

# Notes to the Financial Statements

For the year ended 31st March, 2001

## 1. GENERAL

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of consolidation

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

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On disposal of an investment in a subsidiary and jointly controlled entity the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment loss.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)



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

Rental income is recognised on a straight line basis over the lease terms.

### Property, plant and equipment

Property, plant and equipment, other than properties under construction, is stated at cost less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

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

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

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)



### Property, plant and equipment (Cont'd)

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.

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.

### Investment properties

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

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

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

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

### Assets held under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor 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 term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)



### Investment in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at cost and subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, comprises all direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of entities which are denominated in currencies other than Hong Kong dollars and which operate in the People's Republic of China (the "PRC") or overseas are translated at the rates ruling on the balance sheet date and the income and expense items are translated at the average rate for the financial period. All exchange differences arising on consolidation are dealt with in reserves.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)



### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant leases.

### Retirement benefits scheme contributions

The retirement benefits scheme contributions charged in the income statement represent the amount of contributions payable in respect of the current year to the Group's defined contribution scheme.

### Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

## 3. TURNOVER

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

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Manufacture of mould bases	<b>744,553,583</b>	653,859,924
Trading of metal and parts	<b>241,279,980</b>	235,682,434
	<b>985,833,563</b>	889,542,358

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 3. TURNOVER (Cont'd)

The Group's head office is in Hong Kong and nearly all of its products are manufactured in Hong Kong, Shanghai, Guangzhou, Heyuan and Dongguan, the PRC. The Group's turnover and contribution to profit from operations for the year ended 31st March, 2001 analysed by principal activities are as follows:

	2001		2000	
	Turnover HK\$	Contribution to profit from operations HK\$	Turnover HK\$	Contribution to profit from operations HK\$
Manufacture of mould bases	<b>744,553,583</b>	<b>143,729,180</b>	653,859,924	134,374,355
Trading of metal and parts	<b>241,279,980</b>	<b>48,411,631</b>	235,682,434	38,240,022
	<b>985,833,563</b>	<b>192,140,811</b>	889,542,358	172,614,377

A geographical analysis of the Group's turnover for the year ended 31st March, 2001, by location of customers, is as follows:

	HK\$	%	HK\$	%
Hong Kong and elsewhere				
in the PRC	<b>811,535,318</b>	<b>82</b>	713,689,456	80
Other countries	<b>174,298,245</b>	<b>18</b>	175,852,902	20
	<b>985,833,563</b>	<b>100</b>	889,542,358	100

Contribution to profit from operations by geographical location of customers has not been presented as the contribution to profit from operations in each market is substantially in line with the overall Group's ratio of profit from operations to turnover.

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 4. OTHER REVENUE

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Gain on disposal of property, plant and equipment	<b>432,369</b>	204,316
Income from sales of scrap	<b>7,614,294</b>	3,577,294
Rental income	<b>874,378</b>	392,640
Sundry income	<b>2,436,033</b>	1,857,462
	<b>11,357,074</b>	6,031,712

### 5. PROFIT FROM OPERATIONS

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration:		
— current year	<b>1,930,749</b>	1,653,650
— under (over) provision in prior year	<b>427,691</b>	(6,624)
Deficit on revaluation of an investment property	<b>718,360</b>	700,000
Depreciation and amortisation:		
— owned assets	<b>71,731,248</b>	69,008,552
— assets held under finance leases	<b>365,574</b>	709,797
Exchange loss	<b>1,486,997</b>	1,336,224
Operating lease rentals in respect of rented premises	<b>2,838,840</b>	2,248,354
Provision for bad and doubtful debts	<b>6,847,975</b>	6,085,000
Retirement benefits scheme contributions, net of forfeited contributions of HK\$1,712,590 (2000: HK\$486,003)	<b>3,507,980</b>	2,658,838

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 6. FINANCE COSTS

	2001 HK\$	2000 HK\$
Arrangement fee for raising of bank loans	<b>3,178,209</b>	2,023,178
Interest paid on bank borrowings wholly repayable within five years	<b>12,441,150</b>	4,562,712
Interest paid on finance leases	<b>250,171</b>	207,725
	<b>15,869,530</b>	6,793,615

## 7. DIRECTORS' REMUNERATION

	2001 HK\$	2000 HK\$
Fees paid to non-executive and independent non-executive directors	<b>540,000</b>	540,000
Other emoluments paid to executive directors:		
Salaries and other benefits	<b>17,040,000</b>	14,844,000
Bonus	<b>9,000,000</b>	8,000,000
Retirement benefits scheme contributions	<b>1,816,800</b>	1,569,440
Total emoluments	<b>28,396,800</b>	24,953,440

