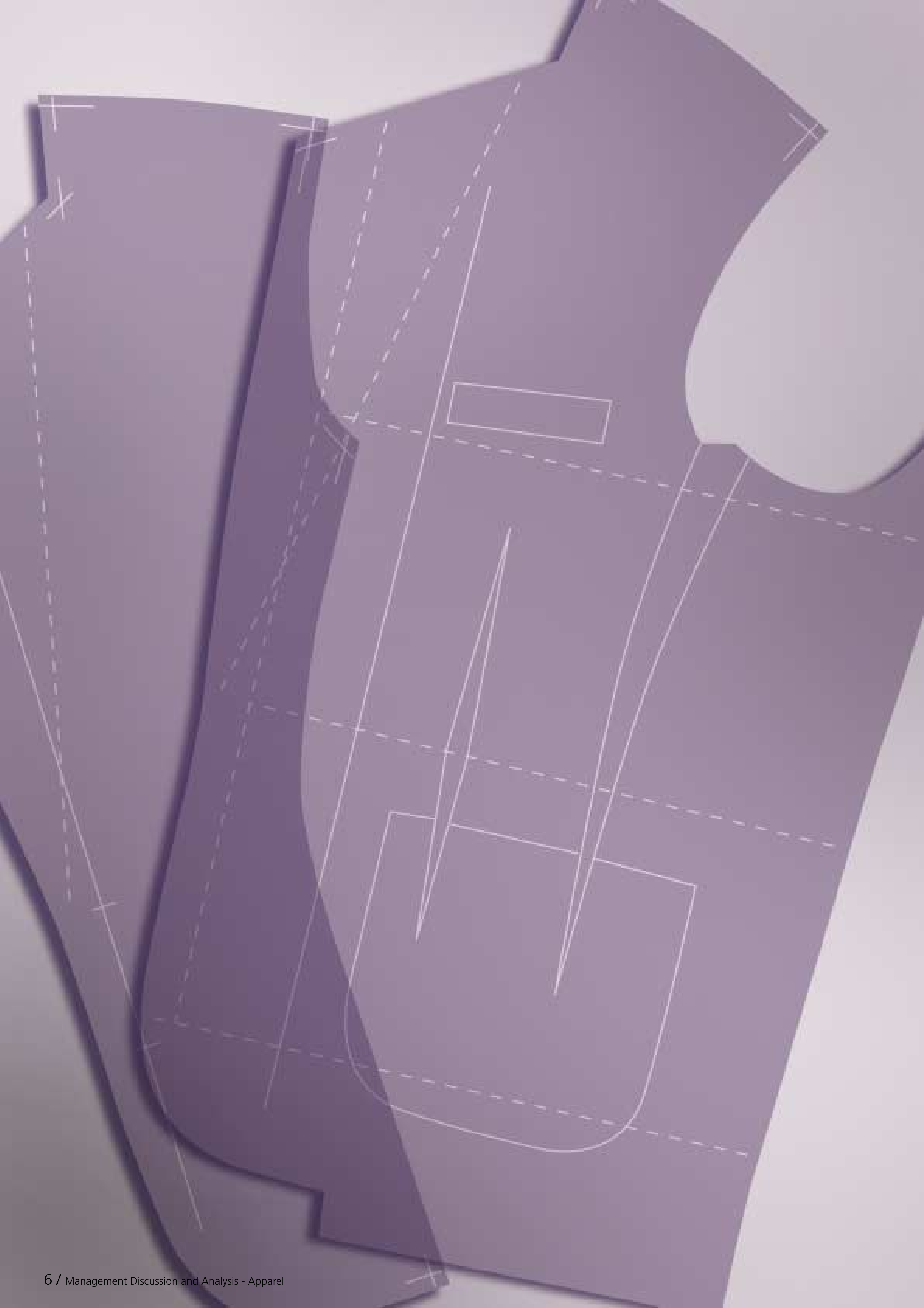

Management Discussion and Analysis - Apparel

The year 2001 was difficult for the Apparel business because of the world economic slowdown, particularly in the United States and Europe, as evidenced by a substantial drop in quota prices. At the same time, keen competition eroded our manufacturing margins. Just when it was thought that the economy had bottomed out, the September 11 tragedy occurred in the United States. Despite the adverse effect on sales volume, the Group's garment manufacturing operations, through Shui Hing Textiles International Limited and Unimix Holdings Limited, realised a profit from operations excluding restructuring costs and others of HK$83.5 million in 2001 comparable to that of 2000 (HK$86.9 million). This was due to our dedicated and eager staff, cost cutting measures, and the benefits of having relocated our production operations to low cost countries such as Mainland China and Cambodia.

