

36/84

In the Privy Council

No. ~~51~~ of 1982

ON APPEAL FROM THE SUPREME COURT OF HONG KONG

(APPELLATE JURISDICTION)
CIVIL APPEAL NO. 64 OF 1982

(On appeal from High Court Commercial List No. 19 of 1982)

	BETWEEN		
SAMUEL TAK LEE	and		Appellant
CHOU WEN HSIEN			1st Respondent
CHOW CHUNG KAI			2nd Respondent
ANN TSE KAI			3rd Respondent
GAW SIONG CHWAN			4th Respondent
HSIN TING CHIA			5th Respondent
HU CA FEE			6th Respondent
CHENG WEI SHUE			7th Respondent
OCEAN LAND DEVELOPMENT LIMITED			8th Respondent

RECORD OF PROCEEDINGS

MAXWELL BATLEY & COMPANY
27, Chancery Lane
WC2A 1PA
London Agents for
PETER MARK & CO.
Solicitors for the Appellant.

~~**PRITCHARD ENGLEFIELD & TOBIN**~~
23 Great Castle St.
London W1.
London Agents for
ROBERT W. H. WANG & CO.
Solicitors for the
~~1st and 2nd Respondents~~

NORTON, ROSE BOTTERELL & ROCHE
Kempson House, Camomile St.
London EC3A 7AN
London Agents for
JOHNSON, STOKES & MASTER
Solicitors for the 3rd to 8th Respondents.

ON APPEAL
FROM THE SUPREME COURT OF
HONG KONG

(APPELLATE JURISDICTION)
CIVIL APPEAL NO. 64 OF 1982

(On appeal from High Court Commercial List No. 19 of 1982)

Table with 3 columns: Name, BETWEEN, and Appellant/Respondent. Includes SAMUEL TAK LEE (Appellant) and various respondents like CHOU WEN HSIEN, CHOW CHUNG KAI, etc.

RECORD OF PROCEEDINGS

MAXWELL BATLEY & COMPANY
27, Chancery Lane
WC2A 1PA
London Agents for
PETER MARK & CO.
Solicitors for the Appellant.

PRITCHARD ENGLEFIELD & TOBIN
23 Great Castle St.
London W1.
London Agents for
ROBERT W. H. WANG & CO.
Solicitors for the
1st and 2nd Respondents.

NORTON, ROSE BOTTERELL & ROCHE
Kempson House, Camomile St.
London EC3A 7AN
London Agents for
JOHNSON, STOKES & MASTER
Solicitors for the 3rd to 8th Respondents.

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Note:—This Writ may not be served later than 12 calendar months beginning with that date unless renewed by order of the Court.

No. 1

IMPORTANT

Directions for Acknowledgment of Service are given with the accompanying form.

Writ of Summons
with Endorsement
of Claim
dated 15.5.1982

ENDORSEMENT OF CLAIM

The Plaintiff's claim is for:

- (1) a Declaration that the Notice dated the 12th day of May, 1982 signed by the 1st to 7th Defendants (inclusive) purporting to be a request under Article 73 (d) of the 8th Defendant's Articles of Association is null, void & of no lawful force or effect. 10
- (2) a Declaration that the Plaintiff is and remains a Director of the 8th Defendant.
- (3) a Declaration that any resolution or purported resolution passed by the 1st to 7th Defendants inclusive or any of them stating that the Plaintiff cease to be or has ceased to be a director of the 8th Defendant is invalid and does not bind the 8th Defendant or any of the directors of the 8th Defendant.
- (4) a Declaration that any meeting or purported meeting of directors of the 8th Defendant held after the 12th day of May 1982 be invalid and that any resolution or purported resolution made after the said date be invalid, null, void and of no effect.
- (5) an order that the first Defendant do reimburse to the 8th Defendant sums which the 8th Defendant is liable to pay to the Plaintiff as expenses reasonably incurred by the Plaintiff as a Director of the 8th Defendant in securing copies of the accounts of subsidiary companies and Trade Investments, and in raising questions to be answered by the 1st Defendant thereon. 20
- (6) an order against the 8th Defendant to cause by its officers servants or agents to have produced to the Plaintiff, all the accounts, balance sheets and audited reports for the years 1977 to 1981 inclusive of the following of its subsidiary company's and/or trade investments.

SUBSIDIARIES

Eastern Winner Transports Inc.
Eastern Wiseman Transports Inc.
Eastern World Transports Inc.
Gala Land Investment Company Limited
Centurion Limited
Chatterley Limited
Shatin Properties Limited

30

TRADE INVESTMENT

Supreme Court
of Hong Kong
High Court

Eastern Pearl Transports Inc.
Forerunner Investment Limited
Pan Land Development Limited
Sea Land Mining Limited
Caledon Investment Limited
Tat Yeung Investment Limited
Adam Knitters Limited
Ocean Land Estate Agents Limited
Winner Housing International Limited
Magna Corporation
Hong Kong Car Park Limited
Choice Estates Limited
Gotlands Enterprises Limited

No. 1

Writ of Summons
with Endorsement
of Claim
dated 15.5.1982

10

(7) an order that the 1st to 7th Defendants (inclusive) either by themselves, their servants or agents, and the 8th Defendant whether by its officers, servants or agents or otherwise howsoever be restrained from:—

20

(A) interfering in any manner whatsoever with the holding on the 17th day of May, 1982 of a meeting of the Directors of the 8th Defendant summoned by the plaintiff to take place at the Regent Hotel in Kowloon at 10 a.m.;

(B) interfering with the lawful discharge by the Plaintiff of his functions and duties as a Director of the 8th Defendant;

(C) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving reasonable prior notice to the Plaintiff of any such meeting;

(D) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving the Plaintiff a reasonable opportunity to attend thereat;

30

(E) lodging or causing to be lodged with the Registrar of Companies or with any of the Stock Exchanges registered in Hong Kong any Notice or Return stating or implying that the Plaintiff has ceased to be or act as a Director of the 8th Defendant;

(F) making or causing to be made any public announcement or publishing or causing to be published any public statement that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;

(G) making or causing to be made any entry in the minute book of the 8th Defendant that the plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;

40

(H) using any of the funds of the 8th Defendant other than for the purpose of company business and in particular from applying any funds of the Company as payment for or towards any legal costs incurred by the 1st to 7th Defendants inclusive, in relation to the action herein.

Dated the 15th day of May, 1982.

(Sd.) JOHN BLEACH
Counsel for the Plaintiff

Supreme Court
of Hong Kong
High Court

No. 1

Writ of Summons
with Endorsement
of Claim
dated 15.5.1982

Where the Plaintiff's claim is for a debt or liquidated demand only: If, within the time for returning the Acknowledgment of Service, the Defendant pays the amount claimed and \$905.00 for costs and, if the Plaintiff obtains an order for substituted service, the additional sum of \$500.00, further proceedings will be stayed. The money must be paid to the Plaintiff or his Solicitor.

THIS WRIT was issued by Messrs PETER MARK & COMPANY of Grand Building, 11th floor, 15-18 Connaught Road, C., Hong Kong, Solicitors for the Plaintiff whose address is: 157, Argyle Street, Kowloon.

(Sd.) PETER MARK & Co.
Solicitors for the Plaintiff.

10

No. 2

Ex Parte Summons
dated 15.5.1982

EX PARTE SUMMONS dated 15.5.1982

LET ALL PARTIES concerned attend the Honourable The Chief Justice sitting in Chambers at his residence at 5.30 p.m. in the afternoon on Saturday, the 15th day of May, 1982 on the hearing of an application on the part of the Plaintiff for:—

- (1) an order against the 8th Defendant to cause by its officers servants or agents to have produced to the Plaintiff, all the accounts, balance sheets and audited reports for the years 1977 to 1981 inclusive of the following of its subsidiary company's and/or trade investments.

SUBSIDIARIES

20

Eastern Winner Transports Inc.
Eastern Wiseman Transports Inc.
Eastern World Transports Inc.
Gala Land Investment Company Limited
Centurion Limited
Chatterley Limited
Shatin Properties Limited

TRADE INVESTMENT

Eastern Pearl Transports Inc.
Forerunner Investment Limited
Pan Land Development Limited
Sea Land Mining Limited
Caledon Investment Limited
Tat Yeung Investment Limited
Adam Knitters Limited
Ocean Land Estate Agents Limited
Winner Housing International Limited
Magna Corporation
Hong Kong Car Park Limited
Choice Estates Limited
Gotlands Enterprises Limited

30

40

(2) an order that the 1st to 7th Defendants (inclusive) either by themselves, their servants or agents, and the 8th Defendant whether by its officers, servants or agents or otherwise howsoever be restrained from:—

Supreme Court
of Hong Kong
High Court

(A) interfering in any manner whatsoever with the holding on the 17th day of May, 1982 of a meeting of the Directors of the 8th Defendant summoned by the Plaintiff to take place at the Regent Hotel in Kowloon at 10 a.m.;

No. 2

(B) interfering with the lawful discharge by the Plaintiff of his functions and duties as a Director of the 8th Defendant;

Ex Parte Summons
dated 15.5.1982

10

(C) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving reasonable prior notice to the Plaintiff of any such meeting;

(D) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving the Plaintiff a reasonable opportunity to attend thereat;

(E) lodging or causing to be lodged with the Registrar of Companies or with any of the Stock Exchanges registered in Hong Kong any Notice or Return stating or implying that the Plaintiff has ceased to be or act as a Director of the 8th Defendant;

(F) making or causing to be made any public announcement or publishing or causing to be published any public statement that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;

20

(G) making or causing to be made any entry in the minute book of the 8th Defendant that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;

(H) using any of the funds of the 8th Defendant other than for the purpose of company business and in particular from applying any funds of the Company as payment for or towards any legal costs incurred by the 1st to 7th Defendants inclusive, in relation to the action herein.

Dated the 15th day of May, 1982.

N. J. BARNETT
Registrar
(L.S.)

30

This summons was taken out by Messrs. Peter Mark & Co. of 11th Floor, Grand Building, 15-18 Connaught Road, Central, Victoria in the Colony of Hong Kong, Solicitors for the Plaintiff.

(Sd.) PETER MARK & Co.

INTER PARTES SUMMONS dated 17.5.1982

No. 3

LET ALL PARTIES concerned attend A Judge in Chambers at the Supreme Court, Hong Kong, sitting at the Sun Hung Kei Centre, Wanchai, Hong Kong on Wednesday, the 19th day of May, 1982 at 10:00 in the forenoon on the hearing of an application on the part of the Plaintiff for:—

Inter-Partes
Summons
dated 17.5.1982

- 1) an order against the 8th Defendant to cause by its officers servants or agents to have produced to the Plaintiff, all the accounts, balance sheets and audited reports for the years 1977 to 1981 inclusive of the following of its subsidiary company's and/or trade investments.

SUBSIDIARIES

10

Eastern Winner Transports Inc.
Eastern Wiseman Transports Inc.
Eastern World Transports Inc.
Gala Land Investment Company Limited
Centurion Limited
Chatterley Limited
Shatin Properties Limited

TRADE INVESTMENT

Eastern Pearl Transports Inc.
Forerunner Investment Limited
Pan Land Development Limited
Sea Land Mining Limited
Caledon Investment Limited
Tat Yeung Investment Limited
Adam Knitters Limited
Ocean Land Estate Agents Limited
Winner Housing International Limited
Magna Corporation
Hong Kong Car Park Limited
Choice Estates Limited
Gotlands Enterprises Limited

20

30

- 2) an order that the 1st to 7th Defendants (inclusive) either by themselves, their servants or agents, and the 8th Defendant whether by its officers, servants or agents or otherwise howsoever be restrained from:—
- A) interfering in any manner whatsoever with the holding on the 17th day of May, 1982 of a meeting of the Directors of the 8th Defendant summoned by the Plaintiff to take place at the Regent Hotel in Kowloon at 10 a.m.;
- B) interfering with the lawful discharge by the Plaintiff of his functions and duties as a Director of the 8th Defendant;

- C) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving reasonable prior notice to the Plaintiff of any such meeting;
- D) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving the Plaintiff a reasonable opportunity to attend thereat;
- E) lodging or causing to be lodged with the Registrar of Companies or with any of the Stock Exchanges registered in Hong Kong any Notice or Return stating or implying that the Plaintiff has ceased to be or act as a Director of the 8th Defendant;
- 10 F) making or causing to be made any public announcement or publishing or causing to be published any public statement that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;
- G) making or causing to be made any entry in the minute book of the 8th Defendant that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;
- H) using any of the funds of the 8th Defendant other than for the purpose of company business and in particular from applying any funds of the Company as payment for or towards any legal costs incurred by the 1st to 7th Defendants inclusive, in relation to the action herein.

Supreme Court
of Hong Kong
High Court

No. 3

Inter-Partes
Summons
dated 17.5.1982

Dated the 17th day of May, 1982.

N.J. BARNETT
Registrar

This summons was taken out by Messrs. Peter Mark & Co. of 11th Floor, Grand Building, 15-18 Connaught Road, Central, Victoria in the Colony of Hong Kong, Solicitors for the Plaintiff.

(Sd.) PETER MARK & CO.

30 To: the 1st Defendant CHOW WEN HSIEN of 24 Oxford Road, Kowloon;
the 2nd Defendant CHOW CHUNG KAI of 6 Suffolk Road, Kowloon;
the 3rd Defendant ANN TSE KAI of 48B Kadoorie Ave., 2nd Floor, Kowloon;
the 4th Defendant GAW SIONG CHWAN of 37 Blue Pool Road, 2nd Floor,
Hong Kong;
the 5th Defendant HSIN TING CHIA of 10B Hatton House, 15 Kotewall Road,
Hong Kong;
the 6th Defendant HU CA FEE of 44 Strawberry Hill, The Peak, Hong Kong;
the 7th Defendant CHENG WEI SHUE of 9 Conduit Road, Flat 7A, Hong Kong;
the 8th Defendant OCEAN LAND DEVELOPMENT LTD. whose registered office is
situate at 4th Floor, New Henry House, Ice House Street,
Hong Kong.