The emoluments of the directors were within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	<b>3</b>	3
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	2
HK\$3,500,001 to HK\$4,500,000	<b>2</b>	—
HK\$7,000,001 to HK\$7,500,000	—	2
HK\$8,000,001 to HK\$8,500,000	<b>2</b>	—
	<b>8</b>	8


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



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 8. TAXATION



	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong Profits Tax		
— current year	<b>18,748,883</b>	20,554,085
— overprovision in prior year	<b>(272,109)</b>	(846,049)
	<b>18,476,774</b>	19,708,036
Taxation in jurisdictions outside Hong Kong	<b>13,478,110</b>	12,126,668
	<b>31,954,884</b>	31,834,704
Deferred taxation (note 21)	<b>(1,666,000)</b>	(4,713,000)
	<b>30,288,884</b>	27,121,704

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the 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 Group's PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In the current year, certain PRC subsidiaries are exempted from PRC income tax, and other PRC subsidiaries enjoyed a 50% reduction on PRC income tax.

Certain income of the Group is not subject to taxation in the jurisdictions in which the Group operates.

Details of deferred taxation are set out in note 21.

### 9. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$129,605,505 (2000: HK\$110,004,670), a profit of HK\$63,246,705 (2000: HK\$64,472,955) has been dealt with in the financial statements of the Company.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 10. DIVIDENDS

	2001 HK\$	2000 HK\$
Interim dividend of 6 cents (2000: 4.8 cents after adjusting for bonus shares issue) per share paid to the Company's shareholders	<b>28,899,000</b>	23,064,563
Proposed final dividend of 9 cents (2000: 8 cents after adjusting for bonus shares issue) per share payable to the Company's shareholders (note i)	<b>43,319,461</b>	38,468,937
Underprovision of final dividend (note ii)	<b>391</b>	—
	<b>72,218,852</b>	61,533,500

Notes:

- (i) The amount of the proposed final dividend for the year ended 31st March, 2001 has been calculated with reference to the 481,327,343 shares in issue as at the date of approval of these financial statements.
- (ii) The amount represents last year's final dividend payable to shares issued subsequent to the approval of the financial statements for the year ended 31st March, 2000.

## 11. EARNINGS PER SHARE

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

	2001 HK\$	2000 HK\$
Net profit for the year	<b>129,605,505</b>	110,004,670
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of the group headed by Lung Kee Metal Holdings Limited ("LKMH") based on dilution of their earnings per share	<b>(356,250)</b>	(1,005,000)
Earnings for the purpose of diluted earnings per share	<b>129,249,255</b>	108,999,670
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>481,059,261</b>	476,786,531*
Effect of dilutive potential ordinary shares on exercise of options of the Company	<b>2,601,833</b>	3,152,835*
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>483,661,094</b>	479,939,366*

\* After adjusting for the bonus share issue.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 11. EARNINGS PER SHARE (Cont'd)

The adjustment to comparative basic and diluted earnings per share, arising from bonus shares issue, is as follows:

	<b>2001</b>	2000
	<b>HK cents</b>	HK cents
Basic earnings per share	<b>26.94</b>	28.84
Adjustment arising from bonus shares issue	—	(5.77)
Adjusted basic earnings per share	<b>26.94</b>	23.07
Diluted earnings per share	<b>26.72</b>	28.39
Adjustment arising from bonus shares issue	—	(5.68)
Adjusted diluted earnings per share	<b>26.72</b>	22.71

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding options as the exercise price is higher than the fair value per share for both years.

## 12. INVESTMENT PROPERTIES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
At 1st April, 2000	<b>3,800,000</b>	4,500,000
Reclassified from land and buildings	<b>2,918,360</b>	—
Revaluation deficit	<b>(718,360)</b>	(700,000)
At 31st March, 2001	<b>6,000,000</b>	3,800,000

The investment properties of the Group were revalued at 31st March, 2001 on an open market value basis by Chung Sen Surveyors Limited, a firm of independent professional valuers. The deficit arising on revaluation of HK\$718,360 has been charged to the income statement.

