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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

WEBSITE

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of the Company will be held at Peacock Room, 1st Floor, Mandarin Oriental Hotel, 5 Connaught Road Central, Hong Kong on Monday, 5th May, 2003 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 period of nine months from 1st April, 2002 to 31st December, 2002.
2. To approve and declare a final dividend of the Company for the period of nine months from 1st April, 2002 to 31st December, 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."

By Order of the Board

Wai Lung Shing

Director and Company Secretary

Hong Kong, 28th March, 2003

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 2nd Floor, Cheung Kong Electronic Building, 4 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. The Register of Members of the Company will be closed from 30th April, 2003 to 5th May, 2003, 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 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 29th April, 2003.

It is my pleasure to present the results of Lung Kee (Bermuda) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the period of nine months from 1st April, 2002 to 31st December, 2002.

The Group recorded turnover of approximately HK\$801 million and earnings of approximately HK\$93 million for the period of nine months from 1st April, 2002 to 31st December, 2002.

BUSINESS REVIEW

As compared with that of last year, the Group's business continued to record growth.

The Group's business in China has achieved a smooth development, further enhancing the productivity of the Group. Productivity of the Heyuan plant in China has increased steadily, thus lowering our production cost and improving our profit margin. The Dongguan plant has performed its important role as a logistic and support center for all plants located in China, successfully coordinating the operations among various plants. Our Shanghai plant has devoted itself to serve customers in the Eastern Region of China, with constant growth in turnover.

The Group has put continuous effort in restructuring its overseas business, in accordance with the direction of the Board. The Group has decided to gradually transfer its existing production facilities in Singapore to our plant located in Malaysia. The Singapore office is now confined to regional sales promotion and marketing activities. Relatively speaking, the economic performance of Malaysia is more stable, and the Group's business in Malaysia still maintained a substantial market share. The Group's business in Japan has undergone process restructuring, in order to lower its operating cost and to increase productivity. Our plant in Taiwan experienced structural transformation in the past year, as a result, a minor loss has been recorded. On the other hand, the LKM brand is becoming more known to the Taiwan market, which made LKM, the pre-approved brand, amongst Taiwanese manufacturing plants actively expanded in the Jiangsu and Kunshan area in China, indirectly benefiting the Group's business as a whole.

Facing the shrinkage of manufacturing business in the U.S. and European countries, the Group's export business to these countries remains stagnant. Nevertheless, those foreign owned factories in China, as financed by the U.S. and European capitals, have placed a lot of orders to the Group's plants in China for high quality mould base for production, thus compensating the loss of direct orders from those markets.

Owing to the upward trend of oil price, worldwide materials prices follow suit. Mould steel price had been driven upward continuously in the past year. Fortunately, the impact of its rising price on the Group is kept to be minimal as the Group always maintains a safety buffer stock for steel materials. Inevitably, the rising cost of the steel materials has caused a slight price increase for mould base products.

Regarding the mould steel business, the Group continues to market its comprehensive range of quality mould steels. Besides distributing steel products from Sweden, Germany and Japan, the Group has introduced quality special steel from U.S. and France to the market to enhance its competitive edge. In addition, the Group has provided a wide scope of value-added services such as six-sides machining, vacuum heat treatment and mould repairing services, catering the increasing demand for "one-stop services" as required by our customers.

PROSPECTS

The Group holds a positive view towards the future development of the China market. Following the influx of international investment flow from the U.S, Europe, Japan, Singapore and Taiwan etc to China in establishing factories and plants, China has successfully fortified its position as "The Global Manufacturing Center". As the local automobile industry continues to boom, demand of high quality mould products has been growing fast in China; this helps to foster rapid development of mould base business in China whereas its selling price also moving moderately upward.

The Group will seize such business opportunities in further sustaining its leading position in the mould base and special mould steel business in China. Besides seeking continuous improvement in both management and production technique, the Group will take a step forward by establishing a new supporting plant in Zhejiang Provinces, China being nicknamed as "The Hometown of Mould Makers" and surrounded by privately owned enterprises to cope with the growing demand in the Eastern Region of China. To reinforce its distribution network, the Group will set up a few more direct sales office in China in order to offer more efficient and intimate services to customers, thus facilitating closer interaction and communication with them.

Looking ahead, mould industry in China will experience a prosperous growth. The Group will take concerted effort and positive move in sustaining its leading position in the industry. Further, the Group will position LKM as a quality and well-received brand, and consolidate its vital status in the China and the international markets.

On behalf of the Directors, I would like to thank our employees for their loyal services and dedication and our suppliers, bankers, business associates and customers for their continued supports.

Siu Tit Lung
Chairman

Hong Kong, 28th March, 2003

During the period of nine months from 1st April, 2002 to 31st December, 2002, the Group continued to focus on the manufacture and sale of mould bases and trading of special mould steel and related products.

The Group's turnover in the period of nine months from 1st April, 2002 to 31st December, 2002 was approximately HK\$801 million (year ended 31st March, 2002: approximately HK\$929 million). Profit attributable to shareholders in the period of nine months from 1st April, 2002 to 31st December, 2002 was approximately HK\$93 million (year ended 31st March, 2002: approximately HK\$72 million). Earnings per share in the period of nine months from 1st April, 2002 to 31st December, 2002 was HK19.22 cents (year ended 31st March, 2002: HK14.90 cents).

MOULD BASE MANUFACTURING AND MARKETING

The Group's business in China has achieved a smooth development, further enhancing the productivity of the Group. Productivity of the Heyuan plant in China has increased steadily, thus lowering our production cost and improving our profit margin. The new production building will be dedicated to produce large sized mould base targeting for automobile industry and is expected to start operating in the coming June.

Our Dongguan plant in China continues to produce high-value-added products and in the developing of mould parts and components business. At the same time, the Dongguan plant has performed its important role as a logistic and support center for all plants located in China, successfully coordinating the operations among various plants.

Our Shanghai plant has devoted itself to serve customers in the Eastern Region of China, with constant growth in turnover. The second phase of the plant now reached the stage of machinery installation. It is expected that partial production can be carried out in the middle of the year. The new plant will concentrate in the manufacturing of medium sized tailor-made mould base, catering for the uprising demands in the Eastern Region of China.

The Group has put continuous effort in restructuring its overseas business, in accordance with the direction of the Board. The domestic consumption in Singapore remains sluggish, as most of its production base has been migrated into Mainland China. In view of this, the Group has decided to gradually transfer its existing production facilities in Singapore to our plant located in Malaysia. The Singapore office is now confined to regional sales promotion and marketing activities. Relatively speaking, the economic performance of Malaysia is more stable, and the Group's business in Malaysia still maintained a substantial market share.

As for the Japanese market, since most of our clients have moved their production base to China, slowing down on domestic demand for standard mould bases has been reported. To survive in such business environment, the Group's business in Japan has undergone process restructuring, in order to lower its operating cost and to increase productivity.

