

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements for the year ended 30th June, 2003.

### **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44 to the financial statements.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated income statement on page 61.

An interim dividend of HK2 cents per share amounting to HK\$77,369,560 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 18th November, 2003, amounting to HK\$77,726,686.

### **INVESTMENT PROPERTIES**

During the year, the Group acquired and disposed of its investment properties of HK\$27,797,214 and HK\$118,300,163, respectively, transferred from properties under development of HK\$164,235,090 and revalued all its investment properties at the year end date. Net deficit on revaluation amounting to HK\$1,231,115,559 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, 2003 are set out on pages 234 to 250.

### **SUBSIDIARIES AND ASSOCIATES**

Details of the Company's principal subsidiaries and associates at 30th June, 2003 are set out in notes 44 and 45 to the financial statements, respectively.

### **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.

## DIRECTORS' REPORT *(Continued)*

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

During the year, the Company repurchased 39,426,000 ordinary shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of HK\$90,262,382. All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$39,426,000 during the year was credited to 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 2002	4,500,000	2.675	2.475	11,596,079
September 2002	2,500,000	2.275	2.075	3,191,830
October 2002	2,180,000	2.300	2.225	7,262,418
November 2002	1,600,000	2.625	2.525	4,128,602
December 2002	5,600,000	2.550	2.375	13,979,813
January 2003	4,500,000	2.525	2.375	11,090,606
February 2003	2,100,000	2.450	2.350	4,996,017
March 2003	2,846,000	2.275	2.125	6,327,602
April 2003	8,100,000	2.125	1.990	16,560,468
May 2003	5,500,000	2.050	1.990	11,128,947
	<u>39,426,000</u>			<u>90,262,382</u>

The purchases were made for the benefit of the shareholders as a whole as they enhance the net asset value and/or earnings per share of the Company.

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

### CONVERTIBLE NOTES

Details of the convertible notes of the Group in issue 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 a minimal level and interest rates on a 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, 2003 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\$46,673,097.

## DIRECTORS' REPORT (Continued)

### 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. Ivan Lee Wank-hay	(appointed on 1st January, 2003)
Mr. Yu Wai Wai	(appointed on 1st January, 2003)
Mr. Robert Lee Chi Hong	(resigned on 12th August, 2002)
Mr. Ambrose Cheung Wing Sum, JP	(resigned on 19th September, 2002)
Mr. Benjamin Lam Yu Yee	(resigned on 6th July, 2003)

#### 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. Ronald Joseph Arculli, GBS, OBE, JP, Raymond Tong Kwok Tung, Ivan Lee Wank-hay and Yu Wai Wai will retire at the forthcoming Annual General Meeting and, who being eligible, will offer themselves for re-election.

### DIRECTORS' INTERESTS

As at 30th June, 2003, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company and 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 under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

#### (a) Long Positions in Shares of the Company

Name of Directors	No. of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Robert Ng Chee Siong	2,583,024	Beneficial owner of 115,336 shares and spouse interest in 2,467,688 shares	0.06%
Mr. Ronald Joseph Arculli, GBS, OBE, JP	1,044,095	Beneficial owner	0.02%
Mr. Paul Cheng Ming Fun, JP	60,185	Beneficial owner	≈ 0%
Mr. Albert Yeung Pak Hin	14,641	Beneficial owner	≈ 0%
Mr. Raymond Tong Kwok Tung	–	–	–
Mr. Benjamin Lam Yu Yee (Note A)	–	–	–
Mr. Ivan Lee Wank-hay	–	–	–
Mr. Yu Wai Wai	–	–	–

Note A: Mr. Benjamin Lam Yu Yee resigned as Executive Director with effect from 6th July, 2003.