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

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Furniture, fixtures and fittings HK\$	Plant and machinery HK\$	Motor vehicles HK\$	Properties under construction HK\$	Total HK\$
<b>THE GROUP</b>						
AT COST						
At 1st April, 2000	215,978,394	77,536,898	398,377,952	31,244,673	8,147,990	731,285,907
Currency realignment	111,661	(221,923)	(805,967)	(110,132)	38,252	(988,109)
Reclassified to investment properties	(3,440,110)	—	—	—	—	(3,440,110)
Reclassification	2,953,558	(30,216)	880,888	—	(3,804,230)	—
Additions	4,204,329	16,252,620	75,933,757	9,545,665	14,488,034	120,424,405
Disposals	(3,753,300)	(4,623,751)	(3,748,325)	(5,914,391)	—	(18,039,767)
At 31st March, 2001	216,054,532	88,913,628	470,638,305	34,765,815	18,870,046	829,242,326
DEPRECIATION AND AMORTISATION						
At 1st April, 2000	14,685,974	47,112,429	259,219,251	20,128,772	—	341,146,426
Currency realignment	(32,895)	(169,759)	(550,020)	(121,706)	—	(874,380)
Reclassified to investment properties	(521,750)	—	—	—	—	(521,750)
Provided for the year	4,048,888	10,173,661	51,378,864	6,495,409	—	72,096,822
Eliminated on disposals	(537,973)	(4,326,294)	(3,727,386)	(5,495,281)	—	(14,086,934)
At 31st March, 2001	17,642,244	52,790,037	306,320,709	21,007,194	—	397,760,184
NET BOOK VALUES						
At 31st March, 2001	198,412,288	36,123,591	164,317,596	13,758,621	18,870,046	431,482,142
At 31st March, 2000	201,292,420	30,424,469	139,158,701	11,115,901	8,147,990	390,139,481

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

	2001 HK\$	2000 HK\$
Land and buildings in Hong Kong held under medium-term leases	<b>28,934,398</b>	37,059,253
Land and buildings outside Hong Kong:		
— freehold	<b>31,768,142</b>	32,626,132
— held under medium-term leases of less than fifty years	<b>137,709,748</b>	131,607,035
	<b>198,412,288</b>	201,292,420

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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 property, plant and equipment includes an amount of HK\$1,028,532 (2000: HK\$946,526) in respect of assets held under finance leases.

## 14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	<b>55,856,000</b>	55,856,000
Amounts due from subsidiaries	<b>158,591,402</b>	136,962,326
Loans to subsidiaries	<b>17,000,000</b>	17,000,000
	<b>231,447,402</b>	209,818,326

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries 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.

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

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

Details of the Company's subsidiaries at 31st March, 2001 are set out in note 33.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 15. INVESTMENT IN SECURITIES



Non-current investments  
Held-to-maturity debt securities  
Unlisted equity shares, at cost

THE GROUP	
2001	2000
HK\$	HK\$
<b>29,539,000</b>	—
—	50,000
<b>29,539,000</b>	<b>50,000</b>

At 31st March, 2000, the Group held 16.7% of the unlisted ordinary share capital of Jetlink (H.K.) Limited, a private company incorporated in Hong Kong. The investment was written off during the year.

## 16. INVENTORIES

Raw materials  
Work in progress  
Finished goods

THE GROUP	
2001	2000
HK\$	HK\$
<b>256,701,538</b>	234,126,523
<b>26,968,510</b>	14,677,932
<b>27,085,663</b>	25,874,794
<b>310,755,711</b>	<b>274,679,249</b>

Inventories are stated at cost except that raw materials of HK\$161,527,363 (2000: HK\$161,854,706) are carried at net realisable value.

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 17. DEBTORS, DEPOSITS AND PREPAYMENTS



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

Included in debtors, deposits and prepayments are trade debtors of HK\$239,215,513 (2000: HK\$196,644,542) and their aged analysis is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 to 60 days	<b>189,908,492</b>	177,681,645
61 to 90 days	<b>41,731,411</b>	14,678,487
Over 90 days	<b>7,575,610</b>	4,284,410
	<b>239,215,513</b>	196,644,542