Supreme Court
of Hong Kong
High Court

**INTER PARTES SUMMONS
TAKEN OUT BY ROBERT W.H. WANG & CO. dated 19.5.1982**

No. 4

LET all parties concerned attend before Hon Fuad in Chambers, at the Supreme Court, Hong Kong, on Wednesday, the 19th day of May 1982, at 10.00 o'clock in the forenoon, on the hearing of an application on the part of 1st and 2nd Defendants for an Order that the Writ herein be struck out and the action be dismissed on the grounds that:—

Inter-Partes
Summons
taken out by
Robert W.H.
Wang & Co.
dated 19.5.1982

- (1) the action is irregularly constituted
- (2) the Writ discloses no reasonable cause of action
- (3) the action is frivolous vexatious and is otherwise an abuse of the process **30**
of this Honourable Court.

Dated the 15th day of May, 1982.

N.J. BARNETT
Registrar

This summons was taken out by ROBERT W.H. WANG & Co., of 11/F & 12/F Sanwa Building 30-32 Connaught Road Central, Hong Kong, Solicitors for the 1st and 2nd Defendants.

To: abovenamed Plaintiff and Messrs. Peter Mark & Co.

Estimated time; not exceeding.

No. 5

**INTER PARTES SUMMONS
TAKEN OUT BY JOHNSON, STOKES & MASTER dated 19.5.1982**

20

Inter-Partes
Summons
taken out by
Johnson, Stokes
& Master
dated 19.5.1982

LET all parties attend _____ in Chambers, at the Supreme Court, Hong Kong, on _____ day, the _____ day of May 1982, at _____ o'clock in the _____ noon, on the hearing of an application on the part of the 3rd, 4th, 5th, 6th, 7th and 8th Defendants for an Order that the Writ herein be struck out and the action be dismissed on the grounds that:—

- (1) the action is irregularly constituted
- (2) the Writ discloses no reasonable cause of action
- (3) the action is frivolous vexatious and is otherwise an abuse of the process **10**
of this Honourable Court.

Dated the 19th day of May, 1982.

N.J. BARNETT
Registrar.

This summons was taken out by Messrs. Johnson, Stokes & Master of Admiralty Centre, Tower II, 16th Floor, Hong Kong. Solicitors for the 3rd, 4th, 5th 6th, 7th and 8th Defendants.

To the abovenamed Plaintiff and Messrs. Peter Mark & Co.

AFFIDAVIT OF SAMUEL TAK LEE dated 15.5.1982

Supreme Court
of Hong Kong
High Court

I, SAMUEL TAK LEE, company director, of No. 157 Argyle Street, Kowloon, in the Colony of Hong Kong, do make oath and say as follows:—

No. 6

Affidavit of
Samuel Tak Lee
dated 15.5.1982

1. I am and have been since its incorporation in August 1972 a director of Ocean Land Development Limited, the 8th Defendant herein (hereinafter referred to as "Ocean Land").
2. The 1st 7 Defendants inclusive have all been directors of Ocean Land since its incorporation and Chou Wen Hsien, the 1st Defendant has throughout also been the Chairman of Ocean Land.
- 10 3. Ocean Land is a public company and now produced and shown to me marked "STL-1" is a true copy of the Memorandum and Articles of Ocean Land.
4. I would respectfully refer in particular to Article Nos. 89 which enables any of the directors to summon a meeting of the directors at any time, and 73 (d) which provides that the office of a director shall be vacated if he is requested in writing by all the co-directors to resign.
5. I am advised and verily believe that each of these powers may only be lawfully exercised by a director in what he believes to be beneficial to Ocean Land.
6. Ocean Land is a company with several subsidiaries and a number of other companies which are at present described in its annual report as "Trade Investments". The latest list of the companies appears on page 18 of the 1981 Annual Report which is produced and referred to later in this Affidavit. Since 20 March 1982 I have been trying as a director of Ocean Land to obtain further information about the affairs of Ocean Land's subsidiaries and Trade Investments by asking successively for the reports and accounts of most of the companies in the list going back over the previous 3 accounting years.
7. Now produced and shown to me marked "STL-2" is a bundle of correspondence relating to my request and the replies that I have received.
8. As will be seen from the correspondence my requests to be provided with the various accounts have not been complied with.
- 30 9. May I in particular refer to the letter dated the 26th of April 1982 sent to my solicitors by Messrs Robert W.H. Wang & Co. in which I was requested to address all further correspondence to the Board of Directors of Ocean Land via their office.
- 40 10. I had originally hoped that my request for information and documents would eventually be complied with. However, on Friday, the 7th of May, following the expiring of my final notice, I exercised my right under Article 89 to summon a meeting of directors of Ocean Land. In the 1st notice the meeting was set for the morning of the Tuesday, 11th of May and on the morning of Saturday, the 8th of May, I make a series of telephone calls to most of my fellow directors so as to find out whether they would be available on Tuesday. It rapidly emerged

that most of my fellow directors were either going to be or said they are going to be unavailable to come to the meeting on Tuesday with perhaps the exception of Mr T.C. Hsin. Because I considered that the failure of the company to comply with my requests was a matter of serious concern to the company and my fellow directors, I was anxious that as many as possible of my colleague should come to meeting that I had summoned and I therefore arranged with the Corporate Secretary to postpone the meeting to be held until the morning of Monday, the 17th of May, 1982.

11. Now produced and shown to me is a bundle of documents containing the original notice dated the 17th of May and other documents. I supplied the Corporate Secretary with copies to be furnished to the directors of the correspondence exhibited "STL-3" and also of the accounts of Ocean Land which were the only documents that this exchange of correspondence had produced. Exhibited produced in a bundle marked "STL-4" are copies of the relevant accounts of 1978 to 1981 inclusive. 10
12. During the next few days Messrs Robert W.H. Wang, apparently acting for Mr W.H. Chou personally, sent to me certain letters relating to the affairs of other companies including C. G. & L. Investments Limited and Wyatt Estates Limited which are included in Trade Investments of Ocean Land. Apart from that, I have heard nothing from that source or from any of my fellow directors relating to the directors' meeting which I had summoned, until the events this morning which I will later describe. 20
13. I should explain here that among the Trade Investments of Ocean Land are several companies of which I am a director and whose business relates to real estate developments which I have over for years introduced to the Ocean Land group. The 2 companies which I just mentioned are among the companies to which I referred. The other companies in this paragraph are Five Lakes Investment Company Limited, Multiland Investment Limited, Multiford Company Limited and Famatine Investment Company Limited. And in addition there were 3 other companies which used to be in the Ocean Land group but which Ocean Land had purportedly transferred out of the Group in earlier years. These companies are Pentaland Investment Limited, Clinton Investment Ltd and Prat Development Limited. As may be seen from the bundle "STL-2" I make no request for accounts in any of these cases as I am familiar with the affairs of the group companies in this paragraph. 30
14. I have also included in the bundle "STL-3" 2 letters which I wrote to Messrs Lowe Bingham & Mathew, Price Waterhouse & Co. auditors to Ocean Land to advise them of the forthcoming directors' meeting.
15. In the course of the past few days I have had prepared by my legal advisers a comprehensive statement which I intend to read to my fellow directors so as to explain to them the matters which have been causing me concern as a director of Ocean Land and my reasons for directing to the 1st Defendant Mr Chou a series of questions which I consider that he ought to be required by Ocean Land to answer. 40

16. Now produced and shown to me marked "STL-5" is a true copy of my proposed statement.
17. The facts in that statement are, as far as I am able to ascertain in the absence full disclosures by the company, true and accurate.
18. During my earlier attempts to secure the relevant accounts from Ocean Land, their executive secretary Mr. Albert Lam was telephoned on the 20th and 23rd April 1982 by my assistant Mr. Feisal Esmail, and later on the latter day by myself. Mr. Lam originally said that he could not produce the accounts in view of the first defendant's absence from the office, as Mr. Chou's approval is required before they are allowed to be despatched. Later Mr. Lam said that Robert W.H. Wang & Co. had been asked to handle the matter, and that Mr. Chou had told him (Mr. Lam) not to give me the accounts of Gala Land Investment Co. Ltd., our most important subsidiary.
- 10
19. At shortly after 10 a.m. this morning, (15th May 1982) a Mr. F. C. Mok, of Fortuna Navigation Co. Ltd. arrived in my office at 8-12 Hennessy Road, Hong Kong, to hand me a notice dated 12th May 1982, apparently signed by all my fellow directors in Ocean Land. Mr. Mok is the Chief Accountant of Ocean Land, and of Winsor Industrial Corporation Ltd. (another Hong Kong public company controlled by the 1st Defendant) and he often acts as a direct assistant to Mr. Chou. I now produce a copy of the notice and exhibit it hereto marked "STL-6". As appears on its face, it purports to exercise the power of my fellow directors under Article 73(d) to terminate my directorship of Ocean Land by requesting me to resign.
- 20
20. The notice cannot have been signed by the several personal defendants each acting bona fide in what he believes to be the best interests of Ocean Land. I shall mention the position of the defendants individually.
21. The 1st Defendant, Mr. Chou, is Ocean Land's Chairman and Managing Director. He owns over 20% of the share capital of Ocean Land. He is a director of many of the subsidiaries and Trade Investments and has personal shareholdings and interests in some of these. His motive is clear. He wants to gag me. I have no doubt whatsoever, from his response to my efforts to obtain information, that there are facts relating to the business of Ocean Land which he does not wish to be revealed. He has not considered the interests of Ocean Land in signing the notice. He is concerned only with his personal position. It is manifest, by inference, that it is he who has procured his fellow directors to sign the notice "STL-6".
- 30
22. The 2nd Defendant, Mr. Chow, is a brother of the first. He has almost as big a personal shareholding in Ocean Land. He is its Vice-Chairman and Deputy Managing Director, and he holds a similar position with the Winsor Company. He too has directorships and personal interests in subsidiaries and Trade Investments of Ocean Land, although possibly to a lesser extent. If there are matters which the 1st Defendant does not wish to be revealed, these are likely to affect the 2nd Defendant too. He has his own reason to gag me. He is acting in bad faith.
- 40

23. The 3rd Defendant, Dr. Ann Tse Kai, is a well-known political figure and a close business associate of the 1st Defendant and Chairman of the Winsor Company. His natural instinct would be to support the 1st Defendant and to believe whatever he was told by him. Whether Dr. T.K. Ann has recovered from the illness of which I was told by telephone I do not know. It is clear that he has not exercised an independent judgment in signing the notice, and he has totally lost sight of the point that, before asking a fellow director to leave, you should hear what he has to say.
24. The 4th Defendant, Mr. S.C. Gaw, is a close associate of Mr. Chou, and their children have inter-married. He holds other directorships in public companies together with Mr. Chou, and he has also sat on the boards of private companies with me. He and I had a quarrel in some of these companies last year. He would be glad of an opportunity to do me down. He is a director of at least one of the Trade Investments about which my statement, exhibit "STL-5", raises questions, and it may well be that he also knows facts which he does not wish to be revealed. **10**
25. The 5th Defendant, Mr. T.C. Hsin, I should describe as a Mr. Chou's man. Mr Hsin and his immediate family owe their whole livelihood to Mr. Chou, and he would not dare to stand out against a request or direction by Mr. Chou to sign the notice "STL-6".
26. The 6th Defendant, Mr. Ca Fee Hu, is an expert on the shipping side. He owns 600,000 shares in Ocean Land (I forgot to mention that I own 250,000 myself) but I know little or nothing of his involvement in the affairs of the group other than his regular attendance along with me at the twice-yearly board meetings of Ocean Land. Because he assured me, when I telephoned him on 8th May, that although he would be away in Japan from Tuesday to the end of the week, he would be available for meetings at any time in the following week, and because I have heard nothing from him since, until I received the notice with him signature upon it, the inevitable inference is that he has been got at in the meantime by Mr. Chou. Like Dr. T.K. Ann he has had no opportunity to consider my reasons for calling the directors' meeting, or to hear what I am going to say. **30**
27. The 7th Defendant, Mr. W.S. Cheng lives in Japan. Since we have been directors of Ocean Land, he has come to one board meeting only (that was in 1980) and there he had nothing to say. It was the only time that I have ever met him. He has no reason to have signed the notice, except on the basis of whatever information has been fed to him by Mr. Chou. He has no knowledge, as far as I am aware, of the real estate side of Ocean Land's business, and could not legitimately have made up his mind to request me to resign as a director of Ocean Land in the interests of Ocean Land until he had heard what I am going to say.
28. I respectfully submit that the notice "STL-6" is manifestly void for want of good faith, and is of no effect in law. **40**
29. I consider that it is important in the interests of Ocean Land that the directors' meeting which I have summoned on Monday 17th May 1982 takes place: that my statement is read to the directors and that the questions which I propose to ask of the Chairman are put fairly and squarely before him there.

30. It is self-evident that, unless restrained by Order of this Honourable Court, the 1st and 2nd defendants will do everything possible to prevent my acting as a director of Ocean Land and discharging my functions and duties as such. They will not, of course, be under an obligation individually to attend the Monday board meeting, even though the meeting continues under the protection of an Order of the Court, but if the meeting takes place under such protection, I do not believe that they will dare to boycott it. It would be a further demonstration of bad faith.

Supreme Court
of Hong Kong
High Court

No. 6

Affidavit of
Samuel Tak Lee
dated 15.5.1982

10 31. I humbly ask, in view of the urgency of this matter, that this Honourable Court will grant me such interlocutory relief as will enable me to continue to act and function as a director of Ocean Land until such issues as may arise between the parties can be duly tried.

SWORN at 8/F. Grand Building,
Victoria, Hong Kong, this 15th day
of May, 1982. } Sd. Samuel Tak Lee

Before me,

(Sd.) JOHN KU
Solicitor, Hong Kong.

This Affidavit is filed on behalf of the Plaintiff.

20 SECOND AFFIDAVIT OF SAMUEL TAK LEE dated 18.5.1982

No. 7

I, SAMUEL TAK LEE, company director, of No. 157 Argyle Street, Kowloon, in the Colony of Hong Kong, do make oath and say as follows:—

Second Affidavit of
Samuel Tak Lee
dated 18.5.1982

1. Further to my affidavit sworn in these proceedings on 15th May, 1982 I now propose to summarise what happened at the directors' meeting which I summoned for 17th May, 1982.