Our plant in Taiwan experienced structural transformation in the past year, as a result, a minor loss has been recorded. However, through the implementation of new machinery and manufacturing system, the Taiwan plant is expected to capture the medium sized mould base market in full speed, soon bringing stable profit to the Group. On the other hand, the LKM brand is becoming more known to the Taiwan market, which made LKM, the pre-approved brand, amongst Taiwanese manufacturing plants actively expanded in the Jiangsu and Kunshan area in China, indirectly benefiting the Group's business as a whole.

Facing the shrinkage of manufacturing business in the U.S. and European countries, the Group's export business to these countries remains stagnant. Nevertheless, those foreign owned factories in China, as financed by the U.S. and European capitals, have placed a lot of orders to the Group's plants in China for high quality mould base for production, thus compensating the loss of direct orders from those markets.

Owing to the upward trend of oil price, worldwide materials prices follow suit. Mould steel price had been driven upward continuously in the past year. Fortunately, the impact of its rising price on the Group is kept to be minimal as the Group always maintains a safety buffer stock for steel materials. Inevitably, the rising cost of the steel materials has caused a slight price increase for mould base products.

TRADING OF MOULD STEEL

Regarding the mould steel business, the Group continues to market its comprehensive range of quality mould steels. Besides distributing steel products from Sweden, Germany and Japan, the Group has introduced quality special steel from U.S. and France to the market to enhance its competitive edge. In addition, the Group has provided a wide scope of value-added services such as six-sides machining, vacuum heat treatment and mould repairing services, catering the increasing demand for "one-stop services" as required by our customers.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December, 2002, the Group had a net cash deficit of approximately HK\$82 million. The Group had cash balance of approximately HK\$564 million. 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\$10 million losses on foreign exchange during the period of nine months from 1st April, 2002 to 31st December, 2002. The foreign exchange losses were mainly due to revaluation of SGD loan at period end, which was raised for acquisition of Lung Kee Metal Holdings Limited ("LKMH").

As at 31st December, 2002, the Group had capital commitments of approximately HK\$60 million in respect of the acquisition of property, plant and equipment, which are financed by internal resources.

GEARING RATIO

Total debts were approximately HK\$646 million, equal to approximately 86% of shareholders' funds of approximately HK\$750 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2002, the Group employed a total of approximately 4,900 employees, including approximately 4,500 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\$985 million to financial institutions in respect of banking facilities granted to subsidiaries.

COMPULSORY ACQUISITION AND DELISTING OF THE SHARES OF LUNG KEE METAL HOLDINGS LIMITED

During the period of nine months from 1st April, 2002 to 31st December, 2002, Yeekon Limited ("Yeekon"), a wholly-owned subsidiary of the Company, made a voluntary conditional offer to acquire all the shares of LKMH which shares were listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Subsequent to the compulsory acquisition, LKMH became a wholly-owned subsidiary of Yeekon. Thereafter, Yeekon made an application to the SGX-ST and that the shares of LKMH has been delisted from the SGX-ST with effect from 23rd August, 2002.

SECONDARY LISTING

During the period of nine months from 1st April, 2002 to 31st December, 2002, the Company applied to the SGX-ST for listing of and permission to deal in the shares of the Company on the Main Board of the SGX-ST. The shares of the Company has commenced trading on the Main Board of the SGX-ST on 23rd July, 2002.

The directors present their annual report and the audited financial statements for the period of nine months from 1st April, 2002 to 31st December, 2002.

CHANGE OF FINANCIAL YEAR END DATE

During the period, the Company changed its financial year end date from 31st March to 31st December. The financial statements presented therefore cover the period of nine months from 1st April, 2002 to 31st December, 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 for the period are set out in the consolidated income statement on page 25.

An interim dividend of HK5 cents per share amounting to approximately HK\$24,342,000 was paid to shareholders during the period. The directors now recommend the payment of a final dividend of HK5 cents per share payable to shareholders registered on 5th May, 2003, amounting to approximately HK\$24,342,000 and the retention of the remaining profits for the period of approximately HK\$562,909,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial periods is set out on page 74.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 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 period are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the period, the Group constructed factory premises and staff quarters at a cost of approximately HK\$24 million. The Group continued its plant expansion policy and expended approximately HK\$38 million on new plant and machinery and approximately HK\$7 million on furniture, fixtures and fittings during the period. Details of these and other movements during the period in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2002 are set out on pages 75 to 77 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 period.

The Group's largest supplier contributed 20% to the total purchases for the period. The Group's five largest suppliers accounted for 46% of the total purchases for the period.

At no time during the period 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 period of nine months from 1st April, 2002 to 31st December, 2002 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS

The directors of the Company during the period 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

DIRECTORS (Cont'd)

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. Chan Chun Sing, Colin and Mr. Liu Wing Ting, Stephen 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 33 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 31 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.

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

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 50, has been an executive director of the Company since August 1997 and is responsible for policy making and trading business of the Group. Mr. Fung graduated from the University of Birmingham with a Master of Science Degree in Industrial Management and from the University of Hong Kong with a Master of Business Administration Degree. He is currently one of the directors and past president of the Institute of Industrial Engineers (Hong Kong Chapter). He is also a senior member of the Society of Manufacturing Engineers (Hong Kong Chapter). He has extensive experience in the trading business.

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.

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.

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)**Independent non-executive directors (Cont'd)**

Dr. Lee Tat Yee, aged 55, has been an independent non-executive director of the Company since December 1992. Dr. Lee obtained his doctorate degree from the University of Queensland and is a Chartered Engineer of the Engineering Council in the United Kingdom. Dr. Lee is currently a director of the Technology Support Centre of the University of Hong Kong specialising in quality assurance management systems.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 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:

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	—	—	—

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.

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

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 38 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 December, 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 period.

SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 30 to the financial statements.

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

	Number of share options			Date of grant	Exercisable period	Exercise price per share HK\$
	At 1st April, 2002	Granted during the period	At 31st December, 2002			
Category 1: Directors						
Siu Tit Lung	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Siu Yuk Lung	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Mak Koon Chi	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Wai Lung Shing	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Fung Wai Hing	—	500,000	500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Total	—	2,500,000	2,500,000			
Category 2: Employees						
	—	2,500,000	2,500,000	8th November, 2002	8th May, 2003 to 7th May, 2006	1.22
Total all categories	—	5,000,000	5,000,000			

SHARE OPTIONS (Cont'd)

The fair value of the options granted in the current period measured as at the date of grant on 8th November, 2002 were HK\$0.33 per option. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

Share price at 8th November, 2002	HK\$1.22
Expected life of options	3 years
Expected volatility based on historical volatility of share prices	49.3%
Expected annual dividend yield	3.84%
Hong Kong Exchange Fund Notes rate	2.7%

The Black-Scholes option pricing model requires the input of highly subjective assumption, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES OF SIGNIFICANCE

Other than the share option schemes disclosed above, at no time during the period 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 period or at any time during the period.

