



LUNG KEE (BERMUDA) HOLDINGS LIMITED

CONTENTS

INDEPENDENT REVIEW REPORT	2
CONDENSED CONSOLIDATED INCOME STATEMENT	4
CONDENSED CONSOLIDATED BALANCE SHEET	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	8
MANAGEMENT DISCUSSION AND ANALYSIS	19
OTHER INFORMATION	22



LUNG KEE (BERMUDA) HOLDINGS LIMITED

INDEPENDENT REVIEW REPORT

德勤·關黃陳方會計師行

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**Deloitte
Touche
Tohmatsu**

To the Board of Directors of
LUNG KEE (BERMUDA) HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 4 to 18.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. As stated in note 1 to the condensed consolidated financial statements, the Company's financial year end date was changed from 31st March to 31st December during 2002 and the comparative amounts shown for the condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes cover the period of six months from 1st April, 2002 to 30th September, 2002. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2003.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 29th August, 2003

FINANCIAL RESULTS

The directors (the "Directors") of Lung Kee (Bermuda) Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2003 together with the comparative figures for the six months ended 30th September, 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2003

		Six months ended	
		30th June, 2003 (unaudited) HK\$'000	30th September, 2002 (unaudited) HK\$'000
	Notes		
Turnover		560,671	525,184
Other operating income		20,149	13,973
Changes in inventories of finished goods and work in progress		5,388	2,560
Raw materials and consumables used		(245,170)	(233,148)
Staff costs		(93,408)	(85,292)
Depreciation and amortisation of property, plant and equipment		(40,650)	(41,658)
Amortisation of goodwill		(10,860)	(6,400)
Other operating expenses		(90,357)	(82,920)
Profit from operations	4	105,763	92,299
Finance costs		(16,714)	(11,558)
Gain on disposal of a subsidiary		2,329	—
Profit before taxation		91,378	80,741
Taxation	5	(14,420)	(11,821)
Profit after taxation		76,958	68,920
Minority interests		(1,658)	(8,664)
Net profit for the period		75,300	60,256
Dividend	6		
Proposed interim dividend of HK7 cents per share (for the six months ended 30th September, 2002: HK5 cents per share)		34,210	24,342
Earnings per share	7		
— Basic		15.46 cents	12.42 cents
— Diluted		15.40 cents	12.36 cents

LUNG KEE (BERMUDA) HOLDINGS LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

	Notes	30th June, 2003 (unaudited) HK\$'000	31st December, 2002 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	24,050	24,050
Property, plant and equipment	8	441,593	413,806
Goodwill		40,935	51,795
Negative goodwill		(68)	(113)
		506,510	489,538
Current assets			
Inventories		329,392	283,882
Bills receivable		28,903	32,076
Trade and other receivables	9	394,921	373,530
Taxation recoverable		6,967	6,305
Bank balances and cash		620,941	563,830
		1,381,124	1,259,623
Current liabilities			
Trade and other payables	10	166,084	237,012
Bills payable		24,843	23,924
Taxation payable		48,103	46,387
Obligations under finance leases		32	40
Unsecured bank borrowings	11	677,683	645,756
Dividend payables		34	24,374
		916,779	977,493
Net current assets		464,345	282,130
Total assets less current liabilities		970,855	771,668
Non-current liabilities			
Obligations under finance leases		13	25
Floating rate notes	12	150,000	—
Deferred taxation		330	901
		150,343	926
Minority interests		17,109	20,708
		803,403	750,034
CAPITAL AND RESERVES			
Share capital	13	48,871	48,684
Reserves		754,532	701,350
		803,403	750,034

