

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in garment manufacturing and trading, branded products distribution, property rental and management, property development and investing activities. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's associates are principally engaged in property development.

Details of the Company's principal subsidiaries and Group's principal associates at 31 December 2003 are set out in notes 39 and 40 to the financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 38.

The directors recommended a final dividend of HK1.0 cent per share for the year ended 31 December 2003 (2002: HK1.0 cent per share) to be payable in cash to shareholders whose names appear on the Register of Members of the Company on 15 June 2004 and the retention of the remaining profit for the year of HK\$13.3 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on 25 June 2004.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 31 December 2003 are set out in note 27 to the financial statements. There were no changes in the year.

RESERVES

Movements in the reserves of the Group and of the Company are set out in note 29 to the financial statements.

INVESTMENT PROPERTIES

The Group revalued its investment properties as at 31 December 2003 on an open market value basis. Movements during the year are set out in note 14 to the financial statements.

A summary of the properties held by the Group for investment purposes at 31 December 2003 is set out on page 96.

OTHER PROPERTIES, PLANT AND EQUIPMENT

During the year, the Group acquired other properties, plant and equipment for an aggregate cost of HK\$72.7 million in its normal course of business. These and other significant movements during the year are set out in note 15 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$0.3 million.

DIRECTORS AND DIRECTORS' SERVICES CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

CHENG Wai Chee, Christopher *JP, Chairman*

CHENG Wai Sun, Edward *Chief Executive*

CHENG Man Piu, Francis

NG Tak Wai, Frederick

AU Hing Lun, Dennis (appointed on 5 February 2004)

Non-executive directors:

CHENG Wai Keung

KWOK Ping Luen, Raymond

WONG Yick Kam, Michael (also an alternate to KWOK Ping Luen, Raymond)

HONG Pak Cheung, William

Independent non-executive directors:

Simon MURRAY *CBE*

FANG Hung, Kenneth *JP*

In accordance with bye-law 100 of the Company's bye-laws, Messrs. CHENG Wai Sun, Edward, NG Tak Wai, Frederick and Simon MURRAY will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with bye-law 103(B) of the Company's bye-laws, Mr. AU Hing Lun, Dennis shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

All directors, except the Chairman of the Company, are subject to retirement by rotation as required by the Company's bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the financial year ended 31 December 2003 with the Code of Best Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

AUDIT COMMITTEE

The Company's Audit Committee comprises the Chairman of the Committee, Mr. Simon MURRAY and other members including Mr. FANG Hung, Kenneth, Mr. WONG Yick Kam, Michael and his alternate Mr. HONG Pak Cheung, William. Messrs. Simon MURRAY and FANG Hung, Kenneth are independent non-executive directors of the Company. Mr. WONG Yick Kam, Michael and Mr. HONG Pak Cheung, William are non-executive directors of the Company.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control, auditing and financial reporting matters in respect of the annual report including a review of the audited consolidated financial statements of the Company for the year ended 31 December 2003.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Name of director	Number of shares held				Total	Percentage of the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
CHENG Wai Chee, Christopher	75,999	–	150,409,086	110,595,862	261,080,947	50.44%
			Note (a)	Notes (b) & (c)		
CHENG Wai Sun, Edward	–	–	–	110,595,862	110,595,862	21.37%
				Notes (b) & (d)		
CHENG Man Piu, Francis	–	–	–	110,595,862	110,595,862	21.37%
				Note (b)		
NG Tak Wai, Frederick	26,000	762,000	–	Note (e)	788,000	0.15%
CHENG Wai Keung	–	–	–	110,595,862	110,595,862	21.37%
				Note (b)		
AU Hing Lun, Dennis	–	–	–	Note (f)	–	–

Directors' Report (cont'd)

Notes:

