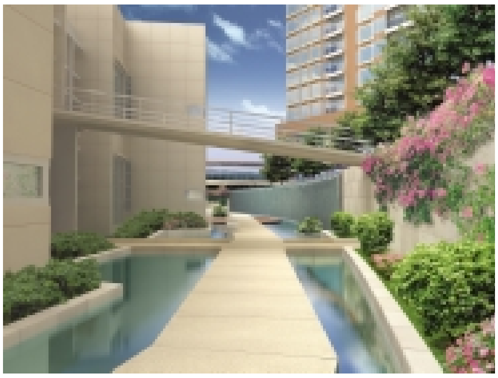
Property

Property Development

In 2004, the Group reported a net profit from its Property Division of HK$94.1 million as compared to HK$38.1 million in 2003. The profit from the Property Division in 2004 mainly came from the appreciation in the market value of Tower 5 of the Waterfront project (now known as Tower V on Union Square) and sales of the remaining units of completed projects, namely the Bloomsville and the Waterfront.



The residential property market in Hong Kong continued its recovery throughout 2004. The market value of Tower V on Union Square appreciated by HK$457 million to HK$1,930 million (i.e. reaching an average price of HK$7,200 per sq.ft.). High property prices continued into early 2005, at which time we launched the strata-sale of Tower V on Union Square. To-date, we have sold approximately 50% of the residential units in Tower V, achieving an average of HK$8,000 per sq.ft. for gross revenue totalling approximately HK$940 million. In accordance with the Group's accounting policy, the Group's 7.5% share of the change in the market value of Tower V on Union Square of HK$457 million is reported as a profit in the 2004 accounts, whereas revenues and profits pertaining to the sales will be recognised in the 2005 accounts.

At the end of 2004, the Group successfully launched the pre-sale of The Grandville (the Group has a 40% interest). Over 90% of the development was sold within approximately one month with an average price of approximately HK$7,500 per sq.ft.. Special luxurious units within the development were able to command prices averaging up-to HK$13,000 per sq.ft.. The Grandville has generated approximately HK$3.4 billion of revenue (our 40% share is approximately HK$1.36 billion). As it is the Group's accounting policy to recognise revenue at completion of project, revenues and profits pertaining to the Grandville project is not expected to be recognised in our accounts until 2006.

The Giverny, (which the Group has a 50% interest) is a low density residential development comprising 63 two-storey houses totalling approximately 150,000 sq.ft.. The Giverny is located in Hebe Haven, Sai Kung and is targeted to be completed and put on sale in the second half of 2005.

Development of the Group's overseas projects is also adding momentum to the Group's expansion in the property business. Kovan Melody in Singapore (the Group has a 12% interest) was launched for private sales in late August 2004 and 338 units were sold up to 2004. The sales launch of Lancaster Gate (the Group has a 47.5% interest) in London is deferred to 2005.

In January 2005, the Group successfully acquired 157 Argyle Street for a bid of HK$250 million. Subject to our respective independent shareholders' approval, Winsor Properties Holdings Limited will be our joint venture partner by taking up 20% interest in the project. This will further strengthen our strategic alliance in line with our long term strategy. It is anticipated the development will be completed in or about 2007 and add to the Group's portfolio of quality property products.

Investment Property

The refurbishment of the Group's property at 133 Leighton Road is targeted to be completed in the second half of 2005 and a high-end luxurious boutique hotel/serviced residences operation will commence. The property is to be managed by the Group's hospitality management division, Lanson Place. In June 2004, Morgan Stanley Real Estate Funds acquired a 40% interest in this property from the Group.

With significant improvement in property prices, the market value of the Group's three Hong Kong industrial properties at Shui Hing Centre, Unimix Industrial Centre and 81 Hung To Road, appreciated by HK$39.9 million in 2004. Occupancy rates of these properties improved gradually during the year as the industrial property rental market recovered. Occupancy rate at the year end were similar to last year at around 90%.

Property Management Services

Lanson Place has established a reputation as one of the most preferred service apartments brands in the regions luxury leasing market.

In Kuala Lumpur, the occupancy of Lanson Place Ambassador Row serviced apartment was at 75%. Kondo 8 Ampang Hilir maintained its position as one of the leading condominiums in the Ampang area and continued to outperform the market with 95% occupancy in 2004.

