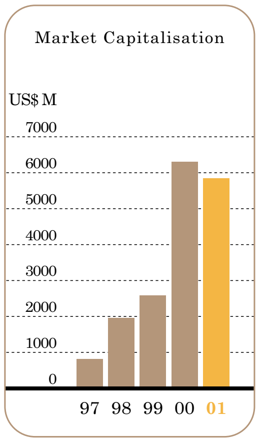
FINANCIAL REVIEW

OVERVIEW

The Group reported profit attributable to shareholders of US$145.3 million, or 4.0 US cents per share for the year ended 31st March 2001, compared to profit attributable to shareholders of US$135.6 million or 3.7 US cents per share in 1999/2000.



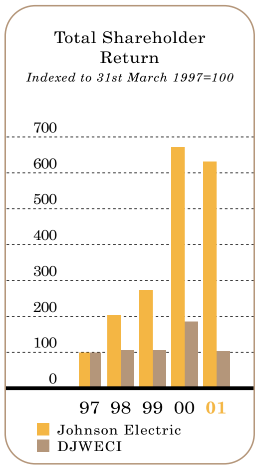
Profit attributable to shareholders for the year included a pre-tax provision for costs of restructuring of US$26.7 million (US$17.1 million net of tax). Excluding the impact of such provision, which is of a non-recurring nature, profit attributable to shareholders was US$162.5 million, up 19.9% over 1999/2000.

As the acquisition of the Electric Motor Systems business ("EMS") of United Technologies Corporation was not complete until 25th June 1999, this is the first occasion on which the acquired business reported full twelve-month results. Upon acquisition, EMS was re-named Johnson Electric Automotive, Inc. ("JEAI"), having two motor systems divisions namely Johnson Electric Automotive Motors ("JEAM") in North America and Gate S.p.A. ("Gate") in Europe.

On 3rd March 2001, the Group announced its plans to close JEAM's electric motor manufacturing plant in Columbus, Mississippi, in the USA, and transfer the production responsibilities to plants in China and Mexico. The closure of the plant, which is expected to be completed by the end of October 2001, will incur costs including severance wages and associated costs, costs relating to environmental issues, fixed assets write-offs, and other normal relocation and closure expenses. A provision for the costs of restructuring, amounting to US$26.7 million (US$17.1 million net of tax), was included in the Group's accounts for the year under review. Included in such provision was a non-cash cost of US$15.3 million in relation to fixed assets write-offs.

TOTAL SHAREHOLDER RETURN (TSR)

For the financial year ended 31st March 2001, the Group achieved a total shareholder return of -6%, compared to -44% for the Dow Jones World Electric Component and Equipment Index (DJWECI), which is a representative benchmark index of global industry peers. For the financial years 2000 and 1999, the Group's annual TSR was 146% and 34% respectively, compared to 74% and 0% achieved by DJWECI in US dollar terms.



Over the past five years, the compound annual average TSR of Johnson Electric was 52%, compared to 0% achieved by the DJWECI.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of the Group's treasury function at the corporate centre based in Hong Kong, which is controlled by policies approved by the top management.

FOREIGN CURRENCY

The Group operates globally and is thus exposed to foreign exchange risk.

In relation to the core micromotor business, the major revenue generating currencies continue to be the US dollar, Euro, German Mark, and Japanese Yen; whereas the major currencies in purchase commitments are the US dollar, Hong Kong dollar, and Japanese Yen. Aside from the US dollar and Hong Kong dollar which is pegged to the US dollar, material open foreign exchange exposures are hedged with currency contracts, including forward and options contracts, with a view to reducing the net exposure to currency fluctuations. Such contracts have a duration of less than a year. For the year to 31st March 2001, of the core micromotor sales, 82% were in US dollar; 11% in Euro or German Mark for certain sales ; and 7% in Japanese Yen for certain sales to Japan.

In relation to JEAI, its major division namely Gate, with sales of over US$191.2 million representing 60% of JEAI's sales, is a Europe-based business with both revenue and costs essentially in Euro. Hence, the exposure to US dollar is limited to the net position. In the case of JEAM based in North America, the revenue and costs are in US dollar.