- (a) Mr. CHENG Wai Chee, Christopher was deemed to be interested in 150,409,086 shares of the Company beneficially owned by Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited by virtue of his corporate interests in these companies. Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited were the beneficial owners of 68,747,996, 66,698,122 and 14,962,968 shares of the Company respectively.
- (b) Messrs. CHENG Wai Chee, Christopher, CHENG Wai Sun, Edward, CHENG Man Piu, Francis and CHENG Wai Keung were beneficiaries of a trust which assets include indirect interests in 110,595,862 shares of the Company beneficially owned by Brave Dragon Limited and Wing Tai Garment Manufactory (Singapore) Pte Limited as set out under "Substantial Shareholders" below.
- (c) Mr. CHENG Wai Chee, Christopher had outstanding options to subscribe for 2,000,000 shares of the Company under the share option schemes of the Company as set out below under "Directors' and Chief Executive's rights to acquire Shares or Debentures".
- (d) Mr. CHENG Wai Sun, Edward had outstanding options to subscribe for 2,000,000 shares of the Company under the share option schemes of the Company as set out below under "Directors' and Chief Executive's rights to acquire Shares or Debentures".
- (e) Mr. NG Tak Wai, Frederick had outstanding options to subscribe for 860,000 shares of the Company under the share option schemes of the Company as set out below under "Directors' and Chief Executive's rights to acquire Shares or Debentures".
- (f) Mr. AU Hing Lun, Dennis had outstanding options to subscribe for 600,000 shares of the Company under the share option schemes of the Company as set out below under "Directors' and Chief Executive's rights to acquire Shares or Debentures". Such options were granted to Mr. Au prior to his appointment as a director of the Company.

All the interests in shares and underlying shares in respect of share options disclosed under this section are long position.

Save as disclosed above, as at 31 December 2003, none of the directors nor the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO; or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Company's share option schemes, certain directors of the Company have personal interests in share options which had been granted to them to subscribe for shares in the Company, as follows:

Name of director	Date of grant	Exercise price per share (HK\$)	Number of share options outstanding at 1.1.2003 and 31.12.2003
CHENG Wai Chee, Christopher	15.11.1999	0.8	2,000,000
CHENG Wai Sun, Edward	15.11.1999	0.8	2,000,000
NG Tak Wai, Frederick	15.11.1999	0.8	860,000
AU Hing Lun, Dennis*	15.11.1999	0.8	600,000

* Appointed on 5 February 2004

No options were granted to, or exercised by, the Company's directors during the year.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Directors' Report (cont'd)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following persons (other than the directors and the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of shares beneficially held	% of shareholding
Brave Dragon Limited	106,345,862	20.54
Wing Tai Holdings Limited	110,595,862	21.37 (Note 1)
Deutsche Bank International Trust Co. (Jersey) Limited	110,595,862	21.37 (Note 2)
Deutsche Bank International Trust Co. (Cayman) Limited	110,595,862	21.37 (Note 2)
Wing Tai Asia Holdings Limited	110,595,862	21.37 (Note 2)
Wing Sun Development Pte Limited	110,595,862	21.37 (Note 2)
Terebene Holdings Inc.	110,595,862	21.37 (Note 2)
Winlyn Investment Pte Limited	110,595,862	21.37 (Note 2)
Bestime Resources Limited	68,747,996	13.28 (Note 3)
Pofung Investments Limited	66,698,122	12.89 (Note 3)
Wing Tai Corporation Limited	135,446,118	26.17 (Note 3)
Wesmore Limited	83,316,158	16.10 (Note 4)
Sun Hung Kai Properties Limited	100,762,150	19.47 (Note 4)
Lo Yuk Sui	51,676,000	9.98 (Note 5a)
Century City International Holdings Limited	51,676,000	9.98 (Note 5a)
Century City BVI Holdings Limited	51,676,000	9.98 (Note 5b)
Paliburg Holdings Limited	51,676,000	9.98 (Note 5b)
Paliburg Development BVI Holdings Limited	51,676,000	9.98 (Note 5b)
Paliburg International Holdings Limited	51,676,000	9.98 (Note 5b)
Paliburg BVI Holdings Limited	51,676,000	9.98 (Note 5b)
Regal Hotels International Holdings Limited	51,676,000	9.98 (Note 5b)
Regal International (BVI) Holdings Limited	51,676,000	9.98 (Note 5b)
Real Chance Profits Limited	51,676,000	9.98 (Note 5b)
HK 168 Limited	51,676,000	9.98 (Note 5b)