LUNG KEE (BERMUDA) HOLDINGS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	Share capital HK\$'000 (Note 13)	Share premium HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
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	—	—	—	—	(24,342)	—	(24,342)
Issue of new shares	289	3,932	—	—	—	—	4,221
Exchange differences arising from translation of foreign currency financial statements not recognised in the condensed consolidated income statement	—	—	—	—	—	399	399
Net profit for the period	—	—	—	—	60,256	—	60,256
At 30th September, 2002	48,684	104,512	(3,636)	11,966	578,489	1,271	741,286
Exchange differences arising from translation of foreign currency financial statements not recognised in the condensed consolidated income statement	—	—	—	—	—	(14)	(14)
Net profit for the period	—	—	—	—	33,104	—	33,104
Interim dividend declared	—	—	—	—	(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 period ended 31st December, 2002	—	—	—	—	(24,342)	—	(24,342)
Share issued on exercise of share options	187	2,094	—	—	—	—	2,281
Exchange differences arising from translation of foreign currency financial statements not recognised in the condensed consolidated income statement	—	—	—	—	—	130	130
Net profit for the period	—	—	—	—	75,300	—	75,300
At 30th June, 2003	48,871	106,606	(3,636)	11,966	638,209	1,387	803,403



LUNG KEE (BERMUDA) HOLDINGS LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended	
	30th June, 2003 (unaudited) HK\$'000	30th September, 2002 (unaudited) HK\$'000
Net cash inflow from (used in) operating activities	(17,036)	149,519
Net cash used in investing activities	(113,508)	(270,007)
Net cash inflow from financing activities	188,407	263,420
Net increase in cash and cash equivalents	57,863	142,932
Cash and cash equivalents at the beginning of the period	563,029	377,369
Effect of foreign exchange rates changes	49	(379)
Cash and cash equivalents at the end of the period	620,941	519,922



LUNG KEE (BERMUDA) HOLDINGS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

During 2002, the Board of Directors resolved to change the financial year end date of the Company from 31st March to 31st December in order to facilitate the preparation of accounts of the Group as most of the Group's investments and business activities principally operate in the People's Republic of China (the "PRC") and the relevant subsidiaries of the Company which carry on the businesses in the PRC have a financial year end date of 31st December. As a result of the change in the financial year end date, the condensed consolidated financial statements for the current period cover the period of six months from 1st January, 2003 to 30th June, 2003. Accordingly, the comparative amounts shown for the condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes cover the period of six months from 1st April, 2002 to 30th September, 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the period of nine months from 1st April, 2002 to 31st December, 2002, except for the adoption of the 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 SSAP 12 (Revised) has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustments has been required.

During the period, the Group issued floating rate notes ("FRNs") which are in bearer form in the denomination of HK\$500,000 each. The FRNs carry interest at Hong Kong Inter-bank Borrowing Rate plus 1% and are due in 2006. The interest are payable every three months. The costs incurred in connection with the issue of the FRNs are charged immediately to the income statement. Interest expenses are accrued on a time basis, by reference to the principal amount outstanding and at the applicable interest rate.

3. SEGMENT INFORMATION

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

Six months ended 30th June, 2003

	Mould base HK\$'000	Metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	489,851	70,820	—	560,671
Inter-segment sales	—	127,920	(127,920)	—
	489,851	198,740	(127,920)	560,671
Inter-segment sales are charged at prevailing market rates				
RESULTS				
Segment results	85,260	13,362	—	98,622
Unallocated corporate income				7,141
Profit from operations				105,763

LUNG KEE (BERMUDA) HOLDINGS LIMITED**Six months ended 30th September, 2002**

	Mould base HK\$'000	Metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	407,588	117,596	—	525,184
Inter-segment sales	10,948	82,679	(93,627)	—
	418,536	200,275	(93,627)	525,184

Inter-segment sales are charged at prevailing market rates

RESULTS

Segment results	72,378	14,481	—	86,859
Unallocated corporate income				5,440
Profit from operations				92,299

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Six months ended	
	30th June, 2003 HK\$'000	30th September, 2002 HK\$'000
Loss on disposal of property, plant and equipment	412	1,153
Interest income	(7,141)	(5,440)
Exchange (gain) loss	(1,242)	6,000

5. TAXATION

	Six months ended	
	30th June, 2003 HK\$'000	30th September, 2002 HK\$'000
The charge comprises:		
Hong Kong		
Profits tax	163	1,281
Deferred tax	(571)	—
	(408)	1,281
Taxation in jurisdictions outside Hong Kong	14,828	10,540
	14,420	11,821

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the 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 period, certain PRC subsidiaries are exempted from PRC income tax, and other PRC subsidiaries enjoyed a 50% reduction on PRC income tax.

