

CHAIRMAN'S STATEMENT

OVERVIEW

The Group's net profit for the year ended 31 December 2003 was HK\$18.5 million compared with HK\$20.5 million (restated) in 2002. Turnover for the year increased to HK\$1,470.6 million from HK\$1,465.9 million in 2002 and profit from operations decreased from HK\$66.2 million in 2002 to HK\$49.3 million in 2003.

The first half of 2003 was certainly one of the most difficult times for Hong Kong's economy because of global issues such as the war in Iraq and, closer to home, the SARS epidemic in China. Towards the end of 2003, however, business sentiment and consumer confidence strengthened and the property market, in particular, rebounded significantly in the last quarter. Thus, our Property Division's operating results improved significantly for the year which helped offset some of the negative impact of SARS on our garment manufacturing operations and the continued pressure on the leasing operations of our investment properties.

OPERATIONS REVIEW

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

Our core garment manufacturing operations performed relatively well in a difficult year with turnover of HK\$989.7 million about 2% over the HK\$974.5 million for 2002. Nonetheless, operating profits, excluding restructuring and other costs, dropped by about 32% to HK\$50.0 million from HK\$73.1 million in 2002 due to severe price pressure.

The Group continued to upgrade its garment manufacturing processes, improve productivity and increase cost effectiveness while expanding our Mainland China and Cambodian production facilities. We increased the capacity of our production facility in Cambodia by about 15% to some 300,000 dozen garments per annum in 2002 and further increased it by another 5% in 2003. Since 2001, the Group has been expanding its production base in RuYuan in the Northern part of Guangdong province bordering on Hunan province. To date, we have a 100,000 square foot factory in operation and another factory of like size is under construction.

Despite a lacklustre European economy, Gieves & Hawkes ("G&H") was able to maintain steady growth in its sales turnover in 2003. As part of the continuing effort to build brand awareness and growth in volume, G&H opened a new concession store in the new House of Fraser city store in central London in September 2003. Another concession store was opened in early 2004 in Harvey Nichols at Knightsbridge, London. We believe in the long-term potential of the G&H brand and are continuously looking for attractive new store locations.

The residential property market in Hong Kong recovered significantly in the last quarter of the year. The Group sold 105 units at The Waterfront, 18 units at The Hillgrove and 33 units at The Bloomsville, generating total sales revenue of approximately HK\$1,014 million. The Group reported a net profit from property development projects of HK\$38.1 million in 2003 as compared to a loss of HK\$6.3 million in 2002.

On the development side, the low-density luxurious housing development in Hebe Haven, Sai Kung was formally named The Giverny and work is beginning on the superstructure. The foundations were completed for the low-density luxurious apartment complex development in the mid-level of Shatin. The Group made three acquisitions during the year. In February, three office units were purchased totalling approximately 9,700 square feet on the 31st floor of 9 Queen's Road Central and the Central office of the Group moved into these premises in October. In October, the Group, together with Wing Tai Land Pte. Ltd., Winsor Properties Holdings Ltd. and two Singaporean investors, successfully tendered for a development project in Singapore from the Urban Redevelopment Authority of Singapore. The Group has a 12% interest in the project. In December 2003, the Group successfully tendered for a building at 133 Leighton Road in Causeway Bay, which will become the second Lanson Place operation in Hong Kong and is scheduled to open in 2005.

SUNDAY Communications Limited ("SUNDAY") continues to improve its profitability through improved efficiency and service quality while developing a wide range of new data services.

In December 2003, SUNDAY entered into a Heads of Agreement of Supply Contract and Heads of Agreement of Facility Agreements with Huawei Technologies Co., Ltd., a leading telecom equipment manufacturer based in Mainland China, for the provision of a turnkey solution for the rollout of 3G network and services and the required financing.

A pilot network is planned in the Causeway Bay area for the launching of 3G services planned towards the end of 2004.

STRATEGIC DIRECTION

Despite improvement in economic conditions, uncertainties remain as the pace of globalisation quickens and business cycles shorten. The Group will continue to strengthen its balance sheet while prudently seeking growth in its core business.

The Group entered the residential property market in Hong Kong in 1996. Over the past seven years, Hong Kong experienced a complete cycle in its residential property market, which peaked in August 1997 and reached its nadir in June 2003. During this period, the Group completed three projects totalling over 2 millions square feet. This established a strong base for our property development division and enabled us to create the WingTai Asia brand in the Hong Kong residential property market. With the completion of The Giverny and the Shatin projects in the next two years, we will further strengthen our brand and market position. The Group will continue to look for quality residential project opportunities that would allow us to capitalise on the current buoyant market and our WingTai Asia brand.

Chairman's Statement (cont'd)

The acquisition of 133 Leighton Road in Causeway Bay will allow Lanson Place to further strengthen its operations in Hong Kong after its successful debut at The Waterfront. The Group will continue to look for opportunities in Greater China where Lanson Place will be able to create value through its serviced residence concept.

On the Apparel side, as the present quota system expires, China will become the dominant garment exporting nation. Presently, there is still no clear indication as to how the so-called "anti-surge mechanism" is going to work. However, given the quantity of quota the US. has granted Vietnam, the prognosis is that the apparel manufacturing industry will continue to suffer from excess capacity and low margins. The Group will continue to maintain strict cost controls and remain prudent in its investment decisions regarding production expansion.

PROSPECTS

With a difficult year behind us and having demonstrated the Group's staying power under trying circumstances, we are confident in the long-term outlook. Given the various economic measures undertaken by the Chinese government to help revitalise the Hong Kong economy and the continued buoyancy of the Chinese economy itself, we believe our business strategies will enable for us to capitalise on the Group's strengths going forward.

In line with the GATT agreement reached a decade ago, textile quotas will be eliminated from January 1, 2005 onwards. There is, of course, the complication of the "anti-surge" protection agreed between China and the US., the details of which have not yet been spelled out by the countries concerned. It is likely that competition will intensify in the garment manufacturing industry and while margins will be squeezed further, there will be opportunities to expand volume. The resilience of our garment manufacturing division has been clearly demonstrated during difficult operating environment of 2003 and, in preparation for 2005, we will continue to work on our cost efficiency and productivity.

Given the current positive sentiment in the Hong Kong residential property market, the Group is confident in the success of the sales launch of The Giverny and the Shatin projects towards the end of 2004. The decision made two years ago to hold Tower 5 of The Waterfront in reserve will enable the consortium to capitalise on the current upswing in the market. With the improvement in business sentiment in Hong Kong, the demand for serviced apartments should increase. Lanson Place's operations will add significant value to the property at 133 Leighton Road when it opens in 2005.

The outlook for Company in 2004 appears promising. And while the direction of the global economy remains uncertain, our current position will enable us to take full advantage of any economic upturn as we continue to create value for our shareholders.

BOARD OF DIRECTORS

On behalf of the Board of Directors, I would like to welcome Mr. Au Hing Lun, Dennis to the Board as an executive director with effect from 5 February 2004. Dennis has served as the Group's Chief Financial Officer and Company Secretary for almost 10 years. In recent years, he has been actively involved in key investment decisions and has assumed greater responsibilities in our property development business.

VOTE OF THANKS

On behalf of the Board of Directors, I would like to thank our management, staff and consultants for their spirit and efforts that have contributed to the building of a strong foundation for future growth.

CHENG Wai Chee, Christopher

Chairman