

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 activities of the Company's principal subsidiaries are set out in note 51 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 50 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 22 of the financial statements.

The Directors recommend the payment of a final dividend of HK0.55 cent (2002: Nil) per share, which amounted to approximately HK\$10,029,000 (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 are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL

There were no changes in the Company's share capital during the year.

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*)

Mr. Richard Howard Gorges

Ms. Cheung Choi Ngor, Christina

Ms. Ng, Jessica Yuk Mui (appointed on 15 September 2003)

Mr. Ng Yuk Fung Peter (appointed on 15 September 2003)

Mr. Shing Shin Cheung, Stewart (appointed on 15 July 2003 and resigned on 28 November 2003)

Non-executive Directors:

Mr. Tan Boon Seng

Mr. Yuen Kam Tim, Francis (redesignated from executive director to non-executive director on 1 July 2003)

Independent Non-executive Directors:

Mr. David Michael Norman

Mr. David John Blackett

In accordance with Articles 99 and 116 of the Company's Articles of Association, Ms. Ng, Jessica Yuk Mui, Mr. Ng Yuk Fung Peter, Mr. Tan Boon Seng, Mr. David Michael Norman and Mr. David John Blackett will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

In addition, all non-executive directors (including independent non-executive directors) have no fixed terms of office and are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of 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 which is not being determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Report

INTERESTS OF THE DIRECTORS

As at 31 December 2003, the interests and short positions of the Directors and chief executives 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 ("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 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 | Other interests | |
| Mr. Ng Hung Sang, Robert ("Mr. Ng") | Beneficial owner, interests of controlled corporations | 71,652,200 | 1,272,529,612 (Note a) | — | 1,344,181,812 |
| Mr. Richard Howard Gorges ("Mr. Gorges") | Persons acting in concert | — | — | 487,949,760 (Note a) | 487,969,760 |
| Ms. Cheung Choi Ngor, Christina ("Ms. Cheung") | Persons acting in concert | — | — | 487,949,760 (Note a) | 487,949,760 |

(b) Associated Corporations

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

| 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 c) | 3,633,830,500 |
| Mr. Gorges | Beneficial owner | 16,174,000 | — | 16,174,000 |
| Mr. Yuen Kam Tim, Francis | Beneficial owner | 7,175,000 | — | 7,175,000 |

Directors' Report

INTERESTS OF THE DIRECTORS (Continued)

Long positions in Shares (Continued)

(b) Associated Corporations (Continued)

(ii) South China Industries Limited ("SCI") (Note d)

| Name of Director | Capacity | Number of ordinary shares | | |
|------------------|--------------------------------------|---------------------------|-------------------------|-------------|
| | | Personal interests | Corporate interests | Total |
| Mr. Ng | Interests of controlled corporations | — | 396,391,357 (Note e) | 396,391,357 |

(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 |

Directors' Report

INTERESTS OF THE DIRECTORS (Continued)

Long positions in Shares (Continued)

(b) Associated Corporations (Continued)

- (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 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 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 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 Listing Rules.

Notes:

- (a) The 1,272,529,612 shares 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 the Company, which are being held by both Bannock and Eartrade.
- (b) SCB is a 74.59% owned subsidiary of the Company.
- (c) The 3,626,452,500 shares in SCB are 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 is a 74.74% owned subsidiary of the Company.
- (e) The 396,391,357 shares in SCI are 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.

Directors' Report

INTERESTS OF THE DIRECTORS *(Continued)*

Notes: *(Continued)*

- (f) SCI owns 42.56% shareholding in Nority and is considered as the SCI's associated corporation.
- (g) The 114,118,540 shares in Nority are held by an indirect wholly-owned subsidiary of SCI. 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, is a 53.27% owned subsidiary of SCI.
- (i) The 144,973,688 shares in Wah Shing are held by a wholly-owned subsidiary of SCI. 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 96.45% owned subsidiary of SCB.
- (k) Express News is a 70% owned subsidiary of the Company.
- (l) Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes of the Company, its holding company and fellow subsidiary. Particulars of these schemes are set out in note 47 to the financial statements.

INFORMATION ON SHARE OPTIONS

On 18 June 2002, the new share option scheme ("New Scheme") of the Company became effective and the share option scheme of the Company adopted in 1992 was terminated.

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

Save as disclosed herein, at no time during the year ended 31 December 2003, the Directors and chief executives 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.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and companies in which a Director of the Company, Mr. Ng, has beneficial interests are set out in note 41 to the financial statements.

Save as disclosed above, no contracts of significance in relation to the Group's business 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, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the shareholders who had interest 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, who were directly, or indirectly, interested in 5% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholders | Number of ordinary shares | Notes | % holding |
|---|---------------------------|-------|-----------|
| Earntrade Investments Limited ("Earntrade") | 487,949,760 | (a) | 26.76% |
| Bannock Investment Limited ("Bannock") | 237,303,360 | (a) | 13.01% |
| Parkfield Holdings Limited ("Parkfield") | 371,864,000 | (b) | 20.39% |
| Fung Shing Group Limited ("Fung Shing") | 396,050,252 | (b) | 21.72% |
| Mr. Ng | 1,344,181,812 | (b) | 73.72% |

Notes:

- (a) Earntrade is the holding company of Bannock. The 487,949,760 shares referred to above include the 237,303,360 shares held by Bannock. Mr. Ng, Mr. Gorges and Ms. Cheung have beneficial interests in Earntrade.
- (b) The 1,344,181,812 shares referred to above include 371,864,000 shares held by Parkfield, 396,050,252 shares held by Fung Shing and 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"). Mr. Ng has beneficial interests in Parkfield, Fung Shing and Ronastar.

Save as disclosed above, as at 31 December 2003, 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.

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Mr. Ng Yuk Fung Peter is a Director of CPL. He is not regarded to have any competing business with the Group since he is not involved in the day-to-day business of the media businesses of the Group.

Save as disclosed above, none of the Director 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.

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 South China Industries Limited (“SCI”) and the Company respectively. SCI is a subsidiary 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 SCI under Chapter 14 of the Listing Rules.

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 2003.

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 ended 31 December 2003, 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 45% of the Group's total turnover. In addition, the largest customer of the Group accounted for approximately 22% of the Group's 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 beneficial interest in the Group's five largest customers or suppliers.

DONATIONS

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two members, Mr. David Michael Norman and Mr. David John Blackett, who are independent non-executive directors of the Company.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 49 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