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

#### (b) Long Positions in Shares of Associated Corporations

##### (i) Holding Company

##### Tsim Sha Tsui Properties Limited

Name of Directors	No. of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Robert Ng Chee Siong	524,720	Beneficial owner	0.03%
Mr. Ronald Joseph Arculli, GBS, OBE, JP	60,000	Beneficial owner	≈ 0%
Mr. Paul Cheng Ming Fun, JP	–	–	–
Mr. Albert Yeung Pak Hin	–	–	–
Mr. Raymond Tong Kwok Tung	–	–	–
Mr. Benjamin Lam Yu Yee (Note A)	–	–	–
Mr. Ivan Lee Wank-hay	–	–	–
Mr. Yu Wai Wai	–	–	–

##### (ii) Associated Companies

Mr. Robert Ng Chee Siong was deemed to be interested in shares of the following companies through corporations controlled by him:

Name of Associated Companies	No. of Ordinary Shares	% of Issued Share Capital
Better Chief Limited	50 (Notes 1 & 2)	50%
Brighton Land Investment Limited	1,000,002 (Notes 1 & 3)	100%
Dramstar Company Limited	440 (Notes 1 & 4)	44%
Empire Funds Limited	1 (Notes 1 & 5)	50%
Erleigh Investment Limited	110 (Notes 1 & 5)	55%
Eternal Honest Finance Company Limited	1 (Notes 1 & 5)	50%
Famous Empire Finance Limited	5 (Notes 1 & 6)	50%
Famous Empire Properties Limited	5,000 (Notes 1 & 6)	50%
Island Resort Estate Management Company Limited	10 (Notes 1 & 5)	50%
Jade Result Limited	500,000 (Notes 1 & 5)	50%
Jumbo Funds Limited	1 (Notes 1 & 7)	50%
Murdoch Investments Inc.	2 (Notes 1 & 3)	100%
Perfect Finance Limited	1 (Notes 1 & 5)	50%
Real Maker Development Limited	20,000 (Notes 1 & 8)	10%
Rich Century Investment Limited	500,000 (Notes 1 & 5)	50%
Silver Link Investment Limited	10 (Notes 1 & 5)	50%
Sino Club Limited	2 (Note 9)	100%
Sino Parking Services Limited	450,000 (Note 10)	50%
Sino Real Estate Agency Limited	50,000 (Note 10)	50%

## DIRECTORS' REPORT *(Continued)*

### DIRECTORS' INTERESTS *(Continued)*

#### (b) Long Positions in Shares of Associated Corporations *(Continued)*

##### (ii) Associated Companies *(Continued)*

Notes:

1. *Osborne Investments Ltd. ("Osborne") was a wholly-owned subsidiary of Seaview Assets Limited which was in turn 100% wholly-owned by Boswell Holdings Limited ("Boswell") in which Mr. Robert Ng Chee Siong had a 50% control.*
2. *The shares were held by Devlin Limited, a wholly-owned subsidiary of Osborne.*
3. *The shares were held by Erleigh Investment Limited, a company 55% controlled by Osborne.*
4. *The shares were held by Jade Result Limited, a wholly-owned subsidiary of Osborne.*
5. *The share(s) was(were) held by Osborne.*
6. *The shares were held by Standard City Limited, a wholly-owned subsidiary of Osborne.*
7. *The shares were held by Pure Win Company Limited, a wholly-owned subsidiary of Osborne.*
8. *The shares were held by Goegan Godown Limited, a wholly-owned subsidiary of Osborne.*
9. *The shares were held by Sino Real Estate Agency Limited, a company 50% controlled by Deansky Investments Limited in which Mr. Robert Ng Chee Siong had a 100% control.*
10. *The shares were held by Deansky Investments Limited in which Mr. Robert Ng Chee Siong had a 100% control.*

#### (c) Long Positions in Underlying Shares and Debentures Short Positions in Shares, Underlying Shares and Debentures

There were no long positions in the underlying shares and debentures or any short positions in the shares, underlying shares and debentures of the Company and its associated corporations, which were recorded in the register as required to be kept under Section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, 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 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, development and management 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 Transactions" as set out in note 43 to the financial statements, there were no other contracts of significance in relation to the Group'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

