



LUNG KEE (BERMUDA) HOLDINGS LIMITED

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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 SHARE REGISTRAR
AND TRANSFER OFFICE**

Computershare Hong Kong Investor
Services 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 BUSINESS

1st Floor
Cheung Kong Electronic Building
4 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE

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

NOTICE IS HEREBY GIVEN that the 2002 annual general meeting of shareholders of Lung Kee (Bermuda) Holdings Limited (the "Company") will be held at Mandarin Oriental Hotel, 23rd Floor West Room, 5 Connaught Road Central, Hong Kong on 9th September, 2002 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company and the reports of the directors and auditors of the Company for the year ended 31st March, 2002.
2. To approve and declare a final dividend of the Company for the year ended 31st March, 2002.
3. To determine the maximum number of directors of the Company for the time being be 15.
4. To re-elect and appoint directors of the Company.
5. To authorise the board of directors of the Company to fix the remuneration of directors of the Company.
6. To authorise the directors of the Company to appoint any person as a director of the Company either to fill a casual vacancy on the board of directors of the Company or as an addition to the existing board of directors of the Company so long as the number of directors of the Company so appointed shall not exceed 15 or such other maximum number as may be determined from time to time by members of the Company in general meeting at their discretion.
7. To re-appoint auditors of the Company and authorise the board of directors of the Company to fix their remuneration.
8. To consider and, if thought fit, pass, with or without modifications, the following resolution as an Ordinary Resolution.

"THAT:

- (A) subject to paragraph (C) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares upon the exercise of subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantee as specified in such scheme or similar arrangement of Shares or rights to acquire the Shares; or (iii) an issue of Shares pursuant to any scrip dividends or similar arrangement providing for allotment of Shares in lieu of the whole or part of the dividend on Shares in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

(D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the 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; and

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

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

“THAT:

- (A) subject to paragraph (B) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (“Shares”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing 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 earliest of:

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

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or The Companies Act 1981 of Bermuda (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."

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

"**THAT** subject to the passing of the Ordinary Resolutions Nos. 8 and 9 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company ("Shares") pursuant to the Ordinary Resolution No. 8 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to the Ordinary Resolution No. 9 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the Ordinary Resolution No. 9."

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

"**THAT:**

(A) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval of the share option scheme of the Company (the "New Scheme"), the rules of which are produced to this meeting and for the purposes of identification initialled by any director of the Company, and the granting of any options thereunder and the listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company ("Shares") to be issued pursuant to the exercise of any such options, the New Scheme be and is hereby approved and adopted and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Scheme including but without limitation:

- (i) to administer the New Scheme under which options will be granted to participants eligible under the New Scheme to subscribe for Shares;
- (ii) to modify and/or amend the New Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Scheme relating to modification and/or amendment;
- (iii) to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
- (iv) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued pursuant to the exercise of the options under the New Scheme; and

- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Scheme.
- (B) the existing share option scheme for the employees of the Company and its subsidiaries (including any executive directors of the Company and its subsidiaries) which was adopted by the Company at its general meeting on 11th February, 1993 be and is hereby terminated immediately upon the conditions for the adoption of the New Scheme having been fully satisfied."

By Order of the Board
Wai Lung Shing
Director and Company Secretary

Hong Kong, 27th June, 2002

Notes:

1. A member of the Company entitled to attend and vote at the meeting 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 and principal place of business 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. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. The Register of Members of the Company will be closed from 3rd September, 2002 to 9th September, 2002, both days inclusive during which period no share transfer will be effected.
5. 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 Share Registrar and Transfer Office of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 2nd September, 2002.

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, 2002.

The Group recorded turnover of approximately HK\$929 million and earnings of approximately HK\$72 million for the year, representing a decrease of 5.78% and 44.46% over the previous year respectively.

BUSINESS REVIEW

Due to the slowdown in the U.S. economy, the export market has experienced a global contraction. As the sluggish global economy has not improved, there is pressure on the Group's overall business performance.

The Group business in China has still shown steady development. Plants situated in the southern region of China have maintained continued growth in volume. However, due to keen market competition, turnover and profit margins for the Group's products continue to be depressed. Business development in the eastern region of China has been encouraging. Turnover and profits of the Shanghai, PRC plant has recorded steady growth.

Owing to the stagnant economy in South East Asia, with poor domestic consumption, the development of overseas markets was maintained as last year. The performance of both the Singapore and Malaysia businesses were unsatisfactory. Despite the difficult business environment, the Japanese business has achieved significant progress, with an increase in sales volume and gradual improvement in its operations. Furthermore, the Taiwan business proceeded on the right track, with increases in volume and turnover, in line with the Group's overseas market strategy.

The mould parts business, which includes mould parts and hot runner mould system, has recorded steady growth, which contributed a reliable source of income to the Group.

For the business of trading of import mould steel, due to the prevailing keen market competition whereas the selling price of steel maintained the same in return, the result is far below the Group's expectation.

PROSPECTS

The global economy is expected to recover gradually. The China market is opening up and the operating environment in China is improving. The Group grasps every business opportunity for further development and enhancement of its market competitiveness. Full effort has been made to expand the Shanghai, PRC plant in order to capture the vast market in the eastern region of China. With the extensive experience accumulated from past operations and investment in China, the Group is confident that such expansion will further strengthen the Group's distribution channels.

Turning to the markets outside the PRC, the Group will devise various contingency plans catering for the needs of different markets. This will be coupled with the flexibility in production planning and adoption of various measures in lowering its operating costs.

The Group will put full effort in marketing variety of high quality steel products from China satisfying different market demand in order to widen its customer base. In response to this, a new company had been set up in Guangzhou, PRC beginning of this year specially for selling steel products to customers located in the southern region of China. The new plant allowed storage of wider range of steel items and further strengthened the logistic planning as a whole that enabling the Group in providing a "one stop" service to the customers. At the same time, the Group will speed up its investments in the mould steel products market in the eastern region of China in order to enlarge its market capacity.

Looking ahead, the global economy is still unclear and unpredictable and the Group's operating environment still remains unfavourable. However, with long established goodwill, stable financial position, a forward-looking management and a customer focused marketing policy, the Board is hopeful that the Group will achieve satisfactory results in the coming year.

Siu Tit Lung
Chairman

Hong Kong, 27th June, 2002

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 2002 was approximately HK\$929 million, which represented a decrease of 5.78% when compared with approximately HK\$986 million in 2001. Net profit for the year of 2002 was about HK\$72 million, which represented a decrease of 44.46% compared with approximately HK\$130 million in 2001. Earnings per share was HK14.90 cents, which represented a decrease of 44.69% when compared with HK26.94 cents in 2001.

MOULD BASE MANUFACTURING AND MARKETING

The Group business in China has still shown steady development. Plants situated in the southern region of China have maintained continued growth in volume. However, due to keen market competition, turnover and profit margins for the Group's products continue to be depressed. Business development in the eastern region of China has been encouraging. Turnover and profits of the Shanghai, PRC plant has recorded steady growth.

Owing to the stagnant economy in South East Asia, with poor domestic consumption, the development of overseas markets was maintained as last year. The performance of both the Singapore and Malaysia businesses were unsatisfactory. Despite the difficult business environment, the Japanese business has achieved significant progress, with an increase in sales volume and gradual improvement in its operations. Furthermore, the Taiwan business proceeded on the right track, with increases in volume and turnover, in line with the Group's overseas market strategy.

The mould parts business, which includes mould parts and hot runner mould system, has recorded steady growth, which contributed a reliable source of income to the Group.