CONNECTED TRANSACTIONS

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

	HK\$'000
Sales	42,159
Purchases	8,534
Rental income	714
Rental expenses	569
Cost sharing	3,997
Management fee income	798

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

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

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

In the opinion of the independent non-executive directors, the above transactions were entered into by the Group in its ordinary and usual course of business and in accordance with the terms of the agreements governing such transactions.

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

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 December, 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At no time during the period, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or Laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 37 to the financial statements.

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, 28th March, 2003

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu****TO THE MEMBERS OF LUNG KEE (BERMUDA) HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 73 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 December, 2002 and of the profit and cash flows of the Group for the period of nine months from 1st April, 2002 to 31st December, 2002 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, 28th March, 2003

Consolidated Income Statement

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

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Lung Kee (Bermuda) Holdings Limited

		1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
	Notes		
Turnover	5	801,393	928,886
Other operating income	7	21,710	33,341
Changes in inventories of finished goods and work in progress		301	2,979
Raw materials and consumables used		(357,276)	(419,837)
Staff costs		(133,841)	(155,219)
Depreciation and amortisation of property, plant and equipment		(61,786)	(83,574)
Amortisation of goodwill		(11,760)	(2,027)
Other operating expenses		(120,081)	(170,574)
Deficit on revaluation of investment properties		(1,150)	(8,010)
Profit from operations	8	137,510	125,965
Finance costs	9	(17,579)	(21,576)
Loss on deemed disposal of a subsidiary		—	(84)
Profit before taxation		119,931	104,305
Taxation	11	(16,747)	(10,351)
Profit after taxation		103,184	93,954
Minority interests		(9,824)	(21,969)
Net profit for the period/year		93,360	71,985
Earnings per share			
— Basic	13	19.22 cents	14.90 cents
— Diluted	13	19.18 cents	14.85 cents

Consolidated Balance Sheet

At 31st December, 2002

	Notes	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	24,050	27,765
Property, plant and equipment	15	413,806	405,481
Goodwill	19	51,795	9,196
Negative goodwill	20	(113)	(181)
		489,538	442,261
Current assets			
Inventories	21	283,882	301,840
Bills receivable		32,076	22,235
Trade and other receivables	22	373,530	329,890
Taxation recoverable		6,305	3,591
Bank balances and cash		563,830	377,369
		1,259,623	1,034,925
Current liabilities			
Trade and other payables	23	237,012	178,016
Bills payable		23,924	12,088
Taxation payable		46,387	33,060
Obligations under finance leases — due within one year	25	40	143
Unsecured bank borrowings	26	645,756	361,107
Dividend payables		24,374	—
		977,493	584,414
Net current assets		282,130	450,511
Total assets less current liabilities		771,668	892,772
Non-current liabilities			
Obligations under finance leases — due after one year	25	25	134
Deferred taxation	27	901	2,595
		926	2,729
Minority interests		20,708	189,291
		750,034	700,752

Consolidated Balance Sheet

At 31st December, 2002

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Lung Kee (Bermuda) Holdings Limited

	Notes	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
CAPITAL AND RESERVES			
Share capital	28	48,684	48,395
Share premium		104,512	100,580
Goodwill reserve		(3,636)	(3,636)
Capital reserve		11,966	11,966
Accumulated profits		587,251	542,575
Translation reserve		1,257	872
		750,034	700,752

The financial statements on pages 25 to 73 were approved and authorised for issue by the Board of Directors on 28th March, 2003 and are signed on its behalf by:

Siu Tit Lung
Director

Siu Yuk Lung
Director

Balance Sheet

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At 31st December, 2002

Lung Kee (Bermuda) Holdings Limited

	Notes	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary	16	55,856	55,856
Amounts due from subsidiaries	17	177,364	128,003
Loans to subsidiaries	18	17,000	17,000
		250,220	200,859
Current assets			
Prepayments		281	174
Bank balances and cash		59	59
		340	233
Current liabilities			
Accrued charges		568	453
Amounts due to subsidiaries	24	22,293	1,844
Dividend payable		24,374	—
		47,235	2,297
Net current liabilities		(46,895)	(2,064)
Total assets less current liabilities		203,325	198,795
CAPITAL AND RESERVES			
Share capital	28	48,684	48,395
Share premium	29	104,512	100,580
Accumulated profits	29	50,129	49,820
		203,325	198,795

Siu Tit Lung
Director

Siu Yuk Lung
Director

Consolidated Statement of Changes in Equity

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

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Lung Kee (Bermuda) Holdings Limited

	Share capital HK\$'000	Share premium HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
At 1st April, 2001	48,120	99,426	(3,636)	11,966	528,665	1,011	685,552
Final dividend declared for the year ended 31st March, 2001 (note 12)	—	—	—	—	(43,556)	—	(43,556)
Shares issued on exercise of share options	275	1,154	—	—	—	—	1,429
Exchange differences on translation of overseas subsidiaries not recognised in the income statement	—	—	—	—	—	(139)	(139)
Net profit for the year	—	—	—	—	71,985	—	71,985
Interim dividend declared (note 12)	—	—	—	—	(14,519)	—	(14,519)
At 31st March, 2002	48,395	100,580	(3,636)	11,966	542,575	872	700,752
Final dividend declared for the year ended 31st March, 2002 (note 12)	—	—	—	—	(24,342)	—	(24,342)
Issue of new shares	289	3,932	—	—	—	—	4,221
Exchange differences on translation of overseas subsidiaries not recognised in the income statement	—	—	—	—	—	385	385
Net profit for the period	—	—	—	—	93,360	—	93,360
Interim dividend declared (note 12)	—	—	—	—	(24,342)	—	(24,342)
At 31st December, 2002	48,684	104,512	(3,636)	11,966	587,251	1,257	750,034

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

Consolidated Cash Flow Statement

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

	Note	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		119,931	104,305
Adjustment for:			
Interest income		(8,192)	(17,176)
Interest expense and finance charges		15,508	19,593
Amortisation of goodwill		11,760	2,027
Release of negative goodwill		(68)	(91)
Deficit arising on revaluation of investment properties		1,150	8,010
Depreciation and amortisation of property, plant and equipment		61,786	83,574
Loss (gain) on disposal of property, plant and equipment		1,974	(585)
Loss on deemed disposal of a subsidiary		—	84
Gain on disposal of investment in securities		—	(2,235)
Operating cash flows before movements in working capital		203,849	197,506
Decrease in inventories		19,874	12,279
Increase in trade and other receivables		(41,657)	(70,086)
Increase in bills receivable		(8,821)	(1,203)
Increase (decrease) in trade and other payables		62,353	(18,058)
Increase (decrease) in bills payable		11,835	(26,676)
Exchange differences		2,023	(1,735)
Cash generated from operations		249,456	92,027
Tax paid		(7,877)	(16,973)
Hong Kong Profits Tax refunded		41	—
Interest expense and finance charges paid		(15,508)	(19,593)
NET CASH FROM OPERATING ACTIVITIES		226,112	55,461
INVESTING ACTIVITIES			
Interest received		8,192	17,176
Dividends paid		(24,342)	(58,070)
Dividends paid to minority shareholders of subsidiaries		(1,600)	(11,292)
Purchase of property, plant and equipment		(74,243)	(78,396)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	31	—	(9,728)
Acquisition of additional interest in subsidiaries		(234,212)	(2,138)
Proceeds from disposal of held-to-maturity debt securities		—	31,774
Proceeds on disposal of property, plant and equipment		4,560	6,498
NET CASH USED IN INVESTING ACTIVITIES		(321,645)	(104,176)

