

RESULTS OF OPERATIONS

The Group's turnover increased by 13% to HK\$1,244 million for the year ended 31st March, 2001 compared with HK\$1,104 million for the year ended 31st March, 2000. Group's profit from ordinary activities after share of profits less losses of associates, taxation and minority interest was HK\$48 million compared with last year's profit of HK\$47 million.

WOVEN BUSINESS

Our woven department manufactures men's and women's shirts, pants and shorts. Our head office in Hong Kong is the sales and management office for the whole Group. Owing to high cost of labour and manufacturing in Hong Kong, we have concentrated in the role of garment trading and shifted production to China and overseas factories in Macau, Malaysia, Myanmar, Bangladesh, Cambodia, and this year Lesotho in Africa.

Our factory in Macau, Tac Cheong Lda. ("Tac Cheong") has been operating for over 30 years. Although it is difficult to achieve great profitability because of high manufacturing cost, the result of this factory remains steady and satisfactory. Tac Cheong also manages a woven shirt factory in Zhuhai, China. Our associated factory in Malaysia, Yangtzekiang Industries Sdn. Bhd., produced a satisfactory margin from selling to high end customers mainly in the USA. Although this factory is still profitable this current year, we expect profitability will be difficult to maintain because of US economic slowdown which will cause a tremendous price cutting.

Our factory in Myanmar, Yangtzekiang Industries (Myanmar) Ltd. with over 180,000 sq.ft. of production space is the largest factory we have under one compound. It produces woven and knit shirts mainly for export to Europe. The Myanmar operation has been very profitable for the past few years. However, we are seeing a deterioration of profit this current year and also for the coming year because of a weak Euro.

Our factory in Cambodia, YGM (Cambodia) Ltd. started production late in the year 2000 but has faced tremendous problem in efficiency and higher than expected cost. However, we are comforted with the fact that they are producing a quality product and will put all effort to increase efficiency.

Bangladesh remains an important area for us in woven shirts production. We have over 15 factories which we have production agreement with. We have over 30 staffs in our office in Bangladesh overseeing this production which are all exported to Europe.

KNIT BUSINESS

We manufacture polo knit shirts under company name, Hong Kong Knitters with locations in Panyu, China (Exquisite Knitters (Guangzhou) Ltd.), Hong Kong (Easeley Knitwear Ltd.), Sri Lanka (Hongkong Knitters Lanka (PVT) Ltd.) and Myanmar (Yangtzekiang Ind. (Myanmar) Ltd.). Exquisite Knitters (Guangzhou) Ltd. in Panyu, China also operates a knitting and dyeing factory.

During the current year, export of knit shirts to Europe and the USA remain strong. Unlike our woven business, our knit shirts are mainly for the USA market and thus avoiding much of the negative effect of weak Euro. The greatest improvement comes from the turnaround of Hong Kong Knitters in Panyu, China which has become profitable after years of losses. It has expanded heavily into double-mercerized cotton production which is popular with golf shirts market in the USA.

Hong Kong Knitters in Sri Lanka remains steady. Most of the production there are for the US market.

OTHER BUSINESS

As mentioned earlier, two investments in China are both profitable during this current year. They are Wuxi Changxin Textile Co., Ltd., a spinning and weaving textile factory in Wuxi, China. We believe in this factory and the future of this business in China. The other China investment is Qinghai Changqing Aluminium Corporation in Qinghai, China, an aluminium smelter which this year continues to produce a satisfactory profit.

As mentioned in the Chairman's Statement, both our importing companies, Trendairo in the UK and YangtzeKiang – Tomen S.A. in France are both suffering losses. Trendairo Ltd. has a fundamental problem while YangtzeKiang – Tomen S.A. suffered mainly because of a weak Euro. We are paying close attention to the problem and will take steps to minimize negative effect to the Company.

LIQUIDITY AND FINANCIAL POSITION

During the year, the Group maintains a solid financial structure and generally finances its operation from internal financial resources. As at balance sheet date, the Group has bank and cash balances of approximately HK\$29 million (2000: HK\$86 million) and total borrowings of approximately HK\$92 million (2000: HK\$122 million). This represents a net debt to equity ratio of approximately 18% (2000: 12%).

The current assets comprised mainly inventories of HK\$94 million, trade and other receivables of HK\$203million and bank and cash balances of HK\$29 million. The balances of the inventories and trade receivables as at balance sheet date are in line with the seasonal factor of the Group's business operation.

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. As most of the operating activities are mainly denominated in Hong Kong dollars and United States dollars, the Group has entered into some forward contracts to hedge its receivable and payables denominated in foreign currency against the exchange fluctuation.

EMPLOYEES

The Group employs a total of 16,000 employees. In addition to receiving salaries and bonuses, employees are also entitled to other benefits, including medical subsidies and a retirement scheme contribution.