A. During the year, the Company announced that it had entered into the following connected transactions, particulars of which are disclosed herein as required under the Listing Rules:

#### (a) Acquisition of Shares and Taking up of a Loan

On 26th June, 2003, the Company's wholly-owned subsidiaries, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance"), entered into respective agreements with Millwood Limited ("Millwood") and Cliveden Finance Company Limited ("Cliveden Finance"). Pursuant to such agreements, inter alia, (a) King Chance agreed to acquire from Millwood 100,000 shares, representing 100% of the issued shares, of Jade Bird Development Limited ("Jade Bird") which holds 100% interest in Cambridge Plaza, an industrial building, at a consideration of HK\$100,000, and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan in the amount of HK\$104,817,784 due by Jade Bird to Cliveden Finance at a consideration of HK\$92,568,458, in each case subject to adjustment by reference to the post-completion audited accounts. Completion took place on 26th June, 2003.

Millwood and Cliveden Finance are both indirect wholly-owned subsidiaries of Boswell Holdings Limited ("Boswell"), in which Mr. Robert Ng Chee Siong, 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.

The Company has substantial experience and expertise in managing industrial buildings. The acquisition of shares and taking up of a loan enable the Company to hold the entire interest in Cambridge Plaza, providing an opportunity for the Company to maximise and capitalise on the value of such property.

## DIRECTORS' REPORT *(Continued)*

### CONNECTED TRANSACTIONS *(Continued)*

#### A. *(Continued)*

##### (b) Share Disposal and Loan Assignment

On 26th June, 2003, the Company and Sing-Ho Finance entered into respective agreements with Erleigh Property Limited ("Erleigh") and Seaview Finance Company Limited ("Seaview Finance"). Pursuant to such agreements, inter alia, (a) the Company agreed to sell to Erleigh one share, representing 50% of the issued shares, of Kotachi Limited ("Kotachi") which holds 100% interest in Pacific Trade Centre, an industrial building, at a consideration of HK\$30,755,779; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan in the amount of HK\$61,921,021 due by Kotachi to Sing-Ho Finance on a dollar-for-dollar basis, in each case subject to adjustment by reference to the post-completion audited accounts. Completion took place on 26th June, 2003.

Seaview Finance and Erleigh are both indirect wholly-owned subsidiaries of Boswell.

Since the Company did not have a controlling interest in the industrial property of Pacific Trade Centre, further capitalisation on the value of this property would be limited. The share disposal and loan assignment as mentioned above allow the Company to divest its interest in Pacific Trade Centre.

The Directors consider the above acquisition and disposal of shares and taking up and assignment of loans enable the Company to enhance the control over its industrial property portfolio.

#### B. During the year, the Group made advances upon normal commercial terms to its non wholly-owned subsidiaries, particulars of which are disclosed herein as required under the Listing Rules:

(a) During the year, the Group made advances totalling HK\$40,329,706 to Firm Wise Investment Limited ("Firm Wise"), a 70% owned subsidiary of the Company, to finance the operating cost of the property, the Centrium. The advances are unsecured, bearing interest at cost of funds plus a margin and having no fixed repayment terms. The advances made are proportional to the Group's shareholding interest in Firm Wise, the remaining share interests of which are held by an independent third party which is connected to the Group only through its substantial shareholding in Firm Wise.

(b) During the year, the Group made advances totalling HK\$529,761,006 to Grand Creator Investment (BVI) Limited ("Grand Creator"), a 60% owned subsidiary of the Company, to finance the loan on-lent to Grand Creator's wholly-owned subsidiary, Grand Creator Investment Limited. The loan is to finance the development cost of MTR Hang Hau Station development. The advances are unsecured, bearing interest at cost of funds plus a margin and having no fixed repayment terms. The advances made are proportional to the Group's shareholding interest in Grand Creator, the remaining share interests of which are held by an independent third party which is connected to the Group only through its substantial shareholding in Grand Creator.