### 18. CREDITORS AND ACCRUED CHARGES

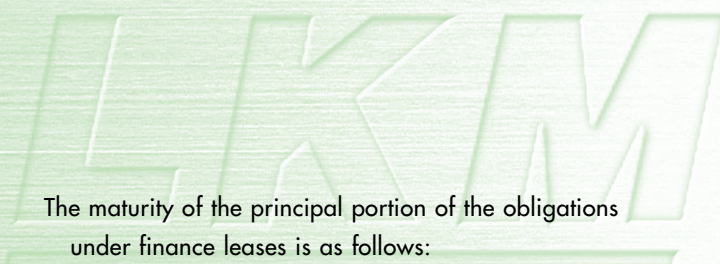
Included in creditors and accrued charges are trade creditors of HK\$76,674,532 (2000: HK\$65,179,314) and their aged analysis is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 to 60 days	<b>44,972,213</b>	52,723,358
61 to 90 days	<b>9,181,825</b>	6,665,046
Over 90 days	<b>22,520,494</b>	5,790,910
	<b>76,674,532</b>	65,179,314

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 19. OBLIGATIONS UNDER FINANCE LEASES



The maturity of the principal portion of the obligations under finance leases is as follows:

- not exceeding one year
- more than one year but not exceeding two years

Less: amount due within one year shown under current liabilities

Amount due after one year

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

<b>THE GROUP</b>	
<b>2001</b>	2000
<b>HK\$</b>	HK\$
<b>464,501</b>	658,683
<b>674,605</b>	534,137
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<b>1,139,106</b>	1,192,820
<b>464,501</b>	658,683
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<b>674,605</b>	534,137

## 20. BANK BORROWINGS (UNSECURED)

- Bank loans
- Bank overdrafts
- Trust receipt loans

The bank borrowings are repayable within a period of:

- not exceeding one year or on demand
- more than one year but not exceeding two years
- more than two years but not exceeding five years

Less: amount due within one year shown under current liabilities

Amount due after one year

The Company had no borrowings at the balance sheet date.

<b>THE GROUP</b>	
<b>2001</b>	2000
<b>HK\$</b>	HK\$
<b>292,865,049</b>	175,025,216
<b>1,220,054</b>	1,314,842
<b>—</b>	1,401,640
<hr/>	
<b>294,085,103</b>	177,741,698
<hr/>	
<b>290,830,208</b>	175,652,893
<b>929,970</b>	736,705
<b>2,324,925</b>	1,352,100
<hr/>	
<b>294,085,103</b>	177,741,698
<b>290,830,208</b>	175,652,893
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<b>3,254,895</b>	2,088,805



## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 21. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$	2000 HK\$
At 1st April, 2000	2,036,000	6,749,000
Credit for the year (note 8)	(1,666,000)	(4,713,000)
At 31st March, 2001	<b>370,000</b>	2,036,000

The major components of the provision for deferred taxation at the balance sheet date are as follows:

	THE GROUP			
	Provided		Unprovided	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Taxation effect of timing differences attributable to:				
Excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements	<b>370,000</b>	7,788,600	<b>1,858,000</b>	—
Other timing differences	—	(5,752,600)	<b>(6,320,000)</b>	—
	<b>370,000</b>	2,036,000	<b>(4,462,000)</b>	—

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.

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 22. SHARE CAPITAL

	Authorised		Issued and fully paid	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Ordinary shares of HK\$0.1 each				
At 1st April, 2000	<b>60,000,000</b>	60,000,000	<b>38,440,938</b>	37,955,938
Bonus shares issued	—	—	<b>9,624,046</b>	—
Shares issued on exercise of share options	—	—	<b>55,250</b>	485,000
At 31st March, 2001	<b>60,000,000</b>	60,000,000	<b>48,120,234</b>	38,440,938

During the year, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 23. SHARE OPTIONS

- (i) The Company has a share option scheme (the "LKBH Scheme") under which the Board of Directors of the Company may grant options to eligible employees, including executive directors, of the Company and its subsidiaries, to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Hong Kong Stock Exchange on the five trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the LKBH Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Options granted are exercisable for a period of 3 years commencing on the expiry of 6 months after the date the options are granted.

