

## 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 activities of the Company's principal subsidiaries are set out in note 48 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 47 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 24 of the financial statements.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2004 (2003: HK 0.55 cent).

### 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 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 34 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 28 and in note 35 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*)  
Mr. Richard Howard Gorges  
Ms. Cheung Choi Ngor, Christina  
Ms. Ng, Jessica Yuk Mui  
Mr. Ng Yuk Fung Peter

#### *Non-executive Directors:*

Mr. David Michael Norman (*redesignated from independent non-executive director to non-executive director on 21 September 2004*)  
Mr. Tan Boon Seng (*resigned on 21 September 2004*)  
Mr. Yuen Kam Tim, Francis (*resigned on 1 July 2004*)

#### *Independent Non-executive Directors:*

Mr. David John Blackett  
Mrs. Tse Wong Siu Yin Elizabeth (*appointed on 21 September 2004*)  
Mr. Cheng Hong Kei (*appointed on 28 September 2004*)

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Ng Hung Sang, Robert, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Christina, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei 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' Report

### 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' 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 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 or 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	Total number of ordinary shares	Approximate percentage of shareholding
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	73.72%
Mr. Richard Howard Gorges ("Mr. Gorges")	Persons acting in concert	487,949,760 (Note a)	487,949,760	26.76%
Ms. Cheung Choi Ngor, Christina ("Ms. Cheung")	Persons acting in concert	487,949,760 (Note a)	487,949,760	26.76%

## Directors' Report

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

#### (b) Associated Corporations

##### (i) South China Brokerage Company Limited ("SCB") (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	7,378,000 3,626,452,500 (Note c)	3,633,830,500	74.74%
Mr. Gorges	Beneficial owner	12,174,000	12,174,000	0.25%

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	396,621,357 (Note e)	74.79%

##### (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%

## Directors' Report

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

#### (b) Associated Corporations (Continued)

##### (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%

##### (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 corporation	30 (Note l)	30%

## Directors' Report

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

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 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 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 are deemed to have an interest in 487,949,760 shares in the Company, which are being held by both Bannock and Earntrade.
- (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 74.79% owned subsidiary of the Company.
- (e) The 396,621,357 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.
- (f) SCI owns 42.52% 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 62.34% owned subsidiary of SCI.

## Directors' Report

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

*Notes: (Continued)*

- (i) The 169,669,688 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 97.41% 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.
- (m) All interests disclosed above represent long positions in the shares of the Company.

### 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 subsidiary. Particulars of these schemes are set out in note 45 to the financial statements.

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

Save as disclosed herein, at no time during the year ended 31 December 2004, 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 39 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 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had relevant interests in the issued share capital of the Company:

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

## Directors' Report

### SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

- (a) Eartrade 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 Eartrade.
- (b) The 1,344,181,812 shares referred to above include 487,949,760 shares held by Eartrade in which 237,303,360 shares held by Bannock, 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 Eartrade, Parkfield, Fung Shing and Ronastar.
- (c) All interests disclosed above represent long positions in the shares of the Company.

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.

### 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 Eartrade, 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 business 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.

## Directors' Report

### RELATED PARTY TRANSACTION

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 39 to the financial statements. None of these related party transactions constitute a connected transaction as defined in 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 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.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2004, 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 40% of the Group's total turnover. In addition, the largest customer of the Group accounted for approximately 20% 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 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 in accordance with the Company's Articles of Association.

## Directors' Report

### AUDIT COMMITTEE

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

The audit committee comprises the four members, Mr. David Michael Norman who is non-executive director of the Company, and Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei, who are independent non-executive directors of the Company.

### AUDITORS

Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for 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