Details of other related party transactions are set out in note 43 to the financial statements.

## DIRECTORS' REPORT (Continued)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

As at 30th June, 2003, the interests and short positions of the Substantial Shareholders and other shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

#### (a) Long Positions in Shares of the Company

Name of Substantial Shareholders	No. of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Mr. Ng Teng Fong	2,159,981,219 (Notes 1 & 5)	Beneficial owner of 24,379,470 shares, spouse interest in 3,246,594 shares and interest of controlled corporations in 2,132,355,155 shares	55.57%
Tsim Sha Tsui Properties Limited	2,074,091,647 (Notes 1(a) (b) & 5)	Beneficial owner of 1,030,437,137 shares and interest of controlled corporations in 1,043,654,510 shares	53.36%
Mr. Chen Din Hwa	428,138,950 (Notes 2 & 4)	Interest of a controlled corporation	11.02%
Ms. Chen Yang Foo Oi	428,138,950 (Notes 2, 3 & 4)	Spouse interest	11.02%
Xing Feng Investments Limited	428,138,950 (Notes 2 & 4)	Interest of a controlled corporation	11.02%
Nice Cheer Investment Limited	428,138,950 (Notes 2 & 4)	Beneficial owner	11.02%
Name of Other Shareholders	No. of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Solid Construction Materials Company Limited	380,089,435	Security interest in 379,946,417 shares and beneficial owner of 143,018 shares	9.78%
Spangle Investment Limited	230,598,119 (Note 5)	Beneficial owner	5.93%

Notes:

- As regards 2,132,355,155 shares held by controlled corporations:
  - 1,030,437,137 shares were held by Tsim Sha Tsui Properties Limited which was 71.71% controlled by Mr. Ng Teng Fong;
  - (i) 31,631,643 shares were held by Orchard Centre Holdings (Pte) Limited, in which Nam Lung Properties Development Company Limited, a wholly-owned subsidiary of Tsim Sha Tsui Properties Limited, had a 95.23% control; and  
(ii) 1,012,022,867 shares were held through the wholly-owned subsidiaries of Tsim Sha Tsui Properties Limited (including 230,598,119 shares held by Spangle Investment Limited (Note 5)); and
  - 58,263,508 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong – 856 shares by Fanlight Investment Limited, 24,505,512 shares by Karaganda Investments Inc., 1,078,163 shares by Orient Creation Limited, 5,115,333 shares by Strathallan Investment Limited, 15,417,685 shares by Strong Investments Limited, 11,880,854 shares by Tamworth Investment Limited and 265,105 shares by Transpire Investment Limited.
- 428,138,950 shares were held by Nice Cheer Investment Limited, a company 100% controlled by Xing Feng Investments Limited which was in turn 100% controlled by Mr. Chen Din Hwa.
- Ms. Chen Yang Foo Oi, spouse of Mr. Chen Din Hwa, was deemed to be interested in Mr. Chen's shares.
- The interests of Mr. Chen Din Hwa, Ms. Chen Yang Foo Oi, Xing Feng Investments Limited and Nice Cheer Investment Limited were duplicated.
- 230,598,119 shares were held by Spangle Investment Limited, a wholly-owned subsidiary of Tsim Sha Tsui Properties Limited and were duplicated in the interests of Mr. Ng Teng Fong and Tsim Sha Tsui Properties Limited.

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

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS** *(Continued)*

#### **(b) Long Positions in Underlying Shares Short Positions in Shares and Underlying Shares**

There were no long positions in the underlying shares or any short positions in the shares and underlying shares of the Company, which were recorded in the register as required to be kept under Section 336 of Part XV of the SFO.

### **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$978,650.

### **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.

### **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.

### **CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 30th June, 2003 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, 23rd September, 2003