TRADING OF MOULD STEEL

For the business of trading of import mould steel, due to the prevailing keen market competition whereas the selling price of steel maintained the same in return, the result is far below the Group's expectation.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st March, 2002, the Group had a net cash surplus of approximately HK\$16 million, compared with approximately HK\$79 million in 2001. 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\$2 million losses on foreign exchange during the year.

As at 31st March, 2002, the Group had capital commitments of approximately HK\$13 million in respect of the acquisition of property, plant and equipment, which are financed by internal resources.

GEARING RATIO

Total debts were approximately HK\$361 million, equal to approximately 52% of shareholders' funds of approximately HK\$701 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st March, 2002, the Group employed a total of approximately 4,500 employees, including approximately 4,100 employees in its PRC production sites and approximately 400 employees in Hong Kong and other countries. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

CONTINGENT LIABILITIES

The Company gave guarantees of approximately HK\$133 million to financial institutions in respect of banking facilities granted to subsidiaries.

The directors present their annual report and the audited financial statements for the year ended 31st March, 2002.

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 21.

An interim dividend of HK3 cents per share amounting to approximately HK\$15 million was paid to shareholders during the year. The directors now recommend the payment of a final dividend of HK5 cents per share payable to shareholders registered on 9th September, 2002, amounting to approximately HK\$24 million.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 62.

INVESTMENT PROPERTIES

The Group's investment properties at 31st March, 2002 were revalued by an independent firm of professional property valuers on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 13 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group constructed factory premises and staff quarters at a cost of approximately HK\$10 million. The Group continued its plant expansion policy and expended approximately HK\$50 million on new plant and machinery and approximately HK\$14 million on furniture, fixtures and fittings during the year. Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2002 are set out on pages 63 to 65 of the annual report.

SHARE CAPITAL

Details of the Company's share capital are set out in note 28 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 52% 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, 2002 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").

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. Mak Koon Chi and Mr. Wai Lung Shing retire from office by rotation and, being eligible, offer themselves for re-election.

The term of office for each non-executive director and independent non-executive director is the 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 52, 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 32 years of experience in metal trading and mould base manufacturing. He was awarded the Young Industrialist Award of Hong Kong in 1993. He is also an honorary citizen of Dongguan City and Heyuan City in the PRC.

Mr. Siu Yuk Lung, aged 49, 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 30 years of experience in metal trading and mould base manufacturing. He has, since 1995, been serving as a member of the Executive Committee of the Hong Kong Mould Association. He is also an honorary citizen of Heyuan City in the PRC.

Mr. Mak Koon Chi, aged 44, has been an executive director of the Company since December 1992 and is a senior member and past Chairman of the Society of Manufacturing Engineers (Hong Kong Chapter). Mr. Mak is responsible for policy making, marketing and manufacturing of the Group and has many years of experience in mould base manufacturing. Mr. Mak graduated from Murdoch University with a Master of Business Administration Degree.

Mr. Wai Lung Shing, aged 41, has been an executive director of the Company since December 1992 and is responsible for the policy making, finance and administration functions of the Group. Mr. Wai graduated from the Hong Kong Polytechnic University with a Bachelor of Arts (Hons.) Degree in Accountancy and from the University of Warwick with a Master of Business Administration Degree. He is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has extensive experience in accounting, finance and management with both international accounting firms and commercial organisations.

Mr. Fung Wai Hing, aged 49, 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 trading business, particularly machinery trading.

Non-executive director

Mr. Chan Chun Sing, Colin, aged 48, has been appointed to the Board of the Company since December 1992. He is a non-executive director of the Company. Mr. Chan graduated from the University of Toronto with a Bachelor of Science (Hons.) Degree in Engineering and from the Chinese University of Hong Kong with a Master of Business Administration Degree. He has many years of experience in the information technology industry.

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

Independent non-executive directors

Mr. Liu Wing Ting, Stephen, Justice of Peace, aged 50, has been an independent non-executive director of the Company since December 1992. Mr. Liu has been practising as a certified public accountant for many years and is a founder director of Hong Kong Aids Foundation Limited and a member of the Prince of Wales Hospital Governing Committee of the Hospital Authority. He is a fellow of both the Hong Kong Society of Accountants and the Chartered Association of Certified Accountants. He has wide experience in auditing, taxation and financial management in various fields and industries. He is the Chairman of the Audit Committee.

Dr. Lee Tat Yee, aged 54, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland and is a Chartered Engineer of the Engineering Council in the United Kingdom. Dr. Lee is currently a director of the Technology Support Centre of the University of Hong Kong specialising in quality assurance management systems.

Others

Mr. Chng Hee Kok, aged 54, is an independent non-executive director of Lung Kee Metal Holdings Limited ("LKM"), a subsidiary of the Company, which is listed on the Singapore Exchange Securities Trading 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 is the recipient of the Institution of Engineers, Singapore, Gold Medal (1972) and the Distinguished Engineering Alumni Award (1991). He is the Chief Executive Officer of NTUC Club. He was a Member of Parliament, Singapore from 1984–2001. Presently, he is a Director and council member of the Singapore Institute of Directors and the member of the Sentosa Development Corporation and a Board Director of a number of public listed companies.

Mr. Lee Joo Hai, aged 46, is an independent non-executive director of LKM. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Directors. He has extensive experience in accounting, auditing, taxation and company secretarial work. He is presently a partner in a public accounting firm.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st March, 2002, 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:

Shares

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>)	58,933,155	—	—	246,093,750
Siu Yuk Lung (<i>Notes 1, 3 and 4</i>)	58,933,155	—	—	246,093,750
Mak Koon Chi	3,375,000	—	—	—
Wai Lung Shing	3,375,000	—	—	—
Fung Wai Hing	1,265,625	—	—	—

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS (Cont'd)**Shares (Cont'd)***Notes:*

- (1) Messrs. Siu Tit Lung and Siu Yuk Lung jointly held 56,105,030 shares in the Company and each owned a further 2,828,125 shares in the Company registered in their own name.
- (2) Rickdee Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Tit Lung other than Mr. Siu Tit Lung himself are beneficiaries, held 46,875,000 shares in the Company.
- (3) Robin Hill Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Mr. Siu Yuk Lung other than Mr. Siu Yuk Lung himself are beneficiaries, held 46,875,000 shares in the Company.
- (4) Pan Island Investments Limited, which is wholly-owned by a discretionary trust of which the family members of Messrs. Siu Tit Lung and Siu Yuk Lung other than Messrs. Siu Tit Lung and Siu Yuk Lung themselves are beneficiaries, held 199,218,750 shares in the Company.
- (5) At 31st March, 2002, Mr. Siu Tit Lung and Mr. Siu Yuk Lung jointly held 1,875,000 shares in LKMH and each owned a further of 500,000 shares in LKMH.
- (6) At 31st March, 2002, Messrs. Mak Koon Chi and Wai Lung Shing each held 562,500 shares in LKMH.

In addition, Mr. Siu Tit Lung and Mr. Siu Yuk Lung hold non-voting deferred shares in certain of the Company's subsidiaries as set out in note 39 to the financial statements.

Directors' interests in the share options granted by the Company are set out in the section "Share Options" in the Directors' report.

Save as disclosed above, and other than certain nominee shares in subsidiaries held in trust for the Group, at 31st March, 2002, (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.

Share Options

- (i) The Company's share option scheme (the "LKBH Scheme") was adopted pursuant to a resolution passed on 11th February, 1993, 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 Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the grant of the options. The LKBH Scheme will expire on 10th February, 2003. 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.

Share options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 for each grant of share option. Options granted are exercisable for a period of 3 years commencing on the expiry of 6 months after the date the options are granted.

At 31st March, 2002, the Company did not have any outstanding options under the LKBH Scheme.

