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## **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 Corporate Services Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

## **HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE**

Central Registration Hong Kong Limited  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## **HEAD OFFICE AND PRINCIPAL PLACE OF OFFICE**

1st 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

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**NOTICE IS HEREBY GIVEN** that the 2001 Annual General Meeting of shareholders of Lung Kee (Bermuda) Holdings Limited ("the Company") will be held at Mandarin Oriental Hotel, 10th Floor, Ivy Room, 5 Connaught Road Central, Hong Kong on 9th August, 2001 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st March, 2001.
2. To approve and declare a final dividend for the year ended 31st March, 2001.
3. To determine a maximum number of Directors for the time being, re-elect and appoint Directors and authorise the Board of Directors to fix the remuneration of Directors and appoint additional Directors.
4. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution.

**"THAT:**

- (A) subject to paragraph (C) below, 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 in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital to be 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) above, otherwise than pursuant to (i) a Right Issue (as hereinafter defined), or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (D) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;

## Notice of Annual General Meeting (Cont'd)

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by 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

“Right Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company 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 body or any stock exchange in any territory applicable to the Company).”

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

**“THAT:**

- (A) subject to paragraph (B) below, 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 the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other exchange on which the shares in the Company 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;
- (B) the aggregate nominal amount of shares in the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) above 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 of 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 earlier of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (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 (as amended) 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.”

## Notice of Annual General Meeting (Cont'd)

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

**“THAT** subject to the passing of Resolution No. 6 set out in the notice convening this meeting, the general unconditional mandate granted to the Directors of the Company to exercise the powers of the Company to allot shares referred to in Resolution No. 5 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 the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 6 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution.”

By Order of the Board  
**Wai Lung Shing**  
*Company Secretary*

Hong Kong, 22nd June, 2001

### Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or 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 of the Company at 1st 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. The Register of Members of the Company will be closed from 3rd August, 2001 to 9th August, 2001, both days inclusive during which period no share transfer will be effected.
4. In order to qualify for the proposed dividends, 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 Registrars of the Company, Central Registration Hong Kong Limited of 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 2nd August, 2001.

## Chairman's Statement

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It is my pleasure to present the annual results of Lung Kee (Bermuda) Holdings Limited and its subsidiaries (the "Group") for the year ended 31st March 2001.

The Group recorded turnover of approximately HK\$986 million and earnings of approximately HK\$130 million for the year, representing an increase of 10.82% and 17.82% over the previous year respectively.

### **BUSINESS REVIEW**

Affected by external economic factors as a whole, the European and US economies have gradually slowed down while the Asia Pacific economies have been under pressure. This has also restricted the growth of turnover and profit of the Group.

Production capacities of the Group's plants in China have maintained a certain degree of growth in line with the overall development of the Group. Production lines of standard mould bases of the plant in Heyuan have got onto the right track and are now producing medium size non-standard mould bases with part of its capacity, but production flow, use of techniques, staff training and so on are pending coordination, its operation is expected to become mature by the end of this year. The Dongguan plant continued to produce high quality tailor-made mould bases and also act as the support centre of the Group in China, playing an important role in resources deployment and coordination, which enables a more smooth and standardised operations of the Group in China. The plant in Guangzhou mainly produces high quality mould bases for export and the number of clients is on the rise. The Group is also purchasing additional facilities and improving techniques to meet the market demand in Europe and the USA. Thanks to the increase of foreign investments in eastern China, turnover of the plant in Shanghai continued to increase, contributing a stable income to the Group.

The Group's overseas markets also registered a steady growth. Owing to its strengths of "Quick Delivery and High Quality", the Lung Kee LKM has become a favourite brand in the Japanese market and has been growing steadily in terms of sales volume in Japan. As to the operations in Singapore and Malaysia, they have kept up with their last year's figures and have made a contribution to the Group, though economies in Southeast Asia remain weak.

Following the diversification of products and introduction of value-added services, sales of mould steel products continued to increase, contributing a stable income to the Group.

### **PROSPECTS**

The operation of the second phase of our Heyuan plant in China will fully mature by the end of this year that further enhances the Group's overall productivity. It is expected that the business of mould base exports in Guangzhou will grow continuously, and therefore in respect of the increasing orders for exports, the Group has purchased more land for further development of the second phase of our plant.

As China joining the WTO becomes imminent, the Group has formulated extensive strategic plans including enhancing product qualities, providing best-quality customer service, ameliorating with techniques to strengthen production efficiency, and training for professionals, so as to meet clients' needs and capitalise on the market opportunities in the mainland. In pace with the reform and opening up of domestic enterprises in the mainland, it is expected that there will be a larger room for development in the mould base industry in China while market competition will become keen gradually. Adhering to the principles of pragmatism and steady growth, the Group strives to enhance competitiveness with its own strength and to face every challenge positively for the continuous growth in business.

On-line trading has been initiated and well received as customer enquiries have come from different regions. The Group will secure its global reputation with Internet application to develop new business initiatives.

The Group is acquiring a Taiwan-based mould base company in the notion of leveraging on the Taiwanese market to market Lung Kee branded products directly. This initiative is set to perfect our marketing network in Asia.

In addition, the Group will strengthen its horizontal development by continuing to develop spare parts of mould bases and promote spare parts of high quality mould bases and hot runner mould system throughout Europe and the USA.

As to the sales of mould steel, the Group will introduce more international standard products, such as some quality steel types from the USA and France, with a view to diversifying and fine tuning our mould steel product and thus further strengthening our sales and development of mould steel.

Looking ahead, the growth of Europe and US economies may remain slow while demands for products from Asia will grow. Meanwhile, the Board anticipates that competition in local markets will become more intense and the Group is set to face extraordinary challenges. In light of that, the Board will stick to its cautious attitude and principle, as always, to strengthen our foundation and enhance our competitiveness, thereby ensuring the momentum of our future business.

**Siu Tit Lung**  
*Chairman*

Hong Kong, 22nd June, 2001

## Management Discussion and Analysis

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During the year, the Group continued to focus on the manufacture and sale of mould bases and trading of special mould steel and related products.

The Group's turnover in 2001 was approximately HK\$986 million, which represented an increase of 10.82% when compared with approximately HK\$890 million in 2000. Profit attributable to shareholders in 2001 was about HK\$130 million, which represented an increase of 17.82% compared with approximately HK\$110 million in 2000. Earnings per share was 26.94 Hong Kong cents, which represented an increase of 16.78% when compared with 23.07 Hong Kong cents in 2000.

### **MOULD BASE MANUFACTURING AND MARKETING**

Production capacities of the Group's plants in China have maintained a certain degree of growth in line with the overall development of the Group. Production lines of standard mould bases of the plant in Heyuan have got onto the right track and are now producing medium size non-standard mould bases with part of its capacity, but production flow, use of techniques, staff training and so on are pending coordination, its operation is expected to become mature by the end of this year. The Dongguan plant continued to produce high quality tailor-made mould bases and also act as the support centre of the Group in China, playing an important role in resources deployment and coordination, which enables a more smooth and standardised operations of the Group in China. The plant in Guangzhou mainly produces high quality mould bases for export and the number of clients is on the rise. The Group is also purchasing additional facilities and improving techniques to meet the market demand in Europe and the USA. Thanks to the increase of foreign investments in eastern China, turnover of the plant in Shanghai continued to increase, contributing a stable income to the Group.

The Group's oversea markets also registered a steady growth. Owing to its strengths of "Quick Delivery and High Quality", the Lung Kee LKM has become a favourite brand in the Japanese market and has been growing steadily in terms of sales volume in Japan. As to the operations in Singapore and Malaysia, they have kept up with their last year's figures and have made a contribution to the Group, though economies in Southeast Asia remain weak.

### **TRADING OF MOULD STEEL**

Following the diversification of products and introduction of value-added services, sales of mould steel products continued to increase, contributing a stable income to the Group.

### **LIQUIDITY AND CAPITAL RESOURCES**

As at 31st March, 2001, the Group had a net cash surplus of approximately HK\$79 million, compared with approximately HK\$52 million in 2000. Most of the cash balance was placed in HKD and USD short term deposits with major banks in Hong Kong.

The Group adopted conservative measures to hedge any exchange fluctuation and incurred approximately HK\$1.5 million losses on foreign exchange during the year.

As at 31st March, 2001, the Group had capital commitments of approximately HK\$7.7 million in respect of the acquisition of property, plant and equipment, which are financed by internal resources.