Certain income of the Group is not subject to taxation in the jurisdictions in which the Group operates.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

6. DIVIDENDS

On 14th May, 2003, a dividend of HK5 cents per share was paid to shareholders as final dividend for the period of nine months from 1st April, 2002 to 31st December, 2002 (final dividend for the year ended 31st March, 2002: HK5 cents per share).

The Directors have determined that an interim dividend of HK7 cents per share (for the six months ended 30th September, 2002: HK5 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 19th September, 2003.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30th June, 2003 HK\$'000	30th September, 2002 HK\$'000
Earnings		
Earnings for the purposes of basic earnings per share	75,300	60,256
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	—	(289)
Earnings for the purposes of diluted earnings per share	75,300	59,967
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	486,916	485,047
Effect of dilutive potential ordinary shares on exercise of options of the Company	1,932	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	488,848	485,047

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

In the opinion of the Directors, there was no material difference between the carrying amount and the market value of the investment properties as at 30th June, 2003.

During the period, the Group incurred expenditure of approximately HK\$18,550,000 on the properties under construction in the PRC.

In addition, the Group spent HK\$45,689,000, HK\$3,609,000 and HK\$3,576,000 on acquisition of plant and machinery, furniture and equipment and other assets respectively, for the purpose of expanding the Group's business.

9. 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 HK\$374,686,000 (31st December, 2002: HK\$350,230,000) and an aged analysis of which is as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 to 60 days	267,892	232,465
61 to 90 days	51,657	51,009
Over 90 days	55,137	66,756
	374,686	350,230

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$68,042,000 (31st December, 2002: HK\$65,016,000) and an aged analysis of which is as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 to 60 days	39,578	56,413
61 to 90 days	18,421	5,002
Over 90 days	10,043	3,601
	68,042	65,016

11. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK\$49,941,000, which were used for general working capital. The loans bear interest at market rates and are repayable within one year.

In addition, the Group repaid bank loans amounting to approximately HK\$11,927,000 during the period.

12. FLOATING RATE NOTES

During the period, a subsidiary of the Company issued 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.

13. SHARE CAPITAL

	Authorised at		Issued and fully paid at	
	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	60,000	60,000	48,684	48,395
Issue of new shares	—	—	—	289
Shares issued on exercise of share options	—	—	187	—
At end of the period/year	60,000	60,000	48,871	48,684

14. CAPITAL COMMITMENTS

As at 30th June, 2003, the Group had capital expenditure amounting to approximately HK\$20,078,000 (31st December, 2002: HK\$59,532,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

15. DISPOSAL OF A SUBSIDIARY

During the period, the Group entered into a Sale and Purchase Agreement to dispose 60% interest in Sky Bright Metal Product Limited ("Sky Bright"), being the entire interest of Sky Bright held by the Group, with a consideration of HK\$6,805,800. The disposal was completed on 23rd May, 2003.

16. SHARE OPTIONS SCHEME

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

	Number of share options			At 30th June, 2003
	At 1st January, 2003	Exercised during the period	Cancelled during the period	
Directors	2,500,000	—	—	2,500,000
Employees	2,500,000	(1,870,000)	(545,000)	85,000
Total	5,000,000	(1,870,000)	(545,000)	2,585,000

The closing price of the Company shares immediately before the date on which the options were exercised was HK\$2.90.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The outbreak of SARS that afflicted the Asian region had slight negative effect on the Group's sales turnover in the second quarter of this year. However, the Group still recorded a satisfactory growth in its overall performance in the first half year.

As the newly expanded plants in China started to operate and with the help of more matured labors, the productivity of both the Heyuan and Dongguan plants in China had been further enhanced, showing great improvements on its products quality and production effectiveness. The Guangzhou factory, located in Guangzhou Free Trade Zone, devotes to produce high precision mould base for overseas clients. Owing to the growing awareness of LKM brand, sales orders from overseas market maintained steady growth.

The second phase development of the Shanghai plant, China had just been completed; and machineries had been well installed. Overall productivity of the plant is continuously strengthened, ready to accommodate further business growth in the Eastern Region in China.

Due to the decline of the mould industry in Singapore, the Group's small-sized factory in Singapore had been restructured into a regional sales office. Its production had been merged with the plant located in Malaysia, for more effective co-ordination and management.