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

Share Options (Cont'd)

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

Category 1: Directors	Number of share options				Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st April, 2001	Exercised during the year	Lapsed during the year	At 31st March, 2002			
Siu Tit Lung	375,000	—	(375,000)	—	1st November, 1997	1st May, 1998 to 30th April, 2001	1.492
	375,000	—	(375,000)	—	3rd March, 1998	3rd September, 1998 to 2nd September, 2001	0.964
	750,000	—	(750,000)	—			
Siu Yuk Lung	375,000	—	(375,000)	—	1st November, 1997	1st May, 1998 to 30th April, 2001	1.492
	375,000	—	(375,000)	—	3rd March, 1998	3rd September, 1998 to 2nd September, 2001	0.964
	750,000	—	(750,000)	—			
Mak Koon Chi	375,000	—	(375,000)	—	1st November, 1997	1st May, 1998 to 30th April, 2001	1.492
	375,000	—	(375,000)	—	3rd March, 1998	3rd September, 1998 to 2nd September, 2001	0.964
	375,000	(375,000)	—	—	29th March, 1999	29th September, 1999 to 28th September, 2002	0.440
	500,000	(500,000)	—	—	26th April, 1999	26th October, 1999 to 25th October, 2002	0.580
	1,625,000	(875,000)	(750,000)	—			
Wai Lung Shing	375,000	—	(375,000)	—	1st November, 1997	1st May, 1998 to 30th April, 2001	1.492
	375,000	—	(375,000)	—	3rd March, 1998	3rd September, 1998 to 2nd September, 2001	0.964
	375,000	(375,000)	—	—	29th March, 1999	29th September, 1999 to 28th September, 2002	0.440
	500,000	(500,000)	—	—	26th April, 1999	26th October, 1999 to 25th October, 2002	0.580
	1,625,000	(875,000)	(750,000)	—			
Fung Wai Hing	375,000	—	(375,000)	—	1st November, 1997	1st May, 1998 to 30th April, 2001	1.492
	375,000	—	(375,000)	—	3rd March, 1998	3rd September, 1998 to 2nd September, 2001	0.964
	375,000	(375,000)	—	—	29th March, 1999	29th September, 1999 to 28th September, 2002	0.440
	500,000	(500,000)	—	—	26th April, 1999	26th October, 1999 to 25th October, 2002	0.580
	1,625,000	(875,000)	(750,000)	—			
Sub-total	6,375,000	(2,625,000)	(3,750,000)	—			

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

Share Options (Cont'd)

Category 2: Employees	Number of share options				Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st April, 2001	Exercised during the year	Lapsed during the year	At 31st March, 2002			
	2,587,500	—	(2,587,500)	—	1st November, 1997	1st May, 1998 to 30th April, 2001	1.492
	2,331,250	—	(2,331,250)	—	3rd March, 1998	3rd September, 1998 to 2nd September, 2001	0.964
	62,500	(62,500)	—	—	29th March, 1999	29th September, 1999 to 28th September, 2002	0.440
	62,500	(62,500)	—	—	26th April, 1999	26th October, 1999 to 25th October, 2002	0.580
Sub-total	5,043,750	(125,000)	(4,918,750)	—			
Total	11,418,750	(2,750,000)	(8,668,750)	—			

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

- (ii) A subsidiary of the Company, LKMH, also has a share option scheme (the "LKMH Scheme"), which was adopted pursuant to a resolution passed on 30th July, 1997, revised in August 2000 with details as stated in the circular of LKMH of Shareholders dated 15th August, 2000, 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 Singapore Exchange Securities Trading Limited on the five trading days immediately preceding the date of the grant of the options. The LKMH Scheme will expire on 29th July, 2007. 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.

Share options granted must be taken up within 28 days of the date of grant, notional consideration was paid for each grant of share option. Options granted are exercisable for a period of 4 years commencing on the expiry of 12 months after the date the options are granted.

At 31st March, 2002, the number of unexercised options under the LKMH Scheme was 12,718,750, representing 5.1% of the shares of LKMH in issue at that date.

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

Share Options (Cont'd)

The following table discloses movements in the LKMH share options during the year:

	Number of share options			Date of grant	Exercisable period	Exercise price per share S\$
	At 1st April, 2001	Exercised during the year	At 31st March, 2002			
Category 1: Directors						
Mak Koon Chi	562,500	—	562,500	15th January, 1998	15th January, 1999 to 14th January, 2003	0.564
	562,500	—	562,500	23rd December, 1999	23rd December, 2000 to 22nd December, 2004	0.592
	562,500	—	562,500	7th August, 2000	7th August, 2001 to 6th August, 2005	0.508
	1,687,500	—	1,687,500			
Wai Lung Shing	562,500	—	562,500	15th January, 1998	15th January, 1999 to 14th January, 2003	0.564
	562,500	—	562,500	23rd December, 1999	23rd December, 2000 to 22nd December, 2004	0.592
	562,500	—	562,500	7th August, 2000	7th August, 2001 to 6th August, 2005	0.508
	1,687,500	—	1,687,500			
Sub-total	3,375,000	—	3,375,000			
Category 2: Employees						
	2,150,000	—	2,150,000	15th January, 1998	15th January, 1999 to 14th January, 2003	0.564
	70,000	(70,000)	—	14th August, 1998	14th August, 1999 to 13th August, 2003	0.220
	3,712,500	—	3,712,500	23rd December, 1999	23rd December, 2000 to 22nd December, 2004	0.592
	3,481,250	—	3,481,250	7th August, 2000	7th August, 2001 to 6th August, 2005	0.508
Sub-total	9,413,750	(70,000)	9,343,750			
Total	12,788,750	(70,000)	12,718,750			

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES OF SIGNIFICANCE

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 OF SIGNIFICANCE

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

- (1) During the year, the Group had the following transactions with non-wholly owned subsidiaries:

	HK\$'000
Sales	66,710
Purchases	19,764
Transfer of property, plant and equipment	4
Rental income	1,860
Rental expenses	2,224
Cost sharing	18,481
Interest expenses	3

- (2) At 31st March, 2002, joint and several guarantees were given by the Group, together with the relevant minority shareholders, to two non-wholly owned subsidiaries as follows:
- Sky Lucky Steel Limited to the extent of HK\$1,000,000; and
 - Sky Lucky Metal Limited to the extent of HK\$11,000,000.
- (3) During the year, the Group purchased materials and machinery from JMS Engineering Co., Ltd. ("JMS") amounting to approximately HK\$28,270,000 and HK\$6,790,000 respectively. One of the controlling shareholders of JMS is also a director of Lung Kee Metal Japan Company Limited ("LKM Japan").
- (4) At 31st March, 2002, a banking facility of the Group amounting to HK\$14,714,000 was guaranteed jointly and severally by JMS and LKMH without charge. The guarantee executed by JMS has been released after 31st March, 2002.
- (5) In January 2002, Lung Kee International Limited, a subsidiary of the Company, has acquired the remaining 49% interest of LKM Japan from JMS at a consideration of approximately HK\$6,200,000.
- (6) At 31st March, 2002, a banking facility of the Group amounting to HK\$22,550,000 was guaranteed jointly and severally by a minority shareholder of Taiwan Supertech Industrial Company Limited ("Supertech") and LKMH without charge. The minority shareholder of Supertech is also a director of Supertech.

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;

CONNECTED TRANSACTIONS (Cont'd)

- (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 Listing Rules.

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, 2002.

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 approximately HK\$238,000.

