

Directors' Report

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 49 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 48 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 20 of the financial statements.

The Directors recommend the payment of a final dividend of 2 HK cents (2002: Nil) per share, which amounted to approximately HK\$10,607,000 (2002: Nil) in respect of the year ended 31 December 2003 to the shareholders whose names appear on the Register of Members of the Company on 25 May 2004. No interim dividend was paid during the year ended 31 December 2003.

Subject to the approval by shareholders at the forthcoming Annual General Meeting, it is intended that dividend warrants will be despatched to shareholders on or before 18 August 2004.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group and the Company are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 31 to the financial statements.

RESERVES

Details of the movements during the year in the reserves of the Group and of the Company are set out in the consolidated statement of changes in equity on page 24 and in note 32 to the financial statements, respectively.

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DIRECTORS

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

Executive directors:

Mr. Ng Hung Sang, Robert (*Chairman*)

Ms. Cheung Choi Ngor, Christina (*Vice-chairman and Chief Executive Officer*)

Mr. Richard Howard Gorges (*Vice-chairman*)

Ms. Ng, Jessica Yuk Mui

Mr. Ng Yuk Fung, Peter

Non-executive director:

Mr. Tan Boon Seng

Independent non-executive directors:

Mr. Lee Wai Choi, Albert

Mr. Chiu Sin Chun

In accordance with Article 116 of the Company's Articles of Association, Ms. Cheung Choi Ngor, Christina, Mr. Richard Howard Gorges, Mr. Lee Wai Choi, Albert and Mr. Chiu Sin Chun will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive directors (including the independent non-executive directors) have no fixed term of office and will be subject to retirement by rotation and re-election at the annual general meeting of the Company according to the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

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

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2003, the interests and short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares

(a) The Company

Name of Director	Capacity	Number of ordinary shares			Total
		Personal interests	Corporate interests		
Mr. Ng Hung Sang, Robert ("Mr. Ng")	Interest of controlled corporations	—	396,391,357 (Note a)		396,391,357

(b) Associated Corporations

(i) South China Holdings Limited ("SCH") (Note b)

Name of Director	Capacity	Number of ordinary shares			Total
		Personal interests	Corporate interests	Other interests	
Mr. Ng	Beneficial owner, interests of controlled corporations	71,652,200	1,272,529,612 (Note c)	—	1,344,181,812
Ms. Cheung Choi Ngor, Christina ("Ms. Cheung")	Persons acting in concert	—	—	487,949,760 (Note c)	487,949,760
Mr. Richard Howard Gorges ("Mr. Gorges")	Persons acting in concert	—	—	487,949,760 (Note c)	487,949,760

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(ii) South China Brokerage Company Limited ("SCB") (Note d)

Name of Director	Capacity	Number of ordinary shares		
		Personal interests	Corporate interests	Total
Mr. Ng	Beneficial owner, interests of controlled corporations	7,378,000	3,626,452,500 (Note e)	3,633,830,500
Mr. Gorges	Beneficial owner	16,174,000	—	16,174,000

(iii) Nority International Group Limited ("Nority") (Note f)

Name of Director	Capacity	Number of ordinary shares		
		Personal interests	Corporate interests	Total
Mr. Ng	Interests of controlled corporations	—	114,118,540 (Note g)	114,118,540

(iv) Wah Shing International Holdings Limited ("Wah Shing") (Note h)

Name of Director	Capacity	Number of ordinary shares		
		Personal interests	Corporate interests	Total
Mr. Ng	Interests of controlled corporations	—	144,973,688 (Note i)	144,973,688

(v) South China Financial Credits Limited ("SCFC") (Note j)

Name of Director	Capacity	Number of ordinary shares		
		Personal interests	Corporate interests	Total
Mr. Ng Yuk Fung, Peter	Beneficial owner	250,000	—	250,000

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- (vi) The Express News Limited ("Express News") (Note k)

Name of Director	Capacity	Number of ordinary shares		Total
		Personal interests	Corporate interests	
Mr. Ng	Interests of controlled corporation	—	30 (Note l)	30

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2003, any interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Notes:

- (a) The 396,391,357 shares in the Company are held by certain wholly owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) below and as a Director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of the Company under the SFO.
- (b) SCH owns 74.74% shareholdings in the Company and is the ultimate holding company of the Company.
- (c) The 1,272,529,612 shares in SCH referred to above include 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Eartrade Investments Limited ("Eartrade"). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. Bannock is a wholly owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Ms. Cheung and 20% by Mr. Gorges, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Ms. Cheung and Mr. Gorges are deemed to have an interest in 487,949,760 shares in SCH, which are being held by both Bannock and Eartrade.
- (d) SCB is a 74.59% owned subsidiary of SCH.
- (e) The 3,626,452,500 shares in SCB are held by certain wholly owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (f) The Company owns 42.56% shareholdings in Nority and it is considered as the Company's associated corporation.