Notes:

- (1) Wing Tai Holdings Limited beneficially owned 89.4% of the issued shares of Brave Dragon Limited and 100% of the issued shares of Wing Tai Garment Manufactory (Singapore) Pte Limited which owned 4,250,000 shares of the Company.

- (2) Deutsche Bank International Trust Co. (Jersey) Limited was the trustee of a family trust (in which Messrs. CHENG Wai Chee, Christopher, CHENG Wai Sun, Edward, CHENG Man Piu, Francis and CHENG Wai Keung were beneficiaries) which held all units of a unit trust ("Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust which beneficially owned 100% of the issued shares of Wing Tai Asia Holdings Limited and 61.3% of the issued shares of Terebene Holdings Inc., Wing Tai Asia Holdings Limited, through its wholly-owned subsidiary, Wing Sun Development Pte Limited, held 28.3% of the issued shares of Wing Tai Holdings Limited. Terebene Holdings Inc. held 59.3% of the issued shares of Winlyn Investment Pte Limited which in turn held 10.8% of the issued shares of Wing Tai Holdings Limited.
- (3) Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited and Pofung Investments Limited and therefore, it was deemed to be interested in the shares of the Company beneficially owned by Bestime Resources Limited and Pofung Investments Limited.
- (4) Sun Hung Kai Properties Limited ("SHKP") beneficially owned 100% of the issued share capital of Soundworld Limited, Techglory Limited and Wesmore Limited. SHKP was deemed to be interested in the shares of the Company owned by Soundworld Limited, Techglory Limited and Wesmore Limited by virtue of its corporate interests in these companies. Soundworld Limited was the beneficial owner of 16,260,992 shares of the Company and Techglory Limited was the beneficial owner of 1,185,000 shares of the Company.
- (5) (a) These shares were held through the companies controlled by Century City International Holdings Limited ("CCIHL"), of which Mr. Lo Yuk Sui is the Chairman and controlling shareholder. 51,676,000 shares of the Company were beneficially owned by HK 168 Limited ("HK 168"), in which shares Regal Chance Profits Limited, Regal International (BVI) Holdings Limited, Regal Hotels International Holdings Limited, Paliburg BVI Holdings Limited, Paliburg International Holdings Limited, Paliburg Development BVI Holdings Limited, Paliburg Holdings Limited, Century City BVI Holdings Limited and CCIHL were deemed to have an interest through their direct or indirect shareholding interests in HK 168. These interests in 51,676,000 shares are duplicated amongst Mr. Lo Yuk Sui and all these companies.

(b) These companies are controlled by CCIHL.

All the interests in shares disclosed under this section represent long position in the shares of the Company.

Save as disclosed above, as at 31 December 2003, the Company is not aware of any other person (other than the directors and the chief executive of the Company) who has an interest or a short position in the shares or underlying shares of the Company which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 28 to the financial statements.

Details of directors' and chief executive's personal interests in the Company's share options are set out in the section of "Directors' and Chief Executive's rights to acquire Shares or Debentures" above.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of directors of the Company in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Messrs. CHENG Wai Chee, Christopher, CHENG Wai Sun, Edward and CHENG Man Piu, Francis are substantial shareholders of Wing Tai (Cheng) Holdings Limited and Pacific Investment Exponents Inc. (the "Group One Companies"). Messrs. CHENG Wai Chee, Christopher and CHENG Man Pui, Francis are directors of Wing Tai (Cheng) Holdings Limited. Messrs. CHENG Wai Chee, Christopher, CHENG Wai Sun, Edward and CHENG Man Piu, Francis are directors of Pacific Investment Exponents Inc.