Consolidated Cash Flow Statement

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

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Lung Kee (Bermuda) Holdings Limited

	Note	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
FINANCING			
New bank borrowings raised		432,475	591,863
Capital contributed by a minority shareholder		—	3,101
Net (decrease) increase in trust receipt loans		(3,209)	8,119
Proceeds from shares issued on exercise of share options		—	1,429
Proceeds from exercise of a listed subsidiary's share options by its minority shareholders		—	71
Repayment of bank borrowings		(151,454)	(544,186)
Repayment of obligations under finance leases		(245)	(4,576)
Repurchase of shares by a listed subsidiary		—	(3,213)
Proceeds from new shares issued		4,221	—
NET CASH FROM FINANCING		281,788	52,608
INCREASE IN CASH AND CASH EQUIVALENTS		186,255	3,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		377,369	372,930
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(595)	546
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		563,029	377,369
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as previously reported		—	369,250
Effect of reclassification of trust receipt loans		—	8,119
Cash and cash equivalents as restated		—	377,369
Being:			
Bank balances and cash		563,830	377,369
Bank overdraft		(801)	—
		563,029	377,369

1. GENERAL

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

The Company acts as an investment holding company and provides corporate management services. Its subsidiaries are principally engaged in the manufacture and marketing of mould bases and the trading of metal and parts.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements for the current period cover the period of nine months from 1st April, 2002 to 31st December, 2002. The corresponding amounts shown for the income statement, statement of changes in equity, cash flows and related notes cover the period of twelve months from 1st April, 2001 to 31st March, 2002 and therefore may not be comparable with amounts shown for the current period. The current reporting period is less than twelve months because the directors determined to bring the balance sheet date into line with that of the subsidiaries established in the People's Republic of China. No further changes to reporting dates are anticipated.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current period, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these new and revised standards has resulted in a change in the format of the presentation of the cash flow statement and the statement of changes in equity, but has had no significant impact on the results for the current or prior periods.

Foreign currencies

The revisions to SSAP 11 (Revised) "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Cont'd)**Cash flow statements**

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest received and dividends paid, which were previously presented under a separate heading, are classified as investing cash flows. Interest paid which was previously presented under a separate heading, is classified as operating cash flows, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employee benefits

In the current period, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

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

Revenue recognition

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

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

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

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

Investment properties

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

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

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

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

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

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

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

Impairment

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

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**Impairment (Cont'd)**

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

Leases

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

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 term.

Inventories

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

Foreign currencies

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

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

Notes to the Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

The charge for taxation is based on the results for the period 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 period/year to the Group's defined contribution scheme.

5. TURNOVER

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

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
Manufacture of mould bases	648,438	781,536
Trading of metal and parts	152,955	147,350
	801,393	928,886

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

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

Principal activities are as follows:

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

Segmental information about these businesses is presented below.

Period of nine months from 1st April, 2002 to 31st December, 2002

	Mould base	Metal and parts	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER				
External sales	648,438	152,955	—	801,393
Inter-segment sales	11,085	107,000	(118,085)	—
	659,523	259,955	(118,085)	801,393
RESULTS				
Segment results	99,012	17,938	—	116,950
Deficit on revaluation of investment properties				(1,150)
Unallocated corporate income				21,710
PROFIT FROM OPERATIONS				137,510
Finance costs				(17,579)
PROFIT BEFORE TAXATION				119,931
Taxation				(16,747)
PROFIT AFTER TAXATION				103,184

Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements

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

6. 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	72,413	1,830	—	74,243
Goodwill arising from acquisition of additional interest in a subsidiary	54,359	—	—	54,359
Release of negative goodwill	(68)	—	—	(68)
Depreciation and amortisation of property, plant and equipment	58,512	3,274	—	61,786
Amortisation of goodwill	11,760	—	—	11,760
Allowance for bad and doubtful debts	2,749	549		3,298
ASSETS				
Segment assets	1,054,410	147,285	—	1,201,695
Unallocated corporate assets				547,466
Consolidated total assets				1,749,161
LIABILITIES				
Segment liabilities	249,965	62,268	—	312,233
Unallocated corporate liabilities				666,186
Consolidated total liabilities				978,419

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

Year from 1st April, 2001 to 31st March, 2002

	Mould base	Metal and parts	Elimination	Total
	HK\$'000	HK\$'000	HK\$'000	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
Inter-segment sales are charged at prevailing market rates.				
RESULTS				
Segment results	78,805	21,829	—	100,634
Deficit on revaluation of investment properties				(8,010)
Unallocated corporate income				33,341
PROFIT FROM OPERATIONS				125,965
Finance costs				(21,576)
Loss on deemed disposal of a subsidiary				(84)
PROFIT BEFORE TAXATION				104,305
Taxation				(10,351)
PROFIT AFTER TAXATION				93,954

Notes to the Financial Statements

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

6. 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

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

The Group operates in the following geographical market segments — the People's Republic of China (the "PRC") 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	
	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
The PRC	625,901	727,704	113,066	99,800
Other countries	175,492	201,182	24,444	26,165
	801,393	928,886	137,510	125,965

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	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
The PRC	1,580,429	1,327,931	111,473	64,345
Other countries	168,732	149,255	17,129	25,274
	1,749,161	1,477,186	128,602	89,619

Notes to the Financial Statements

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

7. OTHER OPERATING INCOME

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
Income from sales of scrap	8,459	8,764
Interest income	8,192	17,176
Release of negative goodwill	68	91
Rental income from investment properties, net of outgoings of approximately HK\$122,000 (year ended 31st March, 2002: HK\$19,000)	706	950
Sundry income	4,285	3,540
Gain on disposal of investment in securities	—	2,235
Gain on disposal of property, plant and equipment	—	585
	21,710	33,341

8. PROFIT FROM OPERATIONS

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill	11,760	2,027
Auditors' remuneration:		
— current year	1,782	2,144
— underprovision in prior year	150	263
Depreciation and amortisation:		
— owned assets	61,700	83,269
— assets held under finance leases	86	305
Exchange loss	9,737	1,977
Loss on disposal of property, plant and equipment	1,974	—
Operating lease rentals in respect of:		
— rented premises	3,307	4,025
— plant and machinery	33	36
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK\$671,000 (year ended 31st March, 2002: HK\$321,000)	3,963	5,546