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, 27th June, 2002

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 61 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, 2002 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, 27th June, 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	4	928,886	985,834
Other income	6	16,165	11,357
Changes in inventories of finished goods and work in progress		2,979	13,501
Raw materials and consumables used		(419,837)	(467,509)
Staff costs		(155,219)	(144,828)
Depreciation and amortisation		(85,601)	(72,097)
Other operating expenses		(170,574)	(133,399)
Deficit on revaluation of investment properties		(8,010)	(718)
Profit from operations	7	108,789	192,141
Finance costs	8	(21,576)	(15,869)
Interest income		17,176	17,989
Loss on deemed disposal of a subsidiary		(84)	(1,903)
Profit before taxation		104,305	192,358
Taxation	10	(10,351)	(30,289)
Profit after taxation		93,954	162,069
Minority interests		(21,969)	(32,463)
Net profit for the year		71,985	129,606
Dividends	11		
Interim dividend of HK 3 cents per share (2001: HK 6 cents) paid		14,519	28,899
Final dividend of HK 5 cents per share (2001: HK 9 cents) proposed		24,197	43,320
		38,716	72,219
Earnings per share			
— Basic	12	14.90 cents	26.94 cents
— Diluted	12	14.85 cents	26.72 cents

22 Consolidated Balance Sheet

at 31st March, 2002



	Notes	2002 HK\$'000	2001 HK\$'000 (As restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	27,765	6,000
Property, plant and equipment	14	405,481	431,482
Goodwill	18	9,196	—
Negative goodwill	19	(181)	—
Investment in securities	20	—	29,539
		442,261	467,021
Current assets			
Inventories	21	301,840	310,756
Bills receivable		22,235	9,558
Trade and other receivables	22	329,890	251,526
Taxation recoverable		3,591	74
Bank balances and cash		377,369	374,150
		1,034,925	946,064
Current liabilities			
Trade and other payables	23	178,016	189,573
Bills payable		12,088	25,849
Taxation payable		33,060	38,232
Obligations under finance leases — due within one year	25	143	464
Bank borrowings — due within one year	26	361,107	290,830
		584,414	544,948
Net current assets		450,511	401,116
Total assets less current liabilities		892,772	868,137
Non-current liabilities			
Obligations under finance leases — due after one year	25	134	675
Bank borrowings — due after one year	26	—	3,255
Deferred taxation	27	2,595	370
		2,729	4,300
Minority interests		189,291	178,285
		700,752	685,552
CAPITAL AND RESERVES			
Share capital	28	48,395	48,120
Reserves	30	652,357	637,432
		700,752	685,552

The financial statements on pages 21 to 61 were approved and authorised for issue by the Board of Directors on 27th June, 2002 and are signed on its behalf by:

Siu Tit Lung
DIRECTOR

Siu Yuk Lung
DIRECTOR

	Notes	2002 HK\$'000	2001 HK\$'000 (As restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary	15	55,856	55,856
Amounts due from subsidiaries	16	128,003	158,591
Loans to subsidiaries	17	17,000	17,000
		200,859	231,447
Current assets			
Prepayments		174	201
Bank balances and cash		59	39
		233	240
Current liabilities			
Accrued charges		453	356
Amounts due to subsidiaries	24	1,844	25,762
		2,297	26,118
Net current liabilities		(2,064)	(25,878)
Total assets less current liabilities		198,795	205,569
CAPITAL AND RESERVES			
Share capital	28	48,395	48,120
Reserves	30	150,400	157,449
		198,795	205,569

Siu Tit Lung
DIRECTOR

Siu Yuk Lung
DIRECTOR

24 Consolidated Statement of Recognised Gains and Losses

for the year ended 31st March, 2002

	2002 HK\$'000	2001 HK\$'000 (As restated)
Exchange (losses) gains arising on translation of overseas operations not recognised in the income statement	(139)	899
Net profit for the year	71,985	129,606
Total recognised gains	71,846	130,505
Goodwill arising on acquisition of additional interest in a subsidiary	—	(719)
	71,846	129,786
Prior period adjustments arising from a change in accounting policy in respect of dividend recognition on adoption of SSAP 9 (Revised) (note 30) — Increase in accumulated profits at 1st April, 2000		38,469

	Notes	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	92,027	263,297
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(58,070)	(67,364)
Interest expense and finance charges paid		(19,593)	(12,691)
Dividends paid to minority shareholders of subsidiaries	33	(11,292)	(12,581)
Interest received		17,176	17,989
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(71,779)	(74,647)
TAXATION			
Hong Kong Profits Tax paid		(16,973)	(20,640)
Hong Kong Profits Tax refunded		—	64
		(16,973)	(20,576)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(78,396)	(119,490)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	32	(9,728)	—
Acquisition of additional interest in a subsidiary		(2,138)	—
Proceeds from disposal of held-to-maturity debt securities		31,774	—
Proceeds on disposal of property, plant and equipment		6,498	4,374
Purchase of held-to-maturity debt securities		—	(29,539)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(51,990)	(144,655)
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		(48,715)	23,419

26 Consolidated Cash Flow Statement

for the year ended 31st March, 2002



	Notes	2002 HK\$'000	2001 HK\$'000
FINANCING	33		
New bank borrowings raised		591,863	359,101
Capital contributed by a minority shareholder		3,101	—
Proceeds from shares issued on exercise of share options		1,429	435
Proceeds from exercise of a listed subsidiary's share options by its minority shareholders		71	1,178
Repayment of bank borrowings		(544,186)	(242,663)
Repayment of obligations under finance leases		(4,576)	(988)
Repurchase of shares by a listed subsidiary		(3,213)	(9,325)
Repayment to minority shareholders of subsidiaries		—	(300)
NET CASH INFLOW FROM FINANCING		44,489	107,438
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(4,226)	130,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		372,930	241,786
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		546	287
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		369,250	372,930
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		377,369	374,150
Bank overdrafts		—	(1,220)
Trust receipt loans		(8,119)	—
		369,250	372,930

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. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs described above has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits as at 1st April, 2000 by approximately HK\$38,469,000 and as at 1st April, 2001 by approximately HK\$43,320,000 respectively.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior periods and, accordingly, no prior year adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative disclosures have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Cont'd)

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

Goodwill

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

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life and is presented separately in the balance sheet.

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

Negative goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill (Cont'd)

Negative goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time on disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

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

Investments in subsidiaries

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

Revenue recognition

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

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

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

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

Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation 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 revaluation deficit, in which case the excess of the revaluation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Investment properties (Cont'd)**

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

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

Property, plant and equipment

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

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:

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

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

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

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

Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

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

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

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.

Inventories

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

Foreign currencies

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

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

3. 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.

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.

4. TURNOVER

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

	2002 HK\$'000	2001 HK\$'000
Manufacture of mould bases	781,536	744,554
Trading of metal and parts	147,350	241,280
	928,886	985,834

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**(a) Business segments**

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

Principal activities are as follows:

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

Segmental information about these businesses is presented below.