Messrs. CHENG Wai Chee, Christopher, CHENG Wai Sun, Edward, CHENG Man Piu, Francis and CHENG Wai Keung are beneficiaries of a family trust which is a substantial shareholder of Wing Tai Garment Industrial Holdings Limited (the "Group Two Company"). Messrs. CHENG Wai Chee, Christopher and CHENG Man Piu, Francis are directors of the Group Two Company.

Messrs. CHENG Wai Chee, Christopher, CHENG Wai Sun, Edward, CHENG Man Piu, Francis and CHENG Wai Keung are beneficiaries of a family trust which is a substantial shareholder of Wing Tai Asia Holdings Limited and Terebene Holdings Limited (the "Group Three Companies"). Mr. CHENG Wai Keung is a director of the Group Three Companies.

Certain companies controlled by the Group One Companies and the Group Two Company carry on garment business in China, Cambodia and Madagascar which may be regarded as competitive to the Group's apparel business.

Certain companies affiliated with the Group Three Companies carry on garment business in Malaysia and Sri Lanka which might be regarded as competitive to the Group's apparel business.

The Group's management team is separated from and independent of those of the Group One Companies, Group Two Company and Group Three Companies. The Group's management team has been instructed that whatever businesses to be transacted with the Group One Companies, Group Two Company, Group Three Companies and/or any companies controlled thereby or affiliated therewith shall be transacted at arm's length. Furthermore, the Company's independent non-executive directors and the members of the Company's Audit Committee will ensure that the Group is capable of carrying on its business independently of, and at arm's length from the aforesaid garment businesses.

Messrs. CHENG Wai Chee, Christopher and CHENG Wai Sun, Edward are non-executive directors of and interested in Winsor Properties Holdings Limited ("Winsor"). Mr. AU Hing Lun, Dennis is an alternate director to Messrs. CHENG Wai Chee, Christopher and CHENG Wai Sun, Edward in Winsor. The letting and managing of industrial buildings by Winsor may be regarded as competitive to the Group's property rental business.

The Group's management team is separated from and independent of the management team of Winsor. The Group's management team has been instructed that whatever businesses to be transacted with Winsor and/or any companies controlled thereby or affiliated therewith shall be transacted at arm's length. The industrial buildings let and managed by the Group and Winsor are targeting at different customer bases and different market segments. Furthermore, the Company's independent non-executive directors and the members of the Company's Audit Committee will ensure that the Group is capable of carrying on its businesses independently of, and at arm's length from the aforesaid industrial property letting and management business of Winsor.

Messrs. KWOK Ping Luen, Raymond and WONG Yick Kam, Michael are directors of Sun Hung Kai Properties Limited ("SHKP"). Businesses of SHKP consist of property development and investment. Only in this respect they are regarded to be interested in the relevant competing business with the Group.

Messrs. KWOK Ping Luen, Raymond and WONG Yick Kam, Michael are directors of SUNeVision Holdings Limited ("SUNeVision"). Businesses of SUNeVision consist of internet services. Only in this respect they are regarded to be interested in the relevant competing business with the Group.

Mr. KWOK Ping Luen, Raymond is a director of The Kowloon Motor Bus Holdings Limited ("KMB"). Businesses of KMB consist of property development and investment. Only in this respect he is regarded to be interested in the relevant competing business with the Group.

The aforesaid competing businesses, in which Messrs. KWOK Ping Luen, Raymond and WONG Yick Kam, Michael are regarded to be interested, are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its business independently of, and at arm's length from the said competing businesses.

CONNECTED TRANSACTIONS

- (1) As previously reported, the Company (through a wholly-owned subsidiary) had granted certain loans (the "Shareholders' Loans") to Union Charm Development Limited ("Union Charm") in proportion to the Company's equity interest in Union Charm.

