

It is my pleasure to present the annual results of Lung Kee (Bermuda) Holdings Limited and its subsidiaries (the "Group") for the year ended 31st March, 2002.

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

## BUSINESS REVIEW

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

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

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

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

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

## PROSPECTS

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

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

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

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

**Siu Tit Lung**  
*Chairman*

Hong Kong, 27th June, 2002