,000,001	<b>2</b>	—
	<b>8</b>	8

The five individuals with the highest emoluments in the Group were directors of the Company for both year/period.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 11. TAXATION

	1st January, 2003 to 31st December, 2003 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— current year/period	169	1,491
— overprovision in prior year	(1,349)	(23)
	(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 (note 29)	(901)	(1,694)
	27,870	16,747

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

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

Pursuant to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In the current year, certain PRC subsidiaries are exempted from PRC income tax, and other PRC subsidiaries enjoyed a 50% reduction on PRC income tax.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**11. TAXATION (Cont'd)**

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	<b>1st January, 2003 to 31st December, 2003 (12 months)</b>		<b>1st April, 2002 to 31st December, 2002 (9 months)</b>	
	<b>HK\$'000</b>	<b>%</b>	<b>HK\$'000</b>	<b>%</b>
Profit before taxation	<b>187,449</b>		119,931	
Tax at domestic PRC income tax rate	<b>44,988</b>	<b>24.0</b>	28,783	24.0
Tax effect of non-deductible expenses	<b>1,947</b>	<b>1.0</b>	1,623	1.4
Tax effect of non-taxable income	<b>(2,599)</b>	<b>(1.4)</b>	(2,484)	(2.1)
Tax effect of utilisation of tax losses not previously recognised	<b>(2,356)</b>	<b>(1.3)</b>	(10,105)	(8.5)
Tax effect of unused tax losses not recognised	<b>8,704</b>	<b>4.7</b>	5,981	4.9
Others	<b>2,241</b>	<b>1.2</b>	(1,721)	(1.4)
Overprovision in current year	<b>(1,292)</b>	<b>(0.7)</b>	(337)	—
Tax effect of tax exemption/tax holiday	<b>(31,503)</b>	<b>(16.8)</b>	(10,995)	(9.3)
Effect of different tax rates of operating in other jurisdictions	<b>7,740</b>	<b>4.2</b>	6,002	5.0
Tax expense and effective tax rate for the year	<b>27,870</b>	<b>14.9</b>	16,747	14.0

Details of deferred taxation are set out in note 29.

**12. DIVIDENDS**

On 7th October, 2003, a dividend of HK 7 cents per share amounting to approximately HK\$34,391,000 (1st April, 2002 to 31st December, 2002 interim dividend: HK 5 cents per share amounting to approximately HK\$24,342,000) was paid to the shareholders as interim dividend for the year.

The directors have determined that a final dividend of HK 10 cents per share amounting to HK\$49,130,000 (1st April, 2002 to 31st December, 2002: HK 5 cents per share amounting to approximately HK\$24,342,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 3rd May, 2004.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 12. DIVIDENDS (Cont'd)

The amount of the proposed final dividend for the year has been calculated with reference to the 491,298,640 shares (2002: 486,843,643 shares) in issue as at the date of approval of these financial statements.

## 13. 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		
Earnings for the purpose of basic earnings per share	<b>157,255</b>	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	<b>157,255</b>	93,168
	<b>'000</b>	<b>'000</b>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>488,651</b>	485,648
Effect of dilutive potential ordinary shares on exercise of options of the Company	<b>1,275</b>	94
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>489,926</b>	485,742

## Notes to the Financial Statements

For the year ended 31st December, 2003

**14. INVESTMENT PROPERTIES**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
At beginning of the year/period	<b>24,050</b>	27,765
Disposal	—	(2,565)
Deficit on revaluation	<b>(950)</b>	(1,150)
At end of the year/period	<b>23,100</b>	24,050

The investment properties of the Group were revalued at 31st December, 2003 on an open market value basis by Chung Sen Surveyors Limited, a firm of independent professional valuers. The deficit arising on revaluation of HK\$950,000 (2002: HK\$1,150,000) has been charged to the income statement.