30 2. None of my fellow directors arrived for the meeting. Those attending were Mr Albert Lam, the executive secretary of Ocean Land, and Mrs Mildred Poon, representing Sekots Secretarial Services Ltd, the corporate secretary of Ocean Land. There was also a shorthand writer, whose attendance I had arranged, and both Mr Lam and I brought tape recorders. It is intended, if practicable, to have a separate affidavit filed, exhibiting the record which was made of the meeting.

3. When I realised that none of my fellow directors would be coming, I called for my team of legal advisers to come to the meeting from another part of the Regent Hotel; and quite shortly afterwards my counsel, Mr Simon Goldblatt Q.C. and Mr John Bleach, and my solicitor Mr Peter Mark arrived. In the meantime Mrs Poon was making it clear that she considered that no meeting could take place, and that nothing could be done, if only one director was present. She was rude and hostile towards me, and her attitude remained truculent throughout the morning's proceedings.

4. At my invitation Mr Goldblatt gave advice to me in front of the other present as to what business I might properly transact. He drew attention to the company's Article 89 and expressed the view that it would not be proper for me in the absence of a quorum of two directors to attempt to pass any resolution of the Board. He said that in his opinion where there was a duly convened meeting of the Board, of which the necessary notice had been given to the other directors, and only one of their number attended, the director who was present had the status and authority to transact a certain amount of business. The director could quite properly obtain information about the non-attendance of such people as his fellow directors, and the auditors of the company. He could quite properly make enquiries and receive information about the subject matter for discussion at the meeting. He could, if he wish, table and require to be recorded, documents which it had been intended that the meeting should discuss. 10

5. I accepted the advice which was given, and I first asked for information about the non-attendance of the rest of the board. Mr Lam told me that he had heard by telephone from Mr Hsin that he was not able to attend. Mr Lam believed that Mr Gaw could not come either and that Mr Cheng is living in Japan. Mr Lam told me that Mr Ca Fee Hu just telephoned Mrs Poon in our meeting room saying he would not come. Mr Poon rather reluctantly produced to me letters from Mr W.H. Chou and Mr C.K. Chow claiming to have other prior commitments. The letters were each dated 15th May 1982 and were delivered to Mrs Poon by Mr Lam in the beginning of this meeting. 20 Neither of these two gentlemen had been in touch directly with me, and I had been given no advance warning that they would not be there.

6. I asked whether there was any information about the attendance of the auditors, who knew from the letters I wrote to them last week (part of exhibit "STL-3") that this meeting was to be held. Both Mrs Poon and Mr Lam were evasive. It emerged that neither saw it as part of their functions to give formal notice to the auditors of the meeting to be held. Mrs Poon claimed that she sent out to the directors the notices of the original meeting for 11th May 1982 before she received the agenda from me. As a matter of timing this may have been true, since she may first have learned of the meeting, which I had summoned, by telephone on the morning of 8th May, and my letter to Mr Lam 30 of 7th May may not have reached her until later in the morning. Since the agenda was a matter of potential concern to the auditors, it was, in my opinion, her clear duty to advise the auditors formally of the meeting as soon as she saw what the agenda was; and I regard it as the independent duty of Mr Lam to have done the same. I cannot recollect a board meeting of Ocean-Land which has not been attended by a representative of the auditors. I silently drew the inference at the meeting of 17th May that somebody in Ocean-Land had instructed the auditors not to come.

7. Since the end of the meeting I have spoken by telephone with Mr Andrew Ross of Lowe, Bingham & Mathews, Price Waterhouse & Co., Mr Ross told me that Mr Lam had telephoned him on Saturday 15th May to advise him that the meeting on 17th May 40 was cancelled. He also told me that he had received a telex sent by Peter Mark & Co. to a contrary effect, (it was sent on the Saturday evening) but this only reached him at 10:15 on the morning of 17th May, and by then it was too late for him to act. The impression that Mr Lam was apparently trying to create in answering my questions about the auditors was that he had no information that he was able to give me about them. I now know that Mr Lam was telling lies.

8. Every so often during the meeting Mrs Poon would interpose a question such as "What are we doing here?", "Can I go now?". It seemed from her attitude as though she had instructions from somebody to bring the proceedings, if she could, to a quick and premature end. When I put questions to Mr Lam, Mrs Poon started writing notes and showing them to Mr Lam, as if to instruct him what to say.

9. At a certain stage in the proceedings, I tabled the prepared statement exhibit "STL-5", and passed nine copies to Mrs Poon. I told her that copies were to go to each of the seven directors, one to the auditors, and one to be retained by her. Mr Goldblatt stressed in further open advice to me the confidential nature of the document, and the
10 importance of its going personally to the individuals for whom it was meant.

10. When my statement to the directors had been tabled I turned my attention to the accounts which I have been trying to obtain. I wanted to know why they had not been supplied to me, at my request, as a director of Ocean-Land. I had it in mind to find out whether Mr Lam acknowledged that he had access to the relevant accounts, and I also wanted to find out the reason why the accounts had not been furnished; if there was any reason at all. If any explanation had emerged, which was remotely capable of standing up to scrutiny, I did not intend to pursue the enquiry. I had begun the present proceedings, and had no wish to trespass on the functions of the court. However, I believed that if no explanation was forthcoming I had an absolute right as a director to have the
20 accounts provided to me, and proposed to instruct the company secretaries to supply them. I was confident that my legal advisers would intervene if I went too far.

11. Mr Goldblatt did intervene while I was questioning Mr Lam. He reminded me that there were legal proceedings in being. He said that the questions that I was asking could place both Mrs Poon and Mr Lam in a delicate and potentially embarrassing position, and that it might be appropriate if the proceedings were adjourned for 15 or 20 minutes to enable them to consider their position, and to take instructions and advice from elsewhere. Again the advice was given quite openly, and I accepted it. I adjourned the proceedings and announced that I would re-convene them in 15 minutes time.

12. Mr Lam and Mrs Poon went next door, and I learned from enquiries that they
30 were taking solicitors' advice. I decided to defer re-convening the proceedings until their solicitors arrived.

13. Mr Simon Ip and Mr Robert Kotewall arrived at the hotel at about 12:30 p.m. They explained that at that stage they were there to advise only Mr Lam and Mrs Poon, not the company, Ocean-Land. After speaking to their clients, they said that Mr Lam and Mrs Poon were not willing to come back to the meeting. After taking advice myself, I said that I was issuing a direct instruction as a director to both Mr Lam and Mrs Poon to return to the meeting to answer my further questions and to receive further instructions from me. I said that they must understand that there might be consequences, if they disobeyed. Very shortly afterwards Mr Ip and Mr Kotewall returned to room R1 and
40 announced that Mr Lam and Mrs Poon had been told of my instruction and had left the hotel. Mr Goldblatt then dictated a formal record of the exchanges to my shorthand writer, whilst Mr Ip and Mr Kotewall sat silently by.

14. Shortly after the close of the meeting I caused to be sent by telex a letter of instruction and reprimand jointly to Mrs Poon and Mr Lam. This is incorporated in the

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of Hong Kong
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No. 7

Second Affidavit of
Samuel Tak Lee
dated 18.5.1982

bundle now produced, shown to me, and exhibited hereto marked "STL-7", which contains the further letters relevant to the proceedings which have been written up to the time of preparing this my second affidavit. This Honourable Court will see that I set out in the joint letter a direct order to Mrs Poon and Mr Lam to furnish me with the relevant accounts, by late Tuesday afternoon. I have issued this order, on legal advice, after confirming my view that nothing which was said at the meeting introduced any reason why I should not continue with my attempts to procure these documents through the company, rather than by compulsory process of the Court.

15. I should now draw attention to a factual error in my first affidavit, which I am concerned to correct. When I mentioned Mr F.C. Mok in paragraph 19, I went on to describe him as the Chief Accountant of Ocean Land, and so on. This description is true of Mr Y.C. Fok; whereas Mr Mok is an executive of the company which helps, as sub-agent, to manage Ocean-Land's ships. While I know Mr Fok very well, I had not met Mr Mok before the morning of 15th May. The confusion arose in the haste on that day to give instructions to those who were helping to prepare my first affidavit; and I did not spot the mistake until I carefully re-read a copy of the affidavit, as sworn, late that night. 10

SWORN at 8/F. Grand Building,
Victoria, Hong Kong, this 18th day
of May, 1982. } (Sd.) Samuel Tak Lee

Before me,

20

(Sd.) JOHN KU
Solicitor, Hong Kong.

This Second Affidavit is filed on behalf of the Plaintiff.

No. 8

Third Affidavit of
Samuel Tak Lee
dated 18.5.1982

THIRD AFFIDAVIT OF SAMUEL TAK LEE dated 18.5.1982

I, SAMUEL TAK LEE, company director, of No. 157 Argyle Street, Kowloon, in the Colony of Hong Kong, do make oath and say as follows:—

1. At about 11:15 a.m. on 18th May 1982 a sealed letter marked "confidential" arrived at my office at Hennessy Road, addressed to me.

2. I was in the offices of Peter Mark & Co. at the time, and there was some delay before the letter reached me, at about 11:40 a.m. The letter proved to contain a notice, a copy of which is now produced and shown to me and exhibited hereto marked "STL-8". I draw attention to its terms. Mrs. Poon was responsible for the notice, and I respectfully submit that it was her clear duty to telephone as well as give notice in writing, in view of the terms of the injunction which is in force. 30

3. As the notice did not specify a particular room for the meeting, I went first to the 4th floor of New Henry House. I was in company with solicitor and counsel, in case I needed to seek their advice. We were re-directed to the 5th floor, which I reached at about 12:03 p.m. There was some uncertainty at the Reception Desk as to where the

meeting was to be, or was being, held; and it was about 4 minutes before Mrs. Poon appeared to say to me something like: "You come! No other person is allowed. Only you!".

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of Hong Kong
High Court

4. I was shown into a meeting room immediately beside the reception area. To give me access, Mrs. Poon unlocked a door, and locked it behind her.

No. 8

5. There were present in the meeting room all of the personal defendants except for the 7th Defendant Mr. W.S. Cheng. As soon as I arrived, Mrs. Poon said, "O.K.! Let's start the meeting," as though it had not begun up to that point. I took the only vacant seat round the table. The rest were filled.

Third Affidavit of
Samuel Tak Lee
dated 18.5.1982

6. Mr. Hsin read from a prepared piece of paper a proposal that Mr. T.K. Ann be elected Chairman. It appeared to me that every other director in the room, and Mrs. Poon, had a similar piece of paper to hand. None was supplied to me. Several directors seconded the proposal. It was all happening very quickly.

7. Then immediately Mr. T.K. Ann read a prepared statement to the following effect: "In view of the Court Injunction we have to appoint Johnson, Stokes & Master to represent the company, and I propose that we appoint Mr. Ca Fee Hu, and Mr. T.C. Hsin to represent the Board." It was something like that I was trying unsuccessfully to take a tape recording of the proceedings, and it was difficult to follow.

8. Without any discussion Mr. Ann called for an immediate vote. I had not signed an attendance register. I had not heard read any notice convening the meeting.

9. Everybody raised his hand except me. I just sat there wondering what was happening. I started to try to say something. Mrs. Poon said "The meeting is adjourned. It's all over" it was as if she was conducting the meeting. I said "Mr. Chairman, I want to say something!" Mrs. Poon said "No, No, No. It's all over. You can't ask any questions. It's finished." The proceedings had been steam-rolled through, obviously by pre-arrangement, virtually in a matter of seconds. I do not suppose that the whole session while I was there lasted more than 1-1/2 minutes. Mrs. Poon opened the two doors to the room, and the others all got up and started to file out.

10. I went back to speak to my legal advisers, and then returned to the meeting area, intending to speak to the Chairman of the meeting. He refused to speak to me. I wanted the meeting continued. I confronted Mr. Ann in the conference room, and started to speak to him. He just turned away and walked out of the room. Next Mr. Peter Mark tried to make contact through Mr. Brian McElney, who was in attendance by that time. Mr. McElney told Mr. Mark that the meeting had been a purely formal one for the purpose of appointing a solicitor, and to appoint a litigation committee. He told Mr. Mark that I was quite entitled to see the Chairman of the meeting, if the Chairman wished to see me, but that he did not. Mr. McElney then returned to his room and closed the door.

11. I realised I could achieve nothing further with any of my fellow directors; so shortly afterwards I left the building in company with my legal advisers.

12. Since this affidavit was prepared for me to swear a copy of the affirmation of Ca Fee Hu has come to hand. I refer to exhibit "HCF-2". I did not receive a copy of this document, and did not know of its existence until my attention was drawn to exhibit "HCF-2".

Supreme Court
of Hong Kong
High Court

13. The only notice of meeting sent to me was exhibited "STL-8", which corresponds with exhibit "HCF-3". I do not attempt to deal in the time available with any further part of the affirmation of Mr. C. F. Hu.

No. 8

SWORN at 8/F. Grand Building,
Victoria, Hong Kong, this 18th day
of May, 1982. } (Sd.) Samuel Tak Lee

Third Affidavit of
Samuel Tak Lee
dated 18.5.1982

Before me,

(Sd.) JOHN KU
Solicitor, Hong Kong.

This Third Affidavit is filed on behalf of the Plaintiff.

10

No. 9

FOURTH AFFIDAVIT OF SAMUEL TAK LEE dated 18.5.1982

Fourth Affidavit of
Samuel Tak Lee
dated 18.5.1982

I, SAMUEL TAK LEE, company director, of No. 157 Argyle Street, Kowloon, in the Colony of Hong Kong, do make oath and say as follows:—

1. I refer to my previous affidavits in these proceedings. I am now able to produce a record of the meeting of 17th May, 1982, which I previously described, and this is shown to me and exhibited hereto marked "STL-9".

2. The record was originally transcribed by my shorthand writer. I have gone through it with the aid of my tape recorder; have added certain matters which the shorthand writer did not record; and have made a number of other corrections. The record is still a little garbled in places, but is as accurate as I can make it in the time available. **20**

SWORN at 8/F. Grand Building,
Victoria, Hong Kong, this 18th day
of May, 1982. } (Sd.) Samuel Tak Lee

Before me,

(Sd.) JOHN KU
Solicitor, Hong Kong.

This Fourth Affidavit is filed on behalf of the Plaintiff.

