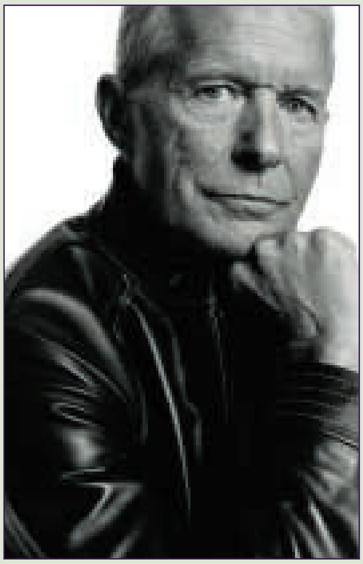
APPAREL

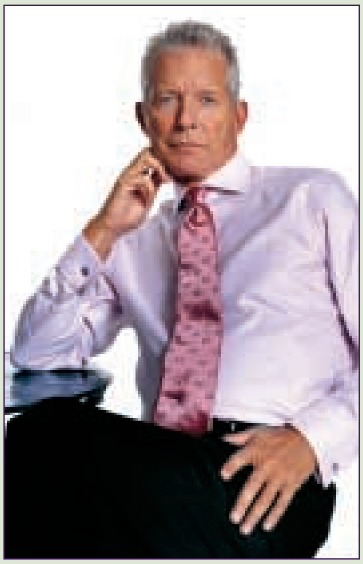
SARS and the Iraq war had a major negative impact on our apparel division. While the turnover of our manufacturing division was HK$989.7 million (2002: HK$974.5 million), there was a deterioration in the contribution margin. The Group's garment manufacturing operations, through Shui Hing Textiles International Limited and Unimix Holdings Limited, contributed an operating profit, excluding restructuring and other costs, of HK$50.0 million as compared to HK$73.1 million for the year 2002.

APPAREL

As the global economy strengthens, we are confident that our strategy of expanding our production bases in Mainland China and Cambodia and further improving efficiencies in our operations will enhance our competitiveness. We increased the capacity of the 88,000 square foot production facility in Cambodia from 260,000 dozen garments per annum in 2001 to 300,000 dozens per annum in 2002 and 320,000 dozens in 2003 by continually improving the efficiency of the factory.

With the removal of quantitative restrictions on textiles products commencing in 2005, production in China will become more competitive than the rest of the region. To take advantage of this cost competitiveness, we will focus on increasing our capacity in China in the next few years. Expansion of our sweater factory at RuYuan, in the northern part of Guangdong Province, was completed with production capacity increased to about 100,000 dozen sweaters per annum. Construction of the 100,000 square feet fine knit factory adjacent to the RuYuan sweater facility is on schedule and will begin production by mid 2004 with a planned annual capacity of 140,000 dozens. We also began construction of a 150,000 square feet woven factory in the same compound with completion scheduled by the end of 2004.





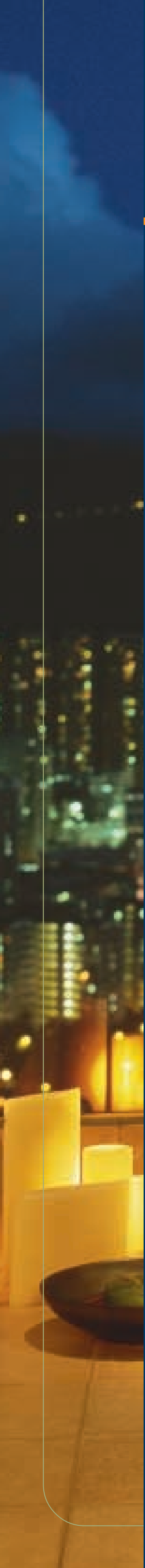
Gieves & Hawkes plc

As of January 2004, as a result of the United States exercising protectionist measures, a China export visa will be required on a few previously quota free textile products manufactured in China. While this export visa does not affect the Group's apparel business, we are reviewing the potential implications regarding our textile products that we currently manufacture that are scheduled to become quota free in 2005.

GIEVES & HAWKES PLC

Gieves & Hawkes plc ("G&H"), the Group's menswear retail and licensing operations in the UK, recorded a 3.6% increase in sales volume in 2003 (2003: HK$170.8 million, 2002: HK$164.9 million). The wholesale of GIEVES products commenced in the second half of 2003 and was in line with plan. Wholesale is expected to provide material impact on turnover beginning in 2004. The drop in license fees due to the lost of a Japan licensee, together with the drop in profit margins resulted in an increase in loss from operations of HK$11.4 million in 2003 (2002: loss of HK$5.5 million). This was in line with the Group's medium term strategy to increase sales and profitability and to bolster the GIEVES & HAWKES and now also the GIEVES brands.

