

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 30th June, 2002.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 45 to the financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 69.

An interim dividend of HK2 cents per share amounting to HK\$77,151,732 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK2 cents per share to the shareholders on the Register of Members on 13th November, 2002, amounting to HK\$77,394,237.

### **INVESTMENT PROPERTIES**

During the year, the Group acquired and disposed of its investment properties of HK\$148,224,049 and HK\$709,827,528, respectively, transferred from properties under development of HK\$493,574,677 and revalued all its investment properties at the year end date. Net deficit on revaluation amounting to HK\$1,390,214,183 has been charged directly to the investment property revaluation reserve.

Details of these and other movements during the year in the investment properties of the Group are set out in note 15 to the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

### **MAJOR PROPERTIES**

Details of the major properties of the Group at 30th June, 2002 are set out on pages 266 to 282.

### **SUBSIDIARIES AND ASSOCIATES**

Details of the Company's principal subsidiaries and associates at 30th June, 2002 are set out in notes 45 and 46 to the financial statements, respectively. The share of results of associates has decreased due to the decrease in profits of the associates which is a result of a slowdown in property market.

## DIRECTORS' REPORT (Continued)

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

### RESERVES

Details of movements during the year in the reserves of the Company and the Group are set out in note 30 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company redeemed its Luxembourg listed convertible bonds due in April 2002 with face value of US\$115,100,000 at an aggregate payment of US\$150,781,000.

The Company also repurchased 24,300,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of HK\$57,599,045, all of these shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$24,300,000 was credited to the capital redemption reserve and the aggregate consideration was paid out from the Company's retained profits. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration HK\$
August 2001	4,800,000	2.775	2.650	13,085,012
September 2001	6,200,000	2.250	1.950	12,828,808
October 2001	6,500,000	2.225	1.990	13,654,347
November 2001	2,000,000	2.175	2.050	4,269,976
January 2002	4,000,000	2.925	2.775	11,422,234
February 2002	800,000	2.925	2.900	2,338,668
	<u>24,300,000</u>			<u>57,599,045</u>

The repurchases were made for the benefits of the shareholders as a whole as they enhance the net assets value and/or earnings per share of the Company.

Apart from the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

## **DIRECTORS' REPORT** *(Continued)*

### **CONVERTIBLE BONDS/NOTES**

Details of the convertible bonds/notes of the Company and the Group in issue and redeemed during the year are set out in note 28 to the financial statements.

### **TREASURY, GROUP BORROWINGS AND INTEREST CAPITALISED**

The Group maintains a prudent approach in its treasury management with foreign exchange exposure being kept at minimal and interest rates on floating rate bases. Bank loans, overdrafts and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analysis of bank loans and other borrowings as at 30th June, 2002 are set out in note 26 to the financial statements.

Interest expenses capitalised by the Group during the year in respect of properties under development amounted to HK\$41,539,007.

### **DIRECTORS**

The Directors of the Company during the year and up to the date of this report are:

#### *Executive Directors*

Mr. Robert Ng Chee Siong

Mr. Albert Yeung Pak Hin

Mr. Raymond Tong Kwok Tung

Mr. Benjamin Lam Yu Yee

Mr. Kent Lee Wing Kan

(retired on 1st May, 2002)

Mr. Robert Lee Chi Hong

(resigned on 12th August, 2002)

Mr. Ambrose Cheung Wing Sum, JP

(resigned on 19th September, 2002)

#### *Independent Non-Executive Directors*

Mr. Ronald Joseph Arculli, GBS, OBE, JP

Mr. Paul Cheng Ming Fun, JP

In accordance with the provisions of the Company's Articles of Association, Messrs. Albert Yeung Pak Hin and Benjamin Lam Yu Yee will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

## DIRECTORS' REPORT *(Continued)*

### DIRECTORS' INTERESTS IN SHARES AND DEBT SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June, 2002, the Directors and their associates held the following interests, which were beneficial unless otherwise stated, in shares and debt securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

