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.