

Report of the Directors

The Directors of the Company have pleasure in presenting their report and the audited consolidated financial statements of the Company together with its subsidiaries and associates (the “Group”) for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the activities of the principal subsidiaries are set out in note 54 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2005 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 34 of this Annual Report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: Nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 123 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group’s investment properties are set out on pages 124 to 128 of this Annual Report.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 40 to the financial statements.

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PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 to the financial statements and in the consolidated statement of changes in equity set out on pages 30 to 31 of this Annual Report, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK\$751,725,000.

DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were:

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)

Mr. Richard Howard Gorges

Ms. Cheung Choi Ngor

Mr. Ng Yuk Fung, Peter

Non-executive Directors

Mr. David Michael Norman

Ms. Ng Yuk Mui, Jessica (redesignated from Executive Director to Non-executive Director on 1 July 2005)

Independent Non-executive Directors:

Mr. David John Blackett

Ms. Wong Siu Yin, Elizabeth

Mr. Cheng Hong Kei

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In accordance with Article 116 of the Articles of Association of the Company, Mr. Ng Yuk Fung, Peter, Ms. Ng Yuk Mui, Jesscia and Mr. David Michael Norman will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

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 forthcoming Annual General Meeting of the Company according to the Articles of Association of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received from each of the Independent Non-executive Director, Mr. David John Blackett, Ms. Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei an annual confirmation of his/her independence pursuant to Rule 3.13 and Appendix 16 (12B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and for the year ended 31 December 2005 and as at the date of this Annual Report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 9 to 10 of this Annual 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 which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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

As at 31 December 2005, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares or debenture of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of HK\$0.025 each of the Company:

Name of Director	Note	Number of shares held, capacity and nature of interest		Total	Approximate Percentage of the Company's issued share capital
		Directly beneficiary owned	Through controlled corporation		
Ng Hung Sang ("Mr. Ng")	(a)	71,652,200	1,272,529,612	1,344,181,812	73.72%
Richard Howard Gorges ("Mr. Gorges")	(a)	—	487,949,760	487,949,760	26.76%
Cheung Choi Ngor ("Ms. Cheung")	(a)	—	487,949,760	487,949,760	26.76%

Long positions in ordinary shares of associated corporations:

1. Interests in Shares

- (i) South China Brokerage Company Limited ("SCB") (Note b)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Mr. Ng		7,378,000	Directly beneficiary owned	0.15%
	(c)	3,626,452,500	Through controlled corporations	74.59%
		<u>3,633,830,500</u>		<u>74.74%</u>
Mr. Gorges		12,174,000	Directly beneficiary owned	0.25%

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(ii) South China Industries Limited (“SCI”) (Note d)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(e)	396,621,357	Through controlled corporations	74.79%

(iii) Nority International Group Limited (“Nority”) (Note f)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(g)	114,118,540	Through controlled corporation	42.52%

(iv) Wah Shing International Holdings Limited (“Wah Shing”) (Note h)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(i)	185,528,688	Through controlled corporation	68.17%

(v) South China Financial Credits Limited (“SCFC”) (Note j)

Name of Director	Note	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng Yuk Fung, Peter		250,000	Directly beneficiary owned	0.59%

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(vi) The Express News Limited (“Express News”) (Note k)

Name of Director		Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation’s issued share capital
Mr. Ng	(l)	30	Through controlled corporation	30%

2. Interests in underlying shares of SCB

Name of Director	Note	Capacity and nature of interest	Number of underlying shares
Mr. Ng	(m)	Through controlled corporation	670,400,000

Notes:

- (a) The 1,272,529,612 shares referred to above included 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 Earntrade Investments Limited (“Earntrade”). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. Bannock is a wholly owned subsidiary of Earntrade 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 were deemed to have an interest in 487,949,760 shares in the Company, which are being held by both Bannock and Earntrade.
- (b) The Company owned 74.59% in the issued share capital of SCB and 670,400,000 warrants issued by SCB.
- (c) The 3,626,452,500 shares in SCB were held by certain wholly owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (d) SCI was a 74.79% owned subsidiary of the Company.
- (e) The 396,621,357 shares in SCI were held by certain wholly owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.
- (f) SCI owned 42.52% shareholding in Nority and was considered as SCI’s associated corporation.