Notes to the Financial Statements

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

9. FINANCE COSTS

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
Arrangement fee for bank loans	2,071	1,983
Interest on bank borrowings wholly repayable within five years	15,482	19,469
Interest on obligations under finance leases	26	124
	17,579	21,576

10. DIRECTORS' REMUNERATION

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
Fees paid to non-executive and independent non-executive directors	405	540
Other emoluments paid to executive directors:		
Salaries and other benefits	13,806	17,724
Bonus	9,000	5,800
Retirement benefits scheme contributions	1,495	1,905
Total emoluments	24,706	25,969

10. DIRECTORS' REMUNERATION (Cont'd)

The emoluments of the directors were within the following bands:

	Number of directors	
	1st April, 2002 to 31st December, 2002 (9 months)	1st April, 2001 to 31st March, 2002 (12 months)
Nil to HK\$1,000,000	3	3
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	—	2
HK\$3,500,001 to HK\$4,000,000	2	—
HK\$7,000,001 to HK\$7,500,000	2	—
HK\$8,000,001 to HK\$8,500,000	—	2
	8	8

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

Notes to the Financial Statements

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

11. TAXATION

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
— current period/year	1,491	8,615
— overprovision in prior year	(23)	(3,544)
	1,468	5,071
Taxation in jurisdictions outside Hong Kong		
— current period/year	17,287	3,452
— overprovision in prior year	(314)	(397)
	16,973	3,055
Deferred taxation (note 27)	(1,694)	2,225
	16,747	10,351

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

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

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

Details of deferred taxation are set out in note 27.

12. DIVIDENDS

On 15th January, 2003, a dividend of HK5 cents per share (31st March, 2002 interim dividend: HK3 cents per share) was paid to the shareholders as interim dividend for the period.

The directors have recommended that a final dividend of HK5 cents per share (31st March, 2002: HK5 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 5th May, 2003.

The amount of the proposed final dividend for the period of nine months from 1st April, 2002 to 31st December, 2002 has been calculated with reference to the 486,843,643 shares (year ended 31st March, 2002: 483,952,343 shares) in issue as at the date of approval of these financial statements.

13. EARNINGS PER SHARE

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

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share	93,360	71,985
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	(192)	(75)
Earnings for the purpose of diluted earnings per share	93,168	71,910
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	485,648	483,086
Effect of dilutive potential ordinary shares on exercise of options of the Company	94	1,130
Weighted average number of ordinary shares for the purpose of diluted earnings per share	485,742	484,216

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

14. INVESTMENT PROPERTIES

	THE GROUP	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
At beginning of the period/year	27,765	6,000
Transfer from land and buildings	—	29,421
Disposal	(2,565)	—
Transfer from furniture, fixtures and fittings	—	354
Deficit on revaluation	(1,150)	(8,010)
At end of the period/year	24,050	27,765

The investment properties of the Group were revalued at 31st December, 2002 on an open market value basis by Chung Sen Surveyors Limited, a firm of independent professional valuers. The deficit arising on revaluation of HK\$1,150,000 (31st March, 2002: HK\$8,010,000) has been charged to the income statement.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Furniture, fixtures and fittings	Plant and machinery	Motor vehicles	Properties under construction	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
AT COST						
At 1st April, 2002	195,658	99,458	527,346	31,834	15,278	869,574
Currency realignment	334	329	529	132	—	1,324
Transfer	11,441	144	977	—	(12,562)	—
Additions	1,814	6,793	38,423	2,842	24,371	74,243
Disposals	—	(11,748)	(6,339)	(710)	—	(18,797)
At 31st December, 2002	209,247	94,976	560,936	34,098	27,087	926,344
DEPRECIATION AND AMORTISATION						
At 1st April, 2002	16,274	60,778	363,434	23,607	—	464,093
Currency realignment	72	174	462	79	—	787
Provided for the period	3,001	7,786	46,807	4,192	—	61,786
Eliminated on disposals	—	(9,951)	(3,636)	(541)	—	(14,128)
At 31st December, 2002	19,347	58,787	407,067	27,337	—	512,538
NET BOOK VALUE						
At 31st December, 2002	189,900	36,189	153,869	6,761	27,087	413,806
At 31st March, 2002	179,384	38,680	163,912	8,227	15,278	405,481

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

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

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

	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
Land and buildings outside Hong Kong:		
— freehold	29,831	29,831
— held under medium-term leases of less than fifty years	160,069	149,553
	189,900	179,384

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\$60,000 (31st March, 2002: HK\$276,000) in respect of assets held under finance leases.

16. INVESTMENT IN A SUBSIDIARY

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

Details of the Company's principal subsidiaries at 31st December, 2002 are set out in note 38.

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

17. AMOUNTS DUE FROM SUBSIDIARIES

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

18. LOANS TO SUBSIDIARIES

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

19. GOODWILL

	THE GROUP
	HK\$'000
COST	
At 1st April, 2002	11,223
Arising on acquisition of LKMH during the period (note)	54,359
At 31st December, 2002	65,582
AMORTISATION	
At 1st April, 2002	(2,027)
Charge for the period	(11,760)
At 31st December, 2002	(13,787)
NET BOOK VALUE	
At 31st December, 2002	51,795
At 31st March, 2002	9,196

The amortisation period adopted for goodwill is three years.

Note: In July 2002, the Group acquired additional 24.63% interest in LKMH through a voluntary conditional offer for a total consideration of approximately HK\$230,556,000. After the acquisition, LKMH became a wholly-owned subsidiary of the Group. LKMH was previously listed on the SGX-ST. Following the acquisition, LKMH was delisted from the SGX-ST with effect from 23rd August, 2002. Details of this acquisition was set out in a circular of the Company dated 4th June, 2002.

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

20. NEGATIVE GOODWILL

	THE GROUP
	HK\$'000
GROSS AMOUNT	
At 1st April, 2002 and at 31st December, 2002	272
RELEASED TO INCOME	
At 1st April, 2002	(91)
Released during the period	(68)
At 31st December, 2002	(159)
CARRYING AMOUNT	
At 31st December, 2002	113
At 31st March, 2002	181

The negative goodwill arose on the Group's acquisition of additional interests in LKMH during the year ended 31st March, 2002. The negative goodwill is released to income statement on a straight-line basis of three years.