2002

	Mould base HK\$'000	Metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	781,536	147,350	—	928,886
Inter-segment sales	19,764	68,953	(88,717)	—
	801,300	216,303	(88,717)	928,886
RESULTS				
Segment results	78,805	21,829	—	100,634
Deficit on revaluation of investment properties				(8,010)
Unallocated corporate income				16,165
PROFIT FROM OPERATIONS				108,789
Finance costs				(21,576)
Interest income				17,176
Loss on deemed disposal of a subsidiary				(84)
PROFIT BEFORE TAXATION				104,305
Taxation				(10,351)
PROFIT AFTER TAXATION				93,954

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Mould base HK\$'000	Metal and parts HK\$'000	Others HK\$'000	Total HK\$'000
OTHER INFORMATION				
Capital expenditure	74,984	2,128	1,284	78,396
Goodwill arising from acquisition of subsidiaries	—	—	11,223	11,223
Negative goodwill arising from acquisition of additional interest in a subsidiary	—	—	(272)	(272)
Depreciation and amortisation of property, plant and equipment	75,530	6,374	1,670	83,574
Amortisation of goodwill	—	—	2,027	2,027
Release of negative goodwill	—	—	(91)	(91)
Allowance for bad and doubtful debts	6,428	806	—	7,234
Assets				
Segment assets	946,719	150,756	—	1,097,475
Unallocated corporate assets				379,711
Consolidated total assets				1,477,186
Liabilities				
Segment liabilities	207,977	20,415	—	228,392
Unallocated corporate liabilities				358,751
Consolidated total liabilities				587,143

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

2001

	Mould base HK\$'000	Metal and parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	744,554	241,280	—	985,834
Inter-segment sales	14,891	48,495	(63,386)	—
	759,445	289,775	(63,386)	985,834
RESULTS				
Segment results	130,664	53,355	—	184,019
Deficit on revaluation of investment properties				(718)
Unallocated corporate income				11,357
Unallocated corporate expense				(2,517)
PROFIT FROM OPERATIONS				192,141
Finance costs				(15,869)
Interest income				17,989
Loss on deemed disposal of a subsidiary				(1,903)
PROFIT BEFORE TAXATION				192,358
Taxation				(30,289)
PROFIT AFTER TAXATION				162,069

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(a) Business segments (Cont'd)

	Mould base HK\$'000	Metal and parts HK\$'000	Others HK\$'000	Total HK\$'000
OTHER INFORMATION				
Capital expenditure	113,165	5,489	1,770	120,424
Depreciation and amortisation of property, plant and equipment	63,321	7,227	1,549	72,097
Allowance for bad and doubtful debts	7,254	(406)	—	6,848
Assets				
Segment assets	838,746	186,425	—	1,025,171
Unallocated corporate assets				387,914
Consolidated total assets				1,413,085
Liabilities				
Segment liabilities	165,117	52,246	—	217,363
Unallocated corporate liabilities				331,885
Consolidated total liabilities				549,248

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

(b) Geographical segments

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

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

	Turnover		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
People's Republic of China including Hong Kong	727,704	811,536	82,624	156,430
Other countries	201,182	174,298	26,165	35,711
	928,886	985,834	108,789	192,141

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

	Carrying amount of Segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
People's Republic of China including Hong Kong	948,220	918,717	64,345	105,449
Other countries	149,255	106,454	25,274	14,975
	1,097,475	1,025,171	89,619	120,424

6. OTHER INCOME

	2002 HK\$'000	2001 HK\$'000
Gain on disposal of investment in securities	2,235	—
Gain on disposal of property, plant and equipment	585	422
Income from sales of scrap	8,764	7,614
Release of negative goodwill	91	—
Rental income	950	875
Sundry income	3,540	2,446
	16,165	11,357

7. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill	2,027	—
Auditors' remuneration:		
— current year	2,144	1,931
— underprovision in prior year	263	428
Depreciation and amortisation:		
— owned assets	83,269	71,731
— assets held under finance leases	305	366
Exchange loss	1,977	1,487
Allowance for bad and doubtful debts	7,234	6,848
Operating lease rentals in respect of :		
— rented premises	4,025	2,839
— plant and machinery	36	—
Release of negative goodwill	(91)	—
Rental income from investment properties, net of outgoings of approximately HK\$19,000 (2001: HK\$16,000)	(418)	(351)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$321,000 (2001: HK\$1,713,000)	5,546	3,508

8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Arrangement fee for raising of bank loans	1,983	3,178
Interest on bank borrowings wholly repayable within five years	19,469	12,441
Interest on obligations under finance leases	124	250
	21,576	15,869

9. DIRECTORS' REMUNERATION

	2002 HK\$'000	2001 HK\$'000
Fees paid to non-executive and independent non-executive directors	540	540
Other emoluments paid to executive directors:		
Salaries and other benefits	17,724	17,040
Bonus	5,800	9,000
Retirement benefits scheme contributions	1,905	1,817
Total emoluments	25,969	28,397

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	3	3
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$3,500,001 to HK\$4,500,000	—	2
HK\$8,000,001 to HK\$8,500,000	2	2
	8	8

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

10. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— current year	8,615	18,749
— overprovision in prior year	(3,544)	(272)
	5,071	18,477
Taxation in jurisdictions outside Hong Kong		
— current year	3,452	13,478
— overprovision in prior year	(397)	—
	3,055	13,478
Deferred taxation (note 27)	2,225	(1,666)
	10,351	30,289

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for both years.

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 People's Republic of China (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 27.

11. DIVIDENDS

On 10th January, 2002, a dividend of HK 3 cents (2001 interim dividend: HK 6 cents) per share was paid to the shareholders as interim dividend for 2002.

The directors have determined that a final dividend of HK 5 cents per share (2001: HK 9 cents) should be paid to the shareholders of the Company whose names appear in the Register of Members on 9th September, 2002.

	2002 HK\$'000	2001 HK\$'000
Interim dividend of HK 3 cents (2001: HK 6 cents) per share paid to the Company's shareholders	14,519	28,899
Proposed final dividend of HK 5 cents (2001: HK 9 cents) per share payable to the Company's shareholders (note)	24,197	43,320
	38,716	72,219

Note: The amount of the proposed final dividend for the year ended 31st March, 2002 has been calculated with reference to the 483,952,343 (2001: 481,327,343) shares in issue as at the date of approval of these financial statements.

12. EARNINGS PER SHARE

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

	2002 HK\$'000	2001 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	71,985	129,606
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	(75)	(356)
Earnings for the purpose of diluted earnings per share	71,910	129,250
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	483,086	481,059
Effect of dilutive potential ordinary shares on exercise of options of the Company	1,130	2,602
Weighted average number of ordinary shares for the purpose of diluted earnings per share	484,216	483,661

13. INVESTMENT PROPERTIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At beginning of the year	6,000	3,800
Transfer from land and buildings	29,421	2,918
Transfer from furniture, fixtures and fittings	354	—
Deficit on revaluation	(8,010)	(718)
At end of the year	27,765	6,000

The investment properties of the Group were revalued at 31st March, 2002 on an open market value basis by Chung Sen Surveyors Limited, a firm of independent professional valuers. The deficit arising on revaluation of approximately HK\$8,010,000 (2001: HK\$718,000) has been charged to the income statement.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and fittings	Plant and machinery	Motor vehicles	Properties under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
AT COST						
At 1st April, 2001	216,054	88,914	470,638	34,766	18,870	829,242
Currency realignment	(135)	(218)	(428)	(66)	—	(847)
Transfer to investment properties	(35,095)	(373)	—	—	—	(35,468)
Reclassification	11,832	—	2,038	—	(13,870)	—
On acquisition of a subsidiary	—	760	14,117	449	—	15,326
Additions	3,002	14,243	49,712	1,161	10,278	78,396
Disposals	—	(3,868)	(8,731)	(4,476)	—	(17,075)
At 31st March, 2002	195,658	99,458	527,346	31,834	15,278	869,574
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	17,642	52,790	306,321	21,007	—	397,760
Currency realignment	(27)	(92)	(238)	(29)	—	(386)
Transfer to investment properties	(5,674)	(19)	—	—	—	(5,693)
Provided for the year	4,333	11,182	61,963	6,096	—	83,574
Eliminated on disposals	—	(3,083)	(4,612)	(3,467)	—	(11,162)
At 31st March, 2002	16,274	60,778	363,434	23,607	—	464,093
NET BOOK VALUES						
At 31st March, 2002	179,384	38,680	163,912	8,227	15,278	405,481
At 31st March, 2001	198,412	36,124	164,317	13,759	18,870	431,482

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	2002 HK\$'000	2001 HK\$'000
Land and buildings in Hong Kong held under medium-term leases	—	28,934
Land and buildings outside Hong Kong:		
— freehold	29,831	31,768
— held under medium-term leases of less than fifty years	149,553	137,710
	179,384	198,412

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

The net book value of plant and machinery includes an amount of approximately HK\$276,000 (2001: HK\$1,028,000) in respect of assets held under finance leases.