Gieves & Hawkes plc



PROPERTY

PROPERTY DEVELOPMENT

Our three completed development projects, namely, The Waterfront, The Hillgrove, and The Bloomsville, during 2003 generated an aggregate turnover of HK$1,014 million. Most of these sales were recorded in the second half of the year when the residential property market made a significant recovery from the depressed market in the first half. The recovery of the residential property in the second half of the year was due to improved confidence and positive measures implemented by the Central Government. The net profit from property development projects was HK$38.1 million, compared to a loss of HK$6.3 million in 2002.

The Bloomsville penthouse terrace

PROPERTY

The construction of the two development projects, The Giverny in Sai Kung and a yet-to-be named project in Shatin, are progressing according to schedule. The Group has a 50% and a 40% interest in these two projects, which are scheduled for completion in early 2005 and early 2006, respectively.

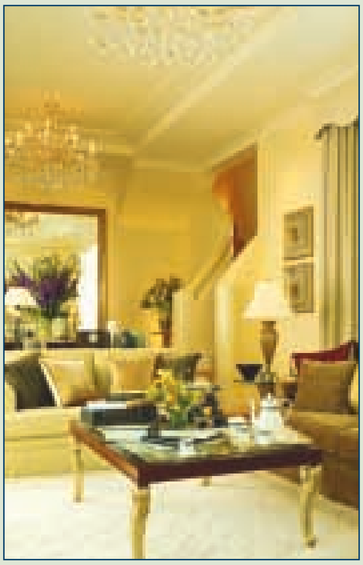
Development of the project in Lancaster Gate in London is on schedule. The Group has a 47.5% interest in the project that consists of 14 residential units ranging from studios to 3-bedroom suites that will be available for sale in the last quarter of 2004.

In February 2003, the Group purchased three office units 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 2003.

In October 2003, 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 project, in which the Group has a 12% interest, is a residential complex of approximately 930,000 square feet that will go on pre-sale at the end of 2004.

In December 2003, the Group successfully tendered for a property located at 133 Leighton Road for HK$290.0 million. The property will be refurbished for a serviced apartment operation.

Left: The Waterfront showflat, "Pilot Suite"
Right: The Bloomsville Duplex, "House of Monalisa"



INVESTMENT PROPERTY

The performance of the Group's three Hong Kong high-grade industrial properties at Shui Hing Centre, Unimix Industrial Centre and 81 Hung To Road, declined in the first half of 2003, but rental yield stabilised towards year end. Net profit decreased from HK$22.4 million in 2002 to HK$17.0 million in 2003.

Occupancy rates began to improve in early 2004 as the economy in Hong Kong recovered in late 2003. Should this trend continue and interest rates remain low, we would expect rental yield to start to improve.

The Hillgrove clubhouse and landscaped garden

PROPERTY MANAGEMENT SERVICES

In Kuala Lumpur, the occupancy of Lanson Place Ambassador Row serviced apartment was at 75%. Kondo 8 Ampang Hilir was able to maintain its position as one of the leading condominiums in the Ampang area and achieved 95% occupancy in 2003.

Following the deterioration of the business climate during the first half of 2003, there are signs of a slow recovery although competitive pricing continues to be a challenge in the Kuala Lumpur market. However, the serviced apartment industry was able to achieve on average a higher occupancy rate than the hotel industry. There will be fewer new serviced apartments opening in the market which should help lower the vacancy rates.

Occupancy at Lanson Place Winsland in Singapore was at 83%. Rental rates remain under pressure as corporations continue to deal with tight housing allowance budgets.

In Hong Kong, Lanson Place The Waterfront Residences was able to record 96% occupancy in December 2003, based on an inventory of 134 apartments. For the entire year, this project recorded a 67% average occupancy. The last group of 27 apartments was furnished increasing the total inventory to 161 apartments.

The Group will continue to look for promising management opportunities in China.

STRATEGIC INVESTMENTS

SUNDAY COMMUNICATIONS LIMITED

SUNDAY Communications Limited ("SUNDAY") continues to focus on improving its profitability through improved efficiency and service quality while developing a wide range of new data services and implementing a market segmentation strategy that leverages its competitive strengths in branding and marketing to attract and retain specific customer segments.

SUNDAY'S VISION

is to be one of the most innovative wireless communications companies in the region.

SUNDAY'S MISSION

is to always surpass and exceed stakeholders' expectations, enriching and making a difference to their lives

STRATEGIC INVESTMENTS

In December 2003, the main operating subsidiary of SUNDAY, Mandarin Communications Limited, entered into a Heads of Agreement of Supply Contract and a 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. The Heads of Agreement of Facility Agreements also provided for a loan of HK$500 million to repay the group's existing vendor and bank loans.

A pilot network is planned in the Causeway Bay area and if the results are favourable, SUNDAY will launch 3G services towards the end of 2004.