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- (g) The 114,118,540 shares in Nority were held by an indirect wholly-owned subsidiary of SCL. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, 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, was a 68.17% owned subsidiary of SCL.
- (i) The 185,528,688 shares in Wah Shing were held by a wholly-owned subsidiary of SCL. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, 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 97.44% owned subsidiary of SCB.
- (k) Express News was a 70% owned subsidiary of the Company.
- (l) Mr. Ng and his family, through a company wholly owned and controlled by them, had interests in 30 shares in Express News.
- (m) These were interests held under warrants of SCB which entitle the holders to subscribe for ordinary shares of SCB at an initial subscription price of HK\$0.1012 per ordinary share (subject to adjustment) exercisable on or before 2 March 2006. The 670,400,000 underlying shares of SCB were held by a wholly-owned subsidiary the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO as described in Note (a) above and as a director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said underlying shares of SCB under the SFO.
- (n) All interests disclosed above represented long positions in the shares of the Company.

Save as disclosed above, as at 31 December 2005, none of the Directors or Chief Executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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 Issuers as contained in Appendix 10 of the Listing Rules.

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SHARE OPTIONS SCHEMES

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share options schemes (the "Schemes") of the Company, its holding company and fellow subsidiaries. Particulars of the Schemes are set out in note 41 to the financial statements. Save as disclosed in this Annual Report and in the financial statements, up to 31 December 2005, 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.

No option has been granted or outstanding under the Scheme of the Company since its adoption.

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 the chief executives, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which a Director of the Company, Mr. Ng Hung Sang, has beneficial interest are set out in note 49 to the financial statements.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or 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.

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate Percentage of the Company's issued share capital
Earntrade	(a)	Beneficial owner and through a controlled corporation	487,949,760	26.76%
Bannock	(a)	Beneficial owner	237,303,360	13.01%
Parkfield		Beneficial owner	371,864,000	20.39%
Fung Shing		Beneficial owner	396,050,252	21.72%

Note:

(a) There is a duplication of interests of 237,303,360 shares in the Company between Earntrade and Bannock.

Save as disclosed above, as at 31 December 2005, no person, other than the Directors of the Company, whose interests are set out in the section "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules as at the date of this Annual Report.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng Hung Sang, being the Chairman of the Company, is also the Chairman of Jessica Publications Limited (“Jessica”) and the Co-Chairman of Capital Publications Limited (“Capital”). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in Jessica and Capital. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of the Company, have beneficial interests in Earntrade, which directly and indirectly through Bannock holds shares in Jessica and Capital. Ms. Cheung Choi Ngor, who was an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are also directors of various member of the Group. As both Jessica and Capital are principally engaged in publication business, Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges are regarded to be interested in such competing business of the Group. Mr. Ng Yuk Fung, Peter, an Executive Director and the Chief Executive Officer of Jessica and also an Executive Director of Capital, is regarded to be interested in such competing business of the Group.

Ms. Ng Yuk Mui, Jessica is a Non-executive Director of Capital. She is not regarded to have any competing business with the Group since she is not involved in the day-to-day business of Capital.

Save as disclosed above, none of the Directors is interested in any business apart from the Group’s business, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet events of the Group are set out in note 51 to the financial statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out under the section headed “CORPORATE GOVERNANCE REPORT” on pages 22 to 25 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code for Securities Transactions are set out under the section headed “CORPORATE GOVERNANCE REPORT” on pages 22 to 25 of this Annual Report.

CONNECTED TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 49 to the financial statements. None of these related party transactions constitute a connected transaction as defined in the Listing Rules.

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MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2005, the sales to the Group's five largest customers accounted for 39% of the total sales and sales to the largest customers included therein amounted to 18.5%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises four members, namely Mr. Cheng Hong Kei (Committee Chairman), Ms. Wong Siu Yin, Elizabeth, Mr. David John Blackett and Mr. David Michael Norman, who are all Non-executive Directors of the Company, out of which three of them are Independent Non-executive Directors.

During the year, the audit committee held two meetings to review and comment on the 2004 annual report and 2005 half-yearly report as well as the Company's internal control procedures.

The Group's audited results for the year ended 31 December 2005 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditors of the Company and Messrs. Ernst & Young were appointed as auditors of the Company on 20 December 2005 by the Directors to fill the casual vacancy so arising. A resolution for their re-appointment as auditors of the Company will be proposed in the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Ng Hung Sang

Chairman

Hong Kong, 19 April 2006