Details of the movements in the number of share options granted under the LKBH Scheme during the year are as follows:

Exercise price per share HK\$	Number of share options					Exercisable period
	At 1st April, 2000	Exercised during the year	Cancelled during the year	Adjustment during the year*	At 31st March, 2001	
1.440	225,000	(112,500)	(112,500)	—	—	21st September, 1997 to 20th September, 2000
1.492*	3,820,000	—	(250,000)	892,500	4,462,500	1st May, 1998 to 30th April, 2001
0.964*	3,870,000	—	(505,000)	841,250	4,206,250	3rd September, 1998 to 2nd September, 2001
0.440*	1,270,000	(260,000)	(60,000)	237,500	1,187,500	29th September, 1999 to 28th September, 2002
0.580*	1,530,000	(180,000)	(100,000)	312,500	1,562,500	26th October, 1999 to 25th October, 2002
	10,715,000	(552,500)	(1,027,500)	2,283,750	11,418,750	

\* During the year, the Company issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise prices had been adjusted accordingly.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 23. SHARE OPTIONS (Cont'd)

- (ii) A subsidiary of the Company, LKMH, also has a share option scheme (the "LKMH Scheme") under which the Board of Directors of LKMH may grant options to eligible employees, including executive directors, of LKMH and its subsidiaries, to subscribe for shares in LKMH at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Main Board of SGX-ST on the three trading days immediately preceding the date of the grant of the options. The maximum number of shares in respect of which options may be granted under the LKMH Scheme shall not exceed 10% of the issued share capital of LKMH from time to time.

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 LKMH Scheme was revised in August 2000 with details as stated in the circular of the LKMH to Shareholders dated 15th August, 2001. The revised LKMH Scheme was approved at the Special General Meeting of the LKMH held on 31st August, 2000.

Details of the LKMH share options granted under the LKMH Scheme are as follows:

Exercise price per share S\$	Number of share options						Exercisable period
	At 1st April, 2000	Granted during the year	Exercised during the year	Cancelled during the year	Adjustment during the year*	At 31st March, 2001	
0.564*	3,000,000	—	—	(380,000)	655,000	3,275,000	15th January, 1999 to 14th January, 2003
0.220	1,380,000	—	(1,160,000)	(150,000)	—	70,000	14th August, 1999 to 13th August, 2003
0.592*	4,070,000	—	—	(200,000)	967,500	4,837,500	23rd December, 2000 to 22nd December, 2004
0.508*	—	3,685,000	—	—	921,250	4,606,250	7th August, 2001 to 6th August, 2005
	8,450,000	3,685,000	(1,160,000)	(730,000)	2,543,750	12,788,750	

- \* During the year, LKMH issued bonus shares to its shareholders on a one for four basis and, accordingly, the number of share options outstanding and their exercise price had been adjusted.

Notional consideration was received by LKMH for the options granted during the year.

Subsequent to the year ended, 70,000 share options with exercise price of S\$0.220 were exercised.

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 24. RESERVES


	Share premium HK\$	Capital reserve HK\$	Accumulated profits HK\$	Translation reserve HK\$	Total HK\$
<b>THE GROUP</b>					
At 1st April, 1999	106,101,047	9,939,225	379,487,240	853,970	496,381,482
Shares issued on exercise of share options	2,569,250	—	—	—	2,569,250
Goodwill arising on acquisition of a subsidiary	—	(890,516)	—	—	(890,516)
Exchange differences arising from translation of foreign currency financial statements	—	—	—	(742,061)	(742,061)
Net profit for the year	—	—	110,004,670	—	110,004,670
Dividends (note 10)	—	—	(61,533,500)	—	(61,533,500)
At 31st March, 2000 and 1st April, 2000	108,670,297	9,048,709	427,958,410	111,909	545,789,325
Capitalisation for bonus issue of shares	(9,624,046)	—	—	—	(9,624,046)
Shares issued on exercise of share options	380,250	—	—	—	380,250
Goodwill arising on acquisition of additional interest in a subsidiary	—	(718,713)	—	—	(718,713)
Exchange differences arising from translation of foreign currency financial statements	—	—	—	898,978	898,978
Net profit for the year	—	—	129,605,505	—	129,605,505
Dividends (note 10)	—	—	(72,218,852)	—	(72,218,852)
At 31st March, 2001	99,426,501	8,329,996	485,345,063	1,010,887	594,112,447

The capital reserve of the Group includes an amount of HK\$11,870,047 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.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 24. RESERVES (Cont'd)



	Share premium HK\$	Accumulated profits HK\$	Total HK\$
<b>THE COMPANY</b>			
At 1st April, 1999	106,101,047	20,735,582	126,836,629
Shares issued on exercise of share options	2,569,250	—	2,569,250
Net profit for the year (note 9)	—	64,472,955	64,472,955
Dividends (note 10)	—	(61,533,500)	(61,533,500)
At 31st March, 2000 and 1st April, 2000	108,670,297	23,675,037	132,345,334
Capitalisation for bonus issue of shares	(9,624,046)	—	(9,624,046)
Shares issued on exercise of share options	380,250	—	380,250
Net profit for the year (note 9)	—	63,246,705	63,246,705
Dividends (note 10)	—	(72,218,852)	(72,218,852)
At 31st March, 2001	99,426,501	14,702,890	114,129,391

The Company's reserves available for distribution to shareholders at 31st March, 2001 represent its accumulated profits of HK\$14,702,890 (2000: HK\$23,675,037).