### **GEARING RATIO**

Total debts were approximately HK\$295 million, equal to approximately 46% of shareholders' funds of approximately HK\$642 million.

### **CONTINGENT LIABILITIES**

The Company gave guarantees of HK\$138 million to financial institutions in respect of banking facilities granted to subsidiaries.

# Directors' Report

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The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

## 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 and appropriations of the Company for the year are set out in the consolidated income statement on page 22.

An interim dividend of 6 cents per share amounting to HK\$28,899,000 was paid to shareholders during the year. The directors now recommend the payment of a final dividend of 9 cents per share payable to shareholders registered on 9th August, 2001, amounting to approximately HK\$43,320,000 and the retention of the remaining profit of the Group for the year of approximately HK\$57,387,000.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 59.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group constructed factory premises and staff quarters at a cost of approximately HK\$19 million. The Group continued its plant expansion policy and expended approximately HK\$76 million on new plant and machinery 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 13 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2001 are set out on pages 60 to 63 of the annual report.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 22 to the financial statements.

## SHARE OPTIONS SCHEME

Details of the share option scheme and the movement in the number of share options during the year are set out in note 23 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 25% to the total purchases for the year. The Group's five largest suppliers accounted for 49% 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 March, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Company has an audit committee which consists of Messrs. Liu Wing Ting, Stephen, JP and Lee Tat Yee, independent non-executive directors and Mr. Chan Chun Sing, Colin, non-executive director. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

### DIRECTORS AND SERVICE CONTRACTS

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.

### **DIRECTORS AND SERVICE CONTRACTS (Cont'd)**

The term of office for each independent non-executive director is the period 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).

### **BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

#### **Executive directors**

Mr. Siu Tit Lung, aged 51, 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 31 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 a honorary citizen of Dongguan City, PRC.

Mr. Siu Yuk Lung, aged 48, 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 29 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.

Mr. Mak Koon Chi, aged 43, 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 and 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 40, has been an executive director of the Company since December 1992 and is responsible for the policy making and the 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 48, 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, especially machinery trading.



### BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

#### Non-executive director

Mr. Chan Chun Sing, Colin, aged 47, 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. He has been an independent non-executive director of the Company since December 1992 and became a non-executive director in November 2000.

#### Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 49, 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 has been an independent non-executive director of the Company since December 1992 and is the Chairman of the audit committee.

Dr. Lee Tat Yee, aged 51, 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. He has been an independent non-executive director of the Company since December 1992.

#### Others

Mr. Chng Hee Kok, aged 53, is an independent non-executive director of Lung Kee Metal Holdings Limited ("LKMH"), a subsidiary of the Company, which is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"), formerly Stock Exchange of Singapore Limited. Mr. Chng obtained a Bachelor of Engineering (Mechanical), First Class Honours Degree and a Master of Business Administration Degree from the National University of Singapore in 1972 and 1984 respectively. He has also received several merit awards, including the Institution of Engineers, Singapore, Gold Medal (1972) and the Distinguished Engineering Alumni Award (1991). He is the Chief Executive Officer of NTUC Club Investment Pte. Ltd. He is also a Member of Parliament for the East Coast GRC, Singapore.

Mr. Lee Joo Hai, aged 45, is an independent non-executive director of LKMH. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants and the Institute of Certified Public Accountants of Singapore. He has extensive experience in accounting, auditing, taxation, company secretarial work, investigation and share valuations with exposure to US, Japan, UK and other EC countries' accounting and auditing reporting requirements. He is presently a partner in a public accounting firm.

### DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st March, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and in the share options of the Company were as follows:

Name of director	Number of ordinary shares held			
	Personal interests	Family interests	Corporate interests	Other interests
Siu Tit Lung ( <i>Notes 1, 2 and 4</i> )	30,431,093	—	—	246,093,750
Siu Yuk Lung ( <i>Notes 1, 3 and 4</i> )	30,431,093	—	—	246,093,750
Mak Koon Chi	2,500,000	—	—	—
Wai Lung Shing	2,500,000	—	—	—
Fung Wai Hing	390,625	—	—	—

Notes:

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 27,602,968 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.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Cont'd)

- (5) At 31st March, 2001, certain directors had personal interests in options to subscribe for shares in the Company granted under the share option scheme of the Company as follows:

Name of director	Number of share options			Exercisable period	Exercise price per share HK\$
	At 1st April, 2000	Adjustment during the year*	At 31st March, 2001		
Siu Tit Lung	300,000	75,000	375,000	1st May, 1998 to 30th April, 2001	1.492*
	300,000	75,000	375,000	3rd September, 1998 to 2nd September, 2001	0.964*
	600,000	150,000	750,000		
Siu Yuk Lung	300,000	75,000	375,000	1st May, 1998 to 30th April, 2001	1.492*
	300,000	75,000	375,000	3rd September, 1998 to 2nd September, 2001	0.964*
	600,000	150,000	750,000		
Mak Koon Chi	300,000	75,000	375,000	1st May, 1998 to 30th April, 2001	1.492*
	300,000	75,000	375,000	3rd September, 1998 to 2nd September, 2001	0.964*
	300,000	75,000	375,000	29th September, 1999 to 28th September, 2002	0.440*
	400,000	100,000	500,000	26th October, 1999 to 25th October, 2002	0.580*
	1,300,000	325,000	1,625,000		
Wai Lung Shing	300,000	75,000	375,000	1st May, 1998 to 30th April, 2001	1.492*
	300,000	75,000	375,000	3rd September, 1998 to 2nd September, 2001	0.964*
	300,000	75,000	375,000	29th September, 1999 to 28th September, 2002	0.440*
	400,000	100,000	500,000	26th October, 1999 to 25th October, 2002	0.580*
	1,300,000	325,000	1,625,000		
Fung Wai Hing	300,000	75,000	375,000	1st May, 1998 to 30th April, 2001	1.492*
	300,000	75,000	375,000	3rd September, 1998 to 2nd September, 2001	0.964*
	300,000	75,000	375,000	29th September, 1999 to 28th September, 2002	0.440*
	400,000	100,000	500,000	26th October, 1999 to 25th October, 2002	0.580*
	1,300,000	325,000	1,625,000		

- \* During the year, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.

## Directors' Report (Cont'd)

### DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Cont'd)

During the year, the Directors were not granted any share options of the Company and the Directors have not exercised any share options of the Company.

Details of the Company's share option scheme are set out in note 23 to the financial statements.

- (6) At 31st March, 2001, two directors had personal interests in options to subscribe for shares in LKMH, a subsidiary of the Company, granted under the share option scheme of LKMH as follows:

Name of director	Number of share options					Exercisable period	Exercise price per share* S\$
	At 1st April, 2000	Granted during the year	Exercised during the year	Adjustment during the year*	At 31st March, 2001		
Mak Koon Chi	450,000	—	—	112,500	562,500	15th January, 1999 to 14th January, 2003	0.564*
	450,000	—	450,000	—	—	14th August, 1999 to 13th August, 2003	0.220
	450,000	—	—	112,500	562,500	23rd December, 2000 to 22nd December, 2004	0.592*
	—	450,000	—	112,500	562,500	7th August, 2001 to 6th August, 2005	0.508*
	1,350,000	450,000	450,000	337,500	1,687,500		
Wai Lung Shing	450,000	—	—	112,500	562,500	15th January, 1999 to 14th January, 2003	0.564*
	450,000	—	450,000	—	—	14th August, 1999 to 13th August, 2003	0.220
	450,000	—	—	112,500	562,500	23rd December, 2000 to 22nd December, 2004	0.592*
	—	450,000	—	112,500	562,500	7th August, 2001 to 6th August, 2005	0.508*
	1,350,000	450,000	450,000	337,500	1,687,500		

- \* During the year, LKMH issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price has been adjusted.

- (7) At 31st March, 2001, Siu Tit Lung and Siu Yuk Lung jointly held 1,875,000 shares in LKMH and each owned a further of 500,000 shares in LKMH.

- (8) At 31st March, 2001, Messrs. Mak Koon Chi and Wai Lung Shing each held 562,500 shares in LKMH.

In addition, Siu Tit Lung and Siu Yuk Lung hold non-voting deferred shares in certain of the Company's subsidiaries as set out in note 33 to the financial statements.

Save as disclosed above, and other than certain nominee shares in subsidiaries held in trust for the Group, at 31st March, 2001, (i) none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance; and (ii) none of the directors or their spouses or children under 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.



## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option schemes 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' INTERESTS IN CONTRACTS

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\$
Sales	55,487,321
Purchases	14,936,881
Transfer of property, plant and equipment	8,837
Rental income	2,719,378
Rental expenses	2,567,969
Cost sharing	20,660,372

- (2) At 31st March, 2001, 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\$11,000,000.
- (3) At 31st March, 2001 one of the directors of Lung Kee Metal Japan Company Limited ("LKM Japan") had given a personal guarantee to banks to the extent of HK\$6,510,000 for LKM Japan at no charge.
- (4) During the year, the Group purchased materials from JMS Engineering Co., Ltd. ("JMS") amounting to approximately HK\$34,273,000. One of the controlling shareholders of JMS is also a director of LKM Japan.
- (5) At 31st March, 2001, banking facilities of the Group amounting to HK\$46,499,000 were guaranteed jointly and severally by JMS and LKMH without charge.

### CONNECTED TRANSACTIONS (Cont'd)

The independent non-executive directors have reviewed the above connected transactions and in their opinion, the above transactions entered into by the Group were:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (c) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to third parties; and
- (d) within the relevant cap amounts as agreed by The Stock Exchange of Hong Kong Limited.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest in 10% or more in the issued share capital of the Company as at 31st March, 2001.

### 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.

### CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$58,000.

### 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, 22nd June, 2001

## 德勤·關黃陳方會計師行

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**Deloitte  
Touche  
Tohmatsu**

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

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 22 to 58 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 statements and to report our opinion to you.

### **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 March, 2001 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, 22nd June, 2001



# Consolidated Income Statement

For the year ended 31st March, 2001

			2001 HK\$	2000 HK\$
	Notes			
Turnover	3	<b>985,833,563</b>	889,542,358	
Other revenue	4	<b>11,357,074</b>	6,031,712	
Changes in inventories of finished goods and work in progress		<b>13,501,447</b>	10,842,190	
Raw materials and consumables used		<b>(467,509,459)</b>	(429,280,788)	
Staff costs		<b>(144,828,112)</b>	(125,483,128)	
Depreciation and amortisation		<b>(72,096,822)</b>	(69,718,349)	
Other operating expenses		<b>(134,116,880)</b>	(109,319,618)	
Profit from operations	5	<b>192,140,811</b>	172,614,377	
Finance costs	6	<b>(15,869,530)</b>	(6,793,615)	
Bank interest income		<b>17,989,096</b>	5,628,176	
Loss on deemed disposal of a subsidiary		<b>(1,902,677)</b>	(2,381,164)	
Share of result of a jointly controlled entity		<b>—</b>	168,228	
Profit before taxation		<b>192,357,700</b>	169,236,002	
Taxation	8	<b>(30,288,884)</b>	(27,121,704)	
Profit after taxation		<b>162,068,816</b>	142,114,298	
Minority interests		<b>(32,463,311)</b>	(32,109,628)	
Net profit for the year	9	<b>129,605,505</b>	110,004,670	
Dividends	10	<b>(72,218,852)</b>	(61,533,500)	
Profit retained for the year		<b>57,386,653</b>	48,471,170	
Earnings per share				
— Basic	11	<b>26.94 cents</b>	23.07 cents	
— Diluted	11	<b>26.72 cents</b>	22.71 cents	



# Consolidated Balance Sheet

At 31st March, 2001

	Notes	2001 HK\$	2000 HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	12	<b>6,000,000</b>	3,800,000
Property, plant and equipment	13	<b>431,482,142</b>	390,139,481
Investment in securities	15	<b>29,539,000</b>	50,000
		<b>467,021,142</b>	393,989,481
<b>Current assets</b>			
Inventories	16	<b>310,755,711</b>	274,679,249
Bills receivable		<b>9,557,379</b>	15,060,184
Debtors, deposits and prepayments	17	<b>251,526,190</b>	208,142,884
Taxation receivable		<b>74,243</b>	9,000
Bank balances and cash		<b>374,149,728</b>	243,100,859
		<b>946,063,251</b>	740,992,176
<b>Current liabilities</b>			
Creditors and accrued charges	18	<b>189,545,926</b>	128,592,637
Bills payable		<b>25,848,800</b>	12,132,840
Taxation payable		<b>38,231,691</b>	26,787,232
Obligations under finance leases — due within one year	19	<b>464,501</b>	658,683
Bank borrowings — due within one year	20	<b>290,830,208</b>	175,652,893
Dividends payable		<b>43,346,372</b>	38,491,942
		<b>588,267,498</b>	382,316,227
<b>Net current assets</b>		<b>357,795,753</b>	358,675,949
<b>Total assets less current liabilities</b>		<b>824,816,895</b>	752,665,430
<b>Non-current liabilities</b>			
Obligations under finance leases — due after one year	19	<b>674,605</b>	534,137
Bank borrowings — due after one year	20	<b>3,254,895</b>	2,088,805
Deferred taxation	21	<b>370,000</b>	2,036,000
		<b>4,299,500</b>	4,658,942
<b>Minority interests</b>		<b>178,284,714</b>	163,776,225
		<b>642,232,681</b>	584,230,263
<b>CAPITAL AND RESERVES</b>			
Share capital	22	<b>48,120,234</b>	38,440,938
Reserves	24	<b>594,112,447</b>	545,789,325
		<b>642,232,681</b>	584,230,263

The financial statements on pages 22 to 58 were approved by the Board of Directors on 22nd June, 2001 and are signed on its behalf by:

**Siu Tit Lung**  
DIRECTOR

**Siu Yuk Lung**  
DIRECTOR



# Balance Sheet

At 31st March, 2001

			2001 HK\$	2000 HK\$
<b>ASSETS AND LIABILITIES</b>				
Non-current assets				
Investments in subsidiaries	14		<b>231,447,402</b>	209,818,326
Current assets				
Debtors, deposits and prepayments			<b>200,755</b>	169,673
Bank balances and cash			<b>39,470</b>	25,402
			<b>240,225</b>	195,075
Current liabilities				
Creditors and accrued charges			<b>329,073</b>	735,187
Amounts due to subsidiaries			<b>25,762,557</b>	—
Dividends payable			<b>43,346,372</b>	38,491,942
			<b>69,438,002</b>	39,227,129
Net current liabilities			<b>(69,197,777)</b>	(39,032,054)
Total assets less current liabilities			<b>162,249,625</b>	170,786,272
<b>CAPITAL AND RESERVES</b>				
Share capital	22		<b>48,120,234</b>	38,440,938
Reserves	24		<b>114,129,391</b>	132,345,334
			<b>162,249,625</b>	170,786,272

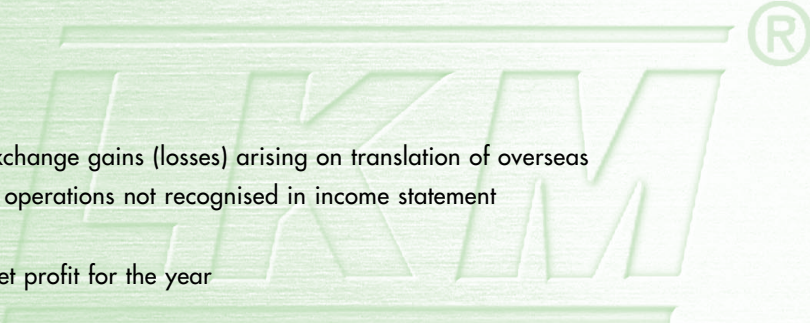
**Siu Tit Lung**  
DIRECTOR

**Siu Yuk Lung**  
DIRECTOR



# Consolidated Statement of Recognised Gains and Losses

For the year ended 31st March, 2001



	2001 HK\$	2000 HK\$
Exchange gains (losses) arising on translation of overseas operations not recognised in income statement	898,978	(742,061)
Net profit for the year	<u>129,605,505</u>	<u>110,004,670</u>
Total recognised gains	130,504,483	109,262,609
Elimination against reserves of goodwill arising on acquisition of a subsidiary	—	(890,516)
Elimination against reserves of goodwill arising on acquisition of additional interest in a subsidiary	<u>(718,713)</u>	<u>—</u>
	<u>129,785,770</u>	<u>108,372,093</u>