21. INVENTORIES

	THE GROUP	
	31st December,	31st March,
	2002	2002
	HK\$'000	HK\$'000
Raw materials	231,969	249,477
Work in progress	33,145	28,877
Finished goods	18,768	23,486
	283,882	301,840

Inventories are stated at cost except that raw materials of approximately HK\$121,884,000 (31st March, 2002: HK\$133,373,000) 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\$350,230,000 (31st March, 2002: HK\$305,455,000) and an aged analysis of which is as follows:

	THE GROUP	
	31st December, 2002	31st March, 2002
	HK\$'000	HK\$'000
0 to 60 days	232,465	150,451
61 to 90 days	51,009	67,924
Over 90 days	66,756	87,080
	350,230	305,455

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$65,016,000 (31st March, 2002: HK\$43,527,000) and an aged analysis of which is as follows:

	THE GROUP	
	31st December, 2002	31st March, 2002
	HK\$'000	HK\$'000
0 to 60 days	56,413	28,596
61 to 90 days	5,002	4,537
Over 90 days	3,601	10,394
	65,016	43,527

24. AMOUNTS DUE TO SUBSIDIARIES

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

Notes to the Financial Statements

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

25. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	31st December,	31st March,	31st December,	31st March,
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of obligations under finance lease is as follows:				
Within one year	45	186	40	143
In the second to fifth year inclusive	27	147	25	134
	72	333	65	277
Less: Future finance charges	(7)	(56)	—	—
Present value of lease obligations	65	277	65	277
Less: Amount due for settlement within one year and shown under current liabilities			(40)	(143)
Amount due after one year			25	134

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 period of nine months from 1st April, 2002 to 31st December, 2002, the average effective borrowing rate was 13% (year ended 31st March, 2002: 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 material obligations under finance leases at the balance sheet date.

26. UNSECURED BANK BORROWINGS

	THE GROUP	
	31st December, 2002	31st March, 2002
	HK\$'000	HK\$'000
Repayable within one year:		
Bank loans	640,044	352,988
Trust receipt loans	4,911	8,119
Bank overdrafts	801	—
	645,756	361,107

During the period, the Group obtained new loans in the amount of approximately HK\$432,475,000 (year ended 31st March, 2002: HK\$591,863,000) and repaid loans of approximately HK\$151,454,000 (year ended 31st March, 2002: 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 LKMH, acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

27. DEFERRED TAXATION

	THE GROUP	
	31st December, 2002	31st March, 2002
	HK\$'000	HK\$'000
At beginning of the period/year	2,595	370
(Credit) charge for the period/year (note 11)	(1,694)	2,225
At end of the period/year	901	2,595

Notes to the Financial Statements

27. DEFERRED TAXATION (Cont'd)

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

	THE GROUP	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
Taxation effect of timing differences attributable to:		
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	1,141	2,935
Other timing differences	(240)	(340)
	901	2,595

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 period nor at the balance sheet date.

28. SHARE CAPITAL

	Authorised		Issued and fully paid	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	60,000	60,000	48,395	48,120
Issue of new shares	—	—	289	—
Shares issued on exercise of share options	—	—	—	275
At end of the period/year	60,000	60,000	48,684	48,395

29. RESERVES

	Share premium HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY			
At 1st April, 2001	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 (note 12)	—	(43,556)	(43,556)
Net profit for the year	—	49,872	49,872
Interim dividends declared (note 12)	—	(14,519)	(14,519)
At 31st March, 2002	100,580	49,820	150,400
Shares issued at premium	3,932	—	3,932
Final dividend declared for the year ended 31st March, 2002 (note 12)	—	(24,342)	(24,342)
Net profit for the period	—	48,993	48,993
Interim dividends declared (note 12)	—	(24,342)	(24,342)
At 31st December, 2002	104,512	50,129	154,641

The Company's reserves available for distribution to shareholders at 31st December, 2002 represent its accumulated profits of approximately HK\$50,129,000 (31st March, 2002: HK\$49,820,000).

30. SHARE OPTIONS SCHEMES

Share option scheme adopted in 1993

A share option scheme, was adopted by the Company pursuant to a resolution passed on 11th February, 1993 (the "1993 Scheme") for the primary purpose of providing incentives to directors and eligible employees, and it was for a period of 10 years ending on 10th February, 2003. However, on 9th September, 2002, the 1993 Scheme was terminated by shareholders of the Company pursuant to a resolution passed on that date.

Under the 1993 Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares in respect of which options could be granted under the 1993 Scheme was not permitted to exceed 10% of the shares of the Company in issue from time to time.

Options granted had to be taken up within a period of 28 days from the date of grant, upon payment of HK\$1 per grant. Options granted are exercisable for a period of 3 years commencing on the expiry of 6 months after the date of the options are granted. The exercise price was to be determined by the directors of the Company, and was to be equal to the higher of the nominal value of the Company's shares, and 80% of the average closing price of the shares for the five business days immediately preceding the date of grant.

Share option scheme adopted in 2002

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

30. SHARE OPTIONS SCHEMES (Cont'd)**Share option scheme adopted in 2002 (Cont'd)**

At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the 2002 Scheme was 5,000,000, representing 1.02% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the 2002 Scheme, unless prior approval from the Company's shareholders is obtained. Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

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

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

30. SHARE OPTIONS SCHEMES (Cont'd)

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

Under 1993 Scheme

Exercise price	Outstanding at 1st April, 2001	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st March, 2002
HK\$					
1.492	4,462,500	—	—	(4,462,500)	—
0.964	4,206,250	—	—	(4,206,250)	—
0.440	1,187,500	—	(1,187,500)	—	—
0.580	1,562,500	—	(1,562,500)	—	—
	11,418,750	—	(2,750,000)	(8,668,750)	—

Under 2002 Scheme

Exercise price	Outstanding at 1st April, 2002	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31st December, 2002
HK\$					
1.220	—	5,000,000	—	—	5,000,000

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

	Outstanding at 1st April, 2001	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st March, 2002
Under 1993 Scheme	6,375,000	—	(2,625,000)	(3,750,000)	—

30. SHARE OPTIONS SCHEMES (Cont'd)

	Outstanding at 1st April, 2002	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31st December, 2002
Under 2002 Scheme	—	2,500,000	—	—	2,500,000

Details of specific categories of options are as follows:

Under 1993 Scheme

HK\$	Date of grant	Vesting period	Exercise period
1.492	1st November, 1997	6 months	1st May, 1998 to 30th April, 2001
0.964	3rd March, 1998	6 months	3rd September, 1998 to 2nd September, 2001
0.440	29th March, 1999	6 months	29th September, 1999 to 28th September, 2002
0.580	26th April, 1999	6 months	26th October, 1999 to 25th October, 2002

Under 2002 Scheme

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

No options were exercised during the period. Total consideration received during the year ended 31st March, 2002 from employees for taking up the options granted was HK\$1,429,000.

No charge was recognised in the income statement in respect of the value of options granted in the period/year.

Share option scheme of LKMH

A subsidiary of the Company, LKMH, also had a share option scheme (the "LKMH Scheme"), which was adopted pursuant to a resolution passed on 30th July, 1997, as revised in August 2000 for the primary purpose of providing incentives to directors and eligible employees. The LKMH Scheme was to be in effect for a period of 10 years ending on 29th July, 2007. However, on 31st December, 2002, the LKMH Scheme was cancelled by the sole shareholder of LKMH pursuant to a resolution passed on that date. Under the LKMH Scheme, the Board of Directors of the LKMH could grant options to eligible employees, including directors of LKMH and its subsidiaries, to subscribe for shares in LKMH.