The Group's investment properties are situated in Hong Kong and are held under medium-term leases.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and fittings	Plant and machinery	Motor vehicles	Properties under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
AT COST						
At 1st January, 2003	209,247	94,976	560,936	34,098	27,087	926,344
Currency realignment	73	486	992	166	—	1,717
Transfer	38,946	—	5,852	885	(45,683)	—
Additions	4,091	12,073	80,798	5,034	29,282	131,278
Disposals	(5,731)	(1,926)	(4,374)	(3,924)	—	(15,955)
Disposal of subsidiaries	—	(747)	(9,698)	(437)	—	(10,882)
At 31st December, 2003	246,626	104,862	634,506	35,822	10,686	1,032,502
DEPRECIATION AND AMORTISATION						
At 1st January, 2003	19,347	58,787	407,067	27,337	—	512,538
Currency realignment	20	275	285	104	—	684
Provided for the year	4,218	9,582	61,989	5,142	—	80,931
Eliminated on disposals	(1,423)	(1,340)	(3,622)	(3,841)	—	(10,226)
Eliminated on disposal of subsidiaries	—	(554)	(8,008)	(350)	—	(8,912)
At 31st December, 2003	22,162	66,750	457,711	28,392	—	575,015
NET BOOK VALUE						
At 31st December, 2003	224,464	38,112	176,795	7,430	10,686	457,487
At 31st December, 2002	189,900	36,189	153,869	6,761	27,087	413,806



## Notes to the Financial Statements

For the year ended 31st December, 2003

**15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

The net book value of land and buildings shown above comprises:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Land and buildings outside Hong Kong:		
— freehold	<b>25,907</b>	29,831
— held under medium-term leases of less than fifty years	<b>198,557</b>	160,069
	<b>224,464</b>	189,900

The properties under construction are situated outside Hong Kong and are held under medium-term leases of less than fifty years.

The net book value of plant and machinery includes an amount of approximately HK\$23,986 (2002: HK\$60,000) in respect of assets held under finance leases.

**16. INVESTMENT IN A SUBSIDIARY**

The carrying value of the unlisted shares is based on the net book values of the underlying net assets of the subsidiary attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1993.

Details of the Company's principal subsidiaries at 31st December, 2003 are set out in note 39.

None of the subsidiaries had issued any debt securities at the end of the year.

**17. AMOUNTS DUE FROM SUBSIDIARIES**

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within the next twelve months from the balance sheet date and the balances are therefore shown as non-current.

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 18. LOANS TO SUBSIDIARIES

Loans to subsidiaries are unsecured, interest bearing at Hong Kong prime rate and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within the next twelve months from the balance sheet date and the balances are therefore shown as non-current.

### 19. INTANGIBLE ASSETS

	<b>Patents and trademarks</b>
	HK\$'000
<hr/>	
COST	
Additions and at 31st December, 2003	2,000
AMORTIZATION	
Provided for the year and at 31st December, 2003	278
NET BOOK VALUE	
At 31st December, 2003	1,722
<hr/>	

The patents and trademarks are amortised over a period of three years.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**20. GOODWILL**

	<b>THE GROUP</b>
	HK\$'000
<hr/>	
COST	
At 1st January, 2003 and 31st December, 2003	65,582
<hr/>	
AMORTISATION	
At 1st January, 2003	(13,787)
Charge for the year	(21,720)
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At 31st December, 2003	(35,507)
<hr/>	
NET BOOK VALUE	
At 31st December, 2003	30,075
<hr/>	
At 31st December, 2002	51,795
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The amortisation period adopted for goodwill is three years.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 21. NEGATIVE GOODWILL

	<b>THE GROUP</b>
	HK\$'000
GROSS AMOUNT	
At 1st January, 2003 and at 31st December, 2003	272
RELEASED TO INCOME	
At 1st January, 2003	(159)
Released during the year	(91)
At 31st December, 2003	(250)
CARRYING AMOUNT	
At 31st December, 2003	22
At 31st December, 2002	113

The negative goodwill is released to income statement on a straight-line basis over three years.

