

INTERIM DIVIDEND

The Board resolved that an interim dividend of 2 cents per share (2000: 3 cents) be payable on 15th January, 2002. The shareholders' register will be closed from 8th January, 2002 to 11th January, 2002 (both days inclusive). In order to qualify for interim dividend, transfer must be lodged at the company registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Monday, 7th January, 2002.

BUSINESS REVIEW AND PROSPECTS

Sales turnover for the Group has increased by 9% to \$577 million while profit has decreased by 16% to \$14 million.

We are entering an extremely difficult period in garment manufacturing business but are fortunate that overall profit has not decreased drastically. Some of the positive factors are:

1. Woven shirts business to Europe manufactured in our contracted factories in Bangladesh had actually increased during this period. Also the Euro exchange rate has been more or less stabilized.
2. Hong Kong Knitters with location in Panyu (Exquisite Knitters (Guangzhou) Limited) and Wuxi Changxin Textile Co., Ltd. in Wuxi, China still maintain a satisfactory profit.
3. The most outstanding contribution profit this first half was from our investment in Qinghai Changqing Aluminium Corporation in Qinghai, China. The excellent result was due to lower material cost and to improvement in production efficiency.

However, Tac Cheong Lda., our Macau factory, suffered a loss for the first time in many years. Losses also incurred from our factories in Sri Lanka and Cambodia. The main reason for all these losses is the accelerated drop in our selling prices which we must accommodate due to keen competitions.

Garment manufacturing business in the coming year will even be more difficult. We have to expect even further cut in prices. In order to produce a profit we have to rely more heavily on cost effectiveness and production efficiency. However, we expect our two investments in China Wuxi Changxin Textile and Qinghai Changqing Aluminium Corporation to continue their good performance.

LIQUIDITY AND FINANCIAL POSITION

During the period, the Group maintains a solid financial structure and generally finances its operation from internal financial resources. At the reporting date, the Group has bank and cash balances of approximately \$64 million (at 31st March, 2001: \$29 million) and total borrowings of approximately \$148 million (at 31st March, 2001: \$92 million). This represents a net debt to equity ratio of approximately 24% (at 31st March, 2001: 18%).

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.