# Consolidated Cash Flow Statement

For the year ended 31st March, 2001

	Notes	2001 HK\$	2000 HK\$
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	<b>263,297,182</b>	203,190,016
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		<b>(67,364,422)</b>	(49,610,715)
Interest expense and finance charges paid		<b>(12,691,321)</b>	(4,770,437)
Dividends paid to minority of subsidiaries	27	<b>(12,580,950)</b>	(3,119,400)
Interest received		<b>17,989,096</b>	5,628,176
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<b>(74,647,597)</b>	(51,872,376)
TAXATION			
Hong Kong Profits Tax paid		<b>(20,640,143)</b>	(6,607,105)
Hong Kong Profits Tax refunded		<b>64,475</b>	446,100
		<b>(20,575,668)</b>	(6,161,005)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		<b>(119,490,492)</b>	(93,752,592)
Purchase of held-to-maturity debt securities		<b>(29,539,000)</b>	—
Proceeds from disposal of other investment		—	3,187,498
Acquisition of a subsidiary	26	—	4,141,037
Proceeds on disposal of property, plant and equipment		<b>4,374,400</b>	255,230
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<b>(144,655,092)</b>	(86,168,827)
NET CASH INFLOW BEFORE FINANCING		<b>23,418,825</b>	58,987,808
FINANCING	27		
Repayment of bank borrowings		<b>(242,663,148)</b>	(92,900,000)
Repurchase of shares by a listed subsidiary		<b>(9,325,259)</b>	(720,732)
Repayment of obligations under finance leases		<b>(987,627)</b>	(2,334,183)
Repayment to minority of subsidiaries		<b>(300,000)</b>	(7,019,000)
New bank borrowings raised		<b>359,101,341</b>	159,518,873
Proceeds from exercise of a listed subsidiary's share options by its minority		<b>1,177,564</b>	2,010,012
Proceeds from shares issued on exercise of share options		<b>435,500</b>	3,054,250
NET CASH INFLOW FROM FINANCING		<b>107,438,371</b>	61,609,220



## Consolidated Cash Flow Statement (Cont'd)

For the year ended 31st March, 2001

	2001 HK\$	2000 HK\$
INCREASE IN CASH AND CASH EQUIVALENTS	<b>130,857,196</b>	120,597,028
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<b>241,786,017</b>	121,168,763
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>286,461</b>	20,226
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<b>372,929,674</b>	241,786,017
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>374,149,728</b>	243,100,859
Bank overdrafts	<b>(1,220,054)</b>	(1,314,842)
	<b>372,929,674</b>	241,786,017



Notes



# Notes to the Financial Statements

For the year ended 31st March, 2001

## 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 listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

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. 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 March each year.

The results of subsidiaries and jointly controlled entities 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.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On disposal of an investment in a subsidiary and jointly controlled entity the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment loss.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



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



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

Rental income is recognised on a straight line basis over the lease terms.

#### Property, plant and equipment

Property, plant and equipment, other than properties under construction, is stated at cost less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation are provided to write off the depreciable amount of assets other than properties under construction over their estimated useful lives, using the straight line method, at the following rates per annum:

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



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 2. 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.

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.

### Investment properties

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

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

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

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

### Assets held under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor 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 term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.



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



### Investment in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost and subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, comprises all direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of entities which are denominated in currencies other than Hong Kong dollars and which operate in the People's Republic of China (the "PRC") or overseas are translated at the rates ruling on the balance sheet date and the income and expense items are translated at the average rate for the financial period. All exchange differences arising on consolidation are dealt with in reserves.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

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



### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

### Retirement benefits scheme contributions

The retirement benefits scheme contributions charged in the income statement represent the amount of contributions payable in respect of the current year to the Group's defined contribution scheme.

### Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

## 3. TURNOVER

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

	2001 HK\$	2000 HK\$
Manufacture of mould bases	744,553,583	653,859,924
Trading of metal and parts	241,279,980	235,682,434
	<b>985,833,563</b>	889,542,358



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 3. TURNOVER (Cont'd)

The Group's head office is in Hong Kong and nearly all of its products are manufactured in Hong Kong, Shanghai, Guangzhou, Heyuan and Dongguan, the PRC. The Group's turnover and contribution to profit from operations for the year ended 31st March, 2001 analysed by principal activities are as follows:

	2001		2000	
	Turnover	Contribution to profit from operations	Turnover	Contribution to profit from operations
	HK\$	HK\$	HK\$	HK\$
Manufacture of mould bases	<b>744,553,583</b>	<b>143,729,180</b>	653,859,924	134,374,355
Trading of metal and parts	<b>241,279,980</b>	<b>48,411,631</b>	235,682,434	38,240,022
	<b>985,833,563</b>	<b>192,140,811</b>	889,542,358	172,614,377

A geographical analysis of the Group's turnover for the year ended 31st March, 2001, by location of customers, is as follows:

	HK\$	%	HK\$	%
Hong Kong and elsewhere				
in the PRC	<b>811,535,318</b>	<b>82</b>	713,689,456	80
Other countries	<b>174,298,245</b>	<b>18</b>	175,852,902	20
	<b>985,833,563</b>	<b>100</b>	889,542,358	100

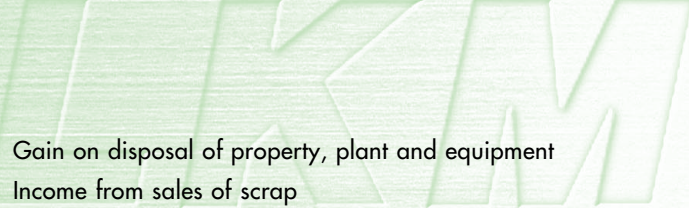
Contribution to profit from operations by geographical location of customers has not been presented as the contribution to profit from operations in each market is substantially in line with the overall Group's ratio of profit from operations to turnover.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 4. OTHER REVENUE



Gain on disposal of property, plant and equipment  
Income from sales of scrap  
Rental income  
Sundry income

2001 HK\$	2000 HK\$
<b>432,369</b>	204,316
<b>7,614,294</b>	3,577,294
<b>874,378</b>	392,640
<b>2,436,033</b>	1,857,462
<b>11,357,074</b>	6,031,712

## 5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

Auditors' remuneration:

— current year	<b>1,930,749</b>	1,653,650
— under (over) provision in prior year	<b>427,691</b>	(6,624)
Deficit on revaluation of an investment property	<b>718,360</b>	700,000
Depreciation and amortisation:		
— owned assets	<b>71,731,248</b>	69,008,552
— assets held under finance leases	<b>365,574</b>	709,797
Exchange loss	<b>1,486,997</b>	1,336,224
Operating lease rentals in respect of rented premises	<b>2,838,840</b>	2,248,354
Provision for bad and doubtful debts	<b>6,847,975</b>	6,085,000
Retirement benefits scheme contributions, net of forfeited contributions of HK\$1,712,590 (2000: HK\$486,003)	<b>3,507,980</b>	2,658,838



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 6. FINANCE COSTS

Arrangement fee for raising of bank loans  
Interest paid on bank borrowings wholly repayable  
within five years  
Interest paid on finance leases

2001 HK\$	2000 HK\$
<b>3,178,209</b>	2,023,178
<b>12,441,150</b>	4,562,712
<b>250,171</b>	207,725
<b>15,869,530</b>	6,793,615

## 7. DIRECTORS' REMUNERATION

Fees paid to non-executive and independent non-executive directors  
Other emoluments paid to executive directors:  
Salaries and other benefits  
Bonus  
Retirement benefits scheme contributions

2001 HK\$	2000 HK\$
<b>540,000</b>	540,000
<b>17,040,000</b>	14,844,000
<b>9,000,000</b>	8,000,000
<b>1,816,800</b>	1,569,440
<b>28,396,800</b>	24,953,440

The emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	<b>3</b>	3
HK\$2,500,001 to HK\$3,000,000	<b>—</b>	1
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	2
HK\$3,500,001 to HK\$4,500,000	<b>2</b>	—
HK\$7,000,001 to HK\$7,500,000	<b>—</b>	2
HK\$8,000,001 to HK\$8,500,000	<b>2</b>	—
	<b>8</b>	8


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



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 8. TAXATION



	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong Profits Tax		
— current year	18,748,883	20,554,085
— overprovision in prior year	(272,109)	(846,049)
	<b>18,476,774</b>	19,708,036
Taxation in jurisdictions outside Hong Kong	<b>13,478,110</b>	12,126,668
	<b>31,954,884</b>	31,834,704
Deferred taxation (note 21)	<b>(1,666,000)</b>	(4,713,000)
	<b>30,288,884</b>	27,121,704

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

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 Group'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.

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

Details of deferred taxation are set out in note 21.