Because of the uncertain world economic environment, the year 2002 will be just as challenging for our garment manufacturing operations. The slowdown following September 11 exerted tremendous pressure on manufacturers in terms of lower margins, shorter lead times and greater exposure to credit risk. However, we are confident that our strategy to expand our offshore production bases in Cambodia, Mainland China and Madagascar will enhance the Group's competitiveness. In addition, by continuing to improve the efficiency of our operations, we can devote more of our resources to improving the supply chain management process through the use of technology and by streamlining our overhead structure.

After adding 8,000 square feet in our Cambodia production facility in 2000, the 88,000 square foot plant achieved an annual output of 260,000 dozens of shirts and blouses in 2001.

In Myanmar, orders fell dramatically by mid 2001 as our customers, reacting to political pressure from international labour organisations, stopped sourcing from that country. By the end of 2001 we had consolidated our Myanmar production, specifically its higher margin European orders for quota free products, into the Cambodia facility. We expect that this will improve the profitability of our Cambodia operations. We plan to increase our capacity in Cambodia to 300,000 dozens per annum in 2002 and to target the European market which offers preferential GSP (the Generalised System of Preferences) treatment on ASEAN fabric.

Construction was completed on the sweater factory at Ruyuan, in the northern part of Guangdong Province, and placed in operation in early July 2001. The new factory is scheduled to produce 120,000 dozens of sweaters in 2002. We plan to build a 65,000 square foot fine knit factory adjacent to the Ruyuan facility that will be completed by the end of 2002 and in production by early 2003 with an annual capacity of 140,000 dozens.

Construction began on the 100,000 square foot fine knit and sweater factory in Antananarivo, Madagascar. However, due to the uncertain political situation there following the abortive presidential election in December 2001, the project has now been put on hold.

Initial operating costs of these new offshore bases will affect our 2002 results. However, we believe that these new investments will result in a sharper competitive edge and a significant return long term.

Gieves & Hawkes plc The retail market in the United Kingdom remained difficult for Gieves & Hawkes plc ("Gieves"). The dressing down trend continued to affect sales of traditional business attire, and the September 11 event had an adverse impact on Gieves' sales. Gieves incurred a loss after taxation of HK$7.3 million in 2001 (2000: loss of HK$1.8 million) of which the Group's share was HK$5.2 million (2000: HK$1.3 million). Despite the slow down in sales for formal business dress, the casual clothing line of Gieves performed well, and the new stores at Sloane Square and Bicester Village, opened in 2000, traded at planned levels in 2001. Gieves will continue to focus on raising brand recognition and increasing sales.

Lee Cooper Group Limited In mid July 2001, just two months before the September 11 event, the Group was presented with an opportunity to divest its interest in Lee Cooper Group Limited ("Lee Cooper") to Matalan plc, a listed company in United Kingdom. We decided that it was an optimum time for us to transfer our interest to Matalan plc who would be in a position to take Lee Cooper to its next stage. The Group realised a substantial gain on the transfer.

Gieves & Hawkes Collection

Management Discussion and Analysis - Property

PROPERTY DEVELOPMENT

The Waterfront, our luxurious property development atop the Airport Railway's Kowloon Station at Tsim Sha Tsui, was completed and the Consent to Assign for Phase II was obtained in late March 2001. The Phase II sold units were handed over to the buyers in April 2001.

Year-to-date sales total some 180 units generating approximately HK$1.2 billion revenue.

Following the summer sales period, the focus was placed on leasing units. The consortium decided to hold Tower V of The Waterfront for long-term investment purposes. Preparatory works are in progress to launch Tower V as Lanson Place The Waterfront Residences. Leasing of units outside Tower V was also satisfactory with an average rental of approximately HK$30 per square foot. Tenants in these units have the option of purchasing value added housekeeping services.