SURPLUS CASH AND DEBT

The Group follows a policy of prudence in managing its cash balance, and maintains such a high level of liquidity that the Group is always well placed to take advantage of any growth opportunities for the business. The surplus cash is held in US dollar, except certain temporary balances which may be held in such non-US currencies as required from time to time pending specific payments.

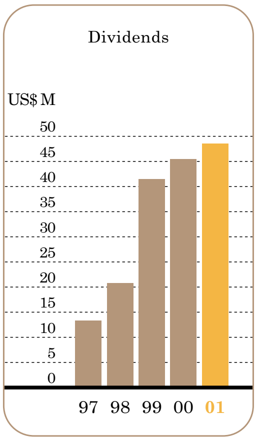
During the year, the surplus cash (comprising cash and other investments) increased to US$88.5 million, up 96% from US$45.2 million at the previous year-end. The Group is essentially debt-free, except certain loans amounting to US$11.6 million.

As at 31st March 2001, 95% of the surplus cash was in US dollar; and the average duration of the Group's interest-bearing securities and time deposits was reduced to about one month, compared to less than 2 months previously. Hence, the price sensitivity to interest rate movements and the foreign exchange risk of such investments continued to be immaterial.

CAPITAL STRUCTURE

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure. At this stage, however, with continuing strong cash flows, there are no immediate requirements for debt finance. As noted above, the Group had no net debt as at the end of this financial year under review.

Total debt remained at a low level of US$11.6 million, compared to US$8 million at the last year-end, comprising short-term bank loans and overdrafts of US$5.1 million, and long-term loans and obligations of US$6.5 million. Details of long-term loans remaining outstanding are included in Note 23 to the accounts. Borrowings at fixed interest rates amounted to approximately US$3.5 million.



The Group's borrowings are primarily denominated in US and Hong Kong dollars. Except for the foreign exchange exposure in relation to the loans in Italian Lira obtained by Gate, totalling approximately US$3.5 million, the Group has no significant exposure to foreign exchange fluctuations in relation to borrowings.

DIVIDEND POLICY

It is the intention of the Group that the dividend paid should over the long term, provide shareholders with relatively consistent dividend income.

In view of the Group's growth potential, it is also intended to accumulate substantial cash reserves to take advantage of any expansion or acquisition opportunities that may arise from time to time.

At its June 2001 meeting, the Board of Directors recommended a final dividend of 7.3 HK cents (equivalent to 0.94 US cents) per share, which together with the interim dividend of 3 HK cents (equivalent to 0.38 US cents), representing a total dividend of 10.3 HK cents per share (equivalent to 1.32 US cents) or 7% increase over the previous year.

In 2000/01, the dividend payout ratio (including the proposed dividend for the year) was approximately 33% of the profit attributable to shareholders, compared to 34% in 1999/2000.