FIFTH AFFIDAVIT OF SAMUEL TAK LEE dated 19.5.1982

Supreme Court
of Hong Kong
High Court

I, SAMUEL TAK LEE, company director, of No. 157 Argyle Street, Kowloon, in the Colony of Hong Kong, do make oath and say as follows:—

No. 10

1. I refer to paragraph 5 of Mr. C.F. Hu's affirmation. The shares which are now registered in my name, were formerly registered in the name of Hong Kong & Shanghai Bank (Nominees) Limited. There were 250,000 shares so registered, and I purchased them in the very early days of Ocean-Land's history. About 18 months or two years ago I caused 2,000 of these shares to be registered in the name of my son. Mr Hu is correct, therefore, in pointing out that I now only own 248,000 shares, rather than the figure of
10 250,000 which I gave before.

Fifth Affidavit of
Samuel Tak Lee
dated 19.5.1982

2. I do not regard the extent of my personal shareholding as relevant to my responsibilities as a director of Ocean-Land.

SWORN at 8/F. Grand Building,
Victoria, Hong Kong, this 18th day
of May, 1982. } (Sd) Samuel Tak Lee

before me,

(Sd.) JOHN KU
Solicitor, Hong Kong.

This Fifth Affidavit is filed on behalf of the Plaintiff.

20

ORDER dated 15.5.1982

No. 11

BEFORE THE HONOURABLE THE CHIEF JUSTICE IN CHAMBERS

UPON hearing Counsel for the Plaintiff

and

UPON reading the Affidavit of Samuel Tak Lee

and

UPON the Plaintiff undertaking through his Counsel to file his Affidavit by
10 a.m. on Monday, the 17th day of May, 1982.

Order
dated 15.5.1982

30 AND UPON the Plaintiff by his said Counsel undertaking to abide by any Order of the Court may make as to damages in case the Court shall hereafter be of the opinion that the Defendants or any of them shall have sustained by reason of this Order which the Plaintiff ought to pay.

IT IS HEREBY ORDERED that:—

The 1st to 7th Defendants (inclusive) either by themselves, their servants or agents, and the 8th Defendant whether by its officers, servants or agents or otherwise howsoever be restrained from:—

- A) interfering in any manner whatsoever with the holding on the 17th day of May, 1982 of a meeting of the Directors of the 8th Defendant summoned by the Plaintiff to take place at the Regent Hotel in Kowloon at 10 a.m.;
- B) interfering with the lawful discharge by the Plaintiff of his functions and duties as a Director of the 8th Defendant;
- C) holding or purporting to hold any meeting of Directors of the 8th Defendant **10** without giving reasonable prior notice to the Plaintiff of any such meeting;
- D) holding or purporting to hold any meeting of Directors of the 8th Defendant without giving the Plaintiff a reasonable opportunity to attend thereat;
- E) lodging or causing to be lodged with the Registrar of Companies or with any of the Stock Exchanges registered in Hong Kong any Notice or Return stating or implying that the Plaintiff has ceased to be or act as a Director of the 8th Defendant;
- F) making or causing to be made any public announcement or publishing or causing to be published any public statement that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant; **20**
- G) making or causing to be made any entry in the minute book of the 8th Defendant that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant;
- H) this Order shall continue in force until further order;
- I) Inter-Parte Summons to be returnable at 10.00 a.m. on Wednesday, 19th May, 1982;
- J) costs reserved.

Dated the 15th day of May, 1982 at 1930.

(Sd.) DENYS ROBERTS
Chief Justice **30**

ORDER dated 20.5.1982

BEFORE THE HONOURABLE MR. JUSTICE FUAD IN CHAMBERS

Supreme Court
of Hong Kong
High Court

UPON HEARING Leading Counsel for the Plaintiff, Leading Counsel for the 1st and 2nd Defendants and Leading Counsel for the 3rd to 8th Defendants.

No. 12

UPON READING the 1st, 2nd, 3rd, 4th & 5th Affidavits of Samuel Tak Lee filed herein on the 17th day of May, 1982 and the 18th May, 1982 and the exhibits annexed thereto and the Affirmation of Hu Ca Fee filed herein on the 19th day of May, 1982 and the exhibits annexed thereto IT IS ORDERED that:—

Order
dated 20.5.1982

1. The general endorsement of the Writ of summons dated the 15th May, 1982 be struck out and the action be dismissed with costs to the Defendants.
2. The interlocutory injunctions granted by The Honourable The Chief Justice on the 15th day of May, 1982 be discharged.
3. Certificate for two Counsel.

Dated the 20th day of May, 1982.

L.S.
Registrar

ORDER OF HON. FUAD, J. dated 24.5.1982

Supreme Court
of Hong Kong
High Court

Coram: Hon. Fuad, J.
Date: 24th May 1982.

O R D E R

No. 13

- The matter before me arose in this way. Ocean-Land Development Limited is a public company which was incorporated in Hong Kong in August 1972. Under the Articles one of the circumstances in which the office of a director is vacated is if he is requested in writing by all his co-directors to resign. At about 10 o'clock in the morning of the 15th May 1982, Mr. Samuel Tak Lee, who had been on the Board of directors since the incorporation of the Company, received a notification dated 12th May signed by all seven of his co-directors requesting him to resign his office. Mr. Lee immediately sought legal advice, and some time in the afternoon of the 15th May issued a writ against the remaining seven directors, with the Company as the 8th defendant. The Writ was endorsed with a claim for declarations that the notice requesting his resignation under the Articles was null and void and consequently he remained a director of the company. Further declarations and orders were sought based on the principal claim for relief.

Order of
Hon. Fuad, J.
dated 24.5.1982

On an ex-parte summons heard by the Chief Justice at his home in the early evening of the 15th May, the plaintiff obtained various injunctions against all the defendants and the return date for the hearing of the inter-partes summons for interim relief was fixed

Supreme Court
of Hong Kong
High Court

No. 13

Order of
Hon. Fuad, J.
dated 24.5.1982

as the 19th May. On that date the defendants took out summonses under 0.18 r.19 applying for orders that the Writ be struck out, and the action be dismissed, on the grounds that the action had been irregularly constituted; the Writ disclosed no reasonable course of action; and the action was frivolous, vexatious and otherwise an abuse of the process of the Court. Counsel representing the parties agreed that I should deal with the 0.18 r.19 summons first, and after a hearing which took just over one day, I granted the application and ordered the endorsement on the Writ to be struck out and the action dismissed, giving brief oral reasons so that Counsel who had to return to the United Kingdom could give their clients the benefit of their advice before they left Hong Kong. I promised to give more detailed reasons in writing later. I now do so. 10

The plaintiff is at present the registered holder of 248,000 shares in the Company. The 1st defendant, who is Chairman and Managing Director, has a 20% holding, as has the 2nd defendant. The 6th defendant owns 600,000 share. The Articles do not require a director to be a shareholder. They contain common form provisions relating to the rotation of directors, variations in the number of directors and the circumstances in which alternate directors can be appointed. Article 85 provides that the Company may remove a director by an ordinary resolution before the expiration of his period of office and by the same method appoint another person in his stead. As regards disqualification, Article 73 is in the following terms —

“73. The Office of an Ordinary Director shall be vacated:— 20

- (a) If he becomes bankrupt or insolvent or compounds with his creditors;
- (b) If he becomes of unsound mind;
- (c) If he be convicted of an indictable offence;
- (d) If he is requested in writing by all his co-directors to resign;
- (e) If he becomes prohibited from being a Director by reason of any order made under Section 223 or 275 of the Ordinance;
- (f) If he gives the Company one month's notice in writing that he resigns his office. 30

But any act done in good faith by a Director whose office is vacated as aforesaid shall be valid unless, prior to the doing of such act, written notice shall have been served upon the Company or an entry shall have been made in the Directors' Minute Book stating that such Director has ceased to be a Director of the Company.”

It is common ground that the plaintiff did receive a document, dated the 12th May 1982, signed by all the directors who are the 1st to the 7th defendants. This notice is addressed to Mr. Lee and is as follows —

“ Re: OCEAN-LAND DEVELOPMENT LTD.

We, the undersigned, being all the Co-Directors of the above company hereby give you notice that you are requested to resign your office as a Director of the company with effect from the date of this notice. This 40

notice is issued pursuant to Article 73(D) of the Memorandum and Articles of Ocean-Land Development Ltd. which states that the office shall be vacated if a Director is requested in writing by all his Co-Directors to resign.

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Yours faithfully,"

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Counsel appearing before me acknowledged that provisions identical to Article 73(d) were by no means uncommon in Hong Kong whatever might be the position in the United Kingdom. Mr. Richard Scott, on behalf of five of the directors and the Company (Mr. Charles Ching adopted Mr. Scott's arguments for the two directors he
10 represented), submitted that if any of the six events expressed in Article 73 occurred then, ipso facto, the office of the director concerned was vacated. The language was clear and as a matter of construction, the only inquiry that could be made was to determine whether or not a particular event set out in the Article had, in fact, happened. Mr. Scott suggested that this was a perfectly sensible provision and the formula adopted was a necessary way of framing the Article to achieve the result aimed at so that the Board could know who was, and who was not, a director at any given moment. The matter was not capable of challenge; litigation might take many months and during all that time there would be uncertainty as to the position of the director who sought to deny the express words of the Article. All the leading text books without exception accepted the law to be that upon
20 the happening of any of the specified events which lead to disqualification of a director, his office is ipso facto vacated, as demonstrated by *Re Bodega Co.*, [1904] 1 Ch. 276. Of course, a director whose office was so vacated could be re-elected provided the grounds for his disqualification did not continue to subsist.

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Mr. Scott anticipated Mr. Goldblatt's contentions (that this was the exercise of a power by the directors and therefore it had to be shown that they had acted bona fide in the interests of the Company) and submitted that even if one were able to describe the request to resign as the exercise of a power, that did not change the character of the article. He pointed out that it was plain that even on the plaintiff's own case the facts had been accepted, and therefore the office of his directorship had been vacated. If this
30 argument did not find favour with the Court, he submitted that in a case where there was an alleged breach of duty by a director, the duty was owed not to the shareholders, not to fellow directors, but to the Company and so the proper plaintiff was the Company. This basic principle had been re-stated in *Prudential Assurance v. Newman (No. 2)* [1982] 2 W.L.R. 31. The instant case was not a minority shareholders' action but a personal action brought by the plaintiff, and if he were right in saying that when they signed the notice his co-directors were not acting in the interests of the Company, then the proceedings were plainly improperly constituted and wholly misconceived.

Mr. Goldblatt, for the plaintiff, characterised Mr. Scott's contentions as plausible but wrong. He contended that it would be highly dangerous to treat the present application
40 as if it were a hearing on a preliminary point of law which had not been pleaded and could not properly be argued out. He accepted that the Court could look at the affidavits filed in relation to the interlocutory reliefs that had been sought, but submitted that this was not a plain and obvious case for the plaintiff had a serious case to argue. He argued that the directors had clearly been exercising a power when they had sent their request in writing to the plaintiff to resign his office. What, he asked, were the directors doing if they were not exercising a power? That being so, each director was required to carry

out his fiduciary duties to the Company and he must therefore have acted in good faith in its best interests. The law could not permit the request to resign to be treated as valid if the directors had acted not in good faith but for their own private interests in defiance and in fraud of the Company's interests. If the document was bad in law, then the event which was said to have caused the office as director of the plaintiff to be vacated had not happened.

There was, Mr. Goldblatt argued, a presumption that every power of the directors (including that for which provision is made in Article 73(d)) had to be applied in the interests of the Company unless that presumption was totally inconsistent with the language used. If the Article had been employed as part of a fraudulent design, surely, he contended, in such circumstances a director who was aggrieved had a personal remedy. He put his argument another way—if the power was exercised in bad faith, then the piece of paper on which the resignation was called for was not a Company document and had no effect. Mr. Goldblatt suggested that the Court had to ask itself whether the other directors had succeeded in silencing a director who was asking too many questions. The mere coming into existence of the document was not enough for it had to come into existence bona fide. Were this not the position, there would be a great temptation to directors to abuse powers such as those given by Article 73(d) and would, he argued, be tantamount to a licence to commit fraud by getting rid of the one man who stood in the way. Why should the plaintiff pursue other remedies that he might have and not proceed with his personal action to uphold his status as a director? It was merely fortuitous that he happened also to be a shareholder. The position of a director who did not own shares in the Company had to be borne in mind. Mr. Goldblatt contended that if the Court were to construe the Article so that the Company could be cheated, as a matter of public policy, great mischief would result. He summarised the plaintiff's case as being in essence an argument that if the defendants' act had not been done bona fide, then it was done without jurisdiction and, as would be the case if a Court acted without jurisdiction, what was done would be a nullity.

The principles upon which a Court may properly exercise its discretionary power to strike out a pleading (or an endorsement on a Writ) under 0.18 r.19 are too well known to require setting out. Of course, it is a power and must be sparingly exercised and only in "plain and obvious" cases. It is a serious matter indeed to close the doors of the Court in the face of a plaintiff before his complaints are heard out on their merits. On the other hand, I think the principle is equally clear that the Court must not refrain from exercising this salutary power if a claim as formulated (and which no reasonable amendment can put in order) is doomed to failure. The interests of justice so demand because the defendants should not be subjected to unnecessary anxiety and expense. Since my decision in effect involves the construction of a document, clearly it would be wrong to strike out the endorsement if the language to be construed was reasonably open to more than one interpretation, for it is well established that the hearing of a summons under 0.18 r.19 is not the proper occasion to go into complicated and difficult points of law.

It need hardly be said that a company is entitled to adopt any provisions it considers desirable in its Articles to regulate its internal administration. This, of course, is subject to any overriding provisions of applicable Companies legislation and the general principles of Company law laid down in the cases. It must be said that the legislature has not been slow to intervene in the Company law area. I do not think it is open to a Court

to say that this provision or that provision should not have appeared in the Articles, and refuse to apply it. If clear and unequivocal language is used, language which is capable of only one meaning, then in my judgment the Court is bound to give effect to the provisions of an Article however harsh the results might be.