#### (a) Interests in the Company

Name of Director	Personal interests	Number of ordinary shares held			Total interests
		Family interests	Corporate interests	Other interests	
Mr. Robert Ng Chee Siong	113,401	2,426,267	—	—	2,539,668
Mr. Ronald Joseph Arculli, GBS, OBE, JP	1,026,570	—	—	—	1,026,570
Mr. Paul Cheng Ming Fun, JP	59,176	—	—	—	59,176
Mr. Albert Yeung Pak Hin	14,396	—	—	—	14,396
Mr. Raymond Tong Kwok Tung	—	—	—	—	—
Mr. Robert Lee Chi Hong	—	30,000	—	—	30,000
Mr. Benjamin Lam Yu Yee	—	—	—	—	—
Mr. Ambrose Cheung Wing Sum, JP	—	—	—	—	—

#### (b) Interests in associated corporations

##### (i) Holding Company

##### Tsim Sha Tsui Properties Limited

Name of Director	Personal interests	Number of ordinary shares held			Total interests
		Family interests	Corporate interests	Other interests	
Mr. Robert Ng Chee Siong	524,720	—	—	—	524,720
Mr. Ronald Joseph Arculli, GBS, OBE, JP	60,000	—	—	—	60,000
Mr. Paul Cheng Ming Fun, JP	—	—	—	—	—
Mr. Albert Yeung Pak Hin	—	—	—	—	—
Mr. Raymond Tong Kwok Tung	—	—	—	—	—
Mr. Robert Lee Chi Hong	—	—	—	—	—
Mr. Benjamin Lam Yu Yee	—	—	—	—	—
Mr. Ambrose Cheung Wing Sum, JP	—	—	—	—	—

## **DIRECTORS' REPORT** *(Continued)*

### **DIRECTORS' INTERESTS IN SHARES AND DEBT SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS** *(Continued)*

#### **(b) Interests in associated corporations** *(Continued)*

##### **(ii) Subsidiary**

Mr. Robert Ng Chee Siong held non-beneficial interest in one share of HK\$1 in Sinoland Credit Limited.

##### **(iii) Associates**

Mr. Robert Ng Chee Siong held corporate interests in 110 ordinary shares representing 55% of the issued shares of Erleigh Investment Limited, which in turn owned 100% of the issued shares of Murdoch Investments Inc.. Mr. Ng also held corporate interests in 8 ordinary shares representing 40% of the issued shares of Silver Link Investment Limited.

Save as disclosed herein, neither the Directors nor any of their associates had any beneficial or non-beneficial interests in shares or debt securities of the Company or its associated corporations as defined in the SDI Ordinance. Furthermore, none of the Directors or any of their spouses or children under the age of 18 were granted any rights or options to subscribe for shares or debt securities of the Company and its associated corporations.

### **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

At no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements 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.

### **DIRECTORS' INTEREST IN COMPETING BUSINESSES**

Pursuant to paragraph 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules"), the Company discloses that during the year and up to the date of this report, Mr. Robert Ng Chee Siong, the Chairman of the Board, held interests and/or directorships in companies engaged in businesses of property investment and development in Hong Kong.

As the Board of Directors of the Company is independent of the boards of these companies and maintains two Independent Non-Executive Directors, the Group operates its businesses independently of, and at arm's length from, the businesses of these companies.

## **DIRECTORS' REPORT** *(Continued)*

### **DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

Apart from the transactions disclosed under the heading "Related Party and Connected Transactions" as set out in note 44 to the financial statements, there were no other contracts of significance in relation to the Company's business, to which the Company, its holding company, its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

### **MANAGEMENT CONTRACTS**

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

### **CONNECTED TRANSACTIONS**

During the year, the Company announced that it had entered into the following connected transactions, particulars of which are disclosed herein in accordance with the requirements of the Listing Rules.

#### **Acquisition of Shares and Loans**

- (i) On 15th November, 2001, the Company's wholly-owned subsidiary, Sino Land (Shanghai) Company Limited ("SL-Shanghai") entered into agreements with Shanghai Square Pte Ltd ("Shanghai Square") for the acquisition by SL-Shanghai, or by its nominee, of 200,000 ordinary shares in Hua Qing Holdings Pte Ltd ("Hua Qing"), being 20% of the issued ordinary shares thereof at a consideration of S\$200,000 (or HK\$0.9 million) and for taking up by SL-Shanghai, or by its nominee, the assignment of the shareholder's loans of S\$0.06 million (or HK\$0.3 million) and US\$29.4 million (or HK\$228.4 million) (together with accrued interest thereon) due from Hua Qing to Shanghai Square at a consideration of US\$20.9 million (or HK\$162.5 million).

