MANAGEMENT DISCUSSION AND ANALYSIS

APPAREL

The Apparel Division consists of two key areas: garment manufacturing and branded products distribution.

Garment Manufacturing

The manufacturing operations, through Shui Hing Textiles International Limited and Unimix Holdings Limited, recorded a profit before taxation of HK$74 million, representing six consecutive years of profit growth, up from HK$53 million in 1999, an improvement of 39.6%. Turnover was HK$1,061.2 million compared with HK$970.1 million for 1999. The Group continued its strategy during the year of expanding offshore production to improve margins in Cambodia, Myanmar and Mainland China.

The production facilities in Cambodia, with 80,000 square feet, started operations in 1998 and reached the planned output of 200,000 dozens of shirts and blouses in 1999. We constructed a new wing in 2000 adding 8,000 square feet of shop floor and capacity for another 50,000 dozens of shirts, blouses and accessories.

We also started construction of a new factory in Ruyuan in the northern part of Guangdong Province. The new factory is scheduled to be operational in the second half of 2001. Consisting of 90,000 square feet of shop floor and dormitory, we plan to produce 120,000 dozens of sweaters annually by 2002.

We are also currently planning to build a factory to produce fine knits and sweaters in a 100,000 square foot factory in Antananarivo, Madagascar in early 2002. Textiles and apparel manufactured in Madagascar are granted duty and quota free access to the United States and European Union. Other less developed countries are accorded similar trade benefits and this is a major attraction to investing in these areas. At the same time, our investments add value to the economies and the people of these developing nations.

ACCRETION

We continued to make improvements in the efficiency and profitability of our garment manufacturing operation, but on the trading side we are faced with declining sales and severe margin pressures. The Group decided, therefore, to restructure our London based garment trading operation.

Branded Products Distribution

Gieves & Hawkes plc

Gieves & Hawkes plc ("Gieves"), previously The Gieves Group plc, was a holding company of two trading subsidiaries: Gieves & Hawkes Limited and Chivers Press Limited. The demerger of the two entities was completed as of 1st July, 1999 to focus management attention and effort on their rather distinct lines of business. The performance of Chivers Communications plc, the holding company of Chivers Press Limited, is discussed in the Technology Investments section of this report.

Both the new Gieves range and casual clothing line have performed well in spite of the difficult retail environment in the U.K.

The Gieves licensing business in Southeast Asia continues to grow satisfactorily and additional stores were opened, but marketing conditions remain very difficult in Japan.

As part of a long-term strategy to develop the Gieves business, we are looking at opportunities to open a small number of retail outlets in key U.K. cities.

As a result of initial start-up costs of new and refurbished stores and the increased marketing budget to build the brand, Gieves incurred a loss attributable to the Group of HK$1.3 million, compared with an attributable profit of HK$4.9 million in 1999. Gieves' strategy is to continue fine tuning its product offerings and to open small satellite stores.

Lee Cooper Group Limited

Lee Cooper Group Limited ("Lee Cooper"), in which the Group has a 29% interest, is the second largest jeans company in Europe with global revenue of some HK$1.3 billion (£111 million) per year through direct and licensees sales.

In 2000, a year when the demand for jeans as a fashion item remained weak, Lee Cooper recorded a profit before interest and tax of HK$46.9 million (£4.0 million) as compared to HK$65.4 million (£5.2 million) in 1999.

The jeans and denim industry is forecasted to show sustained recovery in Europe during 2001 and Lee

DEVELOPMENT

Cooper expects to benefit from its continued brand investment and product innovation.

As Lee Cooper plans to play a pro-active role in the further consolidation of the apparel industry in Europe, the company appointed Close Brothers to advise it on its strategic options.

PROPERTY

Property Development

The Waterfront

The Waterfront, our luxurious property development atop the Airport Railway's Kowloon Station at Tsim Sha Tsui, has reached its final completion stage. We obtained the occupation permit for the entire 1.6 million square foot development and the consent to assign for Phase I in November and December 2000, respectively.

Units sold in Phase I have been handed over to the buyers and we anticipate that hand-over of Phase II sold units will begin in mid-April 2001.

Because of its prime location in Kowloon, combined with the project's reputation for quality, about 200 units were sold during 2000 earning more than HK$1.4 billion in revenue. Total sales to date as of 31st December, 2000 were approximately HK$5.6 billion, with an average price of around HK$6,700 per square foot. This is very satisfactory performance given the lackluster residential property market in Hong Kong.

The Group is the joint project manager for The Waterfront and a member of the developer consortium. The property is being marketed under the WingTai Asia brand, the Group's trading name for all of our future property projects.

In March 2001, the consortium obtained a term loan to refinance part of its shareholders' loans. The Group recouped about HK$184 million. This refinancing was arranged on a non-recourse basis, and therefore substantially reduced the gearing of the Group.

Given the uncertain outlook for the residential property market, we have not included any profit from the sales of The Waterfront in 1999 or 2000.

Siu Lam project

Our 237,000 square foot project at Castle Peak Road in Siu Lam, consisting of superior, low-rise residential apartments, is progressing on schedule with a completion date of early 2002.

The development consists of high quality, low-density apartments with sea views. The Group has a one-third interest in the consortium and is the project and marketing manager for the development.

Site formation and foundation work were completed in December 2000 and work on the superstructure began in early January 2001. We plan to begin selling these units towards the end of 2001.

Kowloon Tong project

Development of our Kowloon Tong project also is on schedule with site formation and foundation work completed. Work on the superstructure began in December 2000 and the project is scheduled for completion in early 2002. Sales will begin at the end of 2001.

Po Shan Road project

The Po Shan Road project, in which the Group has a 15% interest, will be completed in the last quarter of 2002.

Investment Property

The Hong Kong rental market remained weak in 2000 and the occupancy level of the Group's three Hong Kong high grade industrial properties at Shui Hing Centre, Unimix Industrial Centre and 81 Hung To Road was about the same as in 1999. The rental yield declined resulting in lower rental revenue and profit for the year. However, given the recent decline in interest rates, we anticipate that the 2001 rental market will remain stable and possibly show some improvement.

Property Management Services

In Singapore, the occupancy rate of Lanson Place Serviced Residences showed further improvement with a rate of 87% compared with 80% for the previous year. A higher daily rental level also was recorded.