It may perhaps be said that paragraph (d) of Article 73 lies somewhat uncomfortably with the specific events set out in the other paragraphs, but the paragraph is firmly placed within the parameters of a provision which stipulates when the office of a director shall be vacated. It is to be noted that paragraph (d) does not say, as it may well have said, that the request to resign must only be made on reasonable grounds, nor does **10** the paragraph require (as does, for example, s.184 of the United Kingdom Companies Act) that the director whose removal is contemplated is to be given an opportunity to make representations. There will be cases, and there have been cases, where a Court is called upon to adjudicate on facts to determine whether or not a specified event leading to disqualification has occurred, but here it has been expressly accepted that all the directors presently in office have subscribed their signatures to a paper in writing requesting the plaintiff's resignation as a director. One can imagine circumstances which do not obtain here, in which the issue might be whether or not a director had the mental capacity to sign his name, or whether he knew what he was signing and, indeed, whether his signature was obtained by fraud. In the instant case, once it is acknowledged that the document **20** complied with the provisions of Article 73(d), I do not think it could reasonably be argued, with the utmost respect to Mr. Goldblatt's arguments, that the Court is free to permit the directors who made the request to be examined as to their motives or reasons for taking the course that they did. No cases have been found directly in point, but in my view the ordinary principle that directors must exercise their powers bona fide in what they believe to be in the interests of the Company cannot be prayed in aid to investigate the deliberations of the directors which led to the making of their decision.

If the plaintiff were able to allege fraud he will no doubt, have a personal action in tort, but nothing of the kind has been alleged here. One has only to look at the plaintiff's first affidavit to see how slender and uncertain is the basis upon which he alleges (para. 20) **30** that "the notice cannot have been signed by the several personal defendants each acting bona fide in what he believes to be the best interests of Ocean Land". In paragraph 21, he says that the 1st defendant's motives are clear and "he wants to gag me". He also suggests, after stating certain facts, that the matters which prompted the 1st defendant to act are "likely to effect the 2nd defendant too". He says, in respect of the 2nd defendant, "He has his own reason to gag me. He is acting in bad faith", (para. 22). As regards the 3rd defendant (para. 23) he states certain facts after which he says "His natural instinct would be to support the 1st defendant and to believe whatever he was told by him." That defendant might for all he knew not have recovered from an illness of which he learned during a telephone conversation. He adds "It is clear that he has not exercised an independent **40** judgment in signing the notice and he has totally lost sight of the point that, before asking a fellow director to leave, you should hear what he has to say." As regards the 4th defendant (para. 24) he speaks of a quarrel last year and adds "He would be glad of an opportunity to do me down". He describes the 5th defendant as "[the 1st plaintiff's] man", for he and his immediate family owed their whole livelihood to him "And he would not dare to stand out against a request or direction by Mr. Chou to sign the notice" (para. 25). I do not wish to be unkind to the plaintiff but on the material before me I have to say that

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it seems that he has allowed his suspicions to let hypothesis turn in his mind into fact. I do not need here to consider how far the plaintiff might have disobeyed the rules relating to the proper contents of affidavits.

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I am bound to say that by the endorsement on his Writ, the plaintiff is claiming declarations that in my judgment no Court could, on the facts he himself has accepted, grant him. It seems to me, too, that all the other reliefs owe so much to the principal reliefs that he claims that they cannot possibly stand alone. It was for all these reasons that I concluded that, as presently formulated, the endorsement on the plaintiff's Writ was, in the terms of the Order, "frivolous and vexatious". The plaintiff might well have a number of other equitable, common law or statutory remedies but I was firmly of the opinion that as presently conceived and put forward he did not have a grievance which he was entitled to bring before the Court. **10**

(Sd.) (K.T. FUAD)
Judge of the High Court

Mr. Simon Goldblatt, Q.C., Mr. Henry Litton, Q.C., and Mr. John Bleach instructed by Peter Mark & Co. for plaintiff.

Mr. Charles Ching, Q.C., Mr. A. Sakhrani, Q.C. and Mr. R. Wong instructed by Robert W.H. Wang & Co. for 1st defendant and 2nd defendant.

Mr. Richard Scott, Q.C. and Mr. Denis Chang, Q.C. and Mr. Robert Kotewall instructed by J.S.M. for 3rd to 8th defendants. **20**

No. 14

**COPY CERTIFICATE OF INCORPORATION OF
OCEAN-LAND DEVELOPMENT LIMITED dated 11.8.1972**

Copy Certificate of
Incorporation of
Ocean-Land
Development
Limited
dated 11.8.1972

No. 29031

[C O P Y]

CERTIFICATE OF INCORPORATION

I HEREBY CERTIFY that

OCEAN-LAND DEVELOPMENT LIMITED

is this day incorporated in Hong Kong under the Companies Ordinance, and that this Company is limited.

GIVEN under my hand this Eleventh day of August, One Thousand Nine Hundred and Seventy-two. **30**

(Sd.) R. KWAN
for Registrar of Companies,
Hong Kong.

**NEW ARTICLES OF ASSOCIATION OF
OCEAN-LAND DEVELOPMENT LIMITED
dated 11.8.1972**

Supreme Court
of Hong Kong
High Court

THE COMPANIES ORDINANCE

No. 15

COMPANY LIMITED BY SHARES

New Article of
Association of
Ocean-Land
Development
Limited
dated 11.8.1972

NEW ARTICLES OF ASSOCIATION
(As adopted by Special Resolution dated 29th September, 1972)

OF

OCEAN-LAND DEVELOPMENT LIMITED

10

PRELIMINARY

1. In these presents unless there be something in the subject or context inconsistent therewith:—

“The Ordinances” mean the Companies Ordinance Chapter 32 or any statutory modification or re-enactment for the time being in force.

“The Board” means the Board of Directors for the time being of the Company.

“Secretary” includes any person, firm or Company appointed for the time being by the Directors to perform the duties of Secretary.

“The Office” means the registered office for the time being of the Company.

20

“The Register” means the register of Members to be kept pursuant to the Companies Ordinance, Hong Kong.

“Dividend” includes bonus.

“Month” means calendar month.

“In writing” and “written” include printing, lithography, and other modes of representing or reproducing words in a visible form.

Words and expressions which have a special meaning assigned to them in the Ordinance shall have the same meaning in these presents.

Words importing the masculine gender only include the feminine gender.

Words importing the singular number only include the plural number and *vice versa*.

30

Words importing persons include Corporations.

2. The regulations contained in Table “A” in the First Schedule to the Companies Ordinance, Hong Kong shall not apply to the Company.

3. No part of the funds of the Company shall directly or indirectly be employed in the purchase of or in the loans upon the security of the Company's Shares, but nothing in this Article shall prohibit transactions mentioned in the proviso to Section 48 of the Ordinance.

4. The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any Shares in the Company, or procuring or agreeing to procure subscriptions, whether absolutely or conditionally, for any Shares in the Company, or procuring or agreeing to procure subscriptions, whether absolute or conditional for any Shares in the Company at any rate not exceeding ten per centum of the price at which the said Shares are issued. **10**

SHARES AND CERTIFICATES

5. Without prejudice to any special rights previously conferred on the Holders of existing Shares in the Company, and Shares in the Company may be issued with such preferred, deferred, or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise, as the Company may from time to time by Special Resolution determine.

6. Any Preference Share may, with the sanction of a Special Resolution, be issued on the terms that it is, or at the option of the Company is liable, to be redeemed.

7. The Shares shall be under the control of the Directors, who may allot and dispose of or grant options over the same to such persons, on such terms, and in such manner as they think fit. **20**

8. The Directors may make arrangements on the issue of Shares for a difference between the Holders of such Shares in the amount of Calls to be paid and in the time of payment of such Calls.

9. The Company shall be entitled to treat the person whose name appears upon the Register in respect of any Share as the absolute owner thereof, and shall not be under any obligation to recognise any trust or equity or equitable claim to or partial interest in such Share, whether or not it shall have express or other notice thereof.

10. Every Member shall be entitled without payment to one Certificate under the Common Seal of the Company, specifying the Shares held by him and the amount paid up thereon. **30**

11. If any Member shall require additional Certificates he shall pay for each additional Certificate such sum, not exceeding Two Hong Kong Dollars, as the Directors shall determine.

12. If any Certificate be defaced, worn out, let, or destroyed, the Directors may at their discretion and subject to such terms as they may think fit issue a new or duplicate Certificate on payment of Two Hong Kong Dollars or such lesser sum as the Directors may prescribe, and the person requiring the new Certificate shall surrender the defaced or worn-out Certificate or give such evidence of the loss or destruction of the Certificate and such indemnity to the Company as the Directors think fit. **40**

JOINT HOLDERS OF SHARES

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High Court

13. Where two or more persons are registered as the Holders of any Share they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the provisions following:—

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- 10
- (a) The Company shall not be bound to register more than three persons as the Holders of any Share.
 - (b) The joint Holders of any Share shall be liable, severally as well as jointly, in respect of all payments which ought to be made in respect of such Share.
 - (c) On the death of any one of such joint Holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such Shares; but the Directors may require such evidence of death as they may deem fit.
 - (d) Any one of such joint Holders may give effectual receipts for any Dividend, Bonus, or return of Capital payable to such joint Holders.
 - (e) Only the person whose name stands first in the Register as one of the joint Holders of any Share shall be entitled to delivery of the Certificate relating to such Share, or to receive notices from the Company, or to attend or vote at General Meetings of the Company, and any notice given to such person shall be deemed notice to all the joint Holders; but any one of such joint Holders may be appointed the proxy of the person entitled to vote on behalf of such joint Holders, and as such proxy to attend and vote at General Meetings of the Company.
- 20

CALLS ON SHARES

14. The Directors may from time to time make Calls upon the Members in respect of all moneys unpaid on their Shares, provided no Call shall exceed one-fourth of the nominal amount of the Share or be made payable within one month after the date when the last instalment of the last preceding Call shall have been made payable; and each Member shall, subject to receiving fourteen days' notice at least, specifying the time and place for payment, pay the amount called on his Shares to the persons and at the times and places appointed by the Directors. A Call may be made payable by instalments.

30

15. A Call shall be deemed to have been made at the time when the resolution of the Directors authorising such Call was passed.

16. If the Call payable in respect of any Share or any instalment of a Call be not paid before or on the day appointed for payment thereof, the Holder for the time being of such Share shall be liable to pay interest on the same at such rate, not exceeding ten per centum per annum, as the Directors shall determine, from the day appointed for the payment of such Call or instalment to the time of actual payment; but the Directors may if they shall think fit waive the payment of such interest or any part thereof.

17. If by the terms of the issue of any Shares, or otherwise, any amount is made payable at any fixed time or by instalments at any fixed times, whether on account of the amount of the Shares or by way of premium, every such amount or instalment shall be payable as if it were a Call duly made by the Directors, of which due notice had been given; and all the provisions hereof with respect to the payment of Calls and interest thereon, or to the forfeiture of Shares for non-payment of Calls, shall apply to every such amount or instalment and the Shares in respect of which it is payable.

18. The Directors may if they think fit receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any Shares held by him; and upon all or any of the moneys so paid in advance the Directors may (until the same would but for such advance become presently payable) pay interest at such rate (not exceeding without the sanction of the Company in General Meeting, eight per centum per annum) as may be agreed upon between the Member paying the moneys in advance and the Directors. **10**

TRANSFER AND TRANSMISSION OF SHARES

19. The instrument of transfer of any Share in the Company shall be in writing, and shall be executed by or on behalf of the transferor and transferee, and duly attested, and the transferor shall be deemed to remain the Holder of such Share until the name of the Transferee is entered in the Register in respect thereof. Shares in the Company shall be transferred in any usual or common form of which the Directors shall approve. **20**

20. The Directors may decline to register any transfer of Shares upon which the Company has a lien and in the case of Shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve.

21. The Director may decline to recognise any instrument of transfer unless (a) a fee not exceeding Two Hong Kong Dollars is paid to the Company in respect thereof, and (b) the instrument of transfer is accompanied by the Certificate of Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. If the Directors refuse to register a transfer of any Shares they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal. **30**

22. On the death of any Member (not being one of several joint Holders of a Share) the legal personal representative of such deceased Member shall be the only person recognised by the Company as having any title to such Share subject always to Article 21.

23. Any person becoming entitled to a Share or Share by reason of the death or bankruptcy of a Member may upon such evidence being produced as may from time to time be required by the Directors, elect either to be registered himself as the holder of the Share or Shares or to have some person nominated by him registered as the transferee thereof, but the Directors shall have the same right to refuse or suspend registration as they would have had in the case of a transfer of the Share or Shares by the deceased or bankrupt person before the death or bankruptcy. **40**

24. The transfer books and register of Members may be closed during such times as the Directors think fit, not exceeding in the whole thirty days in each year.

FORFEITURE OF SHARES AND LIEN

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25. If any Member fails to pay any Call or instalment of a Call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as any part of the Call or instalment remains unpaid serve a notice on him requiring him to pay so much of the Call or instalment as is unpaid, together with interest accrued and any expenses incurred by reason of such non-payment.
26. The notice shall name a further day (not being earlier than the expiration of fourteen days from the date of the notice) on or before which such Call or instalment and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made, such place being either the Registered Office of the Company, or some other place at which Calls of the Company are usually made payable. The notice shall also state that in the event to non-payment at or before the time and at the place appointed the Shares in respect of which such Call or instalment is payable will be liable to forfeiture.
27. If the requisitions of any such notice as aforesaid be not complied with, any Share in respect of which such notice has been given may, at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect, and any such forfeiture shall extend to all Dividends declared in respect of the Share so forfeited but not actually paid before such forfeiture.
28. Any Shares so forfeited shall be deemed to be the property of the Company, and may be sold or otherwise disposed of in such manner, either subject to or discharged from all Calls made or instalments due prior to the forfeiture, as the Directors think fit; or the Directors may, at any time before such Shares are sold or otherwise disposed of, annual the forfeiture upon such terms as they may approve. For the purpose of giving effect to any such sale or other disposition the Directors may authorise some person to transfer the Shares so sold or otherwise disposed of to the purchaser thereof or other person becoming entitled thereto.
29. Any person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares but shall, notwithstanding remain liable to pay to the Company all moneys which at the date of the forfeiture were presently payable by him to the Company in respect of the Shares, together with interest thereon at such rate, not exceeding ten per centum per annum, as the Directors shall appoint, down to the date of payment, but his liability shall cease if and when the Company receive payment in full in respect of such Shares. The Directors may, if they shall think fit, remit the payment of such interest or any part thereof.
30. When any Shares have been forfeited an entry shall forthwith be made in the Register recording the forfeiture and the date thereof, and so soon as the Shares so forfeited have been sold or otherwise disposed of an entry shall also be made of the manner and date of the sale or disposal thereof.
31. The Company shall have a first and paramount lien upon all Shares held by any Member of the Company (whether alone or jointly with other persons) and upon all Dividends and Bonuses which may be declared in respect of such Shares, for all debts, obligations and liabilities of such Member to the Company: Provided always that if the

Company shall register a transfer of any Shares upon which it has such a lien as aforesaid without giving to the transferee notice of its claim, the said Shares shall in default of agreement to the contrary between the Company and the transferee, be freed and discharged from the lien of the Company.