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

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



	THE GROUP	
	2001 HK\$	2000 HK\$
Profit before taxation	<b>192,357,700</b>	169,236,002
Interest income	<b>(17,989,096)</b>	(5,628,176)
Interest expense and finance charges	<b>12,691,321</b>	4,770,437
Share of result of a jointly controlled entity	—	(168,228)
Deficit arising on revaluation of an investment property	<b>718,360</b>	700,000
Depreciation and amortisation	<b>72,096,822</b>	69,718,349
Gain on disposal of property, plant and equipment	<b>(421,568)</b>	(204,316)
Loss on deemed disposal of a subsidiary	<b>1,902,677</b>	2,381,164
Loss on disposal of investment in securities	<b>50,000</b>	—
Increase in inventories	<b>(35,191,744)</b>	(56,152,787)
Increase in debtors, deposits and prepayments	<b>(42,936,867)</b>	(13,900,812)
Decrease (increase) in bills receivable	<b>5,502,804</b>	(12,775,346)
Increase in creditors and accrued charges	<b>60,847,043</b>	45,059,363
Increase in bills payable	<b>13,715,960</b>	1,609,511
Exchange differences	<b>(46,230)</b>	(1,455,145)
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>263,297,182</b>	203,190,016

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 26. ACQUISITION OF A SUBSIDIARY

On 1st October, 1999, LKM Japan, a former jointly controlled entity of the Group, became a subsidiary of the Group. The fair value of assets acquired and liabilities assumed was as follows:

	2001 HK\$	2000 HK\$
Property, plant and equipment	—	5,255,995
Inventories	—	11,186,135
Debtors, deposits and prepayments	—	17,967,884
Bank balances and cash	—	7,713,437
Creditors and accrued charges	—	(21,499,048)
Bank loans	—	(15,617,983)
Minority interests	—	(2,453,146)
		<hr/>
Net assets	—	2,553,274
Interest previously recorded as interest in a jointly controlled entity	—	(168,228)
Goodwill arising on acquisition	—	1,187,354
		<hr/>
	—	3,572,400
		<hr/>
Satisfied by:		
Cash	—	3,572,400
		<hr/>
Analysis of net inflow of cash in respect of the acquisition of a subsidiary:		
Cash consideration paid	—	(3,572,400)
Bank and cash balances acquired	—	7,713,437
		<hr/>
Net inflow of cash in respect of the acquisition of a subsidiary	—	4,141,037
		<hr/>

For the year ended 31st March, 2000, LKM Japan contributed HK\$64,555,000 to the Group's turnover, incurred an operating loss of HK\$661,000, and it did not contribute significantly to the cash flows of the Group.



# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

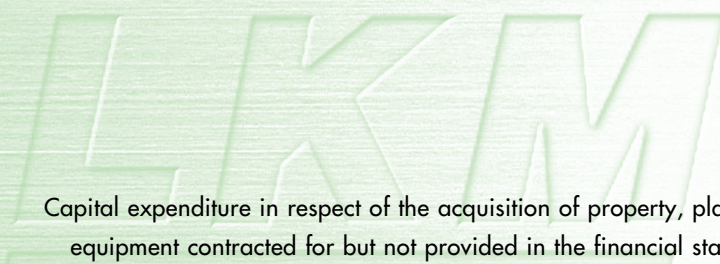
	Share capital and share premium HK\$	Bank borrowings HK\$	Obligations under finance leases HK\$	Minority interests HK\$
At 1st April, 1999	144,056,985	94,190,000	3,527,003	136,387,609
New bank loans raised	—	159,518,873	—	—
Exercise of share options by minority	—	—	—	1,990,000
Shares issued on exercise of share options	3,054,250	—	—	—
Share premium arising from shares issued on exercise of a subsidiary's share options	—	—	—	20,012
Repayment of bank loans	—	(92,900,000)	—	—
Repayment to minority of subsidiaries	—	—	—	(7,019,000)
Dividend paid to minority of a subsidiary	—	—	—	(3,119,400)
Repurchase of shares by a subsidiary	—	—	—	(222,000)
Share premium utilised by a subsidiary on repurchase of shares	—	—	—	(498,732)
Repayment of obligations under finance leases	—	—	(2,334,183)	—
Other movements not involving cash flows:				
On acquisition of a subsidiary	—	15,617,983	—	2,453,146
Minority share of profit for the year	—	—	—	32,109,628
Minority share of exchange reserve	—	—	—	(409,364)
Minority share of goodwill written off to reserve	—	—	—	(296,838)
Loss on deemed disposal of a subsidiary to minority	—	—	—	2,381,164
At 31st March, 2000 and 1st April, 2000	147,111,235	176,426,856	1,192,820	163,776,225
New bank loans raised	—	359,101,341	—	—
Exercise of share options by minority	—	—	—	1,160,000
Shares issued on exercise of share options	435,500	—	—	—
Share premium arising from shares issued on exercise of a subsidiary's share options	—	—	—	17,564
Repayment of bank loans	—	(242,663,148)	—	—
Repayment to minority of subsidiaries	—	—	—	(300,000)
Dividend paid to minority of a subsidiary	—	—	—	(12,580,950)
Repurchase of shares by a subsidiary	—	—	—	(2,975,000)
Share premium utilised by a subsidiary on repurchase of shares	—	—	—	(6,350,259)
Repayment of obligations under finance leases	—	—	(987,627)	—
Other movements not involving cash flows:				
Minority share of profit for the year	—	—	—	32,463,311
Minority share of exchange reserve	—	—	—	452,433
Goodwill arising on acquisition of additional interest in a subsidiary	—	—	—	718,713
Inception of finance leases	—	—	933,913	—
Loss on deemed disposal of a subsidiary to minority	—	—	—	1,902,677
At 31st March, 2001	147,546,735	292,865,049	1,139,106	178,284,714

At 31st March, 2001, no amount was payable to minority shareholders. Minority interests at 31st March, 2000 included an amount payable to minority of subsidiaries of HK\$300,000.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 28. CAPITAL COMMITMENTS



	THE GROUP	
	2001	2000
	HK\$	HK\$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>7,663,000</b>	20,057,000

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

## 29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had annual commitments payable within the next year under non-cancellable operating leases in respect of rented premises as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Operating leases which expire:		
— within one year	<b>706,429</b>	1,089,738
— more than one year but not exceeding five years	<b>1,514,770</b>	1,087,331
— over five years	—	610,194
	<b>2,221,199</b>	2,787,263

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

## 30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Guarantees given to financial institutions in respect of facilities granted to subsidiaries	—	—	<b>138,000,000</b>	141,000,000
Discounted bills with recourse	<b>7,632,013</b>	6,000,000	—	—
	<b>7,632,013</b>	6,000,000	<b>138,000,000</b>	141,000,000

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 31. RETIREMENT BENEFITS SCHEME

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was insignificant.

In 2000, the Group operates a defined contribution retirement benefits scheme for all qualifying employees employed by the Group in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustees. The retirement benefits cost charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension schemes operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

## 32. RELATED PARTY TRANSACTIONS

- (a) At 31st March, 2001, 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 (2000: HK\$1,000,000); and
  - Sky Lucky Metal Limited to the extent of HK\$11,000,000 (2000: HK\$11,000,000).
- (b) At 31st March, 2001, one of the directors of LKM Japan had given a personal guarantee to banks to the extent of HK\$6,510,000 (2000: HK\$3,685,000) for LKM Japan at no charge.
- (c) During the year, the Group purchased materials from JMS Engineering Co., Ltd. ("JMS") amounting to approximately HK\$34,273,000 (2000: HK\$13,979,000). One of the controlling shareholders of JMS is also a director of LKM Japan.
- (d) At 31st March, 2001, banking facilities of the Group amounting to HK\$46,499,000 (2000: HK\$38,324,000) were guaranteed jointly and severally by JMS and LKMH without charge.

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 32. RELATED PARTY TRANSACTIONS (Cont'd)

(e) During the year, one of the subsidiaries of the Company has entered into a contract with Founder iASPEC Limited ("iASPEC") in respect of the development of e-commerce business. The contract sum was HK\$3,000,000. The managing director of iASPEC is also a non-executive director of the Company.

