

Report of the Directors

The Directors of the Company have pleasure in presenting their report and the audited consolidated financial statements of the Company and 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 48 to the financial statements. There were no significant changes in the nature of the Group’s 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 26 to 108 of this Annual Report.

No interim dividend was paid during the year.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: HK5.7 cents).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and 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 109 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 110 to 114 of this Annual Report.

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SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the consolidated statement of changes in equity.

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\$488,994,000.

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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 (*Chairman*)
Ms. Cheung Choi Ngor (*Vice-chairman and Chief Executive Officer*)
Mr. Richard Howard Gorges (*Vice-chairman*)
Mr. Ng Yuk Fung, Peter

Non-executive Director:

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

Independent Non-executive Directors:

Mr. Chiu Sin Chun
Ms. Wong Siu Yin, Elizabeth
Ms. Li Yuen Yu, Alice
Mr. Lee Wai Choi, Albert (*resigned on 19 April 2006*)

In accordance with article 116 of the articles of association of the Company, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges 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 forthcoming Annual General Meeting of the Company according to the articles of association of the Company.

The Company had received from each of the Independent Non-executive Director, Mr. Chiu Sin Chun, Ms. Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of the 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 Report, the Company still considers the Independent Non-executive Directors to be independent.

Report of the Directors

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 7 to 8 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).

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the interests and short positions of the Directors and Chief Executive of the Company in the shares or underlying shares 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\$0.10 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		
Mr. Ng Hung Sang ("Mr. Ng")	(a)	—	396,621,357	396,621,357	74.79%

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Long positions in ordinary shares of associated corporations:

1. Interests in shares

(i) South China Holdings Limited ("SCH") (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	(c)	71,652,200	Directly beneficiary owned	3.93%
		1,272,529,612	Through controlled corporations	69.79%
		<u>1,344,181,812</u>		<u>73.72%</u>
Mr. Richard Howard Gorges ("Mr. Gorges")	(c)	487,949,760	Through controlled corporations	26.76%
Ms. Cheung Choi Ngor ("Ms. Cheung")	(c)	487,949,760	Through controlled corporations	26.76%

(ii) South China Brokerage Company Limited ("SCB") (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)	7,378,000	Directly beneficiary owned	0.15%
		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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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Long positions in ordinary shares of associated corporations: (Continued)

1. Interests in shares (Continued)

(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)	114,188,540	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%

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

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	(l)	30	Through controlled corporation	30%

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Long positions in ordinary shares of associated corporations: (Continued)

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 396,621,357 shares in the Company were 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 owned 74.79% shareholdings in the Company and was the ultimate holding company of the Company.
- (c) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly-owned and controlled by them, had 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) SCH owned 74.59% in the issued share capital of SCB and 670,400,000 warrants issued by SCB.
- (e) The 3,626,452,500 shares in SCB were 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 owned 42.52% shareholdings in Nority and was considered as the Company's associated corporation.
- (g) The 114,118,540 shares in Nority were 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, was a 68.17% owned subsidiary of the Company.
- (i) The 185,528,688 shares in Wah Shing were 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 was a 97.44% owned subsidiary of SCB.
- (k) Express News was a 70% owned subsidiary of SCH.

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

- (l) Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.
- (m) These are 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 are held by a wholly-owned subsidiary 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 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 underlying shares of SCB under the SFO
- (n) All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 December 2005, none of the Directors or Chief Executive 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.

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme (the "Scheme") of the Company. Particulars of the Scheme are set out in note 35 to the financial statements. Save as disclosed in this Report and in the financial statements, up to 31 December 2005, none of the Directors and chief executive 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.

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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 43 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS 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 of 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 of shareholder	Notes	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Super Giant Limited	(a)	Beneficial owner	273,602,337	51.59%
Worldunity Investments Limited	(a)	Beneficial owner	98,143,020	18.51%
Tek Lee Financial and Investment Corporation Limited ("Tek Lee")	(a)	Corporate interest	396,621,357	74.79%
South China (BVI) Limited	(b)	Corporate interest	396,621,357	74.79%
SCH	(b)	Corporate interest	396,621,357	74.79%

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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

- (a) Tek Lee was deemed to have beneficial interest in 396,621,357 shares of the Company by virtue of its direct interests in Super Giant Limited, Worldunity Investments Limited and Greearn Investments Limited, which hold 273,602,337, 98,143,020 and 24,876,000 shares in the Company.
- (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 in (a) above relate to the same parcel of shares.

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 executive's interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position 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 Report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet events of the Group are set out in note 45 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 on pages 21 to 24 of Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code for Securities Transactions are set out on page 23 of the Corporate Governance Report.

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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 of three members, Ms. Wong Siu Yin, Elizabeth (Committee Chairman), Mr. Chiu Sin Chun and Ms. Li Yuen Yu, Alice, who are all Independent Non-executive Directors of the Company.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2005, the sales to the Group's five largest customers accounted for 42% of the total sales and sales to the largest customers included therein amounted to 20%. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases and purchases from the largest supplier included therein accounted for 22% of the total purchases.

None of the Directors of the Company or any 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.

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AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. Save as disclosed herein, there have been no other changes of auditors in the past three years. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed in the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ng Hung Sang

Chairman

Hong Kong, 19 April 2006