RESULTS OF OPERATIONS

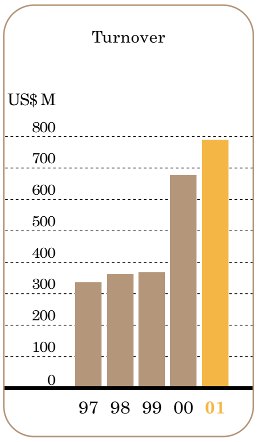
ANALYSIS OF CONSOLIDATED PROFIT AND LOSS STATEMENT

	Existing business US$M	Acquired business US$M	Total Before restructuring provisions US$M	2001 Total After restructuring provisions US$M	2000 Total US$M	Increase/(Decrease) Before restructuring provisions US$M	Increase/(Decrease) Before restructuring provisions %	Increase/(Decrease) After restructuring provisions US$M	Increase/(Decrease) After restructuring provisions %
Turnover	471.9	318.3	790.2	790.2	677.1	113.1	16.7	113.1	16.7
Cost of sales	(282.2)	(247.9)	(530.1)	(530.1)	(441.7)	88.4	20.0	88.4	20.0
SG&A	(78.9)	(27.8)	(106.7)	(106.7)	(91.3)	15.4	16.9	15.4	16.9
Restructuring provisions	0.0	(26.7)	0.0	(26.7)	0.0	0.0	0.0	26.7	n/a
Other revenues	9.7	2.5	12.2	12.2	13.2	(1.0)	(7.9)	(1.0)	(7.9)
EBIT	120.5	18.4	165.6	138.9	157.3	8.3	5.3	(18.4)	(11.7)
Interest	(0.1)	(0.4)	(0.5)	(0.5)	(2.0)	(1.5)	(77.5)	(1.5)	(77.5)
Share of profits less losses of JV/Associates	(1.7)	(0.6)	(2.3)	(2.3)	0.0	(2.3)	(5,402.3)	(2.3)	(5,402.3)
Profit before taxation	118.7	17.4	162.8	136.1	155.3	7.5	4.9	(19.2)	(12.3)
Taxation	(8.3)	17.5	(0.3)	9.2	(19.7)	(19.4)	(98.3)	28.9	146.7
Outside interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit after taxation	110.4	34.9	162.5	145.3	135.6	26.9	19.9	9.7	7.2
Depreciation & amortisation	24.3	11.4	35.7	35.7	37.2	(1.5)	(4.0)	(1.5)	(4.0)

TURNOVER

	2001		2000		Increase	
	US$M	%	US$M	%	US$M	%
Automotive components	398	50	330	49	68	21
Power tools	167	21	159	23	8	5
Home appliances	109	14	101	15	8	7
Business equipment/						
Personal products	97	12	78	12	19	24
Audio-visual	19	3	9	1	10	111
Total turnover	790	100	677	100	113	17

Total turnover was US$790 million, an increase of 17% over the level in the prior year. Unit volume also grew about 17%. The sales increase included contributions of US$318 million from JEAI for a full twelve-month period to March 2001, compared to a nine-month period from July 1999 in the previous year. Excluding JEAI, the turnover increased 11%, with unit volume growth of 16%.



Sales to the automotive components segment increased 21% to US$398 million, due mainly to the inclusion, for the first time, of full twelve months' sales of JEAI. Sales value growth in this segment was also affected by the very weak Euro for most of the year.

JEAI's sales increased 26% to US$318 million for the year, compared to nine months' sales of US$252 million in 1999/2000, despite the impact of the translation of Gate's Euro-based sales. Sales of Gate in Europe increased 27% and 44% in US dollar and Euro terms respectively, with unit volume growth of 46%; and sales of JEAM in North America increased 25%, with unit volume growth of 32%.

As to the core micromotor business, notwithstanding the apparently unattractive conditions in the automotive industry in general, and the impact of the weak Euro, sales value growth did improve somewhat to 7%, compared to 6% in the previous year. Unit volume growth was 8%. Despite the weak Euro, sales to Europe increased 11%, with unit volume growth of 13%. Sales to North America increased only modestly, by about 3%, with unit volume down 1%. Sales to Asia Pacific were maintained at prior year's level, in both value and volume terms. It was encouraging, however, that in the second half of the year, we began to see some benefits of the efforts we invested over the last few years in growing our market share by new product introductions on our part and increasing outsourcing on the part of existing and new customers.

Group sales to the power tools industry increased over 5%. The core micromotor business saw a period of consolidation, and on a higher revenue base after a 33% growth in sales in 1999/2000, sales increased only 1% in both value and unit volume terms. Sales to North America continued to be encouraging, up 27%, although most of the increase was offset by decreases of 20% and 9% in sales to Europe and Asia Pacific respectively. The decrease in Europe was partly due to the very weak Euro for most of the year, even although only a small proportion of the sales were in Euro. Sales to Hong Kong/China were essentially flat.

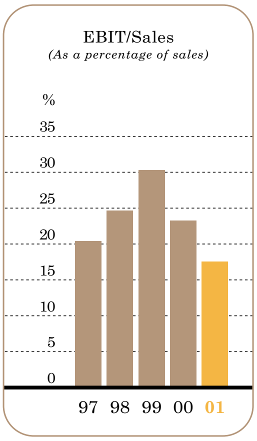
Sales of JEAM's starter motor business in North America increased 13% to US$63 million, compared to nine-month sales of US$56 million in the previous year. With JEAM's large market share in this relatively mature market, growth for this business is expected to be limited.