32. The Directors may, at any time after the date for the payment or satisfaction of such debts, obligations, or liabilities shall have arrived, serve upon any Member who is indebted or under any obligation to the Company, or upon the person entitled to his Shares by reason of the death or bankruptcy of such Member, a notice requiring him to pay the amount due to the Company or satisfy the said obligation, and stating that if payment is not made or the said obligation is not satisfied within a time (not being less than fourteen days) specified in such notice, the Shares held by such Member will be liable to be sold; and if such Member or the person entitled to his Shares as aforesaid shall not comply with such notice within the time aforesaid, the Directors may sell such Shares without further notice, and for the purpose of giving effect to any such sale Directors may authorise some person to transfer the Shares so sold to the Purchaser thereof. 10

33. Upon any sale being made by the Directors of any Shares to satisfy the lien of the Company thereon the proceeds shall be applied: First, in the payment of all costs of such sale; next, in satisfaction of the debts or obligations of the Member to the Company; and the residue (if any) shall be paid to the person entitled to the Shares at the date of the sale or as he shall in writing direct. 20

34. An entry in the Directors' Minute Book of the forfeiture of any Shares, or that any Shares have been sold to satisfy a lien of the Company, shall be sufficient evidence as against all persons claiming to be entitled to such Shares that the said Shares were properly forfeited or sold; and such entry, the receipt of the Company for the price of such Shares, and the appropriate Share Certificate, shall constitute a good title to such Shares, and the name of the purchaser or other person entitled shall be entered in the Register as a Member of the Company, and he shall not be bound to see to the application of the purchase-money, nor shall his title to the said Shares be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture or sale. The remedy (if any) of the former holder of such Shares, and of any person claiming under or through him, shall be against the Company in damages only. 30

CONVERSION OF SHARES INTO STOCK, ETC.

35. The Directors, with the sanction of an ordinary resolution of the Company in general meeting, may convert any paid-up Shares into stock, and may convert any stock into paid-up Shares of any denomination. When any Shares have been converted into stock, the several holders of such stock may, thenceforth, transfer their respective interests therein, or any part of such interests, in the same manner and subject to the same regulations as and subject to which the fully paid-up Shares in the Company's capital may be transferred, or as near thereto as circumstances will admit. But the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable, and direct that fractions of a Dollar shall not be dealt with, but with power, nevertheless, at their discretion to waive such rules in any particular case. The stock shall confer on the holders thereof respectively the same privileges and advantages, as regards participation in profits and voting at meetings of the Company, and for other purposes, as would have been 40

conferred by Shares of equal amount in the capital of the Company of the same class as the Shares from which such stock was converted, but so that none of such privileges or advantages, except the participation in profits of the Company, or in the assets of the Company on a winding-up, shall be conferred by any such aliquot part of stock as would not, if existing in Shares, have conferred such privileges or advantages. No such conversion shall affect or prejudice any preference or other special privileges attached to the Shares so converted. Save as aforesaid, all the provisions herein contained shall, so far as circumstances will admit, apply to stock as well as to Shares.

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ALTERATION OF SHARE CAPITAL

10 36. The Company may by Ordinary Resolution increase the Capital by the creation of new Shares, such increase to be of such aggregate amount and to be divided into Shares of such respective amounts as the resolution shall prescribe.

37. Subject to the provisions of Article 41 hereof, the new Shares shall be issued upon such terms and conditions and with such rights, priorities, or privileges as the resolution effecting the increase of Capital shall prescribe.

38. Subject to any direction to the contrary that may be given by the resolution effecting the increase of Capital, any Capital raised by the creation of new Shares shall be considered as part of the original Capital, and shall be subject to the same provisions with reference to the payment of Calls and the forfeiture of Shares on non-payment of Calls,

20 transfer and transmission of Shares, lien or otherwise, as if it had been part of the original Capital.

39. The Company may by Ordinary Resolution:—

(a) Subdivide its existing Shares or any of them into Shares of smaller amount than is fixed by the Memorandum of Association: Provided that in the subdivision of an existing Share the proportion between the amount paid and the amount (if any) unpaid on each reduced Share shall be the same as it was in the case of the Shares from which the reduced Share is derived;

(b) Consolidate and divide its Capital or any part thereof into Shares of larger amount than its existing Shares;

30 (c) Cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

40. The Company may by Special Resolution reduce its Share Capital and any Capital Redemption Reserve Fund in any manner allowed by law.

MODIFICATION OF RIGHTS

41. If at any time the Capital is divided into different classes of Shares, the rights attached to any class (unless other provided by the terms of issue of the Shares of that class) may, subject to the provisions of Section 64 of the Ordinance, be modified, abrogated, or varied with the consent in writing of the Holders of three-fourths of the issued Shares of that class, or with the sanction of an Extraordinary Resolution passed at a separate General

Meeting of the Holders of the Shares of the class. To every such separate General Meeting the provisions of these regulations relating to General Meetings shall, *mutatis mutandis*, apply, but so that at every such separate General Meeting the quorum shall be two persons at least holding or representing by proxy one-third of the issued Shares to the class, and that any Holder of Shares of the class present in person or by proxy may demand a poll.

BORROWING POWERS

42. The Directors may raise or borrow for the purposes of the Company's business such sum or sums of money as they think fit. The Directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or any part of the property and assets of the Company, present and future, including its uncalled or unissued Capital, or by the issue, at such price as they may think fit, of Bonds or Debentures, either charged upon the whole or any part of the property and assets of the Company or not so charged, or in such other way as the Directors may think expedient. 10

43. Any Bonus, Debentures, Debenture Stock or other securities issued or to be issued by the Company shall be under the control of the Directors, who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

44. The Company may, upon the issue of any Bonds, Debentures, Debenture Stock, or other securities, confer on the creditors of the Company holding the same, or on any trustees or other persons acting on their behalf, a voice in the management of the Company, whether by giving to them the right of attending and voting at General Meetings, or by empowering them to appoint one or more persons to be the Directors of the Company, or otherwise as may be agreed. 20

45. If any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

46. A Register of the Holders of the Debentures of the Company shall be kept at the Registered Office of the Company, and shall be open to the inspection of the Registered Holders of such Debentures and of any Members of the Company, subject to such restrictions as the Company in General Meeting may from time to time impose. The Directors may close such Register for such period or periods as they may think fit, not exceeding in the aggregate thirty days in each year. 30

GENERAL MEETINGS

47. A General Meeting of the Company shall be held in each calendar year at such time and place as the Directors shall appoint. In default of a General Meeting being so held a General Meeting may be convened by any two Members in the same manner as nearly as possible as that in which General Meetings are to be convened by the Directors. The aforesaid General Meetings shall be called "Ordinary General Meetings"; all other General Meetings shall be called "Extraordinary General Meetings". 40

48. The Directors may whenever they think fit, and they shall upon a requisition made in writing by Members in accordance with Section 113 of the Ordinance convene an Extraordinary General Meeting.

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49. In the case of an Extraordinary General Meeting called in pursuance of a requisition, unless such Meeting shall have been called by the Directors, no business other than that stated in the requisition as the objects of the Meeting shall be transacted.

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10 50. Subject to the provisions of Section 116 (2) of the Ordinance relating to Special Resolutions, seven days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given), specifying the place, the day, and the hour of meeting, and in case of special business the general nature of such business, shall be given to the Members in manner hereinafter mentioned, or in such other manner (if any) as may be prescribed by the Company in General Meeting; but the accidental omission to give notice to any Member, on the non-receipt by any Member of such notice, shall not invalidate the proceedings at any General Meeting.

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51. Notwithstanding the provisions of the last preceding Article, with the written consent of all the Members entitled to receive notice of some particular Meeting, a Meeting may be convened by less than seven days' notice, and in such manner as those Members may think fit.

20

PROCEEDINGS AT GENERAL MEETINGS

52. The business of any Ordinary General Meeting shall be to receive and consider the accounts and balance sheets, the reports of the Directors and Auditors, and any other documents required by law to be attached or annexed to the balance sheets, to elect Directors in place of those retiring, to elect Auditors and fix their remuneration, and to declare a Dividend. All other business transacted at an Ordinary General Meeting, and all business transacted at an Extraordinary General Meeting, shall be deemed special.

53. No business shall be transacted at any General Meeting unless a quorum of Members is present at the time when the Meeting proceeds to business; and such quorum shall consist of not less than two Members personally present or by proxy.

30 54. If within half an hour from the time appointed for a General Meeting a quorum be not present, the Meeting, if convened upon the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place; and if at such adjourned Meeting a quorum be not present within half an hour from the time appointed for the Meeting it shall be adjourned *sine die*.

40 55. The Chairman of the Board of Directors shall preside as Chairman at every General Meeting of the Company. If there be no such Chairman, or if at any Meeting he be not present within fifteen minutes after the time appointed for holding the Meetings or is unwilling to act as Chairman, the Members present shall choose one of the Director, present to be Chairman; or if no Director be present and willing to take the chair Members present shall choose one of their number to be Chairman.

56. The Chairman may, with the consent of any General Meeting at which a quorum is present (and shall if so directed by the Meeting), adjourn the Meeting from time to time and from place to place; but no business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. When a Meeting is adjourned for ten days or more, notice of the adjourned Meeting shall be given as in the case of an original Meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjourned Meeting or of the business to be transacted thereat.

57. At any General Meeting every question shall be decided in the first instance by a show of hands; and unless a poll be (on or before the declaration of the result of the show of hands) directed by the Chairman or demanded by at least three Members entitled to vote, or by one Member or two Members so entitled, if that Member or those two Members together hold not less than fifteen per cent. of the paid up Share Capital of the Company, a declaration by the Chairman that a resolution has been carried or not carried, or carried or not carried by a particular majority, and an entry to that effect in the Minute Book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded in favour of or against such resolution. **10**

58. If a poll be directed or demanded in the manner above mentioned it shall (subject to the provisions of Article 60 hereof) be taken at such time and in such manner as the Chairman may appoint, and the result of such poll shall be deemed to be the **20** resolution of the Meeting at which the poll was directed or demanded.

59. In the case of an equality of votes at any General Meeting, whether upon a show of hands or on a poll, the Chairman shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote the Chairman shall determine the same, and such determination shall be final and conclusive.

60. A poll demanded upon the election of a Chairman or upon a question of adjournment shall be taken forthwith. Any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

VOTES OF MEMBERS

61. Subject to any special terms as to voting upon which any Shares may have been **30** issued or may for the time being be held, upon a show of hands every Member present in person shall have one vote, and upon a poll every present in person or by proxy shall have one vote for every share held by him.

62. If any Member be a person of unsound mind he may vote by his committee, receiver, *curator bonis*, or other legal curator.

63. No Member shall be entitled to be present or to vote at any General Meeting unless all Calls or other sums presently payable by him in respect of the Shares held by him in the Company have been paid.

64. On a poll votes may be given either personally or by proxy.

65. The instrument appointing a proxy shall be in writing under the hand of the appointor, or of his attorney duly authorised in writing, or if such appointor be a corporation either under its common seal or under the hand of an officer or attorney so authorised.

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66. The instrument appoint a proxy and the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time fixed for holding the Meeting or adjourned Meeting at which the person named in such instrument is authorised to vote, and in default the instrument of proxy shall not be treated as valid. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A proxy need not be a Member of the Company.

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67. An instrument appointing a proxy shall be in the following form, or in any other form of which the Directors shall approve:—

OCEAN-LAND DEVELOPMENT LIMITED

I, _____ of _____
being a Member of the above-named Company, hereby appoint _____
of _____
and failing him _____ of _____
as my proxy to vote for me and on my behalf at the Ordinary (or Extraordinary, as the
20 case may be) General Meeting of the Company to be held on the _____ day
of _____ 19 _____, and at any adjournment thereof.

As witness my hand this _____ day of _____ 19 _____

DIRECTORS

68. Unless and until the Company in General Meeting shall otherwise determine, the number of Directors shall be not less than four nor more than fifteen.

69. A Director need not hold any Share in the Company.

70. The remuneration of the Directors shall be such sum or sums as the Company may in General Meeting from time to time determine. The Directors shall also be entitled to be paid their reasonable travelling and other expenses incurred in consequence of their
30 attendance at Board Meetings and otherwise in the execution of their duties as Directors. Any resolution of the Board reducing or postponing the time for payment of the Directors' remuneration shall bind all the Directors.

71. The Directors may award special remuneration out of the funds of the Company to any Director going or residing abroad in the interests of the Company, or undertaking any work additional to that usually required of Directors of a company similar to this.

POWERS OF DIRECTORS

72. The business of the Company shall be managed by the Directors, who shall pay all expenses incurred in the formation and registration of the Company, and may exercise

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all such powers of the Company as are not by the Ordinance or by these Articles required to be exercised by the Company in General Meeting, subject, nevertheless, to any regulations of these Articles, to the provisions of the Ordinance, and to such regulations not being inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting; but no regulation made by the Company in General Meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

DISQUALIFICATION OF DIRECTORS

73. The Office of an Ordinary Director shall be vacated:—

- (a) If he becomes bankrupt or insolvent or compounds with his creditors; **10**
- (b) If he becomes of unsound mind;
- (c) If he be convicted of an indictable offence;
- (d) If he is requested in writing by all his co-directors to resign;
- (e) If he becomes prohibited from being a Director by reason of any order made under Section 223 or 275 of the Ordinance;
- (f) If he gives the Company one month's notice in writing that he resigns his office.