## 22. INVENTORIES

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>297,568</b>	231,969
Work in progress	<b>27,729</b>	33,145
Finished goods	<b>35,622</b>	18,768
	<b>360,919</b>	283,882

Inventories are stated at cost except that raw materials of approximately HK\$137,595,000 (2002: HK\$121,884,000) are carried at net realisable value.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**23. TRADE AND OTHER RECEIVABLES**

The Group allows an average credit period of 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK\$383,074,000 (2002: HK\$350,230,000) and an aged analysis of which is as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
0 to 60 days	<b>236,843</b>	232,465
61 to 90 days	<b>79,541</b>	51,009
Over 90 days	<b>66,690</b>	66,756
	<b>383,074</b>	350,230

**24. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of approximately HK\$113,624,000 (2002: HK\$65,016,000) and an aged analysis of which is as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
0 to 60 days	<b>86,752</b>	56,413
61 to 90 days	<b>9,148</b>	5,002
Over 90 days	<b>17,724</b>	3,601
	<b>113,624</b>	65,016

**25. AMOUNTS DUE TO SUBSIDIARIES**

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 26. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum		Present value of	
	lease payments		minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	27	45	26	40
In the second to fifth year inclusive	2	27	2	25
	29	72	28	65
Less: Future finance charges	(1)	(7)	—	—
Present value of lease obligations	28	65	28	65
Less: Amount due for settlement within one year and shown under current liabilities			(26)	(40)
Amount due after one year			2	25

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is ranged from three to six years. The average effective borrowing rate was 11% (2002: 13%). All leases are on a fixed repayment basis in Japanese Yen and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

The Company had no material obligations under finance leases at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**27. UNSECURED BANK BORROWINGS**

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Repayable within one year:		
Bank loans	<b>491,413</b>	640,044
Trust receipt loans	—	4,911
Bank overdrafts	—	801
	<b>491,413</b>	645,756

During the year, the Group obtained new loans in the amount of approximately HK\$542,709,000 (2002: HK\$432,475,000) and repaid loans of approximately HK\$700,245,000 (2002: HK\$151,454,000). These loans bear interest at the prevailing market rates and are repayable within one year. The proceeds were used to finance the acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

**28. FLOATING RATE NOTES**

During the year, the Group issued Floating Rate Notes ("FRNs") in the amount of HK\$150 million which are due in 2006. The FRNs carry interest at Hong Kong Inter-bank Borrowing Rate plus 1% and are guaranteed by the Company.

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 29. DEFERRED TAXATION

	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1st April, 2002	2,935	(340)	2,595
Charge (credit) for the period	(1,794)	100	(1,694)
At 31st December, 2002	1,141	(240)	901
Charge (credit) for the year	(1,141)	240	(901)
At 31st December, 2003	—	—	—

At the balance date, the Group has unused tax losses of HK\$74,645,000 (2002: HK\$48,195,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profit streams. Such losses may be carried forward indefinitely.

Neither the Group nor the Company had any material unprovided deferred taxation for the year nor at the balance sheet date.

## 30. SHARE CAPITAL

	Authorised 2003 HK\$'000	2002 HK\$'000	Issued and fully paid 2003 HK\$'000	2002 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the year/period	<b>60,000</b>	60,000	<b>48,684</b>	48,395
Issue of new shares	—	—	—	289
Shares issued on exercise of share options	—	—	<b>446</b>	—
At end of the year/period	<b>60,000</b>	60,000	<b>49,130</b>	48,684



## Notes to the Financial Statements

For the year ended 31st December, 2003

**31. RESERVES**

	<b>Share premium</b>	<b>Accumulated profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<hr/>			
THE COMPANY			
At 1st April, 2002	100,580	49,820	150,400
Shares issued at premium	3,932	—	3,932
Final dividend declared for the year ended 31st March, 2002 (note 12)	—	(24,342)	(24,342)
Net profit for the period	—	48,993	48,993
Interim dividends declared (note 12)	—	(24,342)	(24,342)
<hr/>			
At 31st December, 2002	104,512	50,129	154,641
Shares issued on exercise of share options	4,990	—	4,990
Final dividend declared for the nine months ended 31st December, 2002 (note 12)	—	(24,342)	(24,342)
Net profit for the year	—	109,005	109,005
Interim dividends declared (note 12)	—	(34,391)	(34,391)
<hr/>			
At 31st December, 2003	109,502	100,401	209,903
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The Company's reserves available for distribution to shareholders at 31st December, 2003 represent its accumulated profits of approximately HK\$100,401,000 (2002: HK\$50,129,000).