The acquisitions of shares and loans were completed on 18th December, 2001 in accordance with the respective terms of the agreements by the Company's wholly-owned subsidiary, Vasilon Pte Ltd. as the purchaser in place of SL-Shanghai.

Shanghai Square is a wholly-owned subsidiary of Orchard Parade Holdings Limited ("Orchard Parade"). Mr. Ng Teng Fong is a common substantial shareholder of the Company and Orchard Parade and is therefore a connected party to the Company under the Listing Rules. As such, the above transactions constituted connected transactions for the Company.

The acquisitions of shares and loans in Hua Qing enable the Company to hold a 19% effective interest in Raffles City project in Shanghai, thus allowing the Company to have an immediate and quality investment in a major and rapidly developing city in the People's Republic of China (the "PRC") and enhancing the Company's portfolio of development properties in the PRC. The Company also benefits from partnering shareholders with reputable entities. In addition, the aggregate consideration of the acquisitions of shares and loans is at a discount to the market value of the Raffles City project and to the book value of Hua Qing.

## **DIRECTORS' REPORT** *(Continued)*

### **CONNECTED TRANSACTIONS** *(Continued)*

#### **Acquisition of Shares and Loans** *(Continued)*

- (ii) On 25th June, 2002, the Company's wholly-owned subsidiaries, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance") entered into an agreement with Millwood Limited ("Millwood") and Cliveden Finance Company Limited ("Cliveden Finance") whereby: (a) King Chance agreed to acquire 100,000 shares of Mass Fame Investment Limited ("Mass Fame"), being 100% of the issued shares thereof, from Millwood at a consideration of HK\$1; and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan of HK\$98,815,848 due by Mass Fame to Cliveden Finance at a consideration of HK\$96,558,776. Mass Fame indirectly held 100% interest in an industrial building, Sunley Centre.

The acquisitions of shares and loans were completed on 25th June, 2002 in accordance with their respective terms.

Millwood and Cliveden Finance are both indirect wholly-owned subsidiaries of Boswell Holdings Limited ("Boswell"), in which Mr. Robert Ng Chee Siong, being the Chairman and Executive Director of the Company, has a 50% interest. Boswell is an associate of Mr. Ng, and therefore, a connected party to the Company under the Listing Rules. As such, the above transactions constituted connected transactions for the Company.

The acquisitions of shares and loans enable the Company to hold Sunley Centre, thus increasing and enhancing its industrial property portfolio, and also provide an opportunity for the Company to maximize the value of the property. The Company also benefits from economy of scale with the leasing and management expertise in industrial properties.

#### **Disposal of Shares and Loans**

- (i) On 25th June, 2002, the Company and Sing-Ho Finance entered into an agreement with Gornik Securities Limited ("Gornik") and Seaview Finance Company Limited ("Seaview Finance") whereby: (a) the Company agreed to sell 2 shares in Maba Trading S.A. ("Maba"), being 100% of the issued shares thereof, to Gornik at a consideration of HK\$32,610,693; (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$9,521,342 due by Prestige Development Limited to Sing-Ho Finance on a dollar for dollar basis; and (c) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$8,878,650 due by Pariv Limited to Sing-Ho Finance on a dollar for dollar basis. Maba indirectly holds a 50% interest in the carparking spaces and a few unsold residential units of Miami Beach Towers Phase I and carparking spaces of Miami Beach Towers Phase II.
- (ii) On the same day, King Chance and Sing-Ho Finance entered into an agreement with Osborne Investments Ltd. ("Osborne") and Seaview Finance whereby: (a) King Chance agreed to sell 500,000 shares in Lead Talent Investment Limited ("Lead Talent"), being 50% of the issued shares thereof, to Osborne at a consideration of HK\$7,120,032; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$13,740,449 due by Lead Talent to Sing-Ho Finance on a dollar for dollar basis. Lead Talent holds certain carparking spaces of Villa Oceania.