Sales to the home appliances sector increased over 7%, with unit volume growth of nearly 10%. The growth continued to be driven by the sales to floor-care product applications which increased 29%. Sales to Hong Kong/China, being the major market for this segment, increased over 16%. Sales performance in other markets was mixed, with sales to North America up 6%; to Europe, down 14%; and to Asia Pacific, down 4%.

Sales to business equipment and personal products sectors combined, increased over 24%. Sales of micromotors for audio-visual were excluded from this segment, since such sales became a separate business during 2000/01, as part of an international joint venture with Nidec Corporation of Japan. Johnson Electric's existing audio-visual business together with certain assets and production lines was injected into the new business, which commenced operations on 1st July 2000.

Sales to business equipment sector increased over 25%, with unit volume growth of 32%. Demand continued to be robust in such major product applications as printer products, gear box products, and copiers. Geographically, all markets posted double-digit rates of growth in sales: 48% to North America; 44% to Hong Kong/China; 20% to Europe; and 11% to Asia Pacific.

Sales to personal products sector increased over 24%, with unit volume growth of 21%. Sales were boosted by a combination of the outsourcing trend and increasing new product adoptions. Sales to such applications as massagers and toothbrushes grew at triple-digit rates, while demand for hair dryer and hair curler applications continued to be healthy. Hong Kong/China, the largest market with nearly two-thirds of total segment sales, increased over 30%. Sales to Europe were also very satisfactory, up 59%, although sales to North America and Asia Pacific were relatively flat.



Sales to audio-visual industry increased 111% in value, and 103% in unit volume, which included the sales of Johnson Electric's original audio-visual business from April to June 2000, and the sales of the new re-organised business within the international joint venture with Nidec Corporation of Japan from July 2000. Sales, however, were not expected to be material in relation to the Group's business until after this start-up year. The whole of the growth was essentially from Asia Pacific region, which accounted for over 90% of the total segment sales.

EARNINGS BEFORE INTEREST AND TAX

Excluding JEAI's provision for costs of restructuring in the US which is of a non-recurring nature, EBIT was US$165.6 million, an increase of US$8.3 million, or 5.3% over the 1999/2000 level, due primarily to the increased revenue base through continuing organic growth and the acquisition made in the prior year, partly offset by higher cost of sales reflecting: firstly, the lower margins of the acquired business; and secondly, the investments made in preparation for the manufacture and supply of parts and components for the acquired business, and for the transfer of certain production responsibilities of JEAM in Mississippi, USA to China; and in adding capacities for the new Nidec Johnson Electric business.

The Group's EBIT (before provision for restructuring costs), as a percentage of sales, decreased from 23.2% to 21%, partly due to the dilution effect of the inclusion for the first time of JEAI businesses with lower margins, for the full twelve-month period, compared to a nine-month period previously.

Gross margins of the core micromotor business decreased by about one percentage point from 41% to 40%, due mainly to higher prices of purchased materials and parts during the year and increased headcounts in preparation for added businesses in the coming year, including the transfer of production in Mississippi, and the increasing manufacturing and supply of components for JEAI and Nidec Johnson Electric businesses. JEAI's gross margins also decreased by about one-and-half percentage points, due mainly to the negative effects of a weaker Euro in the case of Gate; and the cost and pricing pressures faced by JEAM in the US which are not expected to be resolved until the completion of its planned restructuring in 2001/02.

The reduction in "Other Revenues" was anticipated, in view of falling interest rates and a surplus cash base reduced substantially by the payment for the acquisition of EMS in the prior year.

The Group's SG&A, as a percentage of sales, was maintained at 13.5% level, with SG&A of both the Hong Kong headquarters and JEAI's businesses well controlled, notwithstanding the additional costs incurred for various start-up and transition activities as part of the Group's reorganisation initiatives for long-term growth.

COST OF SALES

Overall cost of sales, as a percentage of sales, increased from 65.2% to 67.1%. Aside from effect of the inclusion of extra three months' cost of sales of JEAI compared to the previous financial year, other negative effects included: (a) increased prices of purchased materials and parts; and (b) increased wages and expenses to expand component manufacturing and final assembly capacities in China to meet with the anticipated increasing demands from JEAI and Nidec Johnson Electric businesses in the coming year.