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 32. SHARE OPTIONS SCHEME

A share option scheme was adopted by the Company pursuant to a resolution passed on 9th September, 2002 (the “2002 Scheme”). Under the 2002 Scheme, the board of directors of the Company or a duly authorised committee (the “Board”) may grant options to (i) any executive or non-executive directors of the Group (or any persons proposed to be appointed as such) or any employees of the Group; (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; (iii) any consultants and professional advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services); (iv) any chief executives or substantial shareholders of the Company; (v) any associates of director, chief executive or substantial shareholder of the Company; and (vi) any employees of substantial shareholder of the Company, as absolutely determined by the Board (the “Participants”), to subscribe for shares in the Company. The 2002 Scheme was set up for the primary purpose to attract, retain and motivate talented Participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants, and will expire on 8th September, 2012.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2002 Scheme, unless prior approval from the Company’s shareholders is obtained. Without prior approval from the Company’s shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company’s share capital and with a value in excess of HK\$5 million must be approved in advance by the Company’s shareholders.

Options granted must be taken up within a period of 28 days from the date of Grant, upon payment of HK\$1 per grant. An option period is a period to be determined by the Board at its absolute discretion and notified by the Board to each Participant who accepts the option offer as being the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the share option (“Option Period”). Options may be exercised in accordance with the terms of the 2002 Scheme at any time during the Option Period after the option has been granted. The exercise price is determined by the Board, and shall be at least the highest of the nominal value of the Company’s share, the closing price of the Company’s shares on the date of grant and the average closing price of the Company’s shares for the five business days immediately preceding the date of grant.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**32. SHARE OPTIONS SCHEME (Cont'd)**

At 31st December, 2003, no share option remained outstanding under the 2002 Scheme. At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 5,000,000, representing 1.03% of the shares of the Company in issue at that date.

The following table discloses details of the Company's share options held by the Participants and movements in such holdings during the year/period:

Outstanding at 1st April, 2002	Granted during the period	Outstanding at 31st December, 2002 and 1st January, 2003	Exercised during the year	Cancelled during the year	Outstanding at 31st December, 2003
—	5,000,000	5,000,000	(4,455,000)	(545,000)	—

Details of the share options held by the directors included in the above table are as follows:

Outstanding at 1st April, 2002	Granted during the period	Outstanding at 31st December, 2002 and 1st January, 2003	Exercised during the year	Cancelled during the year	Outstanding at 31st December, 2003
—	2,500,000	2,500,000	(2,500,000)	—	—

Details of options granted are as follows:

Exercise price	Date of grant	Vesting period	Exercisable period
HK\$			
1.220	8th November, 2002	6 months	8th May, 2003 to 7th May, 2006

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 32. SHARE OPTIONS SCHEME (Cont'd)

In 2002, total consideration received during the year from employees for taking up the options granted was HK\$91.

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

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**33. DISPOSAL OF SUBSIDIARIES**

During the year, the Group entered into a sale and purchase agreement to dispose of 60% interest in Sky Bright Metal Product Limited and Dongguan Sky Bright Metal Products Co., Ltd. ("Sky Bright Group"), being the entire interest at Sky Bright Group held by the Group, with a consideration of HK\$6,332,000. The net of assets of Sky Bright Group at the date of disposal were as follows:

	<b>1st January, 2003 to 31st December, 2003 (12 months) HK\$'000</b>
Property, plant and equipment	<b>1,970</b>
Inventories	<b>2,452</b>
Trade and other receivables	<b>10,153</b>
Bank balances and cash	<b>6,492</b>
Trade and other payables	<b>(12,993)</b>
Taxation	<b>(934)</b>
Net assets	<b>7,140</b>
Less: Minority interests	<b>(2,856)</b>
	<b>4,284</b>
Gain on disposal	<b>2,048</b>
Total consideration	<b>6,332</b>
Satisfied by:	
Cash	<b>6,332</b>
Net cash outflow on disposal:	
Cash consideration	<b>6,332</b>
Bank balances and cash disposed of	<b>(6,492)</b>
	<b>(160)</b>

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 33. DISPOSAL OF SUBSIDIARIES (Cont'd)

The subsidiary disposed of during the year ended 31st December, 2003 contributed approximately HK\$1,965,000 to the Group's turnover, and a loss of HK\$10,600 to the Group's profit from operations.

## 34. CAPITAL COMMITMENTS

As at 31st December, 2003, the Group had capital expenditure amounting to approximately HK\$29,103,000 (2002: HK\$59,532,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

The Company had no material capital commitments at the balance sheet date.

## 35. OPERATING LEASE COMMITMENTS/ARRANGEMENTS

### The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Within one year	2,887	2,405
In the second to fifth year inclusive	3,264	2,854
	6,151	5,259

Operating lease payments represent rental payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average terms of two years.

The Company had no material operating lease commitments at the balance sheet date.

## Notes to the Financial Statements

For the year ended 31st December, 2003

**35. OPERATING LEASE COMMITMENTS/ARRANGEMENTS (Cont'd)****The Group as lessor**

Property rental income earned during the year was approximately HK\$2,070,000 (1st April, 2002 to 31st December, 2002: HK\$828,000).

At the balance sheet date, the Group had minimum lease receipts, which represent rentals receivable by the Group for its properties, under non-cancellable operating leases. The amount which fall due as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,320</b>	1,294
In the second to fifth year inclusive	<b>2,267</b>	2,795
	<b>3,587</b>	4,089

Certain of the properties held have committed tenants for an average term of one year.

The Company had no material operating lease arrangements at the balance sheet date.

**36. CONTINGENT LIABILITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Guarantees given to financial institutions in respect of facilities granted to subsidiaries	—	—	<b>1,108,579</b>	984,869
Discounted bills with recourse	—	4,979	—	—
	—	4,979	<b>1,108,579</b>	984,869

## Notes to the Financial Statements

For the year ended 31st December, 2003

### 37. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the “ORSO Scheme”) and a Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme. New employees joining the Group on or after 1st January, 2002 are also offered a choice of joining the ORSO Scheme or the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from the Group only at rates ranging from 5% to 11% of the employee’s basic salary, depending on the length of service with the Group.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees in the Group’s PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The subsidiaries in the PRC are required to contribute a specified percentage of their payroll to the benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which is available to reduce the contribution payable in the future years.

### 38. RELATED PARTY TRANSACTIONS

- (a) At 31st December, 2003, a banking facility of the Group amounting to NT\$100,000,000 equivalent to HK\$22,843,000 (2002: NT\$100,000,000 equivalent to HK\$22,450,000) was guaranteed jointly and severally by a minority shareholder of Supertech and the Company without charge. The minority shareholder of Supertech is also a director of Supertech.



## Notes to the Financial Statements

For the year ended 31st December, 2003

**38. RELATED PARTY TRANSACTIONS (Cont'd)**

(b) At 31st December, 2002, joint and several guarantees were given by the Group, together with the relevant minority shareholders, to two non-wholly owned subsidiaries as follows:

- Sky Lucky Steel Limited to the extent of HK\$1,000,000; and
- Sky Lucky Metal Limited to the extent of HK\$2,000,000.

Such guarantees were released during the year.

(c) 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 and the Company without charge. The minority shareholder of LKM Heatlock is also a director of LKM Heatlock.