Notes to the Financial Statements

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

30. SHARE OPTIONS SCHEMES (Cont'd)

Share option scheme of LKMH (Cont'd)

At 31st March, 2002, the number of shares in respect of which options had been granted and remained outstanding under the LKMH Scheme was 12,718,750, representing 5.11% of the shares of LKMH in issue at that date. The total number of shares in respect of which options could be granted under the LKMH Scheme was not permitted to exceed 10% of the shares of LKMH in issue from time to time.

Options granted had to be taken up within 28 days from the date of grant, upon payment of a notional consideration. Options granted are exercisable for a period of 4 years commencing on the expiry of 12 months after the date the options are granted. The exercise price would be determined by the directors of LKMH, was to be equal to the higher of the nominal value of the LKMH's shares and 80% of the average closing price of the LKMH's shares on the Main Board of SGX-ST for the five business days immediately preceding the date of grant.

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

Exercise price S\$	Outstanding at 1st April, 2001	Exercised during the year	Cancelled during the year	Option proposal (note)	Outstanding at 31st March, 2002
0.564	3,275,000	—	—	—	3,275,000
0.220	70,000	(70,000)	—	—	—
0.592	4,837,500	—	—	—	4,837,500
0.508	4,606,250	—	—	—	4,606,250
	12,788,750	(70,000)	—	—	12,718,750

Exercise price S\$	Outstanding at 1st April, 2002	Exercised during the period	Cancelled during the period	Option proposal (note)	Outstanding at 31st December, 2002
0.564	3,275,000	—	(362,500)	(2,912,500)	—
0.592	4,837,500	—	(662,500)	(4,175,000)	—
0.508	4,606,250	—	(387,500)	(4,218,750)	—
	12,718,750	—	(1,412,500)	(11,306,250)	—

30. SHARE OPTIONS SCHEMES (Cont'd)**Share option scheme of LKMH (Cont'd)**

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

	Outstanding at 1st April, 2001	Exercised during the year	Cancelled during the year	Option proposal (note)	Outstanding at 31st March, 2002
Under LKMH Scheme	3,375,000	—	—	—	3,375,000

	Outstanding at 1st April, 2002	Exercised during the period	Cancelled during the period	Option proposal (note)	Outstanding at 31st December, 2002
Under LKMH Scheme	3,375,000	—	—	(3,375,000)	—

Details of specific categories of options are as follows:

S\$	Date of grant	Vesting period	Exercise period
0.564	15th January, 1998	12 months	15th January, 1999 to 14th January, 2003
0.220	14th August, 1998	12 months	14th August, 1999 to 13th August, 2003
0.592	23rd December, 1999	12 months	23rd December, 2000 to 22nd December, 2004
0.508	7th August, 2000	12 months	7th August, 2001 to 6th August, 2005

Total consideration received during the year ended 31st March, 2002 from employees for taking up the options granted was HK\$71,000.

No charge was recognised in the income statement in respect of the value of options granted during the period/year.

Note: During the period, simultaneously with the acquisition of an additional interest in LKMH, Yeekon Limited, a wholly-owned subsidiary of the Company, had also made an Option Proposal to purchase all the outstanding share options of LKMH pursuant to an offer document dated 1st June, 2002.

Notes to the Financial Statements

31. 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:

	1st April, 2002 to 31st December, 2002 (9 months) HK\$'000	1st April, 2001 to 31st March, 2002 (12 months) 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 ended 31st March, 2002 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.

32. CAPITAL COMMITMENTS

As at 31st December, 2002, the Group has capital expenditure amounting to approximately HK\$59,532,000 (31st March, 2002: HK\$12,785,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements

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

33. 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	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
Within one year	2,405	2,749
In the second to fifth year inclusive	2,854	3,778
Over five years	—	633
	5,259	7,160

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 period was approximately HK\$706,000 (year ended 31st March, 2002: HK\$950,000).

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

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

The Group as lessor (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	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
Within one year	1,294	273
In the second to fifth year inclusive	2,795	—
	4,089	273

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.

34. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000	31st December, 2002 HK\$'000	31st March, 2002 HK\$'000
Guarantees given to financial institutions in respect of facilities granted to subsidiaries	—	—	984,869	132,500
Discounted bills with recourse	4,979	7,393	—	—
	4,979	7,393	984,869	132,500

35. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December, 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme. Certain new employees joining the Group on or after 1st January, 2001 are also offered a choice of joining the ORSO Scheme or the MPF Scheme.

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

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

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

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

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

36. RELATED PARTY TRANSACTIONS

- (a) At 31st December, 2002, joint and several guarantees were given by the Group, together with the relevant minority shareholders, to two non-wholly owned subsidiaries as follows:
- Sky Lucky Steel Limited to the extent of HK\$1,000,000 (31st March, 2002: HK\$1,000,000); and
 - Sky Lucky Metal Limited to the extent of HK\$2,000,000 (31st March, 2002: HK\$11,000,000).

Notes to the Financial Statements

36. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) At 31st March, 2002, a banking facility of the Group amounting to approximately HK\$14,714,000 was guaranteed jointly and severally by JMS Engineering Co., Ltd. ("JMS"), the ex-shareholder of Lung Kee Metal Japan Company Limited and LKMH without charge. The guarantee executed by JMS had been released after 31st March, 2002.
- (c) At 31st December, 2002, a banking facility of the Group amounting to NT\$100,000,000 equivalent to HK\$22,450,000 (31st March, 2002: NT\$100,000,000 equivalent to HK\$22,550,000) was guaranteed jointly and severally by a minority shareholder of Supertech and the Company without charge. The minority shareholder of Supertech is also a director of Supertech.

37. POST BALANCE SHEET EVENT

In February 2003, a subsidiary of the Company issued floating rate notes ("FRNs") in the amount of HK\$150 million which are due in 2006. The FRNs carry interest at Hong Kong Inter-bank Borrowing Rate plus 1% and are guaranteed by the Company.

