

Directors' Report

The directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 47 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 46 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 23 of the financial statements.

The directors recommend the payment of a final dividend of 5.7 HK cents (2003: 2 HK cents) per share, which amounted to approximately HK\$30,229,000 (2003: HK\$10,607,000) in respect of the year ended 31 December 2004 to the shareholders whose names appear on the Register of Members of the Company on 25 May 2005. No interim dividend was paid during the year ended 31 December 2004.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is intended that dividend warrants will be despatched to shareholders on or before 31 August 2005.

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 16 and 17 to the financial statements, respectively.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 32 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 27 and in note 33 to the financial statements, respectively.

Directors' Report

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 (*resigned on 21 September 2004*)

Independent non-executive directors:

Mr. Lee Wai Choi, Albert
Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin, Elizabeth (*appointed on 19 October 2004*)
Ms. Li Yuen Yu, Alice (*appointed on 28 September 2004*)

In accordance with Article 116 of the Company's Articles of Association, Mr. Ng Hung Sang, Robert, Ms. Ng, Jessica Yuk Mui and Mr. Ng Yuk Fung, Peter will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 99 of the Company's Articles of Association, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice 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' Report

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2004, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures 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 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:

(a) The Company

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Hung Sang, Robert ("Mr. Ng")	Interests of controlled corporations	396,621,357 (Note a)	74.79%

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Associated Corporations

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

Name of director	Capacity	Number of ordinary shares	Total	
			Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner Interests of controlled corporations	71,652,200 1,272,529,612 (Note c)	1,344,181,812	73.72%
Mr. Richard Howard Gorges ("Mr. Gorges")	Interests of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%
Ms. Cheung Choi Ngor, Christina ("Ms. Cheung")	Interests of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%

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

Name of director	Capacity	Number of ordinary shares	Total	
			Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner Interests of controlled corporations	7,378,000 3,626,452,500 (Note e)	3,633,830,500	74.74%
Mr. Gorges	Beneficial owner	12,174,000	12,174,000	0.25%

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Associated Corporations (Continued)

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

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	114,118,540 (Note g)	42.52%

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

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	169,669,688 (Note i)	62.34%

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

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Yuk Fung, Peter	Beneficial owner	250,000	0.59%

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

(b) Associated Corporations (Continued)

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

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	30 (Note l)	30%

Save as disclosed above, none of the directors or chief executives of the Company had, as at 31 December 2004, any interests or short positions in the shares, underlying shares or debentures 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 or 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 Listing Rules.

Notes:

- (a) The 396,621,357 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 74.79% shareholdings in the Company and is the ultimate holding company of the Company.
- (c) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly-owned and controlled by them, have interests in 487,949,760 shares in SCH, Mr. Ng personally owns 71,652,200 shares and through companies wholly-owned and controlled by him, beneficially owns 784,579,852 shares in SCH.
- (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.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes: *(Continued)*

- (f) The Company owns 42.52% shareholdings in Nority and is considered as the Company's associated corporation.
- (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 62.34% owned subsidiary of the Company.
- (i) The 169,669,688 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 97.41% 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.
- (m) All interests disclosed above represent long positions in the shares of the Company.

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 38 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 shares and underlying shares" 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.

Directors' Report

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 44 to the financial statements. Save as disclosed in this report and in the financial statements, up to 31 December 2004, 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.

Save as disclosed above, at no time during the year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, 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:

Name of shareholder	Capacity	Number of ordinary shares held	Note	Percentage holding
Super Giant Limited	Beneficial owner	273,602,337	(a)	51.59%
Worldunity Investments Limited	Beneficial owner	98,143,020	(a)	18.51%
Tek Lee Finance And Investment Corporation Limited ("Tek Lee")	Corporate interest	396,621,357	(a)	74.79%
South China (BVI) Limited	Corporate interest	396,621,357	(b)	74.79%
SCH	Corporate interest	396,621,357	(b)	74.79%
Mr. Ng	Corporate interest	396,621,357	(c)	74.79%

Directors' Report

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 31 December 2004, the Company has not been notified by any persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 396,621,357 shares referred above include the 273,602,337 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 396,621,357 shares referred above relate to the same parcel of shares.
- (c) Mr. Ng, a director of the Company, through Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock Investment Limited and Earntrade Investments Limited, 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 396,621,357 shares in which SCH is interested by virtue of the SFO.
- (d) All interests disclosed above represent long positions in the shares of the Company.

CONNECTED TRANSACTIONS

No connected transactions required to be disclosed by the Company pursuant to the Listing Rules were entered into by the Group during the year.

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 38 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2004.

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.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for approximately 31% of the Group's total purchases while the five largest customers of the Group accounted for approximately 44% of the Group's total turnover. In addition, the largest supplier of the Group accounted for approximately 22% of the Group's total purchases while the largest customer of the Group accounted for approximately 22% 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\$20,555.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules which was in force prior to 1 January 2005 except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee comprises four members, Mr. Lee Wai Choi, Albert, Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice, who are independent non-executive directors of the Company.

Directors' Report

AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for each of the three years ended 31 December 2004. 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
21 April 2005