15. INVESTMENT IN A SUBSIDIARY

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

Details of the Company's subsidiaries at 31st March, 2002 are set out in note 39.

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

16. AMOUNTS DUE FROM SUBSIDIARIES

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

17. LOANS TO SUBSIDIARIES

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

18. GOODWILL

	THE GROUP HK\$'000
<hr/>	
COST	
Arising on acquisition of subsidiaries and at 31st March, 2002	11,223
AMORTISATION	
Charge for the year and at 31st March, 2002	(2,027)
NET BOOK VALUE	
At 31st March, 2002	9,196

The amortisation period adopted for goodwill is based on an average of three years.

19. NEGATIVE GOODWILL

	THE GROUP HK\$'000
<hr/>	
GROSS AMOUNT	
Arising on acquisition of additional interest in a subsidiary and at 31st March, 2002	272
RELEASED TO INCOME	
Released during the year and at 31st March, 2002	(91)
CARRYING AMOUNT	
At 31st March, 2002	181

The negative goodwill arose on the Group's acquisition of additional interests in LKMH during the year. The negative goodwill is released to income on a straight-line basis of three years.

20. INVESTMENT IN SECURITIES

During the year, the Group disposed of all of its investment securities, which were classified as held-to-maturity debt securities, to an independent third party at a consideration of approximately HK\$31,774,000 resulting in a gain on disposal of approximately HK\$2,235,000.

21. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	249,477	256,702
Work in progress	28,877	26,968
Finished goods	23,486	27,086
	301,840	310,756

Inventories are stated at cost except that raw materials of approximately HK\$133,373,000 (2001: HK\$161,527,000) are carried at net realisable value.

22. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of approximately HK\$305,455,000 (2001: HK\$239,215,000) and an aged analysis of which is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 to 60 days	150,451	189,908
61 to 90 days	67,924	41,731
Over 90 days	87,080	7,576
	305,455	239,215

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$43,527,000 (2001: HK\$76,674,000) and an aged analysis of which is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 to 60 days	28,596	44,972
61 to 90 days	4,537	9,182
Over 90 days	10,394	22,520
	43,527	76,674

24. AMOUNTS DUE TO SUBSIDIARIES

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

25. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
The maturity of obligations under finance leases is as follows:				
Within one year	186	562	143	464
In the second to fifth year inclusive	147	812	134	675
	333	1,374	277	1,139
Less: Future finance charges	(56)	(235)	—	—
Present value of lease obligations	277	1,139	277	1,139
Less: Amount due for settlement within one year and shown under current liabilities			(143)	(464)
Amount due after one year			134	675

25. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is ranged from three to six years. For the year ended 31st March, 2002, the average effective borrowing rate was approximately 20%. All leases are on a fixed repayment basis in Japanese Yen and no arrangement has been entered into for contingent rental payments.

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

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

26. UNSECURED BANK BORROWINGS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Bank loans	352,988	292,865
Trust receipt loans	8,119	—
Bank overdrafts	—	1,220
	361,107	294,085
The bank borrowings are repayable within a period of:		
— not exceeding one year or on demand	361,107	290,830
— more than one year but not exceeding two years	—	930
— more than two years but not exceeding five years	—	2,325
	361,107	294,085
Less: Amount due within one year shown under current liabilities	(361,107)	(290,830)
Amount due after one year	—	3,255

During the year, the Group obtained new loans in an amount of approximately HK\$591,863,000 and repaid loans of approximately HK\$544,186,000. These loans bear interest at the prevailing market rates and are repayable within one year. The proceeds were used to finance the acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

27. DEFERRED TAXATION

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At beginning of the year	370	2,036
Charge (credit) for the year (note 10)	2,225	(1,666)
At end of the year	2,595	370

The major components of the deferred taxation liabilities (assets) at the balance sheet date are as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Taxation effect of timing differences attributable to:		
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	2,935	370
Other timing differences	(340)	—
	2,595	370

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.

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

28. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the year	60,000	60,000	48,120	38,441
Bonus shares issued	—	—	—	9,624
Shares issued on exercise of share options	—	—	275	55
At end of the year	60,000	60,000	48,395	48,120

During the year ended 31st March 2001, the Company issued bonus shares to its shareholders on a one for four basis.

29. SHARE OPTIONS

- (i) At 31st March, 2002, no options to subscribe for shares were outstanding under the Company's share option scheme.
- (ii) At 31st March, 2002, the following options to subscribe for shares were outstanding under the share option scheme of LKMH, a subsidiary of the Company:

Number of share options	Exercisable period	Exercise price per share S\$
3,275,000	15th January, 1999 to 14th January, 2003	0.564
4,837,500	23rd December, 2000 to 22nd December, 2004	0.592
4,606,250	7th August, 2001 to 6th August, 2005	0.508
12,718,750		

30. RESERVES

	Share premium HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
THE GROUP						
At 1st April, 2000						
— as originally stated	108,670	(2,917)	11,966	427,958	112	545,789
— prior period adjustment in respect of change in accounting policy for dividend recognition	—	—	—	38,469	—	38,469
— as restated	108,670	(2,917)	11,966	466,427	112	584,258
Capitalisation for bonus issue of shares	(9,624)	—	—	—	—	(9,624)
Shares issued on exercise of share options	380	—	—	—	—	380
Goodwill arising on acquisition of additional interest in a subsidiary	—	(719)	—	—	—	(719)
Exchange differences arising from translation of foreign currency financial statements	—	—	—	—	899	899
Final dividend declared for the year ended 31st March, 2000	—	—	—	(38,469)	—	(38,469)
Net profit for the year	—	—	—	129,606	—	129,606
Interim dividend declared	—	—	—	(28,899)	—	(28,899)
At 31st March, 2001						
— as restated	99,426	(3,636)	11,966	528,665	1,011	637,432
Shares issued on exercise of share options	1,154	—	—	—	—	1,154
Exchange differences arising from translation of foreign currency financial statements	—	—	—	—	(139)	(139)
Final dividend declared for the year ended 31st March, 2001	—	—	—	(43,556)	—	(43,556)
Net profit for the year	—	—	—	71,985	—	71,985
Interim dividend declared	—	—	—	(14,519)	—	(14,519)
At 31st March, 2002	100,580	(3,636)	11,966	542,575	872	652,357

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

30. RESERVES (Cont'd)

	Share premium HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY			
At 1st April, 2000			
— as originally stated	108,670	23,675	132,345
— prior period adjustment in respect of change accounting policy for dividend recognition	—	38,469	38,469
— as restated	108,670	62,144	170,814
Capitalisation for bonus issue of shares	(9,624)	—	(9,624)
Shares issued on exercise of share options	380	—	380
Final dividend declared for the year ended 31st March, 2000	—	(38,469)	(38,469)
Net profit for the year	—	63,247	63,247
Interim dividends declared	—	(28,899)	(28,899)
At 31st March, 2001 — as restated	99,426	58,023	157,449
Shares issued on exercise of share options	1,154	—	1,154
Final dividend declared for the year ended 31st March, 2001	—	(43,556)	(43,556)
Net profit for the year	—	49,872	49,872
Interim dividends declared	—	(14,519)	(14,519)
At 31st March, 2002	100,580	49,820	150,400

The Company's reserves available for distribution to shareholders at 31st March, 2002 represent its accumulated profits of approximately HK\$49,820,000 (2001: HK\$58,023,000).