Despite the unfavorable domestic environment in Japan, the Group's business in Japan still achieved constant growth, in terms of its market share and turnover, attributed to its widely accepted LKM brand in the Japan market.

The plant in Taiwan operates smoothly with incessant growth in productivity and sales turnover, further boosting the business development of the Group.

The imported mould steel business faced keen market competition on price. Nevertheless, positive growth in the sales of newly promoted quality steel from China, to a certain extent, compensated the dwindling demand of imported mould steel.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

Prospects

Following China's accession to the WTO, worldwide manufacturers rush into China for direct investment and setting up new production plants. China has further reinforced its position as "The Global Manufacturing Center". Coupled with the economic boom in the domestic market, demand for plastic consumers goods has substantially increased. Looking ahead, the Group is highly optimistic towards its future developments.

The newly expanded plant in Heyuan, China concentrates in the production of large size mould base for the automobile industry, catering for the growing demand of such products in the market. On the other hand, the construction of the new supporting plant in the Zhejiang Province will be completed at the beginning of next year, and will start production in the middle of next year. It aims at providing quality mould bases for privately owned enterprises in that area, further enhancing the Group's business in China.

The Group will put considerably effort in widening its distribution networks with an aim to extend its sales contacts covering all major industrial cities in China. Through closer and direct contacts with customers, the Group can grasp local business opportunities efficiently. For the Eastern region of China, the Group has gradually set up sales offices in the Zhejiang Province and the Jiangsu Province, capturing the vast market opportunity in that region. Turning to the Guangdong Province, sales points and offices have been opened up continuously in those customer-intensive cities in order to offer more direct, intimate and prompt services to privately owned enterprises in that area.

Regarding the mould steel business, the Group commits to launch a wide variety of technical services, to fortify its sales on imported quality steel. Owing to the continued improvement on the quality of steel manufactured by China special steel factories, the Group will, through stringent quality control process, carefully select and market a wide range of quality China mould steel, matching needs of the more price-conscious customers. The parallel development of both imported quality steel and China quality steel products will offer more choices for customers and will sharpen the competitiveness of the Group.

The Group will further develop its value-added services to the customers. In addition to six-sides machining, vacuum heat treatment and mould repairing services, the Group will provide Physical Vapor Deposition (PVD) coating services to customers. Through different types of hard coating, the performance of mould components and machinery parts can be substantially enhanced due



LUNG KEE (BERMUDA) HOLDINGS LIMITED

to the improvement in wear resistance, lubrication and corrosive resistance characteristics. The installation of the PVD system will be completed at the end of this year and service will be available at the beginning of next year, providing a more comprehensive "one-stop services" to customers.

Liquidity and Financial Resources

As at 30th June, 2003, the Group had cash balance of approximately HK\$621 million. Most of the cash balance was placed in HKD and USD short term deposits with major banks in Hong Kong.

Total debts of the Group were approximately HK\$828 million, equal to approximately 103% of shareholders' funds of approximately HK\$803 million.

Employees and Remuneration Policies

As at 30th June, 2003, the Group employed a total of approximately 5,400 employees, including approximately 5,000 employees in its PRC production sites and approximately 400 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.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

OTHER INFORMATION

Review of Interim Financial Statements

The Audit Committee has reviewed with management and the external auditors, Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including the review of the unaudited interim financial statements.

Interim Dividend

The Directors have declared an interim dividend of HK7 cents per share (for the six months ended 30th September, 2002: HK5 cents per share) in respect of the six months ended 30th June, 2003 to be payable on or about 7th October, 2003 to shareholders whose names appear in the Register of Members of the Company on 19th September, 2003.

Closure of Register of Members

The Register of Members of the Company will be closed from 18th September, 2003 to 19th September, 2003, both days inclusive, during which period no share transfer will be effected.

In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates 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 17th September, 2003.