The Company has a 7.5% attributable indirect shareholding in Union Charm, held through Avondale Properties Limited ("Avondale"), the beneficial owner of the entire issued ordinary share capital of Union Charm, and Everton Properties Limited ("Everton"), which holds 15% of the issued share capital of Avondale and 15% of the issued participating preference shares of Union Charm. Each of World-Wide Investment Company (Bermuda) Limited and a wholly owned subsidiary of the Company holds 50% of the issued share capital of Everton.

Directors' Report (cont'd)

On 12 March 2001, Union Charm entered into a loan agreement with The Hongkong and Shanghai Banking Corporation Limited (the "Lender") pursuant to which the Lender has agreed to provide loan facilities for an aggregate amount of HK\$2,950 million to Union Charm (the "Loan Facilities"). Amounts drawn thereunder carry interest at a rate based on the Hong Kong inter-bank offered rate. On 19 February 2004, the outstanding balance of the Loan Facilities amounted to HK\$418,000,000.

On 19 February 2004, Union Charm entered into a supplemental loan agreement with the Lender (the "Supplemental Loan Agreement") pursuant to which the Lender has agreed to Union Charm re-borrowing a principal amount of HK\$983,000,000 under the Loan Facilities for the purpose of re-financing part of the Shareholders' Loans and to extend the maturity date of the Loan Facilities to 19 February 2009.

As part of the security package for the Loan Facilities, the Company, a wholly-owned subsidiary thereof and Everton respectively entered into a Deed of Consent and Authorisation (consenting to Union Charm executing a Security Deed in favour of the Lender), a Subordination Agreement (subordinating the Shareholders' Loans to the loans made by the Lender under the Loan Facilities and Share Mortgage (mortgaging the Group's shareholding in Union Charm to the Lender) (collectively the "Security Documents"). Confirmation letters in respect of the Security Documents were signed for the purpose of acknowledging and confirming the Supplemental Loan Agreement.

The directors (including the independent non-executive directors) of the Company considered that the Supplemental Loan Agreement is on normal commercial terms.

- (2) In November 2003, the Company through a wholly-owned subsidiary, Kosheen Investments Limited, formed a joint venture company, namely Winwill Investment Pte Ltd ("Winwill"), together with a wholly-owned subsidiary of Wing Tai Holdings Limited ("WTH") and a wholly-owned subsidiary of Winsor Properties Holdings Limited ("Winsor") on a 20:60:20 basis.

Winwill is an investment vehicle. It holds a 60% interests in another joint venture company, namely Winhome Investment Pte Ltd ("Winhome"). Other shareholders of Winhome are independent third parties to each of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

Winhome undertakes the development and sale of a residential land parcel at Flower Road/Kovan Road in Singapore. Financial assistance in the form of shareholders' loan provided to Winhome in proportion to the Group's equity interests in Winhome and on normal commercial terms amounted to approximately HK\$49 million in 2003.

WTH is a substantial shareholder of the Company. Accordingly, WTH is a connected person (as defined under the Listing Rules) of the Company. Winsor is a substantial shareholder of a subsidiary of the Company and therefore also a connected person to the Company for the purpose of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2003, the aggregate purchases and turnover attributable to the Group's five largest suppliers and customers were less than 30% of the total value of the Group's purchases and turnover respectively.

PRACTICE NOTE 19 TO THE LISTING RULES

As at 31 December 2003, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group amounted to HK\$751.3 million, representing approximately 59.7% of the net assets of the Group.

A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31 December 2003 are presented below:

	Pro-forma combined balance sheet HK\$'M	Group's attributable interest HK\$'M
Non-current assets	2,972.0	590.3
Current assets	1,237.2	205.0
Current liabilities	(1,389.7)	(198.6)
Non-current liabilities	(3,506.1)	(671.6)
	<hr/>	<hr/>
Net liabilities	(686.6)	(74.9)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws although there is no restriction against such rights under the laws in Bermuda.

Directors' Report (cont'd)

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

CHENG Wai Chee, Christopher

Chairman

Hong Kong, 16 April 2004