But any act done in good faith by a Director whose office is vacated as aforesaid shall be valid unless, prior to the doing of such act, written notice shall have been served upon the Company or an entry shall have been made in the Directors' Minute Book stating that such Director has ceased to be a Director of the Company. **20**

74. A Director may hold any office of profit under the Company (other than that of Auditor) in conjunction with the office of Director, and may enter into contracts or arrangements or have dealings with the Company, and shall not be disqualified from office thereby, nor shall he be liable to account to the Company for any profit arising out of any such contract, arrangement, or dealing to which he is a party or in which he is interested by reason of his being at the same time a Director of the Company, nor shall he thereby be precluded from voting as a Director provided that such Director discloses to the Meeting of the Directors at which such contract, arrangement, or dealing is first taken into consideration, the nature of his interest therein, or if such interest is subsequently acquired, provided that he discloses the fact that he has acquired such interest at the next Meeting of the Directors held after such interest was acquired. A general notice given to the Directors by a Director to the effect that he is a member of a specified company or firm, and is to be regarded as interested in any contract, arrangement, or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall, for the purpose of this Article, be deemed to be a sufficient disclosure of interest in relation to any contract, arrangement, or dealing so entered into or made. **30**

75. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as the number of Directors is reduced below the number fixed by or

pursuant to the Regulations of the Company as the necessary quorum of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting of the Company, but for no other purpose. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

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MANAGING DIRECTOR

76. The Directors may from time to time appoint one or more of their body to the office of Managing Director for such period and on such terms as they think fit, and, **10** subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Director so appointed shall not, whilst holding that office, be subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors, but this appointment shall be automatically determined if he ceases from any cause to be a Director.

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77. The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

ROTATION OF DIRECTORS

20 78. At the Ordinary General Meeting in the year 1973 the whole of the Directors shall retire from office, and at the ordinary general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

79. A retiring Director shall be eligible for re-election.

80. The Company at the Ordinary General Meeting at which any Director retires in manner aforesaid shall fill up the vacated office, and may fill up any other offices which **30** may then be vacant, by electing the necessary number of persons, unless the Company shall determine to reduce the number of Directors in office. The Company may also at any Extraordinary General Meeting, on notice duly given, fill up any vacancies in the office of Director or appoint additional Directors provided that the maximum number fixed as hereinbefore mentioned is not exceeded.

81. If at any General Meeting at which an election of Directors ought to take place, the places of the retiring Directors be not filled up, the retiring Directors, or such of them as have not had their places filled up, shall continue in office until the Ordinary General Meeting in the next year, and so on from time to time until their places have been filled up, unless at any such Meeting it shall be determined to reduce the number of Directors **40** in office.

VARIATION OF NUMBER OF DIRECTORS

82. The Company may from time to time in General Meeting increase or reduce the number of Directors, and may also determine in what rotation (if any) such increased or reduced number is to go out of office.

83. The Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed as hereinbefore mentioned.

84. A Director may appoint any person who is approved by the majority of the Directors, to be an alternate (or substitute) Director to act in his place whenever he is abroad or unable to act as a Director and such appointment shall have effect during the continuance in office of such Director, and such appointee, whilst he holds office as an alternate Director, shall be entitled to notice of meetings of the Directors, and to attend and vote thereat in the absence or incapacity of the Director in whose place he is appointed. A Director may at any time in writing revoke the appointment of an alternate appointed by him. An Alternate Director shall *ipso facto* cease to be an Alternate Director if his appointor ceases for any reason to be a Director. **10**

85. The Company may by an Ordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead. The person so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. **20**

GENERAL MANAGERS

86. The Directors may from time to time appoint a General Manager or General Managers of the Company and may fix his or their remuneration either by way of salary or commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes and pay the working expenses of any of the staff of the General Manager or General Managers who may be employed by him or them upon the business of the Company.

87. The appointment of such General Manager or General Managers may be for such period as the Directors may decide and the Directors may confer upon him or them all or any of the powers of the Directors as they may think fit. **30**

88. For the purposes of Articles 86 and 87 hereof the Directors may enter into such Agreement or Agreements with any such General Manager or General Managers upon such terms and conditions in all respects as the Directors may in their absolute discretion think fit, including a power for such General Manager or General Managers to appoint an Assistant General Manager or Assistant General Managers or other employees whatsoever under them for the purpose of carrying on the business of the Company.

PROCEEDINGS OF DIRECTORS

89. The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their Meeting as they think fit, and determine the quorum necessary **40**

for the transaction of business. Until otherwise determined two Directors shall constitute a quorum. Question arising at any Meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. A Director may, at any time summon a Meeting of the Directors. Notice of a Meeting of Directors need not be given to a Director who is not in Hong Kong.

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90. The Directors may elect a Chairman of their Meetings, and determine the period for which he is to hold office; but if no such Chairman be elected, or if at any Meeting the Chairman be not present within ten minutes after the time appointed for holding the same, the Directors present may choose some one of their number to be Chairman of such
10 Meeting.

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91. A Memorandum in writing signed by all the Directors (but not alternate Directors) for the time being annexed or attached to the Directors' Minute Book shall be as effective for all purposes as a resolution of the Directors passed at a Meeting duly convened, held, and constituted.

92. The Directors may delegate any of their powers to Committees, consisting of such one or more of their body as they think fit. Any Committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors. The regulations herein contained for the Meetings and proceedings of Directors shall, so far as not altered by any regulations made by the Directors, apply
20 also to the Meetings and proceedings of any Committee.

93. All acts done by any Meeting of the Directors or of a Committee of Directors, or by any person acting as Directors, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

MINUTES

94. The Directors shall cause Minutes to be made in books provided for the purpose:—

- 30**
- (a) Of all appointments of officers made by the Directors;
 - (b) Of the names of the Directors present at each Meeting of the Directors and of any Committee of the Directors;
 - (c) Of all resolution and proceedings at all Meetings of the Company and of Directors and of the Committees of Directors.

THE SEAL

95. The Board shall provide for the safe custody of the Seal, and the Seal shall never be used except by the authority of the Board previously given, and two Members of the Board or any two persons appointed by the Board shall sign every instrument to which the Seal is affixed but so that the Directors may by resolution determine, either generally or in any particular case, that the signatures of any one or more Directors or persons

appointed by the Board may be affixed to or reproduced on any document or documents by some mechanical means to be specified in such resolution, or one or more of such signatures may be entirely dispensed with, provided that entirely dispensing with one or more signatures shall only be permitted in connection with the use of the Company's Seal on share certificates or debentures. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Directors previously given.

CHEQUES, ETC.

96. All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, shall be made, signed, drawn, accepted and endorsed, or otherwise executed **10** by the person or persons from time to time authorised by a resolution of the Directors and the signatures of such person or persons may be affixed to or reproduced on such cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments by some mechanical means to be specified in such resolution.

DIVIDENDS

97. Subject to the rights of the Holders of any Shares entitled to any priority, preference, or special privileges, all Dividends shall be declared and paid to the Members in proportion to the amounts paid up on a Share in advance of Calls shall, while carrying interest, be treated for the purpose of this Article as paid on the Share.

98. The Directors may if they think fit from time to time determine the amount of dividends (if any) to be paid by the Company. If the Directors think fit they may from time to time make a recommendation as to the amount (if any) which they consider ought to be paid by way of dividend and the Company may thereafter declare the amount of the dividend to be paid but such dividend shall not exceed the amount recommended by the Directors.

99. No Dividend shall be paid otherwise than out of the profits of the Company.

100. The Directors may from time to time pay to the Members, or any class of Members such interim Dividends as appear to the Directors to be justified by the profits of the Company.

101. The Directors may deduct from the Dividends payable to any Member all such **30** sums of money as may be due from him to the Company on account of Calls or otherwise.

102. Notice of any Dividend that may have been declared shall be given to each Member in the manner in which notices of General Meetings are given to the Members.

103. The Company may transmit any Dividend or Bonus payable in respect of any Share by ordinary post to the registered or other recorded address of the Holders or, in the case of joint Holders, the first named person in the Register of Members in respect of such Share (unless he shall have given written instructions to the contrary) and shall not be responsible for any loss arising in respect of such transmission.

104. No Dividend shall bear interest as against the Company.

105. The Directors may, with the sanction of the Company in General Meeting, distribute in kind among the Members by way of Dividend any of the assets of the Company, and in particular any Shares or securities of other companies to which the Company is entitled. Whenever there are sufficient profits, instead of dividing the same in cash the Directors may, with the like sanction, issue to the Members Shares in the Company, and apply the said profits in paying up the same, or may issue to the Members securities of the Company to an amount not exceeding the profits available for distribution: Provided always that no distribution shall be made which would amount to a reduction of Capital except in the manner appointed by law. Where requisite, a Contract shall be filed in accordance with Section 45 of the Ordinance, and the Directors may appoint any person to sign such Contract on behalf of the persons entitled to the Dividend, and such appointment shall have effect accordingly.

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106. All Dividends or Bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and all Dividends or Bonuses unclaimed for two years after having been declared may be forfeited by the Directors for the benefit of Company.

RESERVE FUND

107. Before determining or recommending a Dividend the Directors may set aside any part of the net profits of the Company to a Reserve Fund, and may apply the same either by employing it in the business of the Company or by investing it in such manner (subject to Article 3 hereof) as they shall think fit and the income arising from such Reserve Fund shall be treated as part of the gross profits of the Company. Such Reserve Fund may be applied for the purpose of maintaining the property of the Company, replacing wasting assets, meeting contingencies, forming an Insurance Fund, equalising Dividends, paying special Dividends or Bonuses, or for any other purpose for which the net profits of the Company may lawfully be used, and until the same shall be so applied it shall be deemed to remain undivided profit. The Directors may also carry forward to the accounts of the succeeding year or years and profit or balance of profit which they shall not think fit to divide or to place to reserve.

30

ACCOUNTS

108. The Directors shall cause true accounts to be kept:—

- (a) Of all sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place;
- (b) Of all sales and purchases of goods by the Company;
- (c) Of the assets and liabilities of the Company.

109. The Books of Account shall be kept at the Registered Office of the Company in Hong Kong and shall always be open to the inspection of the Directors. The Directors may from time to time by resolution determine whether and to what extent, and at what times and places in Hong Kong and on what conditions the books and accounts to the Company, or any of them, shall be open to the inspection of the Members (not being

Directors), and the Members shall have only such rights of inspection as are given to them by the Ordinance or by such resolution as aforesaid.

110. At the Ordinary General Meeting in every year the Directors shall lay before the Company a profit and loss account for the period since the preceding account or (in the case of the first Ordinary General Meeting) since the incorporation of the Company, made up to a date not more than nine months before such Meeting.

111. A balance sheet shall be made out and laid before the Company at the Ordinary General Meeting in every year, as at the date to which the profit and loss account is made up. There shall be attached or annexed to each such balance sheet such documents as are required by law to be attached or annexed thereto, including the Auditors' Report and a report of the Directors with respect to the state of the Company's affairs, the amount (if any) which the Directors recommend should be paid by way of Dividend, and the amount (if any) which they propose to carry to the Reserve Fund, General Reserve, or Reserve Account shown specifically on the balance sheet or to be shown specifically on a subsequent balance sheet. The Auditors' Report shall be read at the Meeting and shall be open to inspection as required by Section 128 of the Ordinance. **10**

112. A printed copy of the balance sheet and reports and such other documents as aforesaid shall, not less than seven clear days previously to the Meeting at which such balance sheet, reports, and documents are to be laid before the Company as aforesaid, be served on every Member entitled to receive notices of General Meetings in the manner **20** in which notices are hereinafter directed to be served.

AUDITORS

113. Auditors shall be appointed and their duties regulated in the manner provided by Sections 131, 140 and 141 of the Ordinance.

NOTICES

114. A notice may be served by the Company upon any Member either personally or by sending it through the post addressed to such Member at his registered address or by advertisement in one or more newspapers circulating in the Colony of Hong Kong.

115. No Member shall be entitled to have a notice served on him at any address not within the Colony of Hong Kong; but any Member whose registered address is not within **30** the said Colony may by notice in writing require the Company to register an address within the said Colony which, for the purpose of the service of notices, shall be deemed to be his registered address. A member who has no registered address within the said Colony and has not given notice as aforesaid, shall be deemed to have received any notice which shall have been displayed in the Company's Registered Office and shall have remained there for the space of twenty-four hours, and such notice shall be deemed to have been received by such Member at the expiration of twenty-four hours from the time when it shall have been so first displayed.

116. Any notice sent by post shall be deemed to have been served at the expiration of twenty-four hours after the same shall have been posted; and in proving such service **40**

it shall be sufficient to prove that the envelope containing the notice was properly addressed and stamped and put into the post office.

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DISCOVERY OF SECRETS

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117. No Member shall be entitled to require or receive any information concerning the business, trading, or customers of the Company, or any trade secret or secret process of or used by the Company, beyond such information as to the accounts and business of the Company as is by these presents or by the Ordinance directed to be laid before the Company in General Meeting, and no Member shall be entitled to inspection of any of the books, papers correspondence, or documents of the Company except in-so-far as
10 such inspection is authorised by these presents or by the Ordinance.

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ARBITRATION

118. If and whenever any difference shall arise between the Company and any of the Members or their respective representatives touching the construction of any of the Articles herein contained, or any act, matter or thing made or done, or to be made or done, or omitted or in regard to the rights and liabilities arising hereunder, or arising out of the relation existing between the parties by reason of these presents or of the Ordinance, such difference shall be forthwith referred to two Arbitrators—one to be appointed by each party in difference—or to an Umpire to be chosen by the Arbitrators before entering on the consideration of the matters referred to them, and every such reference shall be
20 conducted in accordance with the provisions of the Arbitration Ordinance.

WINDING UP

119. If the Company shall be wound up the assets remaining after payment of the debts and liabilities of the Company and the costs of the liquidation shall be applied: First in repaying to the Members the amounts paid up on the Shares held by them respectively; and the balance (if any) shall be distributed among the Members in proportion to the number of Shares held by them respectively: Provided always that the provisions hereof shall be subject to the rights of the Holders of Shares (if any) issued upon special conditions.

30 120. In a winding up any part of the assets of the Company, including any Shares in or securities of other companies, may, with the sanction of an Extraordinary Resolution of the Company, be divided among the Members of the Company in specie, or may be vested in trustees for the benefit of such Members, and the liquidation of the Company may be closed and the Company dissolved, but so that no Member shall be compelled to accept any Shares whereon there is any liability.