Cost of Materials. After hitting a low of US$1,363 per tonne in the prior year, the price of copper stablised at higher levels during the year under review. The average spot price of London copper in 2000/01 was over US$1,800 per tonne, up 8% from approximately US$1,673 in 1999/2000. Steel prices, however, remained relatively flat. Our weighted average cost of steel increased 2% only, due partly to cost savings achieved in slitting steel in-house.

Lately, we saw more favorable copper prices, which started to trend downwards from the second half year, and were essentially back to the previous year's average level at 2000/01 year-end and the beginning of 2001/02.

Secondly, we also look forward to more significant cost savings in the coming years, at the cost of materials level, to be achieved from our continuing efforts which we started some time ago in global sourcing and supply chain management.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Overall SG&A expenses were US$106.7 million, up 17%, which was in line with the 17% growth in sales. Hence, SG&A as a percentage of sales, was maintained at previous year's level of 13.5% As this was the second year of our major acquisition which essentially doubled our revenue base, additional SG&A costs continued to be incurred at the corporate centre level to support the Group's growth strategies for the integrated businesses.

We are optimistic about the scaleability of our SG&A, and expect to benefit significantly from increasing scale as we grow further our businesses.

PROVISION FOR COSTS OF RESTRUCTURING

A pre-tax provision of US$26.7 million for costs of restructuring, was made in 2000/01 for the planned closure of the manufacturing plant in Columbus, Mississippi, USA, which is expected to be completed by 31st October 2001. The provision, net of tax, was US$17.1 million. Included in the provision were asset write-offs of US$15.3 million, being of a non-cash nature.

OTHER REVENUES

Other revenues decreased US$1 million, or 7.9%, due primarily to a reduction in interest income, caused by the falling interest rates on a surplus cash base reduced substantially upon payment for the major acquisition in the prior year.

DEPRECIATION EXPENSE

Depreciation expense was US$35.7 million, quite close to the previous year's level of US$37.2 million, despite a 17% growth in sales.

As a percentage of sales, overall depreciation expense was reduced to 4.5%, compared to 5.5% previously. Separately, depreciation charges of the core micromotor business (with component manufacturing as well as assembly of motors) and JEAI were reduced to 5.1% and 3.6% respectively.

A large increase in capital expenditures to expand our productive capacity for the following year, however, did not impact the depreciation expense materially, as most of the increase was incurred in building machines which are grouped as "Machinery under construction" in the assets accounts, and not used until from 2001/02.

INTEREST EXPENSE

Interest expense was reduced to a small amount of US$0.5 million, compared to US$2 million last year. The short-term bank borrowings of US$50 million on which interest was paid previously, was fully repaid from internal cash flows prior to last year-end. As the Group is essentially debt-free, interest payments were made only in relation to some short-term trade financing and small balances of temporary overdrafts or bank loans, in the case of the core micromotor business; and certain long-term loans obtained by Gate to take advantage of preferential interest rates available in Italy for specified purposes such as research and innovation.

SHARE OF LOSSES OF JV/ASSOCIATES

Share of losses of jointly controlled entities/associated companies amounted to US$2.3 million, compared to a share of profits of less than US$0.1 million in 1999/2000. The net losses were primarily due to our share of US$1.7 million of the losses in the Nidec Johnson Electric joint venture, and US$1.3 million of the losses in the Brushless Technology Motors ("BTM") joint venture in Italy, partly offset by our share of profits of the Ri Yong – JEA joint venture in Shanghai, China. Both the Nidec Johnson Electric and BTM joint ventures were started during the financial year under review, and such first-year losses were of a start-up nature. Actions are being undertaken to enable these joint ventures to achieve their planned profitability levels.

TAXATION

Taxes on profits were US$17.7 million, but more than offset by the various tax deductions resulting in a net taxation credit of US$9.2 million. A tax credit of US$9.5 million arose from the provision for restructuring costs in the USA. Tax credits were also obtained from certain revaluation of assets and financing restructuring of certain overseas companies.

The Group continued to benefit from certain tax incentives applicable to its operations in China and Thailand.