## 9. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$129,605,505 (2000: HK\$110,004,670), a profit of HK\$63,246,705 (2000: HK\$64,472,955) has been dealt with in the financial statements of the Company.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 10. DIVIDENDS



	2001 HK\$	2000 HK\$
Interim dividend of 6 cents (2000: 4.8 cents after adjusting for bonus shares issue) per share paid to the Company's shareholders	<b>28,899,000</b>	23,064,563
Proposed final dividend of 9 cents (2000: 8 cents after adjusting for bonus shares issue) per share payable to the Company's shareholders (note i)	<b>43,319,461</b>	38,468,937
Underprovision of final dividend (note ii)	<b>391</b>	—
	<b>72,218,852</b>	61,533,500

Notes:

- (i) The amount of the proposed final dividend for the year ended 31st March, 2001 has been calculated with reference to the 481,327,343 shares in issue as at the date of approval of these financial statements.
- (ii) The amount represents last year's final dividend payable to shares issued subsequent to the approval of the financial statements for the year ended 31st March, 2000.

## 11. EARNINGS PER SHARE

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

	2001 HK\$	2000 HK\$
Net profit for the year	<b>129,605,505</b>	110,004,670
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of the group headed by Lung Kee Metal Holdings Limited ("LKM") based on dilution of their earnings per share	<b>(356,250)</b>	(1,005,000)
Earnings for the purpose of diluted earnings per share	<b>129,249,255</b>	108,999,670
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>481,059,261</b>	476,786,531*
Effect of dilutive potential ordinary shares on exercise of options of the Company	<b>2,601,833</b>	3,152,835*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>483,661,094</b>	479,939,366*

\* After adjusting for the bonus share issue.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 11. EARNINGS PER SHARE (Cont'd)

The adjustment to comparative basic and diluted earnings per share, arising from bonus shares issue, is as follows:

	<b>2001</b> <b>HK cents</b>	2000 HK cents
Basic earnings per share	<b>26.94</b>	28.84
Adjustment arising from bonus shares issue	—	(5.77)
Adjusted basic earnings per share	<b>26.94</b>	23.07
Diluted earnings per share	<b>26.72</b>	28.39
Adjustment arising from bonus shares issue	—	(5.68)
Adjusted diluted earnings per share	<b>26.72</b>	22.71

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding options as the exercise price is higher than the fair value per share for both years.

## 12. INVESTMENT PROPERTIES

	<b>THE GROUP</b> <b>2001</b> <b>HK\$</b>	2000 HK\$
At 1st April, 2000	<b>3,800,000</b>	4,500,000
Reclassified from land and buildings	<b>2,918,360</b>	—
Revaluation deficit	<b>(718,360)</b>	(700,000)
At 31st March, 2001	<b>6,000,000</b>	3,800,000

The investment properties of the Group were revalued at 31st March, 2001 on an open market value basis by Chung Sen Surveyors Limited, a firm of independent professional valuers. The deficit arising on revaluation of HK\$718,360 has been charged to the income statement.

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



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Furniture, fixtures and fittings HK\$	Plant and machinery HK\$	Motor vehicles HK\$	Properties under construction HK\$	Total HK\$
<b>THE GROUP</b>						
<b>AT COST</b>						
At 1st April, 2000	215,978,394	77,536,898	398,377,952	31,244,673	8,147,990	731,285,907
Currency realignment	111,661	(221,923)	(805,967)	(110,132)	38,252	(988,109)
Reclassified to investment properties	(3,440,110)	—	—	—	—	(3,440,110)
Reclassification	2,953,558	(30,216)	880,888	—	(3,804,230)	—
Additions	4,204,329	16,252,620	75,933,757	9,545,665	14,488,034	120,424,405
Disposals	(3,753,300)	(4,623,751)	(3,748,325)	(5,914,391)	—	(18,039,767)
At 31st March, 2001	216,054,532	88,913,628	470,638,305	34,765,815	18,870,046	829,242,326
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st April, 2000	14,685,974	47,112,429	259,219,251	20,128,772	—	341,146,426
Currency realignment	(32,895)	(169,759)	(550,020)	(121,706)	—	(874,380)
Reclassified to investment properties	(521,750)	—	—	—	—	(521,750)
Provided for the year	4,048,888	10,173,661	51,378,864	6,495,409	—	72,096,822
Eliminated on disposals	(537,973)	(4,326,294)	(3,727,386)	(5,495,281)	—	(14,086,934)
At 31st March, 2001	17,642,244	52,790,037	306,320,709	21,007,194	—	397,760,184
<b>NET BOOK VALUES</b>						
At 31st March, 2001	198,412,288	36,123,591	164,317,596	13,758,621	18,870,046	431,482,142
At 31st March, 2000	201,292,420	30,424,469	139,158,701	11,115,901	8,147,990	390,139,481

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

	2001 HK\$	2000 HK\$
Land and buildings in Hong Kong held under medium-term leases	<b>28,934,398</b>	37,059,253
Land and buildings outside Hong Kong:		
— freehold	<b>31,768,142</b>	32,626,132
— held under medium-term leases of less than fifty years	<b>137,709,748</b>	131,607,035
	<b>198,412,288</b>	201,292,420



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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 property, plant and equipment includes an amount of HK\$1,028,532 (2000: HK\$946,526) in respect of assets held under finance leases.

### 14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	<b>55,856,000</b>	55,856,000
Amounts due from subsidiaries	<b>158,591,402</b>	136,962,326
Loans to subsidiaries	<b>17,000,000</b>	17,000,000
	<b>231,447,402</b>	209,818,326

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries 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.

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 twelve month from the balance sheet date and the balances are therefore shown as non-current.

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 twelve month from the balance sheet date and the balances are therefore shown as non-current.

Details of the Company's subsidiaries at 31st March, 2001 are set out in note 33.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 15. INVESTMENT IN SECURITIES



Non-current investments  
Held-to-maturity debt securities  
Unlisted equity shares, at cost

THE GROUP	
2001	2000
HK\$	HK\$
<b>29,539,000</b>	—
<b>—</b>	50,000
<b>29,539,000</b>	50,000

At 31st March, 2000, the Group held 16.7% of the unlisted ordinary share capital of Jetlink (H.K.) Limited, a private company incorporated in Hong Kong. The investment was written off during the year.

## 16. INVENTORIES

Raw materials  
Work in progress  
Finished goods

THE GROUP	
2001	2000
HK\$	HK\$
<b>256,701,538</b>	234,126,523
<b>26,968,510</b>	14,677,932
<b>27,085,663</b>	25,874,794
<b>310,755,711</b>	274,679,249

Inventories are stated at cost except that raw materials of HK\$161,527,363 (2000: HK\$161,854,706) are carried at net realisable value.



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 17. DEBTORS, DEPOSITS AND PREPAYMENTS



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

Included in debtors, deposits and prepayments are trade debtors of HK\$239,215,513 (2000: HK\$196,644,542) and their aged analysis is as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
0 to 60 days	<b>189,908,492</b>	177,681,645
61 to 90 days	<b>41,731,411</b>	14,678,487
Over 90 days	<b>7,575,610</b>	4,284,410
	<b>239,215,513</b>	196,644,542

### 18. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$76,674,532 (2000: HK\$65,179,314) and their aged analysis is as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
0 to 60 days	<b>44,972,213</b>	52,723,358
61 to 90 days	<b>9,181,825</b>	6,665,046
Over 90 days	<b>22,520,494</b>	5,790,910
	<b>76,674,532</b>	65,179,314



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 19. OBLIGATIONS UNDER FINANCE LEASES



The maturity of the principal portion of the obligations under finance leases is as follows:

- not exceeding one year
- more than one year but not exceeding two years

Less: amount due within one year shown under current liabilities

Amount due after one year

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

### THE GROUP

<b>2001</b>	2000
<b>HK\$</b>	<b>HK\$</b>

<b>464,501</b>	658,683
<b>674,605</b>	534,137

<b>1,139,106</b>	1,192,820
<b>464,501</b>	658,683

<b>674,605</b>	534,137
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## 20. BANK BORROWINGS (UNSECURED)

### THE GROUP

<b>2001</b>	2000
<b>HK\$</b>	<b>HK\$</b>

Bank loans	<b>292,865,049</b>	175,025,216
Bank overdrafts	<b>1,220,054</b>	1,314,842
Trust receipt loans	<b>—</b>	1,401,640

<b>294,085,103</b>	177,741,698
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The bank borrowings are repayable within a period of:

- not exceeding one year or on demand
- more than one year but not exceeding two years
- more than two years but not exceeding five years

<b>290,830,208</b>	175,652,893
<b>929,970</b>	736,705
<b>2,324,925</b>	1,352,100

<b>294,085,103</b>	177,741,698
<b>290,830,208</b>	175,652,893

Less: amount due within one year shown under current liabilities

Amount due after one year

<b>3,254,895</b>	2,088,805
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The Company had no borrowings at the balance sheet date.