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Group as at 31st December, 2002 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/ paid up capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Dongguan Lung Kee Metal Products Ltd. 東莞龍記五金製品有限公司	The PRC	HK\$103,500,000 (notes a & f)	—	100	Manufacturing and marketing of mould bases
Dongguan Sky Bright Metal Products Co., Ltd. 東莞天興五金製品有限公司	The PRC	HK\$1,000,000 (notes b & f)	—	60	Manufacturing and marketing of components for mould bases

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/ paid up capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Dongguan Tin Cheung Metal Products Co., Ltd. 東莞天祥五金製品有限公司	The PRC	HK\$18,000,000 (notes c & f)	—	70	Manufacturing and marketing of mould bases
Guangzhou Lung Kee Metal Products Co. Ltd. 廣州龍記金屬製品有限公司	The PRC	HK\$60,000,000 (note f)	—	100	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 (notes d and f)	—	100	Manufacturing and marketing of mould bases
Lung Kee International Limited	Hong Kong	HK\$2 ordinary shares	—	100	Investment holding
		HK\$2,000,002 non-voting deferred shares (note e)	—	—	
Lung Kee Metal Japan Company Limited	Japan	JPY300,000,000	—	100	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	—	100	Manufacturing and marketing of mould bases
Lung Kee Metal Limited	Hong Kong	HK\$2 ordinary shares	—	100	Manufacturing and marketing of mould bases
		HK\$10,000,002 non-voting deferred shares (note e)	—	—	

Notes to the Financial Statements

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

Lung Kee (Bermuda) Holdings Limited

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/ paid up capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Lung Kee Metal (Singapore) Pte Limited	Singapore	S\$250,000	—	100	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\$5,000,000 (note f)	—	100	Trading of steel
Lung Kee Steel Limited	Hong Kong	HK\$2	—	100	Trading of steel
Shanghai Lung Kee Metal Products Co., Ltd. 上海龍記金屬製品有限公司	The PRC	US\$10,000,000 (note f)	—	100	Manufacturing and marketing of mould bases
Sky Bright Metal Product Limited	Hong Kong	HK\$100	—	60	Manufacturing and marketing of components for mould bases
Sky Lucky Metal Limited	Hong Kong	HK\$100	—	70	Manufacturing and marketing of mould bases
Sky Lucky Steel Limited	Hong Kong	HK\$100	—	70	Inactive
Taiwan Supertech Industrial Company Limited 仕霸工業股份有限公司	Republic of China	NT\$36,000,000	—	70	Manufacturing and marketing of mould bases

Notes:

- a. The registered capital of this company has been fully paid during the period.

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

- b. At 31st December, 2002, the Group had an outstanding commitment to contribute a further sum of HK\$3,000,000 (31st March, 2002: HK\$4,000,000) into this subsidiary as equity capital.
- c. The registered capital of this company was increased from HK\$18,000,000 to HK\$22,000,000 during the period. As at 31st December, 2002, the Group had an outstanding commitment to contribute a further sum of HK\$4,000,000 (31st March, 2002: HK\$3,000,000) into this subsidiary as equity capital.
- d. The registered capital of this company was increased from HK\$85,000,000 to HK\$110,000,000 during the period. As at 31st December, 2002, the Company had an outstanding commitment to contribute a further sum of HK\$25,000,000 into this subsidiary.
- e. 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.
- f. These companies are wholly-owned foreign enterprises established in the PRC.

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Lung Kee (Bermuda) Holdings Limited

RESULTS

	Year ended 31st March,				1st April, 2002 to 31st December, 2002 (9 months)
	1999	2000	2001	2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	686,127	889,542	985,834	928,886	801,393
PROFIT BEFORE TAXATION	94,462	169,236	192,358	104,305	119,931
TAXATION	11,450	27,122	30,289	10,351	16,747
PROFIT BEFORE MINORITY INTERESTS	83,012	142,114	162,069	93,954	103,184
MINORITY INTERESTS	16,643	32,110	32,463	21,969	9,824
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	66,369	110,004	129,606	71,985	93,360

ASSETS AND LIABILITIES

	At 31st March,				At 31st December,
	1999	2000	2001	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	878,133	1,134,982	1,413,085	1,477,186	1,749,161
TOTAL LIABILITIES	(180,839)	(348,507)	(549,248)	(587,143)	(978,419)
MINORITY INTERESTS	(136,388)	(163,776)	(178,285)	(189,291)	(20,708)
SHAREHOLDERS' FUNDS	560,906	622,699	685,552	700,752	750,034

A. Investment properties

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

Properties held by the Group

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Lung Kee (Bermuda) Holdings Limited

B. Land and buildings

Name/Location	Type	Group's attributable interest	Lease term
The People's Republic of China			
Qiaoli Management District Changping-Huangjiang Highway Changping Town Dongguan Guangdong Province	Factory and staff quarters	100%	Medium-term lease
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	100%	Medium-term lease
Qisha Management District Shatian Town Dongguan Guangdong Province	Factory and staff quarters	70%	Medium-term lease
Xinqiao Town Songjiang County Shanghai	Factory and staff quarters	100%	Medium-term lease
Unit No. 201 No. 34 of 158 Lane Baocheng Road Xinzhong Town Shanghai	Staff quarters	100%	Medium-term lease
Guangzhou Free Trade Zone Huangpu District Guangzhou Guangdong Province	Factory	100%	Medium-term lease
Taizhou Economic Development Zone Zhejiang	Industrial land	100%	Medium-term lease
Singapore			
#01-08 Block A Tong Lee Building 35 Kallang Pudding Road Singapore 349314	Factory	100%	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	Industrial land	100%	Freehold
Japan			
Land #914-1, Oaza Yoshida Oizumi-machi, Oura-gun Guma-ken, Japan	Warehouse	100%	Freehold

C. Properties under construction

Name/Location	Type	Group's interest	Lease term	Expected completion date
The People's Republic of China				
Gaopu Ind. Zone Heyuan City Guangdong	Factory and staff quarters	100%	Medium-term lease	March 2003
Xinqiao Town Songjiang County Shanghai	Factory and staff quarters	100%	Medium-term lease	March 2003

Production Line for
Custom Made Mould Base
專門生產非標準模架的生產線



Warehouse for
Standard Mould Base
Semi-finished Plates
標準模架半成品倉庫



Mould Base Inspection
– By High Precision Coordinate
Measuring Machine (CMM)
模架精度檢測
— 高精度三座標測量儀



Loading and Unloading of a
Vacuum Furnace
真空熱處理爐裝卸情況



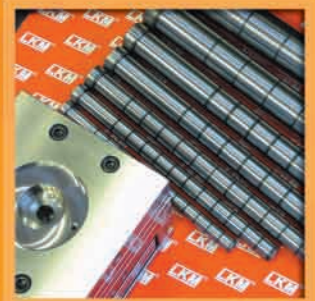
Profile Machining of an
Automobile Bumper
Mould Base
汽車保險桿模架加工情況



Welding Service for Moulds
模具補焊服務



Standard Mould Base
(American Standard) and
Components
美洲標準模架及模架配件



Mould Base for Car Battery
(Twin Cavity)
汽車蓄電池組合模架



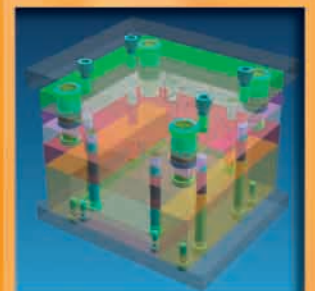
Stocks of Alloy Steels
合金模具鋼存倉



Heat Treatment Department for
Mould Steels
模具熱處理部



3D Analysis of a Typical
Mould Base
模架立體透視分析



Warehouse for Raw Materials
of Mould Base
模架原材料倉庫

