

Management Discussion and Analysis

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

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

MOULD BASE MANUFACTURING AND MARKETING

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

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

TRADING OF MOULD STEEL

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

GEARING RATIO

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

CONTINGENT LIABILITIES

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