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Love Caseyford

BOSS

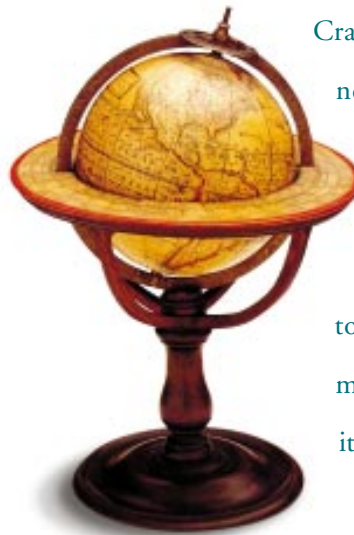
Shanghai Times Square, Shanghai



REGIONAL EXPANSION

With its remarkably sizable landbank in Hong Kong, China Mainland and Singapore, the Wheelock Group remains a committed participant in the long-term growth of the property markets in Asia.

On the retail front, following the opening of the first Lane Crawford store in China at the new Shanghai Times Square with resounding success in June 2000, the presence of the brand will be extended to Taipei at the end of 2001, marking another milestone in its continued expansion.



BUSINESS REVIEW – RETAIL

LANE CRAWFORD INTERNATIONAL

Despite the economic climate of Hong Kong being difficult and dragged by the weak financial and property markets, Lane Crawford continued to report a turnover growth and most significantly a positive operating profit. However, the prolonged deflationary scenario has restricted the room for pricing flexibility. Together with the rising cost associated with merchandise sourcing and rent, the profit margin has been under pressure. Overall, it was an extremely challenging year for retailers as consumer spending remained cautious and operating environment became increasingly competitive.



The company's persistent performance has been mainly attributable to its customer-oriented promotion strategies, relationship marketing efforts, effective cost-control systems and enhancement in productivity of selling

floors. The strategy to attract and retain customer through Privilege Card Frequent Purchase Programme proved to be successful in Hong Kong and the China Mainland. With its focused commitment and marketing strategies, Lane Crawford has maintained a leading position in the market with a strong and loyal customer base.

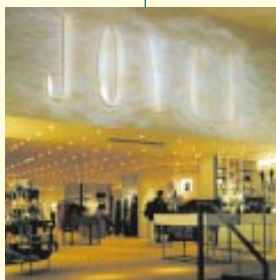
With respect to merchandise planning and management, the strategy is to strengthen the management over existing brands as well as to exploit new

quality brands and merchandise which match the company's image and market position. "On Pedder" has been a successful story established both in Hong Kong and Singapore. The fourth On Pedder boutique in Hong Kong was opened in April 2001. The company will continue to focus on maintaining and extending this brand across the region.

In China Mainland, Maison Mode continues its

BUSINESS REVIEW – RETAIL

leading position in Shanghai by maintaining an upscale image and balanced brand mix. With the high growth in disposable income and living standard in gateway cities such as Shanghai, exceptional performance is achieved. Continued promoting effort has been put into various VIP programmes, bonus plans and VIP special promotional activities to stimulate sales while operating expenses and office overhead were under strict control resulting in cost savings.



During the year under review, Lane Crawford Shanghai located in the Shanghai Times Square shopping complex started operating with favourable feedback received from numerous valuable customers. The newly-opened store has definitely attracted all high-end shoppers' attention in Shanghai.

With principal objectives to broaden customer base, enlarge market share, and exploit potential business

opportunities in the region as well as to capitalize the Lane Crawford brands, the Group's retail arm is better-positioned to deliver fairly decent growth in the longer term through both local and regional expansion. The next upcoming exciting event is the opening of Lane Crawford Taipei targeted at the end of 2001.

JOYCE

The Joyce group had managed to turn around and reported a small profit for the first time after the Asian financial crisis.

This was attributable partly to higher turnover achieved and partly to the successful cost rationalization programmes, which led to an improvement in operating margin in the 15-month period to 31 March 2001. The rebuilding and fine-tuning of the group's business platform continued. During the period, the group opened its first free-standing Joyce Beauty store, four new Ad Hoc stores and three Hugo Boss outlets. The group is also looking for other expansion opportunities.