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

## 33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2001 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and fully paid share capital/paid up capital	Proportion of nominal value of issued capital/paid up capital held by		Principal activities
			the Company		
			Directly %	Indirectly %	
Charman Limited	Hong Kong	HK\$2	—	100	Property holding
Dongguan LungKee Metal Products Ltd. 東莞龍記五金製品 有限公司	The PRC	HK\$85,065,000 (note a)	—	74.97	Manufacturing and marketing of components for mould bases
Dongguan Lung Kee Mould Base Ltd. 東莞龍記模架 有限公司	The PRC	HK\$17,500,000	—	74.97	Leasing of machinery
Dongguan Tin Cheung Metal Products Co., Ltd. 東莞天祥五金製品 有限公司	The PRC	HK\$15,000,000 (note b)	—	70	Property holding Limited
Fantop Industries Limited	Hong Kong	HK\$2	—	100	Property holding
Guangzhou LungKee Metal Products Co. Ltd. 廣州龍記金屬製品有限公司	The PRC	HK\$60,000,000	—	74.97	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\$60,000,000 (note c)	—	74.97	Manufacturing and marketing of mould bases
LKM (BVI) Limited	The British Virgin Islands/Hong Kong	US\$200	100	—	Investment holding

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 33. PARTICULARS OF THE COMPANY'S 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	
			%	%	
LKM Nominees Limited	Hong Kong	HK\$2	—	100	Provision of nominee services
Lung Kee International Limited	Hong Kong	HK\$2 ordinary shares HK\$2,000,002 non-voting deferred shares (note d)	—	74.97	Investment holding
Lung Kee Metal (BVI) Limited	The British Virgin Islands/Hong Kong	US\$2	—	74.97	Investment holding
Lung Kee Metal (China) Limited	Hong Kong	HK\$2 ordinary shares HK\$2 non-voting deferred shares (note d)	—	74.97	Investment holding
Lung Kee Metal Japan Company Limited	Japan	JPY200,000,000	—	51	Manufacturing and marketing of mould bases
Lung Kee Metal (Malaysia) Sdn. Bhd.	Malaysia	RM750,000	—	74.97	Manufacturing and marketing of mould bases
Lung Kee Metal Holdings Limited	Bermuda	HK\$250,098,500	—	74.97	Investment holding
Lung Kee Metal Limited	Hong Kong	HK\$2 ordinary shares HK\$10,000,002 non-voting deferred shares (note d)	—	74.97	Manufacturing and marketing of mould bases

# Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

## 33. PARTICULARS OF THE COMPANY'S 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	—	74.97	Manufacturing and marketing of mould bases
Lung Kee Steel Limited	Hong Kong	HK\$2	—	100	Trading of steel
Lung Kee Trading (BVI) Limited	The British Virgin Islands/The PRC	US\$2	—	74.97	Inactive
Lung Kee Technologies Limited	Hong Kong	HK\$2	—	74.97	Provision of computer service to the group companies
Real Wood Investment Limited	Hong Kong	HK\$10,000	—	100	Property holding
Shanghai Lung Kee Metal Products Co., Ltd. 上海龍記金屬製品 有限公司	The PRC	US\$10,000,000	—	74.97	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	Trading of steel
Sky Right Machine Tool (Hong Kong) Limited	Hong Kong	HK\$100	—	100	Property holding
Sky Tech Machine Tool Limited	Hong Kong	HK\$2	—	100	Inactive
Sunrise Profit Limited	Hong Kong	HK\$10,000	—	100	Property holding
Super Visions International Limited	The British Virgin Islands/Hong Kong	US\$2	—	100	Holding and licensing of trademarks

## Notes to the Financial Statements (Cont'd)

For the year ended 31st March, 2001

### 33. PARTICULARS OF THE COMPANY'S SUBSIDIARIES (Cont'd) <sup>®</sup>

Notes:

- a. The registered capital of this company was increased from HK\$80,000,000 to HK\$96,500,000 during the year. At 31st March 2001, the Group had an outstanding commitment to contribute a further sum of HK\$11,435,000 into this subsidiary as equity capital.
- b. The registered capital of this company was increased from HK\$15,000,000 to HK\$18,000,000 during the year. At 31st March, 2001, the Group had an outstanding commitment to contribute a further sum of HK\$3,000,000 into this subsidiary as equity capital.
- c. The registered capital of this company was increased from HK\$60,000,000 to HK\$85,000,000 during the year. At 31 March, 2001, the Group had an outstanding commitment to contribute a further sum of HK\$25,000,000 into this subsidiary as equity capital.
- d. 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.