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Profit before taxation	104,305	192,358
Interest income	(17,176)	(17,989)
Interest expense and finance charges	19,593	12,691
Amortisation of goodwill	2,027	—
Release of negative goodwill	(91)	—
Deficit on revaluation of investment properties	8,010	718
Depreciation and amortisation of property, plant and equipment	83,574	72,097
Gain on disposal of property, plant and equipment	(585)	(422)
Loss on deemed disposal of a subsidiary	84	1,903
(Gain) loss on disposal of investment in securities	(2,235)	50
Decrease (increase) in inventories	12,279	(35,192)
Increase in trade and other receivables	(70,086)	(42,937)
(Increase) decrease in bills receivable	(1,203)	5,503
(Decrease) increase in trade and other payables	(18,058)	60,847
(Decrease) increase in bills payable	(26,676)	13,716
Exchange differences	(1,735)	(46)
Net cash inflow from operating activities	92,027	263,297

32. ACQUISITION OF A SUBSIDIARY

On 9th July, 2001, the Group acquired 70% of the issued share capital of Taiwan Supertech Industrial Co., Ltd. ("Supertech"). The fair value of assets acquired and liabilities assumed was as follows:

	2002 HK\$'000	2001 HK\$'000
Property, plant and equipment	15,326	—
Inventories	4,328	—
Trade and other receivables	9,102	—
Bills receivable	11,674	—
Bank balances and cash	2,176	—
Trade and other payables	(2,600)	—
Bank loans	(15,482)	—
Bills payable	(12,916)	—
Obligation under finance leases	(3,796)	—
Taxation	(162)	—
Minority interests	(2,295)	—
Net assets	5,355	—
Goodwill arising on acquisition	6,549	—
	11,904	—
Satisfied by:		
Cash	11,904	—
Analysis of net outflow of cash in respect of the acquisition of a subsidiary:		
Cash consideration paid	(11,904)	—
Bank and cash balances acquired	2,176	—
Net outflow of cash in respect of the acquisition of a subsidiary	(9,728)	—

The subsidiary acquired during the year contributed approximately HK\$25,876,000 to the Group's turnover, incurred operating losses of approximately HK\$2,240,000, and it did not contribute significantly to the cash flows of the Group.

33. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank borrowings HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000
At 1st April, 2000	147,111	176,427	1,193	163,776
New bank loans raised	—	359,101	—	—
Exercise of share options by minority shareholders	—	—	—	1,160
Shares issued on exercise of share options	435	—	—	—
Share premium arising from shares issued on exercise of a subsidiary's share option	—	—	—	18
Repayment of bank loans	—	(242,663)	—	—
Repayment to minority of subsidiaries	—	—	—	(300)
Dividend paid to minority shareholders of a subsidiary	—	—	—	(12,581)
Repurchase of shares by a subsidiary	—	—	—	(2,975)
Share premium utilised by a subsidiary on repurchase of shares	—	—	—	(6,350)
Repayment of obligations under finance leases	—	—	(988)	—
Other movements not involving cash flows:				
Minority shareholders' share of profit for the year	—	—	—	32,463
Minority shareholders' share of translation reserve	—	—	—	452
Goodwill arising on acquisition of additional interest in a subsidiary	—	—	—	719
Inception of finance leases	—	—	934	—
Loss on deemed disposal of a subsidiary to minority shareholders	—	—	—	1,903
At 31st March, 2001	147,546	292,865	1,139	178,285
Exchange realignment	—	(3,036)	(82)	—
New bank loans raised	—	591,863	—	—
Exercise of share options by minority shareholders	—	—	—	70
Shares issued on exercise of share options	1,429	—	—	—
Share premium arising from shares issued on exercise of a subsidiary's share option	—	—	—	1
Repayment of bank loans	—	(544,186)	—	—
Dividends paid to minority shareholders of subsidiaries	—	—	—	(11,292)
Repurchase of shares by a subsidiary	—	—	—	(1,388)
Share premium utilised by a subsidiary on repurchase of shares	—	—	—	(1,825)
Repayment of obligations under finance leases	—	—	(4,576)	—
On acquisition of a subsidiary	—	15,482	3,796	2,295
Capital contribution by a minority shareholder	—	—	—	3,101
Other movements not involving cash flows:				
Acquisition of additional investments in a subsidiary	—	—	—	(1,533)
Minority shareholders' share of profit for the year	—	—	—	21,969
Minority shareholders' share of translation reserve	—	—	—	(204)
Negative goodwill arising on acquisition of additional interest in a subsidiary	—	—	—	(272)
Loss on deemed disposal of a subsidiary to minority shareholders	—	—	—	84
At 31st March, 2002	148,975	352,988	277	189,291

34. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	12,785	7,663

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

35. OPERATING LEASE COMMITMENTS/ARRANGEMENTS

The Group as lessee

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	2,749	2,221
In the second to fifth year inclusive	3,778	1,250
Over five years	633	1
	7,160	3,472

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

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

The Group as lessor

Property rental income earned during the year was approximately HK\$950,000 (2001: HK\$875,000).

35. OPERATING LEASE COMMITMENTS/ARRANGEMENTS (Cont'd)

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	273	672
In the second to fifth year inclusive	—	254
	273	926

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

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

36. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to financial institutions in respect of facilities granted to subsidiaries	—	—	132,500	138,000
Discounted bills with recourse	7,393	7,632	—	—
	7,393	7,632	132,500	138,000

37. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December, 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. 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 Group's PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The subsidiaries in the PRC are required to contribute a specified percentage of their payroll to the benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

37. RETIREMENT BENEFITS SCHEME (Cont'd)

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

38. RELATED PARTY TRANSACTIONS

- (a) At 31st March, 2002, joint and several guarantees were given by the Group, together with the relevant minority shareholders, to two non-wholly owned subsidiaries as follows:
- Sky Lucky Steel Limited to the extent of HK\$1,000,000 (2001: HK\$1,000,000); and
 - Sky Lucky Metal Limited to the extent of HK\$11,000,000 (2001: HK\$11,000,000).
- (b) At 31st March, 2001, one of the directors of Lung Kee Metal Japan Company Limited ("LKM Japan") had given personal guarantees to banks to the extent of approximately HK\$6,510,000 for LKM Japan at no charge. The personal guarantee was released during the year.
- (c) During the year, the Group purchased materials and machinery from JMS Engineering Co., Ltd. ("JMS") amounting to approximately HK\$28,270,000 (2001: HK\$34,273,000) and HK\$6,790,000 (2001: nil), respectively. One of the controlling shareholders of JMS is also a director of LKM Japan.
- (d) At 31st March, 2002, a banking facility of the Group amounting to approximately HK\$14,714,000 (2001: HK\$15,500,000) was guaranteed jointly and severally by JMS and LKMH without charge. The guarantee executed by JMS has been released after 31st March, 2002.
- (e) At 31st March, 2001, a banking facility of the Group amounting to approximately HK\$30,999,000 was guaranteed jointly and severally by JMS and LKMH without charge. The guarantee executed by JMS was released during the year.
- (f) For the year ended 31st March, 2001, one of the subsidiaries of the Company had 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. During the year, one of the subsidiaries of the Company paid a subscription fee to iASPEC in respect of the trading of e-commerce business, amounting to approximately HK\$259,000 (2001: nil). A non-executive director of the Company was the then managing director of iASPEC.
- (g) In January 2002, Lung Kee International Limited, a subsidiary of the Company, has acquired the remaining 49% interest of LKM Japan from JMS at a consideration of approximately HK\$6,200,000.
- (h) At 31st March, 2002, a banking facility of the Group amounting to approximately HK\$22,550,000 was guaranteed jointly and severally by a minority shareholder of Supertech and LKMH without charge. The minority shareholder of Supertech is also a director of Supertech.