Due to tight housing allowance budgets, corporate demand in Singapore remained slow in 2004 and rental rates were under pressure. Notwithstanding this, occupancy at Lanson Place Winsland was at 85% as compared to the market average of 80%.

In Hong Kong, Lanson Place operation at Tower V on the Union Square was able to record an average occupancy of 88% in 2004, based on an inventory of 162 apartments as compared to 67% for 134 apartments in 2003. The Lanson Place operation at Tower V had added significant value to the property which was launched for strata-sales in early 2005. The 133 Leighton Road property in Hong Kong is under renovation for launch towards the end of 2005. This will allow Lanson Place to further strengthen its operations in Hong Kong.

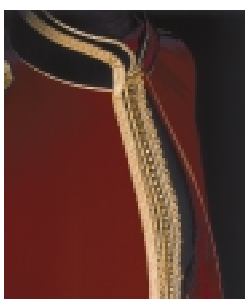
The Group will continue to develop its Lanson Place operation at strategic locations and seek promising opportunities in Greater China.

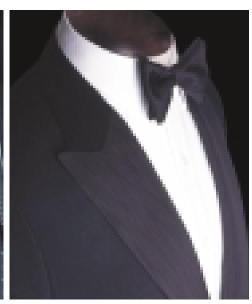
Apparel

While our Apparel division was able to record a slight increase in turnover for the first half of the year, many of our customers delayed their 2004 delivery to early 2005 to enjoy quota free prices. As a result, the turnover of our manufacturing division in 2004 was HK$1,032.8 million (as compared to HK$989.7 million in 2003). As uncertainty surrounding the quota elimination continues, price competition was intense and, as expected, contribution margin deteriorated. 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$30.4 million as compared to HK$50.0 million for the year 2003.

Gieves & Hawkes plc

We expect the adverse operating conditions encountered in 2004 to continue to put pressure on price and margin in 2005. Uncertainty over the anti-surge mechanism, increased costs due to inflation, compliance and increased minimum wage requirements, and more burdensome and costly export application for China, etc will continue to cloud the business environment for apparel manufacturing. These factors are our major challenges in 2005. The Group continues to streamline operation to improve efficiency. In 2005, the development of our Ruyuan facilities will be completed to lower our manufacturing cost base. On the other hand, we are developing production facilities in Macau to maintain our flexibility in producing products in Hong Kong, Macau, China and Cambodia. In addition, we have been streamlining our operations and closing down non-core business units. With these initiatives, we are confident in the long term profitability despite depression and volatility in the short term.





Gieves & Hawkes plc

Gieves & Hawkes plc ("G&H"), the Group's menswear retail and licensing operations in the UK, recorded a 25.3% increase in sales in 2004 (2004: HK$214.0 million, 2003: HK$170.8 million). Sales at the two new concession stores at House of Fraser in London and Harvey Nichols, Knightsbridge (opened in September 2003 and February 2004 respectively) more than offset the sales lost for the two stores closed in early 2003. The strong performance at the Savile Row flagship store, together with the wholesale operation that commenced in mid-2003, also boosted turnover in 2004.

In September 2004, a new licensee for Japan was appointed. The new licence arrangement will provide G&H a healthy stream of income for four years commencing 2005.

In line with the Group's medium-term strategy to increase sales and profitability and to bolster the GIEVES & HAWKES and the GIEVES brands, G&H will continues to focus on developing its wholesale and license operations as well as expansion of retail points at strategic locations.

Strategic Investments

SUNDAY Communications Limited

SUNDAY Communications Limited ("SUNDAY") recorded its second consecutive profitable year in 2004 despite continued intense market competition and initial 3G roll-out costs. Net profit for the year was HK$6 million. During 2004, SUNDAY focused its energies on preparing for the launch of its 3G services, while continuing to improve the quality and efficiency of its operations.

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.

Recognising the short-sightedness of competing aggressively on price in the current commoditised market, while maintaining its competitiveness in the market, SUNDAY continued to invest in network and service quality and to focus on market segmentation, with the view to laying a strong foundation for an advantageous starting position in the high value-added market that 3G technology will usher in 2005. As a result, despite difficult market conditions, SUNDAY grew its mobile subscriber base, which increased by 4% to 684,000, and reduced churn in 2004. However, revenue from the mobile services business for 2004 declined by 10% to HK$1,032 million from HK$1,150 million in 2003 as ARPU in 2004 fell to HK$180, in line with an industry-wide decline.