The Group is the joint project manager for The Waterfront and a member of the developer consortium.

The Hillgrove, a 237,000 square foot development at Castle Peak Road in Siu Lam, was launched in December 2001 with very good response. About 70% of the units were sold generating HK$600 million in revenue. Consisting of superior, low-rise residential apartments, this is the first luxury project of its type in the Siu Lam area. Prices of the units range from more than HK$3,000 to over HK$4,800 per square foot.

The Bloomsville, our Kowloon Tong project is scheduled for completion in mid 2002. Private viewing of the project was conducted in December 2001. As a result of very strong buying interests, a few selected units were sold at prices ranging from HK$5,600 to HK$6,500 per square foot.

Sai Kung project, a superbly located piece of land in the Sai Kung Peninsula area overlooking the Hebe Haven was acquired at the Government Land Auction held on 13 August 2001 at a price of HK$148 million. The project is owned equally between Nan Fung Development Limited and the Group. The land will be developed into a low density high-end residential project with 60-70 two-storey houses totaling about 115,000 square foot gross floor area.

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 industrial rental market by and large stabilised in 2001 with occupancy rates improving slightly at the Group's three Hong Kong high-grade industrial properties at Shui Hing Centre, Unimix Industrial Centre and 81 Hung To Road. This, combined with the decline in interest rates, resulted in a slight improvement in profitability for the year. We did, however, experience renewed downward pressure on rental and occupancy rates after September 11. Assuming that in the short term the current low interest rates remain in effect and the economic situation will improve in the near future, we anticipate that the industrial rental market will be stable in 2002.

PROPERTY MANAGEMENT SERVICES

In Singapore, the occupancy of Lanson Place Winsland Serviced Residences slowed from 92% in 2000 to 84% in 2001. The drop in occupancy was mainly due to the departure of United States nationals who were recalled following September 11. The daily rental level was comparable to 2000 at S$228 per night.

In Kuala Lumpur, Lanson Place Ambassador Row further improved its business. Occupancy was 71% in 2001 as compared to 54% in 2000. The average daily rental rate was unchanged at RM150.

Kondominium No. 8 Ampang Hilir in Kuala Lumpur, also managed by Lanson Place, continued its good business performance and ended 2001 with an 84% occupancy rate.

The serviced apartments outperformed the hotel industry in both Kuala Lumpur and Singapore in 2001. If the economic recovery occurs in the second half of 2002, business should improve further.

Lanson Place Management is currently gearing up for the opening of its first Hong Kong operation, Lanson Place The Waterfront Residences. The company will manage one of The Waterfront towers.

During 2002 the Group will be looking at opportunities in Shanghai and Beijing for Lanson Place managed properties.

The Waterfront
Airport Railway Kowloon Station

The Hillgrove
Castle Peak Road 18 Milestone

The Bloomsville
Kowloon Tong

Management Discussion and Analysis - Communications

SUNDAY Communications Limited ("SUNDAY") is an innovative developer and provider of wireless communications and data services in Hong Kong.

The company achieved sustained growth in both subscriber numbers and recurring service revenue and continued to meet its goals in a year marked once again by intense competition. Its number of subscribers increased to 551,000 in 2001, 34% increase as compared with 2000. The recurring revenue of mobile services increased by 18% to HK$1,165 million. The average revenue per user ("ARPU") for the year decreased to HK$219, which was in line with general industry trends.

SUNDAY became EBITDA positive in the first half of 2001. EBITDA for the year amounted to HK$102 million, an improvement of HK$221 million as compared with 2000. Loss for the year was reduced by 55% to HK$212 million in 2001 as compared with 2000. This was achieved mainly through cost reductions as well as steady growth in service revenues. The company has implemented tight financial controls over operating costs and maintained a lean operation to position itself to compete cost-effectively. Operating costs excluding depreciation were reduced by 7% or HK$64 million in 2001.

Winning one of Hong Kong's 3G licences was an important milestone for SUNDAY in 2001. It is an integral part of the company's core strategy to develop innovative services through the convergence of wireless communications and data technologies. In addition, the company will be allocated 2 x 1.6 MHz of additional

2G spectrum in the 1800 MHz band, that will allow further expansion of its subscriber base and enhance the service quality.