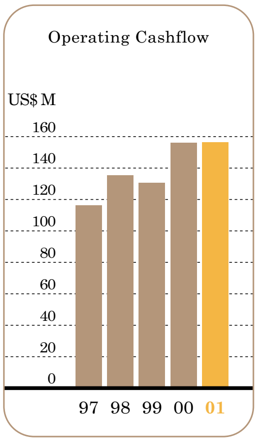
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders and earnings per share increased 7.2% to US$145.3 million and 4.0 US cents respectively. Excluding the provision for costs of restructuring, profit attributable to shareholders and earnings per share would have been US$162.5 million and 4.4 US cents respectively, up 19.9% over 1999/2000.

FINANCIAL CONDITIONS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial resources and liquidity continued to be healthy, as operating cashflow reached a record level of US$156.5 million. As at 31st March 2001, the Group had no net debt, taking into account its total cash and other investments of US$88.5 million, compared to US$45.2 million at 1999/2000 year-end. Total debt remained at a low level of US$11.6 million, compared to US$8 million at the last year-end. The total debt-to-equity ratio was only about 2.5%.



The Group's interest coverage ratio (profit before tax and interest expense divided by interest expense) was 299 times, compared to 76 times in 1999/2000.

The Group's principal committed facilities are: (a) a three-year revolving loan in US dollars of 5 million obtained by a marketing subsidiary in the USA for short-term trade financing; and (b) long-term loans in Italian Lira totalling US$3.5 million (of which US$0.5 million being repayable within one year) obtained by Gate, to take advantage of preferential interest rates (fixed at between 3% and 7.95%) for specified purposes such as research and innovation.

For day-to-day liquidity management and maintaining flexibility in funding, the Group also has access to significant uncommitted short-term borrowing facilities provided by its relationship banks. There are, however, no present needs for borrowings of any material amount.

Funding requirements for capital expenditures are expected to be met by internal cash flows. There are no present plans for material investments or capital assets in the coming years, other than the Group's regular annual capital expenditures required to maintain its growth in sales.

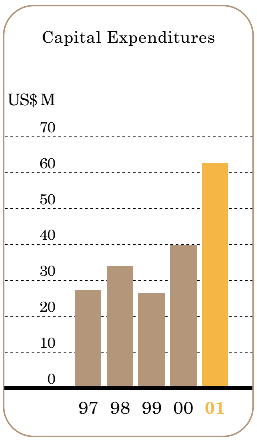
The working capital position of the Group remained healthy. As at 31st March 2001, the current ratio (current assets divided by current liabilities) improved to 1.9 times, from 1.6 times at previous year-end.

The Group's total assets were US$679.5 million and shareholders' funds were US$467.2 million, compared to US$586.3 million and US$385.2 million respectively at the previous year-end.

ASSETS

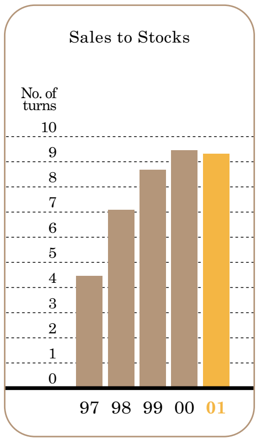
Total assets were US$679.5 million, up US$93.2 million or 16%, due mainly to increases in current assets, investment securities and deferred tax assets, partly offset by a decrease in investment in finance leases.

Non-current assets increased US$14.9 million or 4.8%. Investment in finance leases was reduced by US$7.4 million or 26.4%, as quite a number of employees withdrew from the Group's Staff Home Ownership Scheme, as the property market in Hong Kong continued to be unattractive. Deferred tax assets increased to US$30.8 million, compared to US$5.6 million at last year-end, as tax credits were available from various restructuring initiatives, including the planned closure of the manufacturing plant in Columbus, Mississippi, USA. An amount of US$3.5 million was added to the Investment securities which increased to US$11.1 million.



The Group's capital expenditures were US$62.8 million. Excluding the amount of US$9.2 million incurred in the re-purchase of housing units from employees under the terms of the Staff Home Ownership Scheme, the capital expenditures were US$53.6 million. Most of those housing units were disposed of during the year for US$5.9 million. Disposals amounting to US$5.4 million of certain plant and machinery, were made to the Nidec Johnson Electric joint venture.

Current assets increased US$78.3 million or 28.2%. All current assets categories posted increases, reflecting the continuing expansion of the Group.