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- (g) The 114,118,540 shares in Nority are held by an indirect wholly owned subsidiary of the Company. By virtue of the interests in the shares of SCH in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Nority under the SFO.
- (h) Wah Shing, a Singapore listed company, is a 53.27% owned subsidiary of the Company.
- (i) The 144,973,688 shares in Wah Shing are held by a wholly owned subsidiary of the Company. By virtue of the interests in the shares of SCH in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Wah Shing under the SFO.
- (j) SCFC is a 96.45% owned subsidiary of SCB.
- (k) Express News is a 70% owned subsidiary of SCH.
- (l) Mr. Ng and his family, through a company wholly owned and controlled by them, have interests in 30 shares in Express News.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions between the Group and other companies under the control of SCH during the year are set out in note 39 to the financial statements. Certain Directors of the Company have interests in SCH as disclosed in the section under the heading "Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations" above.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INFORMATION ON SHARE OPTIONS

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share options schemes of the Company, its holding company and fellow subsidiaries. Particulars of these schemes are set out in note 45 to the financial statements. Save as disclosed in this report and in the financial statements, up to 31 December 2003, none of the Directors and chief executives of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

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SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO showed that the following shareholders had relevant interests in the issued share capital of the Company.

Long positions in shares of the Company:

Name of shareholder	Capacity	Number of ordinary shares held	Note	Percentage holding
Super Giant Limited	Beneficial owner	273,372,337		51.55%
Worldunity Investments Limited	Beneficial owner	98,143,020		18.51%
Tek Lee Finance And Investment Corporation Limited ("Tek Lee")	Corporate interest	396,391,357	(a)	74.74%
South China (BVI) Limited	Corporate interest	396,391,357	(b)	74.74%
SCH	Corporate interest	396,391,357	(b)	74.74%
Mr. Ng Hung Sang, Robert	Corporate interest	396,391,357	(c)	74.74%

Save as disclosed above, the Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31 December 2003.

Notes:

- (a) Tek Lee is the holding company of Super Giant Limited ("Super Giant"), Worldunity Investments Limited ("Worldunity") and Greenearn Investments Limited ("Greenearn") which hold shares in the Company. The 396,391,357 shares referred above include the 273,372,337 shares held by Super Giant, 98,143,020 shares held by Worldunity and 24,876,000 shares held by Greenearn.
- (b) SCH is the holding company of South China (BVI) Limited which in turn is the holding company of Tek Lee. The 396,391,357 shares referred above relate to the same parcel of shares.
- (c) Mr. Ng, through Parkfield, Fung Shing, Ronastar, Bannock and Earntrade, holds a total of 1,344,181,812 shares, being 73.72% shareholdings in SCH. According to the interests of SCH in the shares of the Company, Mr. Ng is taken to be interested in 396,391,357 shares in which SCH is interested by virtue of the SFO.

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CONNECTED TRANSACTION

An agreement dated 30 July 2003 ("S & P Agreement") was entered into by South China Agriculture Limited ("SC Agriculture") and South China Strategic Limited ("SC Strategic"), indirect wholly owned subsidiaries of SCH and the Company, respectively. SCH is the ultimate holding company of the Company. Pursuant to the S & P Agreement, SC Strategic agreed to acquire from SC Agriculture the entire interest in Spring Joy Industrial Limited at a consideration of HK\$10 million.

The transaction contemplated under the S & P Agreement constituted a connected transaction of the Company and SCH under Chapter 14 of the Listing Rules.

ARRANGEMENTS TO PURCHASE, REDEEM OR SELL THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases while the five largest customers of the Group accounted for approximately 49% of the Group's total turnover. In addition, the largest customer of the Group accounted for approximately 24% of the Group's total turnover.

None of the Directors, their associates, or any shareholders, which to the knowledge of the Directors owned more than 5% of the Company's share capital, had a material interest in the Group's five largest customers.

DONATIONS

During the year, the Group made charitable and other donations of approximately HK\$58,000.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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AUDIT COMMITTEE

The audit committee has reviewed with the management the financial reporting matters, including the audited financial statements, relating to the preparation of the financial statements for the year ended 31 December 2003.

The audit committee comprises two members, Mr. Lee Wai Choi, Albert and Mr. Chiu Sin Chun, who are independent non-executive directors of the Company.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event are set out in note 47 to the financial statements.

AUDITORS

Except for the year ended 31 December 2001 in which Messrs. Arthur Andersen & Co. acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for each of the two years ended 31 December 2003. A resolution will be submitted to the forthcoming annual general meeting to re-appoint them.

On behalf of the Board

Ng Hung Sang, Robert

Chairman

Hong Kong Special Administrative Region

of the People's Republic of China

24 April 2004