

## 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 45 to the financial statements.

### RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The Directors do not recommend the payment of a dividend for the year.

### 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 Company and 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 176 to 194.

### SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries and associates at 30th June, 2003 are set out in notes 45 and 46 to the financial statements, respectively.

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the financial statements.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares 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 29 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 27 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. Raymond Tong Kwok Tung

*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, Mr. Raymond Tong Kwok Tung will retire at the forthcoming Annual General Meeting and, who being eligible, will offer himself 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 of Hong Kong Limited (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**

<b>Name of Directors</b>	<b>No. of Ordinary Shares</b>	<b>Capacity and Nature of Interest</b>	<b>% of Issued Share Capital</b>
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. Raymond Tong Kwok Tung	–	–	–

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS (Continued)

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

##### (i) Subsidiary Company

##### Sino Land Company Limited

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. Raymond Tong Kwok Tung	–	–	–

##### (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 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 or any of its 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 44 to the financial statements, there were no other 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, 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, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance"), both wholly-owned subsidiaries of the Company's listed subsidiary, Sino Land Company Limited ("Sino Land"), 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.

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

**CONNECTED  
TRANSACTIONS**  
*(Continued)*

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

On 26th June, 2003, Sino Land 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) Sino Land 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 Sino Land 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 and Sino Land to divest their respective interests 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 Company's listed subsidiary, Sino Land, 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, Sino Land's wholly-owned subsidiary made advances totalling HK\$40,329,706 to Firm Wise Investment Limited ("Firm Wise"), a 70% owned subsidiary of Sino Land, 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 shareholding interest of Sino Land in Firm Wise, the remaining share interests of which are held by an independent third party which is connected to Sino Land only through its substantial shareholding in Firm Wise.

## DIRECTORS' REPORT (Continued)

### CONNECTED TRANSACTIONS (Continued)

- (b) During the year, Sino Land's wholly-owned subsidiary made advances totalling HK\$529,761,006 to Grand Creator Investment (BVI) Limited ("Grand Creator"), a 60% owned subsidiary of Sino Land, 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 shareholding interest of Sino Land in Grand Creator, the remaining share interests of which are held by an independent third party which is connected to Sino Land only through its substantial shareholding in Grand Creator.

Details of other related party transactions are set out in note 44 to the financial statements.

### 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	981,026,085 <i>(Notes 1 &amp; 2)</i>	Beneficial owner of 77,674,173 shares, spouse interest in 60,758 shares and interest of controlled corporations in 903,291,154 shares	71.71%
Strathallan Investment Limited	249,522,382 <i>(Note 2)</i>	Beneficial owner	18.24%
Tamworth Investment Limited	372,353,652 <i>(Note 2)</i>	Beneficial owner	27.22%

  

Name of Other Shareholders	No. of Ordinary Shares	Capacity and Nature of Interest	% of Issued Share Capital
Fanlight Investment Limited	93,610,611 <i>(Note 2)</i>	Beneficial owner	6.84%
Nippomo Limited	126,867,860 <i>(Note 2)</i>	Beneficial owner	9.27%
Solid Construction Materials Company Limited	135,631,836	Security interest in 135,572,887 shares and beneficial owner of 58,949 shares	9.92%

## DIRECTORS' REPORT *(Continued)*

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

Notes:

1. 903,291,154 shares were held through companies which were 100% controlled by Mr. Ng Teng Fong - 93,610,611 shares by Fanlight Investment Limited, 126,867,860 shares by Nippomo Limited, 2,992,211 shares by Orient Creation Limited, 249,522,382 shares by Strathallan Investment Limited, 372,353,652 shares by Tamworth Investment Limited and 57,944,438 shares by Transpire Investment Limited.
2. The interests of Strathallan Investment Limited, Tamworth Investment Limited, Fanlight Investment Limited and Nippomo Limited were duplicated in the interests of Mr. Ng Teng Fong.

### (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