

Chairman's Statement

The Group's profit attributable to shareholders for the year ended 31 December 2001 was HK\$52.3 million. This represented an improvement of HK\$121.2 million when compared with a loss of HK\$68.9 million in 2000. Turnover for the Group was HK\$1,441.8 million for the year ended 31 December 2001 compared with HK\$1,668.6 million in 2000.

This significant improvement in profit was due mainly to the continuing strong performance of the Apparel division, the gain on the timely divestiture of the Group's interest in Chivers Communications plc and Lee Cooper Group Limited in July, 2001 and the significant reduction in financing costs resulting from the much strengthened cash position and low interest rates.

The Group is organised into three divisions, Apparel, which includes garment manufacturing and branded products distribution; Property, which comprises investments in quality residential and industrial developments in Hong Kong and property management; and investments in communications.

I am pleased to report that our core garment manufacturing operation was able to withstand the tough economic situation in 2001 and contributed a strong profit from operations to the Group. The profit from manufacturing operations was comparable to that in 2000.

In the long term, with continued expansion in production facilities, earnings should continue to grow from manufacturing operations. A new plant for sweater production was completed and put into operation during the year in Ruyuan, Guangdong Province. A second plant for fine knit production is being built and will be in operation in early 2003. Because our customers stopped sourcing from Myanmar, we moved our production there into our Cambodia operation at the end of 2001.

Turning to Hong Kong, the economy remained subdued and the property sector continued its downward trend. This made it necessary for the Group to make a total provision (including share of provision made by associates) of HK\$40 million in respect to its residential development portfolio in Hong Kong.

However, despite the slow residential property market, sales at The Waterfront remained satisfactory with some 180 units sold during the year generating over HK\$1.2 billion in sales. The Hillgrove project at Castle Peak Road in Siu Lam launched in December 2001, was well received with 70% of its units sold generating HK\$600 million in sales. A private viewing of The Bloomsville, our project in Kowloon Tong, was also conducted in December which generated significant interest from buyers seeking to up-grade in the urban Kowloon market. We have established our WingTai Asia brand and we will continue to build upon this.

SUNDAY Communications Limited made significant progress during a difficult year. It achieved sustained growth in the subscriber base and increased revenues despite intense market competition. ARPU (Average Revenue Per User) declined which was in line with industry trends.

With tight financial controls and improved efficiencies, SUNDAY's operating results improved significantly and achieved a positive EBITDA (Earnings before interest, taxes, depreciation and amortisation) within the first half of 2001. An important milestone for SUNDAY in 2001 was the winning of one of Hong Kong's 3G licences.

In early July 2001, the disposal of Chivers Communications plc ("Chivers") to BBC Worldwide Limited was completed at a total consideration of £8.3 million which was settled in cash. The Group realised a gain of HK\$40.5 million from the disposal. Prior to July 2001, Chivers was a 71.2% owned subsidiary of the Group in the business of publishing large print and unabridged audio books, and the development of distribution channels for digitised spoken word recordings over the radio and Internet.

In mid July 2001, just two months before the tragic September 11 event, the Group was presented with an opportunity to divest of its interest in Lee Cooper Group Limited ("Lee Cooper"), a jeans company in Europe, to Matalan plc, a listed United Kingdom company. We decided that it was an optimum time for us to transfer our interest to Matalan plc which would

be in a better position to take Lee Cooper to its next stage. Lee Cooper was sold to Matalan plc for a total consideration of £45.8 million and the Group realised a gain of HK\$44.5 million on the transfer of its 29% interest.

STRATEGIC DIRECTION

The Group's balance sheet is very sound. We have significantly reduced our gearing, have little short-term debt and strong financial resources. We are well positioned to capitalise on opportunities as they arise, although we recognise that the coming year is not a time to aggressively seek acquisitions, but rather a period to consolidate and improve our current operations.

The Group will further strengthen its garment manufacturing capabilities by continuing to seek overseas production sites that offer cost benefits and/or preferential trading arrangements. We will continue to consolidate our position by improving our manufacturing processes and further reducing costs. Technology will play a significant role in increasing operational efficiencies, especially important in the traditional apparel industry.

Residential property development will continue to be a strategic focus for the Group. We will be concentrating on leasing units at The Waterfront. The Bloomsville in Kowloon Tong will be completed in mid 2002 and we anticipate strong demand for these units. We will be completing the planning and proceed with the construction of the luxurious low density development project in the Hebe Haven area of the Sai Kung Peninsula comprised of 60-70 two storey houses with breath-taking sea views overlooking Hebe Haven as well as pleasant views of the surrounding lush landscape. We will be looking at opportunities in Shanghai and Beijing for our Lanson Place hospitality management services.

While taking a prudent approach to assuming new commitments, we are firm believers in the long-term potential of the Hong Kong property market. The Group will continue to look for good projects such as the attractive properties the Government plans to sell in both Kowloon and Hong Kong Island. We also will consider other opportunities involving urban renewal projects, MTR stations development and KCRC projects.

PROSPECTS

It is difficult to predict the economic direction of the coming year. World economic conditions remain uncertain as is the timing of a turnaround in Asia and Hong Kong. Under these circumstances, the Group's focus will continue to be strengthening our balance sheet and growing our core businesses.

The year 2002 began slowly for the Apparel division. Obviously, there is margin pressure in this environment. While it will be difficult to achieve another record profit, we believe we have a solid profit base that will minimise the impact of a slow economy. We will continue with our strategy to enhance our operating efficiency and thus our competitiveness. And, we will continue with our strategy to expand our production bases to take advantage of favourable quota, customs duty treatment and low labour costs. In general we have been most encouraged by our garment manufacturing performance in the past few years and we believe that we are in good position to capitalise on future opportunities as the economy improves.

We are committed to develop high quality property development projects with innovative design. During the past few years, this commitment has allowed us to establish WingTai Asia as a well-recognised brand. The success of The Waterfront and The Hillgrove projects testifies to this fact. The low interest rates environment has helped stabilised the property market. With the Government's policy of maintaining a stable land supply, we are cautiously optimistic on the future of Hong Kong's property market where we will continue to look for opportunities.

China's entry into the World Trade Organisation should help improve Hong Kong's business climate and assist in the economic recovery. This would help to re-instil confidence in the Hong Kong property market.

In summary, the year 2002 will be a difficult period with no clear indication as to when an economic upturn will occur. However, the solid foundation we have built will help the Group weather these unsettled times and enable us to continue to create value for our shareholders.

VOTE OF THANKS

On behalf of the Board of Directors, I would like to thank all of our management, staff and consultants. Their spirit and efforts contributed in building a strong platform for the Group's future growth.

CHENG Wai Chee, Christopher

Chairman