

On behalf of the board of directors (the "Directors"), I am pleased to present to the shareholders the results of Ying Wing Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2001.

RESULTS

The year ended 31 December 2001 was a difficult year for the Group. The Group recorded a turnover of approximately HK\$38,140,000, representing a significant decrease of 69% as compared to the last year. Loss for the year amounted to approximately HK\$45,558,000, as compared to loss for the year of HK\$13,601,000 recorded the year 2000. Substantial drop in operating results was mainly due to keen competition in the fabric processing industry and unfavorable performance of the Group's new snack food business.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2001.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

During the year, the Group was principally engaged in the processing of raw fabric, trading of fabric and manufacture and sales of snack food.

Processing of raw fabric and trading of fabric

During the year, the Group continued to face fierce competition from state-owned enterprises in the mainland People's Republic of China ("PRC"), which had been offering substantial price cuts to boost sales, resulting in very tough market competition. Under such unfavorable business conditions, the Group's turnover decrease significantly. In addition, substantial drop in selling prices followed by the Group caused substantial decline in the Group's overall gross profit.

Despite the fact that the Group had carried out a series of measures for credit control on trade debts, the Group considered that it was prudent and appropriate to make provision of approximately HK\$5.0 million against certain trade receivables of which the collectibility became doubtful. During the year, in order to apply the Group's resources more effectively, certain old or idle processing machines were disposed, from which a loss of approximately HK\$10.7 million was recorded.

Manufacture and sales of snack food

During the year, the Group recorded a loss before taxation of HK\$21.1 million from its new operations – manufacture and sales of stackable fabricated potato chips, of which the commercial production was commenced in November 2000. For the year ended 31 December 2001, turnover from this operation amounted to HK\$18,436,000, represented approximately 48% of the Group's total turnover.

However, due to a local press in the PRC reporting that the Group's potato chips failed to meet certain hygiene standard required by the local authorities during their regular inspection test, the Group has temporarily suspended its production of potato chips since end of October 2001 as to improve its product quality and rebuild its product brand image. As the collection of the certain outstanding debts became doubtful after the press report published, the Directors decided to make adequate provision against certain doubtful debts. In addition, the Directors has thoroughly reviewed the valuation of the Group's inventories and made appropriate provision against those inventories that were slow-moving or not good saleable enough and became too close to its "best-before" date.

Chairman's Statement

In view of the financial performance of the Group's snack food business and the possible adverse impact on the image of the Group's products as a result of the unfavorable press report mentioned above, the Directors are of the view that the outlook on the performance of the Group's snack food business is not optimistic.

POST BALANCE SHEET EVENTS – DISPOSAL OF CERTAIN SUBSIDIARIES OF THE GROUP

Pursuant to a disposal agreement (the "Disposal Agreement") dated 22 January 2002, the Group has conditionally agreed to dispose of its entire interest in certain of its indirect subsidiaries which are principally engaged in the snack food business to Feng Lin Holdings Limited ("Feng Lin"), a then substantial shareholder of the Company which was beneficially interested in approximately 74.48% of the issued share capital of the Company, for a consideration of HK\$24,600,000. As settlement of the consideration, Feng Lin would assume and repay certain liabilities and obligations, which were in aggregate of HK\$24,600,000, in respect of certain subsidiaries to be remained in the Group upon completion of the Disposal Agreement. Details of the Disposal Agreement were set out in the circular of the Company dated 22 February 2002. The resolution in relation to the Disposal Agreement was unanimously passed by way of a poll at the special general meeting of the Company held on 11 March 2002. Completion of the Disposal Agreement took place on 12 March 2002 and the Group recorded no material gain or loss on the disposal in its financial statements.

Simultaneously with the entering into of the Disposal Agreement, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between, amongst others, Feng Lin and Angel Field Limited ("Angel Field"), pursuant to which Feng Lin agreed to sell 148,000,000 shares in the Company, representing 74% of the issued share capital of the Company, to Angel Field at a consideration of approximately HK\$0.418 per share. Completion of the Sale and Purchase Agreement took place on 12 March 2002.

BUSINESS OUTLOOK

The principal activities of the Group are the processing of raw fabric and trading of fabric in the PRC market upon completion of the Disposal Agreement. Changes in the Directors are expected and the new directors to be appointed will review in detail the financial position and operation of the Group and will formulate long-term business plans and management strategy for the business of the Group. They will explore other business opportunities and consider whether any asset disposals (including redeployment of fixed asset in the ordinary course of business), asset acquisitions, business rationalization, divestment and/or diversification will be appropriate in order to enhance the long term growth potential of the Group. However, at present no detailed plan has been formulated.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group generally financed its operations with bank borrowings and internally generated cash flow. At 31 December 2001, the Group had outstanding bank borrowings of approximately HK\$20 million, all of which were due within one year and were mainly utilized as working capital for the Group's business operations. Due to significant loss from the Group's operations for the year, the Group's liquidity and financial position deteriorated with its current ratio at 0.47 (2000: 1.14) and its gearing ratio, which was measured on the basis of the Group's total borrowings over shareholders' fund, at 0.30 (2000: 0.18) at the balance sheet date.

During the year, the Group made use of low-interest Renminbi bank loans to maintain its financial flexibility in working capital used by its PRC subsidiaries. Of the total bank borrowings at 31 December 2001, bank loans of approximately Renminbi 10.9 million, equivalent to approximately HK\$10.2 million, were secured by the Group's land and buildings in the PRC with an aggregate net book value of approximately HK\$48.3 million. Other bank borrowings were secured by the corporate guarantee of the Company and personal guarantee given by certain directors of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2001, the Group had a total of approximately 600 full time managerial, administrative and production employees, the majority of them are employed in the PRC. The Group remunerates its employees largely based on industry practice and provides rent-free quarters to most of its employees in the PRC. Review of remuneration policies is conducted on a regular basis.

The Company has a share option scheme adopted on 10 December 1998, but no option has been granted or agreed to be granted under this scheme since its adoption.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our loyal staff for their contribution and their dedication and to our shareholders, customers, suppliers and business associates for their continuing supports.

On behalf of the Board

TSOI Hon Chung

Chairman

Hong Kong, 8 April 2002