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 21. DEFERRED TAXATION



At 1st April, 2000
Credit for the year (note 8)

THE GROUP	
2001	2000
HK\$	HK\$
<b>2,036,000</b>	6,749,000
<b>(1,666,000)</b>	(4,713,000)
<b>370,000</b>	2,036,000

The major components of the provision for deferred taxation at the balance sheet date are as follows:

	THE GROUP			
	Provided		Unprovided	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Taxation effect of timing differences attributable to:				
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	<b>370,000</b>	7,788,600	<b>1,858,000</b>	—
Other timing differences	—	(5,752,600)	<b>(6,320,000)</b>	—
	<b>370,000</b>	2,036,000	<b>(4,462,000)</b>	—

Deferred taxation has not been provided on the deficit arising on the valuation of investment property as any gain or loss arising on the disposal of this property would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 22. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Ordinary shares of HK\$0.1 each				
At 1st April, 2000	<b>60,000,000</b>	60,000,000	<b>38,440,938</b>	37,955,938
Bonus shares issued	—	—	<b>9,624,046</b>	—
Shares issued on exercise of share options	—	—	<b>55,250</b>	485,000
At 31st March, 2001	<b>60,000,000</b>	60,000,000	<b>48,120,234</b>	38,440,938

During the year, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 23. SHARE OPTIONS

- (i) The Company has a share option scheme (the "LKBH Scheme") under which the Board of Directors of the Company may grant options to eligible employees, including executive directors, of the Company and its subsidiaries, to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the LKBH Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Options granted are exercisable for a period of 3 years commencing on the expiry of 6 months after the date the options are granted.

Details of the movements in the number of share options granted under the LKBH Scheme during the year are as follows:

Exercise price per share HK\$	Number of share options					Exercisable period
	At 1st April, 2000	Exercised during the year	Cancelled during the year	Adjustment during the year*	At 31st March, 2001	
1.440	225,000	(112,500)	(112,500)	—	—	21st September, 1997 to 20th September, 2000
1.492*	3,820,000	—	(250,000)	892,500	4,462,500	1st May, 1998 to 30th April, 2001
0.964*	3,870,000	—	(505,000)	841,250	4,206,250	3rd September, 1998 to 2nd September, 2001
0.440*	1,270,000	(260,000)	(60,000)	237,500	1,187,500	29th September, 1999 to 28th September, 2002
0.580*	1,530,000	(180,000)	(100,000)	312,500	1,562,500	26th October, 1999 to 25th October, 2002
	10,715,000	(552,500)	(1,027,500)	2,283,750	11,418,750	

- \* During the year, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise prices had been adjusted accordingly.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 23. SHARE OPTIONS (Cont'd)

- (ii) A subsidiary of the Company, LKMH, also has a share option scheme (the "LKMH Scheme") under which the Board of Directors of LKMH may grant options to eligible employees, including executive directors, of LKMH and its subsidiaries, to subscribe for shares in LKMH at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Main Board of SGX-ST on the three trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the LKMH Scheme shall not exceed 10% of the issued share capital of LKMH from time to time.

Options granted are exercisable for a period of 4 years commencing on the expiry of 12 months after the date the options are granted.

The LKMH Scheme was revised in August 2000 with details as stated in the circular of the LKMH to Shareholders dated 15th August, 2001. The revised LKMH Scheme was approved at the Special General Meeting of the LKMH held on 31st August, 2000.

Details of the LKMH share options granted under the LKMH Scheme are as follows:

Exercise price per share S\$	Number of share options						Exercisable period
	At 1st April, 2000	Granted during the year	Exercised during the year	Cancelled during the year	Adjustment during the year*	At 31st March, 2001	
0.564*	3,000,000	—	—	(380,000)	655,000	3,275,000	15th January, 1999 to 14th January, 2003
0.220	1,380,000	—	(1,160,000)	(150,000)	—	70,000	14th August, 1999 to 13th August, 2003
0.592*	4,070,000	—	—	(200,000)	967,500	4,837,500	23rd December, 2000 to 22nd December, 2004
0.508*	—	3,685,000	—	—	921,250	4,606,250	7th August, 2001 to 6th August, 2005
	8,450,000	3,685,000	(1,160,000)	(730,000)	2,543,750	12,788,750	

- \* During the year, LKMH issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.

Notional consideration was received by LKMH for the options granted during the year.

Subsequent to the year ended, 70,000 share options with exercise price of S\$0.220 were exercised.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 24. RESERVES

	Share premium HK\$	Capital reserve HK\$	Accumulated profits HK\$	Translation reserve HK\$	Total HK\$
<b>THE GROUP</b>					
At 1st April, 1999	106,101,047	9,939,225	379,487,240	853,970	496,381,482
Shares issued on exercise of share options	2,569,250	—	—	—	2,569,250
Goodwill arising on acquisition of a subsidiary	—	(890,516)	—	—	(890,516)
Exchange differences arising from translation of foreign currency financial statements	—	—	—	(742,061)	(742,061)
Net profit for the year	—	—	110,004,670	—	110,004,670
Dividends (note 10)	—	—	(61,533,500)	—	(61,533,500)
At 31st March, 2000 and 1st April, 2000	108,670,297	9,048,709	427,958,410	111,909	545,789,325
Capitalisation for bonus issue of shares	(9,624,046)	—	—	—	(9,624,046)
Shares issued on exercise of share options	380,250	—	—	—	380,250
Goodwill arising on acquisition of additional interest in a subsidiary	—	(718,713)	—	—	(718,713)
Exchange differences arising from translation of foreign currency financial statements	—	—	—	898,978	898,978
Net profit for the year	—	—	129,605,505	—	129,605,505
Dividends (note 10)	—	—	(72,218,852)	—	(72,218,852)
At 31st March, 2001	99,426,501	8,329,996	485,345,063	1,010,887	594,112,447


The capital reserve of the Group includes an amount of HK\$11,870,047 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.



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 24. RESERVES (Cont'd)



	Share premium HK\$	Accumulated profits HK\$	Total HK\$
<b>THE COMPANY</b>			
At 1st April, 1999	106,101,047	20,735,582	126,836,629
Shares issued on exercise of share options	2,569,250	—	2,569,250
Net profit for the year (note 9)	—	64,472,955	64,472,955
Dividends (note 10)	—	(61,533,500)	(61,533,500)
At 31st March, 2000 and 1st April, 2000	108,670,297	23,675,037	132,345,334
Capitalisation for bonus issue of shares	(9,624,046)	—	(9,624,046)
Shares issued on exercise of share options	380,250	—	380,250
Net profit for the year (note 9)	—	63,246,705	63,246,705
Dividends (note 10)	—	(72,218,852)	(72,218,852)
At 31st March, 2001	99,426,501	14,702,890	114,129,391

The Company's reserves available for distribution to shareholders at 31st March, 2001 represent its accumulated profits of HK\$14,702,890 (2000: HK\$23,675,037).