## DIRECTORS' REPORT *(Continued)*

### CONNECTED TRANSACTIONS *(Continued)*

#### Disposal of Shares and Loans *(Continued)*

- (iii) On the same day, King Chance and Sing-Ho Finance entered into an agreement with Osborne and Seaview Finance whereby: (a) King Chance agreed to sell 60,000 shares in Allways Success Development Limited ("Allways Success"), being 60% of the issued shares thereof, to Osborne at a consideration of HK\$12,790,484; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan of HK\$5,108,686 due by Allways Success to Sing-Ho Finance on a dollar for dollar basis. Allways Success holds the interest in certain carparking spaces of Serenity Park Phase I.

The disposals of shares and loans were all completed on 25th June, 2002 in accordance with their respective terms.

Gornik, Seaview Finance and Osborne are all indirect wholly-owned subsidiaries of Boswell, in which Mr. Robert Ng Chee Siong, being the Chairman and Executive Director of the Company, has a 50% interest. Boswell is an associate of Mr. Ng, and therefore, a connected party to the Company under the Listing Rules. As such, the above transactions constituted connected transactions for the Company.

The disposals of shares and loans allow the Company to dispose of the interest in the carparking spaces of Miami Beach Towers Phase I and Phase II, Villa Oceania, and Serenity Park Phase I, as the Company does not have controlling interest in these properties.

Further information as regards other transactions is disclosed under the heading "Related Party and Connected Transactions" in note 44 to the financial statements.

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the following shareholders of the Company were interested in 10% or more of the issued share capital of the Company as recorded in the register kept under Section 16(1) of the SDI Ordinance:

Name of shareholder		Number of ordinary shares held	Notes
Mr. Ng Teng Fong	("Mr. Ng")	2,086,258,682	1
Tsim Sha Tsui Properties Limited	("TST Properties")	2,001,810,807	1
Mr. Chen Din Hwa	("Mr. Chen")	424,041,928	2
Xing Feng Investments Limited	("Xing Feng")	424,041,928	2
Nice Cheer Investment Limited	("Nice Cheer")	424,041,928	2

## **DIRECTORS' REPORT** *(Continued)*

### **SUBSTANTIAL SHAREHOLDERS** *(Continued)*

*Notes:*

1. Mr. Ng controlled more than one third of the voting rights of TST Properties and accordingly was deemed to have interests in the 2,001,810,807 shares held by TST Properties that formed part of the share interests of Mr. Ng as disclosed above.
2. Mr. Chen controlled more than one third of the voting rights of Xing Feng which in turn controlled more than one third of the voting rights of Nice Cheer. Accordingly, Mr. Chen was deemed to have interests in the shares held by Xing Feng and Nice Cheer. Hence, the share interests held by Mr. Chen, Xing Feng and Nice Cheer were duplicated.

Save as disclosed herein, no other person is recorded in the register as having an interest in 10% or more of the issued share capital of the Company as at 30th June, 2002.

### **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$764,000.

### **MAJOR SUPPLIERS AND CUSTOMERS**

The percentage of sales and purchases attributable to the Group's five largest customers and suppliers, respectively, is less than 30% of the Group's total sales and purchases for the year and the Directors do not consider any one customer or supplier to be influential on the Group.

### **RETIREMENT BENEFITS SCHEME**

The Group participates in a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

The retirement benefits cost charged to income statement represents contribution payable to the scheme by the Group at rates specified in the rules of the scheme.

### **AUDIT COMMITTEE**

Pursuant to the requirements of the Listing Rules, an Audit Committee comprising Messrs. Ronald Joseph Arculli, GBS, OBE, JP and Paul Cheng Ming Fun, JP, Independent Non-Executive Directors, was established on 23rd September, 1998. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and recommend to improve the Group's financial reporting process and internal controls.

## **DIRECTORS' REPORT** *(Continued)*

### **CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 30th June, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

The term of office for each Independent Non-Executive Director is the period up to his retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

### **AUDITORS**

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board  
**Robert NG Chee Siong**  
*Chairman*

Hong Kong, 24th September, 2002