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## CHAIRMAN'S STATEMENT

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### GROUP RESULTS

Sales turnover for the year is HK\$1,244 million, a 13% increase over prior year. Net profit after tax for the year is HK\$48 million.

### REVIEW OF THE FINANCIAL YEAR 2000/2001

As forecasted in our last year's annual report, results for our garment manufacturing and trading business in both woven and knits continue to improve particularly with woven shirts shipped from Bangladesh and polo knit shirts from Hong Kong Knitters in China.

Both of our investments in mainland China (Wuxi Changxin Textile Co., Ltd. in Wuxi, China, a textile factory and Qinghai Changqing Aluminium Corporation in Qinghai, China, an aluminium smelter) achieved good results. We expect Wuxi Changxin Textile Co., Ltd. to continue its good performance.

However, there are a few negative areas as follows:

- (1) Trendairo Ltd., our subsidiary import company in the UK, has continued its losses. After thorough review, we believe this company has little potential to return to profitability because its business has dropped drastically and the nature of such import business is no longer viable. We have taken steps to stop further losses and as a result have made certain a full provisions for this investment in this fiscal year's accounts.
- (2) Yangtzekiang – Tomen S.A. suffered heavy losses this year due to a weak Euro. Yangtzekiang – Tomen S.A., however, is in a much better position than Trendairo Ltd. in the UK because it still can maintain its sales volume and strong client list.

We are also concerned about our newly opened factory in Cambodia which has incurred a loss since its opening in October 2000 due to low efficiency and a higher than expected operating costs in this country.

Profit from Yangtzekiang Industries (Myanmar) Ltd. has decreased tremendously from the previous few years mainly because of the weakness of European currencies which affects the pricing of garment export to the European Union.

During the current year, we have started production in polo knit shirts in a factory in Lesotho, Africa. We have a production agreement with this factory and expected to make an equity investment in the near future. Garment export to the USA from Lesotho is quota and duty-free.

### OUTLOOK

We expect a tough time ahead. Both the US and European markets have slowed down tremendously. Although Yangtzekiang Garment being a strong supplier should be able to maintain business volume, we are expecting to suffer in profitability due to price pressure in this economic climate.

A lot will depend on the direction of the European currencies. If it goes up, we would benefit from it and vice-versa because so much of our business is exported to the Euro-zone countries.

### APPRECIATION

I would like, on behalf of the Board and shareholders, to express our appreciation to the Company's employees for their effort and loyal service to the Company during the past year.

By Order of the Board  
**Chan Sui Kau**  
Chairman

Hong Kong, 28th July, 2001