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES



	THE GROUP	
	2001	2000
	HK\$	HK\$
Profit before taxation	<b>192,357,700</b>	169,236,002
Interest income	<b>(17,989,096)</b>	(5,628,176)
Interest expense and finance charges	<b>12,691,321</b>	4,770,437
Share of result of a jointly controlled entity	—	(168,228)
Deficit arising on revaluation of an investment property	<b>718,360</b>	700,000
Depreciation and amortisation	<b>72,096,822</b>	69,718,349
Gain on disposal of property, plant and equipment	<b>(421,568)</b>	(204,316)
Loss on deemed disposal of a subsidiary	<b>1,902,677</b>	2,381,164
Loss on disposal of investment in securities	<b>50,000</b>	—
Increase in inventories	<b>(35,191,744)</b>	(56,152,787)
Increase in debtors, deposits and prepayments	<b>(42,936,867)</b>	(13,900,812)
Decrease (increase) in bills receivable	<b>5,502,804</b>	(12,775,346)
Increase in creditors and accrued charges	<b>60,847,043</b>	45,059,363
Increase in bills payable	<b>13,715,960</b>	1,609,511
Exchange differences	<b>(46,230)</b>	(1,455,145)
Net cash inflow from operating activities	<b>263,297,182</b>	203,190,016



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 26. ACQUISITION OF A SUBSIDIARY

On 1st October, 1999, LKM Japan, a former jointly controlled entity of the Group, became a subsidiary of the Group. The fair value of assets acquired and liabilities assumed was as follows:

	2001 HK\$	2000 HK\$
Property, plant and equipment	—	5,255,995
Inventories	—	11,186,135
Debtors, deposits and prepayments	—	17,967,884
Bank balances and cash	—	7,713,437
Creditors and accrued charges	—	(21,499,048)
Bank loans	—	(15,617,983)
Minority interests	—	(2,453,146)
		<hr/>
Net assets	—	2,553,274
Interest previously recorded as interest in a jointly controlled entity	—	(168,228)
Goodwill arising on acquisition	—	1,187,354
		<hr/>
	—	3,572,400
		<hr/>
Satisfied by:		
Cash	—	3,572,400
		<hr/>
Analysis of net inflow of cash in respect of the acquisition of a subsidiary:		
Cash consideration paid	—	(3,572,400)
Bank and cash balances acquired	—	7,713,437
		<hr/>
Net inflow of cash in respect of the acquisition of a subsidiary	—	4,141,037
		<hr/>

For the year ended 31st March, 2000, LKM Japan contributed HK\$64,555,000 to the Group's turnover, incurred an operating loss of HK\$661,000, and it did not contribute significantly to the cash flows of the Group.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$	Bank borrowings HK\$	Obligations under finance leases HK\$	Minority interests HK\$
At 1st April, 1999	144,056,985	94,190,000	3,527,003	136,387,609
New bank loans raised	—	159,518,873	—	—
Exercise of share options by minority	—	—	—	1,990,000
Shares issued on exercise of share options	3,054,250	—	—	—
Share premium arising from shares issued on exercise of a subsidiary's share options	—	—	—	20,012
Repayment of bank loans	—	(92,900,000)	—	—
Repayment to minority of subsidiaries	—	—	—	(7,019,000)
Dividend paid to minority of a subsidiary	—	—	—	(3,119,400)
Repurchase of shares by a subsidiary	—	—	—	(222,000)
Share premium utilised by a subsidiary on repurchase of shares	—	—	—	(498,732)
Repayment of obligations under finance leases	—	—	(2,334,183)	—
Other movements not involving cash flows:				
On acquisition of a subsidiary	—	15,617,983	—	2,453,146
Minority share of profit for the year	—	—	—	32,109,628
Minority share of exchange reserve	—	—	—	(409,364)
Minority share of goodwill written off to reserve	—	—	—	(296,838)
Loss on deemed disposal of a subsidiary to minority	—	—	—	2,381,164
At 31st March, 2000 and 1st April, 2000	147,111,235	176,426,856	1,192,820	163,776,225
New bank loans raised	—	359,101,341	—	—
Exercise of share options by minority	—	—	—	1,160,000
Shares issued on exercise of share options	435,500	—	—	—
Share premium arising from shares issued on exercise of a subsidiary's share options	—	—	—	17,564
Repayment of bank loans	—	(242,663,148)	—	—
Repayment to minority of subsidiaries	—	—	—	(300,000)
Dividend paid to minority of a subsidiary	—	—	—	(12,580,950)
Repurchase of shares by a subsidiary	—	—	—	(2,975,000)
Share premium utilised by a subsidiary on repurchase of shares	—	—	—	(6,350,259)
Repayment of obligations under finance leases	—	—	(987,627)	—
Other movements not involving cash flows:				
Minority share of profit for the year	—	—	—	32,463,311
Minority share of exchange reserve	—	—	—	452,433
Goodwill arising on acquisition of additional interest in a subsidiary	—	—	—	718,713
Inception of finance leases	—	—	933,913	—
Loss on deemed disposal of a subsidiary to minority	—	—	—	1,902,677
At 31st March, 2001	147,546,735	292,865,049	1,139,106	178,284,714

At 31st March, 2001, no amount was payable to minority shareholders. Minority interests at 31st March, 2000 included an amount payable to minority of subsidiaries of HK\$300,000.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 28. CAPITAL COMMITMENTS



Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements

THE GROUP	
2001	2000
HK\$	HK\$
<b>7,663,000</b>	20,057,000

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

## 29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had annual commitments payable within the next year under non-cancellable operating leases in respect of rented premises as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Operating leases which expire:		
— within one year	<b>706,429</b>	1,089,738
— more than one year but not exceeding five years	<b>1,514,770</b>	1,087,331
— over five years	—	610,194
	<b>2,221,199</b>	2,787,263

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

## 30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Guarantees given to financial institutions in respect of facilities granted to subsidiaries	—	—	<b>138,000,000</b>	141,000,000
Discounted bills with recourse	<b>7,632,013</b>	6,000,000	—	—
	<b>7,632,013</b>	6,000,000	<b>138,000,000</b>	141,000,000



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 31. RETIREMENT BENEFITS SCHEME

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was insignificant.

In 2000, the Group operates a defined contribution retirement benefits scheme for all qualifying employees employed by the Group in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefits cost charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the 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 subsidiaries in the PRC are members of the state-sponsored pension schemes operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

## 32. RELATED PARTY TRANSACTIONS

- (a) At 31st March, 2001, 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 (2000: HK\$1,000,000); and
  - Sky Lucky Metal Limited to the extent of HK\$11,000,000 (2000: HK\$11,000,000).
- (b) At 31st March, 2001, one of the directors of LKM Japan had given a personal guarantee to banks to the extent of HK\$6,510,000 (2000: HK\$3,685,000) for LKM Japan at no charge.
- (c) During the year, the Group purchased materials from JMS Engineering Co., Ltd. ("JMS") amounting to approximately HK\$34,273,000 (2000: HK\$13,979,000). One of the controlling shareholders of JMS is also a director of LKM Japan.
- (d) At 31st March, 2001, banking facilities of the Group amounting to HK\$46,499,000 (2000: HK\$38,324,000) were guaranteed jointly and severally by JMS and LKMH without charge.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 32. RELATED PARTY TRANSACTIONS (Cont'd)

- (e) During the year, one of the subsidiaries of the Company has entered into a contract with Founder iASPEC Limited ("iASPEC") in respect of the development of e-commerce business. The contract sum was HK\$3,000,000. The managing director of iASPEC is also a non-executive director of the Company.

The purchase prices of goods were negotiated by the Group and related parties by reference to the prevailing market price for comparable transactions.

## 33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2001 are as follows:

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 %	
Charman Limited	Hong Kong	HK\$2	—	100	Property holding
Dongguan LungKee Metal Products Ltd. 東莞龍記五金製品 有限公司	The PRC	HK\$85,065,000 (note a)	—	74.97	Manufacturing and marketing of components for mould bases
Dongguan Lung Kee Mould Base Ltd. 東莞龍記模架 有限公司	The PRC	HK\$17,500,000	—	74.97	Leasing of machinery
Dongguan Tin Cheung Metal Products Co., Ltd. 東莞天祥五金製品 有限公司	The PRC	HK\$15,000,000 (note b)	—	70	Property holding Limited
Fantop Industries Limited	Hong Kong	HK\$2	—	100	Property holding
Guangzhou LungKee Metal Products Co. Ltd. 廣州龍記金屬製品有限公司	The PRC	HK\$60,000,000	—	74.97	Manufacturing and marketing of mould bases
Heyuan Lung Kee Metal Products Co., Ltd. 河源龍記金屬製品 有限公司	The PRC	HK\$60,000,000 (note c)	—	74.97	Manufacturing and marketing of mould bases
LKM (BVI) Limited	The British Virgin Islands/Hong Kong	US\$200	100	—	Investment holding



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 33. PARTICULARS OF THE COMPANY'S 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 %	
LKM Nominees Limited	Hong Kong	HK\$2	—	100	Provision of nominee services
Lung Kee International Limited	Hong Kong	HK\$2 ordinary shares HK\$2,000,002 non-voting deferred shares (note d)	—	74.97	Investment holding
Lung Kee Metal (BVI) Limited	The British Virgin Islands/Hong Kong	US\$2	—	74.97	Investment holding
Lung Kee Metal (China) Limited	Hong Kong	HK\$2 ordinary shares HK\$2 non-voting deferred shares (note d)	—	74.97	Investment holding
Lung Kee Metal Japan Company Limited	Japan	JPY200,000,000	—	51	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	—	74.97	Manufacturing and marketing of mould bases
Lung Kee Metal Holdings Limited	Bermuda	HK\$250,098,500	—	74.97	Investment holding
Lung Kee Metal Limited	Hong Kong	HK\$2 ordinary shares HK\$10,000,002 non-voting deferred shares (note d)	—	74.97	Manufacturing and marketing of mould bases