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

39. PARTICULARS OF THE SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2002 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 Lung Kee Metal Products Ltd. 東莞龍記五金製品有限公司	The PRC	HK\$96,500,000 (note a)	—	75.37	Manufacturing and marketing of mould bases
Dongguan Tin Cheung Metal Products Co., Ltd. 東莞天祥五金製品有限公司	The PRC	HK\$15,000,000 (note b)	—	70	Manufacturing and marketing of mould bases
Fantop Industries Limited	Hong Kong	HK\$2	—	100	Property holding
Guangzhou Lung Kee Metal Products Co. Ltd. 廣州龍記金屬製品有限公司	The PRC	HK\$60,000,000	—	75.37	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\$85,000,000	—	75.37	Manufacturing and marketing of mould bases
LKM (BVI) Limited	The British Virgin Islands/ Hong Kong	US\$200	100	—	Investment holding
LKM Nominees Limited	Hong Kong	HK\$2	—	100	Provision of nominee services
Lung Kee International Limited	Hong Kong	HK\$2 ordinary shares	—	75.37	Investment holding
		HK\$2,000,002 non-voting deferred shares (note c)	—	—	
Lung Kee Metal (BVI) Limited	The British Virgin Islands/ Hong Kong	US\$2	—	75.37	Investment holding
Lung Kee Metal Japan Company Limited	Japan	JPY300,000,000	—	75.37	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	—	75.37	Manufacturing and marketing of mould bases
Lung Kee Metal Holdings Limited	Bermuda	HK\$248,780,500	—	75.37	Investment holding

39. PARTICULARS OF THE 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 Limited	Hong Kong	HK\$2 ordinary shares HK\$10,000,002 non-voting deferred shares (note c)	—	75.37	Manufacturing and marketing of mould bases
Lung Kee Metal (Singapore) Pte Limited	Singapore	S\$250,000	—	75.37	Manufacturing and marketing of mould bases
Lung Kee Steel Products (Guangzhou Free Trade Zone) Co. Ltd. 龍記鋼材製品(廣州保稅區)有限公司	The PRC	HK\$750,000 (note d)	—	100	Trading of steel
Lung Kee Steel Limited	Hong Kong	HK\$2	—	100	Trading of steel
Lung Kee Technologies Limited	Hong Kong	HK\$2	—	75.37	Trading of components of mould bases
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	—	75.37	Manufacturing and marketing of mould bases
Sky Bright Metal Product Limited	Hong Kong	HK\$100	—	60	Manufacturing and marketing of components for mould bases
東莞天興五金製品有限公司	The PRC	— (note e)	—	60	Inactive
Sky Lucky Metal Limited	Hong Kong	HK\$100	—	70	Manufacturing and marketing of mould bases
Sky Lucky Steel Limited	Hong Kong	HK\$100	—	70	Inactive
Sky Right Machine Tool (Hong Kong) Limited	Hong Kong	HK\$100	—	100	Property holding
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
Taiwan Supertech Industrial Company Limited 仕霸工業股份有限公司	Republic of China	NT\$36,000,000	—	70	Manufacturing and marketing of mould bases

39. PARTICULARS OF THE SUBSIDIARIES (Cont'd)

Notes:

- a. The registered capital of this company has increased from HK\$96,500,000 to HK\$103,500,000 during the year. At 31st March, 2002, the Group had an outstanding commitment to contribute a further sum of HK\$7,000,000 into this subsidiary as equity capital.
- b. At 31st March, 2002, the Group had an outstanding commitment to contribute a further sum of HK\$3,000,000 into this subsidiary as equity capital.
- c. 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.
- d. At 31st March, 2002, the Group had an outstanding commitment to contribute a further sum of HK\$4,250,000 into this subsidiary as equity capital.
- e. At 31st March, 2002, the Group had an outstanding commitment to contribute HK\$4,000,000 into this subsidiary as equity capital.

40. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2002, Yeekon Limited, a wholly-owned subsidiary of the Company which was acquired after 31st March, 2002, made a voluntary conditional offer to acquire all the LKMH shares. Details of the offer are set out in a press announcement made by the Company dated 4th June, 2002.

Results

	Year ended 31st March,				2002 HK\$'000
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	
TURNOVER	663,681	686,127	889,542	985,834	928,886
PROFIT BEFORE TAXATION	147,232	94,462	169,236	192,358	104,305
TAXATION	16,242	11,450	27,122	30,289	10,351
PROFIT BEFORE MINORITY INTERESTS	130,990	83,012	142,114	162,069	93,954
MINORITY INTERESTS	27,511	16,643	32,110	32,463	21,969
NET PROFIT FOR THE YEAR	103,479	66,369	110,004	129,606	71,985

Assets and liabilities

	At 31st March,				2002 HK\$'000
	1998 HK\$'000 (As restated)	1999 HK\$'000 (As restated)	2000 HK\$'000 (As restated)	2001 HK\$'000 (As restated)	
TOTAL ASSETS	921,109	878,133	1,134,982	1,413,085	1,477,186
TOTAL LIABILITIES	(248,741)	(180,839)	(348,507)	(549,248)	(587,143)
MINORITY INTERESTS	(127,053)	(136,388)	(163,776)	(178,285)	(189,291)
SHAREHOLDERS' FUNDS	545,315	560,906	622,699	685,552	700,752

Prior periods have been adjusted to reflect the change in accounting policy for the adoption of the revised SSAP as described in note 2 to the financial statements.

A. Investment properties

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

B. Land and buildings

Name/Location	Type	Group's attributable interest	Lease term
The People's Republic of China			
Qiaoli Management District Changping-Huangjiang Highway Changping Town Dongguan Guangdong Province	Factory and staff quarters	75.37%	Medium-term lease
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	75.37%	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	75.37%	Medium-term lease
Unit No. 201 No. 34 of 158 Lane Baocheng Road Xinzhong Town Shanghai	Staff quarters	75.37%	Medium-term lease
Guangzhou Free Trade Zone Huangpu District Guangzhou Guangdong Province	Factory	75.37%	Medium-term lease
Singapore			
#01-08 Block A Tong Lee Building 35 Kallang Pudding Road Singapore 349314	Factory	75.37%	Freehold

B. Land and buildings (Cont'd)

Name/Location	Type	Group's attributable interest	Lease term
Malaysia			
No. 5 Jalan Kemunting 2B Section BB 6, Bandar Bukit Beruntung 48300 Rawang Selangor Darul Ehsan Malaysia	Land	75.37%	Freehold
Japan			
群馬県邑楽郡大泉町 大字吉田字本郷 914 番地 1	Warehouse	100%	Freehold

C. Properties under construction

Name/Location	Type	Group's interest	Lease term	Expected completion date
The People's Republic of China				
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	75.37%	Medium-term lease	April 2002
Guangzhou Free Trade Zone Huangpu District Guangzhou Guangdong Province	Factory	75.37%	Medium-term lease	June 2002
Xinqiao Town Songjiang County Shanghai	Factory and staff quarters	75.37%	Medium-term lease	October 2002