Directors' Interests in Shares

As at 30th June, 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		Number of underlying shares held pursuant to share options	Total interests	Percentage of the Company's issued share capital
		Personal interests	Other interests			
Siu Tit Lung (Notes 1, 2 & 4)	Beneficial owner and founder of discretionary trust	58,933,155	246,093,750	500,000	305,526,905	62.52%
Siu Yuk Lung (Notes 1, 3 & 4)	Beneficial owner and founder of discretionary trust	58,933,155	246,093,750	500,000	305,526,905	62.52%
Mak Koon Chi	Beneficial owner	3,375,000	—	500,000	3,875,000	0.79%
Wai Lung Shing	Beneficial owner	3,375,000	—	500,000	3,875,000	0.79%
Fung Wai Hing	Beneficial owner	1,265,625	—	500,000	1,765,625	0.36%

Notes:

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 56,105,030 shares in the Company and each owned a further 2,828,125 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.

Interests in associated corporations of the Company

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

All the interests disclosed above represent long position 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 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.

Share Options

A share option scheme was adopted by the Company pursuant to a resolution passed on 9th September, 2002 (the "2002 Scheme"). Under the Scheme, the Board of Directors of the Company (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 of 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.

At 30th June, 2003, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 2,585,000, representing 0.5% of the shares of the Company in issue at that date. 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 accept 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

LUNG KEE (BERMUDA) HOLDINGS LIMITED

exercised in accordance with the terms of 2002 Scheme at any time during the Option Period after the option has been granted. The exercise price is determined by the directors of the Company, and will be equal to the higher 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.

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

	Number of share options				At 30th June, 2003	Date of grant	Exercisable period	Exercise price per share
	At 1st January, 2003	Granted during the period	Exercised during the period	Cancelled during the period				
								HK\$
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	—	(1,870,000)	(545,000)	85,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Total all categories	5,000,000	—	(1,870,000)	(545,000)	2,585,000			

Note:

The closing price of the Company shares immediately before the date on which the options were exercised was HK\$2.90.



LUNG KEE (BERMUDA) HOLDINGS LIMITED

Save as disclosed above, none of the directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Substantial Shareholders

As at 30th June, 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	40.92%
Rickdee Investments Limited	Beneficial owner	46,875,000	9.63%
Robin Hill Investments Limited	Beneficial owner	46,875,000	9.63%
Commonwealth Bank of Australia	Interest of controlled corporation	34,303,687	7.05%
Colonial First State Group Ltd	Interest of controlled corporation	31,161,787	6.4%
Colonial Holding Company (No. 2) Pty Limited	Interest of controlled corporation	31,161,787	6.4%
Colonial Holding Company Pty Ltd	Interest of controlled corporation	31,161,787	6.4%
Colonial Ltd	Interest of controlled corporation	31,161,787	6.4%
The Colonial Mutual Life Assurance Society Ltd	interest of controlled corporation	31,161,787	6.4%
First State Investments (UK Holdings) Limited	Interest of controlled corporation	25,255,687	5.19%
First State Investment Management (UK) Limited	Investment manager	25,255,687	5.19%
SI Holdings Limited	Interest of controlled corporation	25,255,687	5.19%

Note:

The Company had received notices from Commonwealth Bank of Australia and its various wholly-owned subsidiaries that as at 1st April, 2003, Commonwealth Bank of Australia, through its wholly-owned subsidiaries, inter alia, Colonial First State Group Ltd, Colonial Holding Company (No. 2) Pty Limited, Colonial Holding Company Pty Ltd, Colonial Ltd, The



LUNG KEE (BERMUDA) HOLDINGS LIMITED

Colonial Mutual Life Assurance Society Ltd, First State Investments (UK Holdings) Limited, First State Investment Management (UK) Limited and SI Holdings Limited, held a total of 31,161,787 shares in the Company. The Company had further received a notice from Commonwealth Bank of Australia that on 5th May, 2003, Commonwealth Bank of Australia had an interest of 34,303,687 shares in the Company. All figures shown above relating to these companies are reproduced from notices received by the Company.

All the interests disclosed above represent long position 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 30th June, 2003.

Purchase, Sale or Redemption of Securities

There was no purchase, sale or redemption of shares or other securities of the Company by the Company or any of its subsidiaries during the six months ended 30th June, 2003.

Code of Best Practice

During the six months ended 30th June, 2003, the directors are not aware of any information that would indicate that the Company was not in compliance with the "Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

On behalf of the Board
Siu Yuk Lung
Managing Director

Hong Kong, 29th August, 2003