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 33. PARTICULARS OF THE COMPANY'S 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 Metal (Singapore) Pte Limited	Singapore	S\$250,000	—	74.97	Manufacturing and marketing of mould bases
Lung Kee Steel Limited	Hong Kong	HK\$2	—	100	Trading of steel
Lung Kee Trading (BVI) Limited	The British Virgin Islands/The PRC	US\$2	—	74.97	Inactive
Lung Kee Technologies Limited	Hong Kong	HK\$2	—	74.97	Provision of computer service to the group companies
Real Wood Investment Limited	Hong Kong	HK\$10,000	—	100	Property holding
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	—	74.97	Manufacturing and marketing of mould bases
Sky Bright Metal Product Limited	Hong Kong	HK\$100	—	60	Manufacturing and marketing of components for mould bases
Sky Lucky Metal Limited	Hong Kong	HK\$100	—	70	Manufacturing and marketing of mould bases
Sky Lucky Steel Limited	Hong Kong	HK\$100	—	70	Trading of steel
Sky Right Machine Tool (Hong Kong) Limited	Hong Kong	HK\$100	—	100	Property holding
Sky Tech Machine Tool Limited	Hong Kong	HK\$2	—	100	Inactive
Sunrise Profit Limited	Hong Kong	HK\$10,000	—	100	Property holding
Super Visions International Limited	The British Virgin Islands/Hong Kong	US\$2	—	100	Holding and licensing of trademarks



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES (Cont'd)

Notes:

- a. The registered capital of this company was increased from HK\$80,000,000 to HK\$96,500,000 during the year. At 31st March 2001, the Group had an outstanding commitment to contribute a further sum of HK\$11,435,000 into this subsidiary as equity capital.
- b. The registered capital of this company was increased from HK\$15,000,000 to HK\$18,000,000 during the year. At 31st March, 2001, the Group had an outstanding commitment to contribute a further sum of HK\$3,000,000 into this subsidiary as equity capital.
- c. The registered capital of this company was increased from HK\$60,000,000 to HK\$85,000,000 during the year. At 31 March, 2001, the Group had an outstanding commitment to contribute a further sum of HK\$25,000,000 into this subsidiary as equity capital.
- d. 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.



## Results

	Year ended 31st March,				
	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	583,098	663,681	686,127	889,542	<b>985,834</b>
PROFIT BEFORE TAX	230,802	147,232	94,462	169,236	<b>192,358</b>
TAXATION	13,550	16,242	11,450	27,122	<b>30,289</b>
PROFIT BEFORE MINORITY INTERESTS	217,252	130,990	83,012	142,114	<b>162,069</b>
MINORITY INTERESTS	6,631	27,511	16,643	32,110	<b>32,463</b>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	210,621	103,479	66,369	110,004	<b>129,606</b>

## Assets and liabilities

	At 31st March,				
	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	827,865	921,109	878,133	1,134,982	<b>1,413,085</b>
TOTAL LIABILITIES	(258,881)	(286,697)	(207,408)	(386,976)	<b>(592,567)</b>
MINORITY INTERESTS	(110,504)	(127,053)	(136,388)	(163,776)	<b>(178,285)</b>
SHAREHOLDERS' FUNDS	458,480	507,359	534,337	584,230	<b>642,233</b>



## Properties held by the Group

### A. Investment properties

Name/Location	Type	Group's 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
Lorry parking space No. 8 on 1st floor Kwong Sang Hong Centre Nos.151-153 Hoi Bun Road Kowloon	Carpark	100%	Medium-term lease
Flat A on 4th floor of block 7 No. 27 Laguna Street Laguna City Kowloon	Residential	100%	Medium-term lease

### B. Land and buildings

Name/Location	Type	Group's interest	Lease term
<b>Hong Kong</b>			
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



## Properties held by the Group (Cont'd)

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

Name/Location	Type	Group's interest	Lease term
<b>Hong Kong (Cont'd)</b>			
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
<b>The People's Republic of China</b>			
Qiaoli Management District Changping-Huangjiang Highway Changping Town Dongguan Guangdong Province	Factory and staff quarters	74.97%	Medium-term lease



## Properties held by the Group (Cont'd)

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

Name/Location	Type	Group's interest	Lease term
<b>The People's Republic of China (Cont'd)</b>			
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	74.97%	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	74.97%	Medium-term lease
Guangzhou Free Trade Zone Huangpu District Guangzhou Guangdong Province	Factory	74.97%	Medium-term lease
<b>Singapore</b>			
#01-08 Block A Tong Lee Building 35 Kallang Pudding Road Singapore 349314	Factory	74.97%	Freehold
<b>Malaysia</b>			
No. 5 Jalan Kemunting 2B Section BB 6 Bandar Bukit Beruntung 48300 Rawang Selangor Darul Ehsan Malaysia	Factory	74.97%	Freehold
<b>Japan</b>			
群馬県邑楽郡大泉町 大字吉田字本郷 914番地1	Warehouse	100%	Freehold



## Properties held by the Group (Cont'd)

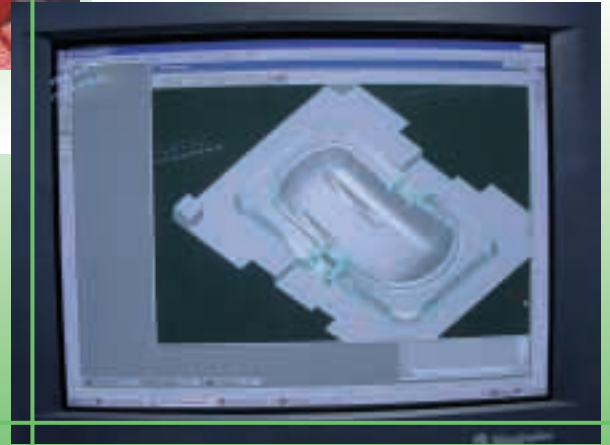
### C. Properties under construction

<u>Name/Location</u>	<u>Type</u>	<u>Group's interest</u>	<u>Lease term</u>	<u>Expected completion date</u>
<b>The People's Republic of China</b>				
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	74.97%	Medium-term lease	December 2001
Guangzhou Free Trade Zone Huangpu District Guangzhou Guangdong Province	Factory	74.97%	Medium-term lease	June 2001
Qiaoli Management District Changping- Huangjiang Highway Changping Town Dongguan Guangdong Province	Staff quarters	74.97%	Medium-term lease	June 2001

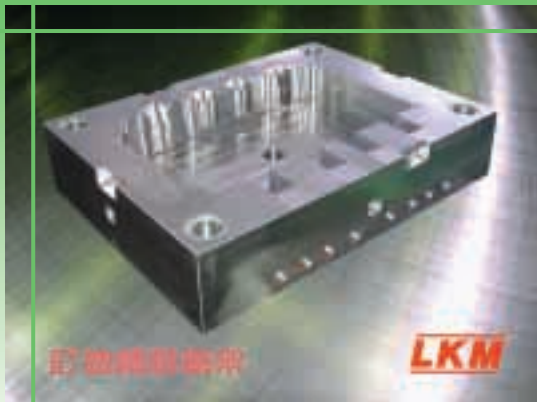




**Stock of standard mould base ready for quick delivery.**  
存倉模架以應付快速交貨。



**Computer analysis on the solid model from customer.**  
計算機分析客戶之實物圖。



**Custom made precision pocket.**  
非標準形框加工。



**A view of Heyuan Plant (PRC)**  
中國河源龍記廠房外貌。



**A step of the manufacturing process.**  
製造過程其中一個工序。





A close look at a cavity pocket of TV casing.  
電視機後殼形框。



Administration office in Dongguan Plant.  
東莞廠房之行政辦公室。



Guangzhou LungKee Metal Products Co., Ltd.  
廣州龍記金屬製品有限公司。



Computer analysis of a typical custom made mould base.  
訂造模架之電腦分析。



Standard mould base production line  
in Heyuan Plant.  
河源廠房之標準模架生產線。