**39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES**

The following table lists the subsidiaries of the Group as at 31st December, 2003 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/paid up capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Dongguan Lung Kee Metal Products Ltd. 東莞龍記五金製品有限公司	The PRC	HK\$103,500,000 (note b)	—	100	Manufacturing and marketing of mould bases
Dongguan Tin Cheung Metal Products Co., Ltd. 東莞天祥五金製品有限公司	The PRC	HK\$18,000,000 (note b)	—	70	Manufacturing and marketing of mould bases
Guangzhou Lung Kee Metal Products Co. Ltd. 廣州龍記金屬製品有限公司	The PRC	HK\$60,000,000 (note b)	—	100	Manufacturing and marketing of mould bases

# Notes to the Financial Statements

For the year ended 31st December, 2003

## 39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/paid up capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Heyuan Lung Kee Metal Products Co., Ltd. 河源龍記金屬製品有限公司	The PRC	HK\$110,000,000 (note b)	—	100	Manufacturing and marketing of mould bases
LKM Heatlock Company Limited	Hong Kong	HK\$100	—	70	Trading of hot runner system
Lung Kee International Limited	Hong Kong	HK\$2 ordinary shares HK\$2,000,002 non-voting deferred shares (note a)	—	100	Investment holding
Lung Kee Metal Japan Company Limited	Japan	JPY300,000,000	—	100	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	—	100	Manufacturing and marketing of mould bases
Lung Kee Metal Limited	Hong Kong	HK\$2 ordinary shares HK\$10,000,002 non-voting deferred shares (note a)	—	100	Manufacturing and marketing of mould bases
Lung Kee Metal (Singapore) Pte Limited	Singapore	S\$250,000	—	100	Manufacturing and marketing of mould bases

## Notes to the Financial Statements

For the year ended 31st December, 2003

## 39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/paid up capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Lung Kee Steel Products (Guangzhou Free Trade Zone) Co. Ltd. 龍記鋼材製品 (廣州保稅區) 有限公司	The PRC	HK\$5,000,000 (note b)	—	100	Trading of steel
Lung Kee Steel Limited	Hong Kong	HK\$2	—	100	Trading of steel
Shanghai Lung Kee Metal Products Co., Ltd. 上海龍記金屬製品有限公司	The PRC	US\$10,000,000 (note b)	—	100	Manufacturing and marketing of mould bases
Sky Lucky Metal Limited	Hong Kong	HK\$100	—	70	Manufacturing and marketing of mould bases
Taiwan Supertech Industrial Company Limited 仕霸工業股份有限公司	Republic of China	NT\$36,000,000	—	70	Manufacturing and marketing of mould bases

Notes:

- a. The deferred shares carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up. The Company or a subsidiary of the Company has been granted an option by the holders of the deferred shares to acquire these deferred shares not held by the Group at a nominal amount.
- b. These companies are wholly-owned foreign enterprises established in the PRC.

## Financial Summary

### RESULTS

	Year ended 31st March,			1st April, 2002 to 31st December, 2002 (9 months)	1st January, 2003 to 31st December, 2003 (12 months)
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2002 HK\$'000	2003 HK\$'000
TURNOVER	889,542	985,834	928,886	801,393	<b>1,209,613</b>
PROFIT BEFORE TAXATION	169,236	192,358	104,305	119,931	<b>187,449</b>
TAXATION	27,122	30,289	10,351	16,747	<b>27,870</b>
PROFIT BEFORE MINORITY INTERESTS	142,114	162,069	93,954	103,184	<b>159,579</b>
MINORITY INTERESTS	32,110	32,463	21,969	9,824	<b>2,324</b>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	110,004	129,606	71,985	93,360	<b>157,255</b>

### ASSETS AND LIABILITIES

	At 31st March,			At 31st December,	
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2002 HK\$'000	2003 HK\$'000
TOTAL ASSETS	1,134,982	1,413,085	1,477,186	1,749,161	<b>1,830,757</b>
TOTAL LIABILITIES	(386,976)	(549,248)	(587,143)	(978,419)	<b>(965,005)</b>
MINORITY INTERESTS	(163,776)	(178,285)	(189,291)	(20,708)	<b>(11,769)</b>
SHAREHOLDERS' FUNDS	584,230	685,552	700,752	750,034	<b>853,983</b>