SUNDAY's shares are listed on The Stock Exchange of Hong Kong Limited and the NASDAQ National Market in the United States. The Group owns 13.7% (2002: 11.5%) of SUNDAY.

MISSION SYSTEM CONSULTANT LIMITED

The Group owns 50% of Mission System Consultant Limited ("MSC"), a software provider offering Enterprise Resources Planning solutions to garment manufactures and traders. In 2003, MSC continued to effectively penetrate the market by attracting major fashion brands in the US and UK and, at the same time, tapping into the plastics industry.

The first release of MSC's application software for the plastics industry in the region was completed in the first quarter of 2004. The product was well received by the industry in a regional exhibition and is expected to reward MSC handsomely in 2005.

The Group absorbed a net loss of about HK$0.5 million from its investment in MSC in 2003, as compared to the HK$ 2.0 million net loss absorbed in 2002.

ONEWORD RADIO LIMITED

The Group has a 50% interest in Oneword Radio Limited ("Oneword") that broadcasts the Sony Radio Academy Award-winning national digital commercial radio station, Oneword Radio. The radio station is the only national UK commercial digital radio station dedicated to the spoken word and is available on DAB digital radio, satellite and digital TV in the UK. The group's share in losses incurred by Oneword amounted to HK$7.3 million in 2003 (2002: HK$3.5 million).

In March 2004, the Group entered into an agreement with our partner, UBC Media Group Plc ("UBC"), to exchange our shares in Oneword for shares in UBC. UBC is a leading independent programme producer and radio broadcasting company listed in the A.I.M. market in London. The Group deemed that it would benefit the shareholders of Oneword for UBC to take full control of Oneword and integrate it within UBC and to steer it towards profitability. The share-for-share exchange will be completed at the end of June 2004.

SEGMENT INFORMATION

The analysis of the Group's turnover and profit from operations by business segment and geographical segment are as follows:

	Turnover		Profit from operations	
	2003	2002	**2003**	2002
For the year ended 31 December	**HK$ million**	HK$ million	**HK$ million**	HK$ million
Business segment				
Garment manufacturing and trading	**1,061.2**	1,043.3	**40.5**	55.3
Branded products distribution	**170.8**	164.9	**(10.8)**	(6.7)
Property development	**167.9**	183.6	**25.0**	3.4
Property rental and management	**59.2**	63.5	**11.7**	21.4
Investing activities	**11.5**	10.6	**14.5**	(30.9)
Unallocated corporate expenses	**–**	–	**(31.6)**	–
Gain on disposal of properties	**–**	–	**–**	23.7
	1,470.6	1,465.9	**49.3**	66.2
Geographical segment				
North America	**781.8**	795.1	**27.7**	44.0
Hong Kong	**257.8**	252.1	**21.7**	(3.8)
United Kingdom	**253.5**	222.9	**(8.7)**	20.6
Other European countries	**114.0**	146.5	**4.2**	7.8
Other areas	**63.5**	49.3	**4.4**	(2.4)
	1,470.6	1,465.9	**49.3**	66.2

LIQUIDITY AND FINANCIAL RESOURCES

The Group's shareholders' funds totalled HK$1,258.5 million as at 31 December 2003 which is basically the same as the HK$1,258.6 million, restated for adopting the SSAP 12 (Revised), as at the end of 2002. Profit for the year 2003 was offset by the distribution of the 2002 final dividend in the first half of 2003 and a downward adjustment on reserve on revaluation of investment properties at the end of the year.

As at 31 December 2003, the Group's net bank borrowings (total bank borrowings net of cash and bank balances) was HK$580.1 million (2002: HK$582.7 million), representing 46.1% of the Group's net assets, which is comparable to the 46.3% as at the end of 2002. Interest for the Group's bank borrowings was mainly on a floating rate basis. A majority (around 87%) of the Group's bank borrowings was repayable in periods beyond one year, and the Group had unutilised banking facilities in excess of HK$300 million as at the end of 2003.

FOREIGN CURRENCIES

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

CONTINGENT LIABILITIES

As at 31 December 2003, the Group's contingent liabilities were guarantees given to banks in respect of utilised credit facilities extended to associates of HK$193.8 million, and export bills discounted with recourse amounting to HK$7.3 million.

PLEDGE OF ASSETS

As at the balance sheet date, certain of the Group's investment properties with carrying value of HK$532.9 million and properties for own use with carrying value of HK$174.1 million were pledged to secure credit facilities for the Group.

The Group's advances to associates, which are engaged in property development, as at 31 December 2003 of HK$422.1 million are subordinated to the loans facilities of associates. Certain of the Group's advances to the associates are assigned, and the shares in these associates beneficially owned by the Group are pledged, to financial institutions.

EMPLOYEES

As at 31 December 2003, the Group had in excess of 6,000 staff and workers. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to the prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme to provide retirement benefits for all of 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 engaged prior to May 2001.

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.