Deposits and bank balances, and Other investments, representing the Group's surplus cash reserves, amounted to US$88.5 million, up 95.8%, from US$45.2 million at last year-end.

Trade and other receivables increased to US$182.5 million, up 13.5%. Trade debtors increased to US$154.4 million, up 10.2%, and the average collection period was improved to 66 days, from approximately 71 days previously.

Stocks and work in progress increased to US$85 million, up 18.6%. The sales-to-stocks ratio remained at about last year's level, slightly lower than 9.5 turns. While efforts continue in supply chain management involving suppliers to increase the inventory turns, more significant improvements are expected as soon as we complete the implementation of the relevant modules of our enterprise resource planning system.

LIABILITIES

Total liabilities were US$212.3 million, up US$11.1 million or 5.5%, due mainly to an increase of US$19.7 million in trade and other payables, partly offset by a decrease of US$8.9 million in taxation payable.

Current liabilities increased US$11 million or 6.4%. Trade and other payables increased to US$141.7 million, up 16.2%, due mainly to the inclusion in other payables of a provision of US$11.3 million for costs of restructuring in the USA. Trade creditors increased only modestly, about US$3.6 million or 5.2% over the last year-end.

Non-current liabilities were practically unchanged at last year-end level, as increases in long term loans and obligations under finance leases were offset by decreases in other provisions and deferred tax liabilities. An increase of US$4.2 million in long term loans and obligations outstanding was due partly to the change of certain bank loans of US$3 million due in 2000/01 to a three-year revolving loan required by a marketing subsidiary in the USA for trade financing; and partly to a 3.7% fixed-rate long-term loan in Italian Lira equivalent to US$1.6 million available to Gate for research activities.

SHAREHOLDERS' FUNDS

Shareholders' funds at 31st March 2001 were US$467.2 million, up 21.3%. Reserves increased US$82 million or 21.6%, as the retained profit for the year of US$96.8 million (after deduction of a total dividend of US$48.5 million), was partially offset by an adjustment of US$5.1 million arising on translation of foreign subsidiaries, associated companies and jointly controlled entities; certain final closing adjustment of US$7.3 million to the goodwill arising on previously acquired subsidiaries; and a revaluation deficit of US$2.4 million in relation to the Group's investment properties in Hong Kong.

No change was made to the total amount of share capital, notwithstanding to the subdivision of shares effective from 14th August 2000.

CASH FLOWS

Our ability to generate cash from operations to grow and expand our business to create shareholder value is one of our fundamental financial strengths.

NET CASH PROVIDED BY OPERATING ACTIVITIES

The Group's main source of liquidity continued to be the net cash from operating activities.

Net cash provided by operating activities increased only slightly to US$156.5 million, compared to US$156.1 million in 1999/2000. There were increases amounting to US$35.2 million in stocks and work in progress, and trade and other receivables; a decrease of US$0.6 million in trade and other payables (excluding the provision for costs of restructuring).

RETURNS ON INVESTMENTS AND SERVICING ON FINANCE

The net cash outflow increased US$7.6 million, due mainly to an increase of US$6.3 million in dividends paid and a decrease of US$2.6 million in interest received, partly offset by a decrease of US$1.6 million in interest paid.

TAXATION

Cash paid increased US$10.9 million, due to an increase of US$13.3 million in Hong Kong profit tax paid, partly offset by a decrease of US$2.3 million in overseas tax paid.

INVESTING ACTIVITIES

The net cash outflow returned to a lower level as no payment for any acquisition was required during the year. Net cash outflow was US$44.7 million, compared to US$299.2 million in 1999/2000.

Net additions (purchases less sales) of fixed assets, increased US$6.1 million. Investment in jointly controlled entity/associated companies increased US$8.3 million. On the other hand, investment activity in investment securities and other investments (including bonds, notes and commercial papers), contributed cash of only US$0.3 million, compared to US$55.4 million in 1999/2000.

FINANCING ACTIVITIES

Net cash from financing increased US$1.7 million, due primarily to an additional long-term loan obtained by Gate.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents as at 31st March 2001 increased to US$81.8 million, up 105.3%, from US$39.8 million at the previous year-end. Deposits and bank balances, and other investments totalled US$86.9 million, with short-term bank loans and overdrafts maintained at a low level of US$5.1 million.