## Properties held by the Group

### A. Investment properties

Name/Location	Type	Group's	
		attributable interest	Lease term
Workshop 6 on ground floor Kwong Sang Hong Centre Nos. 151–153 Hoi Bun Road Kowloon	Office premises	100%	Medium-term lease
Workshop No.2 on ground floor and the yard adjoining thereto Hung Tat Industrial Building No. 43 Hung To Road Kowloon	Factory	100%	Medium-term lease
Factory A on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Factory	100%	Medium-term lease
Factory C on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Factory	100%	Medium-term lease
Factory E on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Factory	100%	Medium-term lease
Car parking space No.L2 on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Carpark	100%	Medium-term lease
Car parking space No.L5 on G/F Mai Hing Industrial Building Nos. 16–18 Hing Yip Street Kowloon	Carpark	100%	Medium-term lease

## Properties held by the Group

### B. Land and buildings

Name/Location	Type	Group's	
		attributable interest	Lease term
The People's Republic of China			
Qiaoli Management District Changping-Huangjiang Highway Changping Town Dongguan Guangdong Province	Factory and staff quarters	100%	Medium-term lease
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	100%	Medium-term lease
Qisha Management District Shatian Town Dongguan Guangdong Province	Factory and staff quarters	70%	Medium-term lease
Xinqiao Town Songjiang County Shanghai	Factory and staff quarters	100%	Medium-term lease
Unit No. 201 No. 34 of 158 Lane Baocheng Road Xinzhong Town Shanghai	Staff quarters	100%	Medium-term lease
Guangzhou Free Trade Zone Huangpu District Guangzhou Guangdong Province	Factory	100%	Medium-term lease
Taizhou Economic Development Zone, Zhejiang	Industrial land	100%	Medium-term lease

## Properties held by the Group

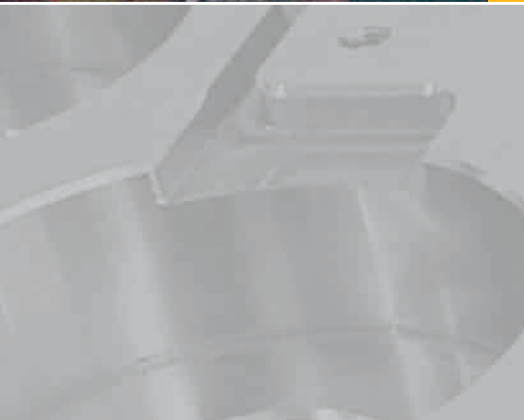
**B. Land and buildings (Cont'd)**

Name/Location	Type	Group's	
		attributable interest	Lease term
Malaysia			
No. 5 Jalan Kemunting 2B Section BB 6, Bandar Bukit Beruntung 48300 Rawang Selangor Darul Ehsan Malaysia	Industrial land	100%	Freehold
Japan			
Land #914-1, Oaza Yoshida, Oizumi-machi, Oura-gun, Guma-ken, Japan	Warehouse	100%	Freehold

**C. Properties under construction**

Name/Location	Type	Group's interest	Lease term	Expected completion date
The People's Republic of China				
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	100%	Medium-term lease	June 2004
Taizhou Economic Development Zone Zhejiang	Factory and staff quarters	100%	Medium-term lease	July 2004

- 1 A bird's-eye view for Heyuan plant, PRC  
中國河源廠區鳥瞰
- 2 Plate cutting line  
板材開料工場
- 3 Cutting line for large steel blocks  
大料開料生產線
- 4 Production section for mould base component  
零配件工場
- 5 Large size high precision machining centers  
大型高精度加工機床





6 High precision double column machining centers

大型龍門高精度加工中心

7 Stock for large forging steel blocks

大型鋼材鍛件庫存

8 Assembly for large size mould base

大型模架裝嵌工場

9 Mould base for automobile mould

汽車工業模具模架

10 Mould base for household product

大型家電模架