SUNDAY has been implementing a number of initiatives since 2002, including the establishment of an operations centre in Shenzhen, China to create a leaner and more efficient structure. Total operating expenses (excluding depreciation) in 2004 was 12% lower than that in 2003, representing a reduction of HK$75 million, despite the impact of 3G start-up costs. However, due to lower revenues and initial 3G related costs, net profit decreased from HK$27 million in 2003 to HK$6 million in 2004.

The fundamentals have been in place for launch of the 3G services by SUNDAY, which is planned to be the second quarter of 2005. The company also expects that more 3G handsets with functionality and cost demanded by customers will be available from a wide variety of manufacturers in the second half of 2005.

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% 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 manufacturers and traders.

In 2004, MSC strengthened its market position by further securing larger local and international clients. MSC is in the process of developing their application with Ann Taylor and is on track to release the first version of its global application this year (2005). MSC is uniquely positioned to compete in the global sourcing application space where there are few competitors. MSC's dominant position in Asia will be an obvious competitive edge for success in 2005 and beyond.

Subsequent to the year end, MSC issued new shares to an executive and the Group's interest in MSC was diluted to 42.5%.

UBC Media Group Plc

In June 2004, the Group completed the share-for-share exchange in Oneword Radio Limited for shares in UBC Media Group Plc ("UBC"). UBC is a leading independent programme producer and radio broadcasting company listed in the A.I.M. market in London.

Segmental Information

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

	Turnover		Profit from operations	
	2004	2003	**2004**	2003
For the year ended 31 December	**HK$'M**	HK$'M	**HK$'M**	HK$'M
Business segment				
Garment manufacturing and trading	**1,107.6**	1,061.2	**15.6**	40.5
Branded products distribution	**214.0**	170.8	**(1.1)**	(10.8)
Property development	**61.5**	167.9	**39.9**	25.0
Property rental and management	**58.4**	59.2	**49.1**	11.7
Investing activities	**14.3**	11.5	**4.9**	14.5
Unallocated corporate expenses	**–**	–	**(49.5)**	(31.6)
	1,455.8	1,470.6	**58.9**	49.3
Geographical segment				
North America	**853.0**	781.8	**9.4**	27.7
Hong Kong	**138.5**	257.8	**48.2**	21.7
United Kingdom	**262.0**	253.5	**(2.8)**	(8.7)
Other European countries	**119.7**	114.0	**(0.3)**	4.2
Other areas	**82.6**	63.5	**4.4**	4.4
	1,455.8	1,470.6	**58.9**	49.3

Liquidity and Financial Resources

The Group's shareholders' funds totalled HK$1,364.9 million as at 31 December 2004 as compared to HK$1,258.5 million as at the end of 2003. The increase in shareholders' funds was mainly attributed to the profit for the year 2004 of HK$93.3 million offset by the distribution of the 2003 final dividend in the first half of 2004.

As at 31 December 2004, the Group's net bank borrowings (total bank borrowings net of cash and bank balances) was HK$623.1 million (2003: HK$580.1 million), representing 45.7% of the Group's net assets, which is comparable to the 46.1% recorded at the end of 2003. Interest for the Group's bank borrowings was mainly on a floating rate basis. A majority (around 92%) of the Group's bank borrowings was repayable in periods beyond one year, and the Group had unutilised banking facilities in excess of HK$500 million as at the end of 2004 (2003: HK$300 million).

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 2004, the Group's contingent liabilities were guarantees given to banks, mainly in respect of utilised credit facilities extended to associates, of HK$303.1 million, and export bills discounted with recourse amounting to HK$0.9 million.

Pledge of Assets

As at the balance sheet date, certain of the Group's investment properties, properties for own use and properties under development with carrying value of HK$539.0 million, HK$209.8 million and HK$327.2 million respectively 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 2004 of HK$348.8 million are subordinated to the loans facilities of associates. The Group's advances to the associates include amounts of HK$323.4 million which are assigned, and the shares in these associates beneficially owned by the Group are pledged, to financial institutions.

Employees

As at 31 December 2004, 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.