While the company expects that wireless voice services will continue to be the dominant source of revenue in 2002, it also expects that wireless data services' contribution to revenue growth will increase. There has been strong growth in both the awareness and usage of wireless data services in Hong Kong since the launch of the inter-operator short messaging services in December 2001. The company will introduce a new generation of services, including multi-media messaging services, using its 2.5G network.

The company is working with a number of partners to explore opportunities in the area of Mobile Virtual Network Operations (MVNOs) that are potentially efficient channels to reach specific customer groups. In January 2002, the company formed a joint venture with the Shell Group to offer a range of unique services to motorists in Hong Kong.

SUNDAY's shares are listed on The Stock Exchange of Hong Kong Limited and the NASDAQ in the United States.

Chivers Communications plc In early July 2001, the Group completed the disposal of Chivers Communications plc ("Chivers") to BBC Worldwide Limited for a total consideration of £8.3 million that was settled in cash and resulted in a substantial gain to the Group. 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.

SEGMENTAL INFORMATION

The Group's segmental information is analysed as follows:

	Sales revenue by segment		Contribution to profit from operations	
For the year ended 31 December (HK$'M)	**2001**	**2000**	**2001**	**2000**
Business segment				
Garment manufacturing	1,030.9	1,061.2	69.6	77.9
Garment trading	82.8	192.2	(2.7)	(38.3)
Branded products distribution	226.2	287.7	(1.1)	(0.3)
Property rental and management	73.3	83.7	26.5	22.5
Investing activities	28.6	43.8	(45.6)	(52.8)
	1,441.8	1,668.6	46.7	9.0
Geographical segment				
North America	801.1	841.5	47.9	47.9
United Kingdom	263.4	411.9	3.9	(33.6)
Other European countries	203.6	215.0	7.2	5.6
Hong Kong	109.9	142.2	(16.5)	(17.5)
Other areas	63.8	58.0	4.2	6.6
	1,441.8	1,668.6	46.7	9.0

Despite the difficult environment for Apparel business in 2001 due to the slowdown of world economy, the Group's garment manufacturing operation continued to generate a steady profitability through its strategy of exploring more offshore manufacturing opportunities. Our sales continued to focus on the North America region, where steady profit from operations was achieved.

The property rental and management division resulted in a slight improvement in profitability for the year mainly due to slightly improved occupancy rates. On the other hand, in view of the property market continued its downward trend, the Group made a total provision (including share of provision made by an associate) of HK$40 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's shareholders' funds were HK$1,260.9 million as at 31 December 2001 as compared to HK$1,203.5 million at the end of 2000. The increase was mainly due to the profit for the year 2001.

The Group's bank borrowing was reduced substantially by cash generated from operating activities, cash recouped from The Waterfront project and cash proceeds from the disposition of interests in a subsidiary and an associate during the year 2001. As at 31 December 2001, the Group's bank borrowing was HK$599.7 million that represented an improvement of 33% as compared to HK$896.6 million as at 31 December 2000. Included in the Group's bank borrowing was an amount of approximately HK$49.1 million repayable within one year. With additional sales providing further financial resources and with very little short-term debt, the Group is very well positioned to capitalise on opportunities that complement its growth strategy.

FOREIGN CURRENCIES

The Group continues to do most of its business in United States and Hong Kong dollars, including payments to factories. For transactions in other foreign currencies, we have a policy to hedge most such dealings. In addition, the majority of our assets rest in Hong Kong. Thus, our exposure to exchange rate fluctuations is minimal.

EMPLOYEES

As at 31 December 2001, the Group had employed more than 6,000 staff and workers. The Group offers comprehensive remuneration and benefit packages to its employees. The Group has a mandatory provident fund scheme to provide retirement benefits for all its employees in Hong Kong. In addition, there is a defined contribution top-up scheme for qualifying employees of certain Hong Kong subsidiaries of the Group. The Group also operates a funded defined benefit pension scheme for certain overseas employees.

Employees, including executive directors, are eligible under the Company's share option scheme in which the share options are generally exercisable in stages within a period of one to five years from the date of grant.