CAPITALIZATION OF PROFITS

121. The Company in General Meeting may upon the recommendation of the Directors resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of

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New Articles of
Association of
Ocean-Land
Development
Limited
dated 11.8.1972

the profit and loss account or otherwise available for distribution and not required for the payment or provision of the fixed dividend on any Shares (if any) entitled to fixed preferential dividends, and accordingly that such sums be set free for distribution amongst Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any Shares held by such Members respectively or paying up in full unissued Shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution:

10

Provided that a Share Premium Account and a Capital Redemption Reserve Fund may, for the purposes of these Articles, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus Shares.

122. Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid Shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of Shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all 20 Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares or debentures to which they may be entitled on such capitalization, or, as the case may require for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing Shares, and any agreement made under such authority shall be effective and binding on all such Members.

EXTRACTS FROM OCEAN LAND'S ANNUAL REPORT 1978/79

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DIRECTORS' REPORT

No. 16

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st March, 1979.

<i>ACCOUNTS</i>			
<i>1977/78</i>			<i>1978/79</i>
HK\$12,874,117	The Consolidated Net Profit for the year ended 31st March, 1979, after Extraordinary Items	HK\$16,615,885	
	From which is deducted		
159,944	Amount retained by Subsidiaries	3,071,867	
10			
HK\$12,714,173		HK\$13,544,018	
	To which is added		
1,009,528	Balance Brought Forward	2,117,451	
HK\$13,723,701	Making a total available for appropriation	HK\$15,661,469	
	And the Directors recommend that the said sum of HK\$15,661,469 be dealt with as follows:—		
HK\$ 2,550,000	Interim Dividend paid – 4½ cents per share	HK\$ 2,868,750	
	Pay a Final Dividend of 10½ cents per share on 14th September, 1979	6,693,750	
20	Transfer to General Reserve	4,000,000	
6,056,250	Carried Forward	2,098,969	
3,000,000			
2,117,451			
HK\$13,723,701		HK\$15,661,469	

Extracts from
Ocean Land's
Annual Report
1978/79
dated 31.7.1979

(Certain comparative figures have been reclassified to comply with the current year's format.)

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shipping, real estate, mining and investments.

FIXED ASSETS

30 Particulars of the movements in Fixed Assets during the year are contained in Note 2 annexed to the Statement of Accounts.

DIRECTORS

Directors on the Board during the year are listed on Page 2.

In accordance with the provisions of Article 78. Dr. Ann Tse Kai, Mr. Samuel Tak Lee and Mr. A.D.A.G. Mosley retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST IN CONTRACTS

40 Eastern Shipping (Managers) Ltd., Monrovia, Liberia, which has been appointed general agents to manage all the Company's vessels at a total agency fee of US\$9,000 per month, has in turn appointed Fortuna Navigation Co. Ltd., Hong Kong, as sub-agents

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with limited powers at a total sub-agency fee of US\$6,000 per month, Mr. W.H. Chou, Mr. C.K. Chow and Mr. T.C. Hsin are directors and shareholders of the sub-agents.

AUDITORS

No. 16

The accounts have been audited by Messrs. Price Waterhouse & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

Extracts from
Ocean Land's
Annual Report
1978/79
dated 31.7.1979

CHOU WEN HSIEN
Chairman

Hong Kong, 31st July, 1979.

OCEAN-LAND DEVELOPMENT LIMITED

CHAIRMAN'S STATEMENT

10

The Group Profits of your Company and its subsidiaries for the year under review increased by 29% over those of the previous year. The audited consolidated net profit, after taxation, for the year ended 31st March, 1979 (including extraordinary items aggregating HK\$1,328,525) amounted to HK\$16,615,885, which compares favourably with HK\$12,874,117 for the previous year. Earnings per share for 1978/1979 were \$0.24 (\$0.26 including extraordinary items) as compared with \$0.20 in 1977/1978.

An interim dividend of 4½ cents per share was paid in January, 1979 and a final dividend of 10 cents per share is proposed by your Directors, thus making a total dividend payment of 15 cents for the whole year. This compares with 13½ cents distributed in the previous year and shows an increase of 11%.

20

SHIPPING ACTIVITIES

Your Group's vessels continue to perform satisfactorily on time charters of these, two will become free for further business in February 1980. Management is confident of finding more profitable employment for these vessels prior to the expiry of the existing charters.

A cautious policy will continue to be adopted by your Board toward new acquisitions.

REAL ESTATE ACTIVITIES

Rental income from industrial properties held by your Group increased as a result of the adjustments in rentals made in September 1978.

30

Hong Kong Car Park Ltd., in which your Group holds a 50% interest, achieved reasonable results in the period under review.

As mentioned in my Interim Report, issued in December 1978, an industrial site of 34,724 sq.ft., in which a 68.5% interest is held, and known as Sha Tin Town Lot No. 27, Area 3A was added to your Group's portfolio of industrial properties and plan are now in hand for its development.

Construction work for your Group's other joint-venture projects are progressings. The commercial complex at 8-12 Hennessy Road, in which your Group has a 50% interest, and the container cargo complex at Container Port Road, Kwai Chung, where

we have a 26% interest, are both now up to podium level. Completion of both projects is expected to take place before the end of 1980.

As a result of our policy of constantly reviewing real estate investments, during the year 1978/79 certain property investments have been sold profitably.

Another industrial site in Sha Tin, in which we hold a 50% interest, was acquired in late 1978 in exchange for "Letter B" entitlements. Your Directors have decided to dispose of this property after careful consideration and negotiation regarding its sale is nearing completion.

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Extracts from
Ocean Land's
Annual Report
1978/79
dated 31.7.1979

OTHER ACTIVITIES

- 10** Your Group's tin mining operations in Peninsular Malaysia continue to progress, but at a slower rate than anticipated. It was originally projected that some profits could accrue in the current year, but it is how probable that these will be postponed until 1980 partly due to technical difficulties but and as a result of delay in planning permission to open up new ore-bearing areas. Management still views the future of these activities with confidence.

OUTLOOK

Despite the economic squeeze created by the oil price increases, high interest rates and other inflationary trends, your Board is confident that the current year will continue to show an improved performance.

20 APPRECIATION

On behalf of the Board of Directors and members of the Company, I thank the officers and staff of the Company for their dedication and unswerving loyalty to the Company.

CHOU WEN HSIEN
Chairman

Hong Kong, 31st July, 1979.

OCEAN-LAND DEVELOPMENT LIMITED AND ITS SUBSIDIARIES

No. 16

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 1978

30	<i>1977</i>		<i>Notes</i>	<i>HK\$</i>
	<i>HK\$</i>			
	\$123,127,891	Fixed Assets	2	\$118,040,027
	1,192,024	Rights to Land	3	3,554,194
	16,166,066	Investments	5	24,201,985
	134,000	Hire Purchase Interest Suspense		863,198
	\$140,619,981			\$146,659,404
	\$ 14,852,625	Current Assets	6	\$14,975,725
	44,726,540	Current Liabilities	7	47,757,900
	\$ (29,873,915)	Net Current Liabilities		(32,782,175)

Extracts from
Ocean Land's
Annual Report
1977/78
dated 31.7.1979

Supreme Court of Hong Kong High Court	\$ (20,736,920)	Long Term Liabilities	8	(20,327,724)
	<u>\$ 90,009,146</u>	Net Assets		<u>\$ 93,549,505</u>
No. 16	\$ 63,750,000	<i>Representing:</i> Share Capital	9	\$ 63,750,000
	11,986,945	Capital Reserves	10	11,412,451
	10,500,000	General Reserve	11	13,500,000
Extracts from Ocean Land's Annual Report 1977/78	1,366,161	Exchange Fluctuation Reserve	12	1,213,147
dated 31.7.1979	2,406,040	Unappropriated Profits		3,673,907
		CHOU WEN HSIEN Director		CHOW CHUNG KAI Director
	<u>\$ 90,009,146</u>	Shareholders' Funds		<u>\$ 93,549,505</u>

OCEAN-LAND DEVELOPMENT LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 1978**

<i>1977</i> <i>HK\$</i>		<i>Notes</i>	<i>HK\$</i>
<u>\$30,591,275</u>	Turnover	13	<u>\$32,604,351</u>
<u>\$11,843,591</u>	Net Profit before Taxation after charging/(crediting) the following:		\$13,518,649
\$ 45,000	Directors' Remuneration	14	\$ 45,000
33,400	Auditors' Remuneration		34,400
7,050,605	Depreciation and Amortisation		7,083,870
3,738,703	Interest Paid	15	3,648,058
<u>(3,226,034)</u>	Dividend Income	16	<u>(3,352,072)</u>
659,293	Taxation		644,532
<u>\$11,184,298</u>	Net Profit after Taxation		\$12,874,117
1,371,742	Unappropriated Profits brought forward		2,406,040
<u>\$12,556,040</u>	Profits available for Appropriation		\$15,280,157
\$ 2,500,000	Appropriations:		
2,550,000	Transfer to General Reserve		\$3,000,000
5,100,000	Interim Dividend Paid		2,550,000
	Final Dividend Proposed		<u>6,056,250</u>
<u>\$10,150,000</u>			11,606,250
<u>\$ 2,406,040</u>	Unappropriated Profits carried forward		<u>\$ 3,673,907</u>

OCEAN-LAND DEVELOPMENT LIMITED
BALANCE SHEET AS AT 31ST MARCH, 1978

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1977 HK\$		<i>Notes</i>	HK\$	No. 16
\$ 5,728	Fixed Assets	2	\$ 4,825	Extracts from Ocean Land's Annual Report 1977/78 dated 31.7.1979
71,927,582	Investments in Subsidiaries	4	76,081,967	
11,304,000	Trade Investments	5	<u>11,304,000</u>	
<u>\$83,237,310</u>			<u>\$87,390,792</u>	
\$ 1,172,660	Current Assets	6	\$2,089,318	
10 5,270,870	Current Liabilities	7	<u>6,233,087</u>	
<u>\$(4,098,210)</u>	Net Current Assets/(Liabilities)		(4,143,769)	
<u>\$79,139,100</u>	Net Assets		<u>\$83,247,023</u>	
	<i>Representing:</i>			
\$63,750,000	Share Capital	9	\$63,750,000	
3,879,572	Capital Reserves	10	3,879,572	
10,500,000	General Reserve	11	13,500,000	
1,009,528	Unappropriated Profits		2,117,451	
	CHOU WEN HSIEN Director		CHOW CHUNG KAI Director	
20 <u>\$79,139,100</u>	Shareholders' Funds		<u>\$83,247,023</u>	

OCEAN-LAND DEVELOPMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 1978

1977 HK\$		<i>Notes</i>	HK\$
<u>\$10,957,766</u>	Turnover	13	<u>\$12,983,966</u>
<u>\$10,692,690</u>	Net Profit before Taxation after charging/(crediting) the following:		\$12,726,124
30 \$ 45,000	Directors' Remuneration	14	\$ 45,000
7,000	Auditors' Remuneration		8,000
903	Depreciation and Amortisation		903
<u>(10,653,620)</u>	Dividend Income	16	<u>(12,680,910)</u>

Supreme Court of Hong Kong High Court	\$ 7,000	Taxation	\$ 8,000	
	—	Underprovision in previous year	3,951	
	<u>\$ 7,000</u>			11,951
No. 16	\$10,685,690	Net Profit after Taxation		\$12,714,173
	473,838	Unappropriated Profits brought forward		<u>1,009,528</u>
Extracts from Ocean Land's Annual Report 1977/78 dated 31.7.1979	\$11,159,528	Profits available for Appropriation		\$13,723,701
		Appropriations:		
	\$ 2,500,000	Transfer to General Reserve	\$3,000,000	
	2,550,000	Interim Dividend Paid	2,550,000	
	5,100,000	Proposed Final Dividend	<u>6,056,250</u>	10
	<u>\$10,150,000</u>			11,606,250
	<u>\$ 1,009,528</u>	Unappropriated Profits carried forward		<u>\$ 2,117,451</u>

OCEAN-LAND DEVELOPMENT LIMITED AND ITS SUBSIDIARIES

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated accounts of the group include the results of Ocean-Land Development Limited and its subsidiaries for the year ended 31st March, 1978.

(b) Fixed Assets

The vessels are shown at 1972/73 appraised value with subsequent realised 20 exchange deficits attributable to foreign currency liabilities in connection with the vessels reflected in the cost of these assets. Other fixed assets are stated at cost. Fixed assets are amortised or depreciated over their estimated useful lives on the straight line basis as follows:—

Leasehold Land	—	no amortisation is provided
Leasehold Flats	—	4% on cost
Furniture and Fixtures	—	10% on cost
Vessels	—	5% on valuation

(c) Subsidiaries

A company is a subsidiary company if more than 50% of the issued share 30 capital is held long-term. Investments in subsidiaries are carried at cost.

(d) Trade Investments

Trade investments are investments in companies whose business is closely allied with that of the group and in which 50% or less of the issued share capital of the company is held long-term and in which no significant influence in the company's management is exercised. Trade investments are carried at cost.

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(e) Exchange Conversions

All items arising in foreign currencies have been converted into Hong Kong dollars at the approximate market rates ruling at the balance sheet date except for share capital of foreign subsidiaries and fixed assets which have been converted at historical rates of exchange. The exchange gain on consolidation which arises from the difference between the historical rate and the market rate is credited to capital reserve.

Extracts from
Ocean Land's
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1977/78
dated 31.7.1979

Realised gains arising from instalments paid on the shipbuilding contracts in respect of each vessel are placed directly to exchange fluctuation reserve to set against any losses on payment of such instalments in the future. Realised losses arising from instalments paid on the shipbuilding contracts are reflected in the cost of these assets. No provision is made in the accounts of subsidiaries for any unrealised exchange differences attributable to these instalments payable. Other realised gains and losses are included in the determination of profits.

(f) Turnover

Turnover is comprised of charter hire income, rent received, dividend income and management fees received.

(g) Taxation

Provision for Hong Kong Profits Tax is made at current rates on the estimated assessable profits of the Hong Kong companies for the year.

2. FIXED ASSETS

	<i>Leasehold Properties</i>		<i>Furniture and Fixtures</i>	<i>Vessels</i>	<i>Total</i>
	<i>Long Term (Over 50 years)</i>	<i>Medium Term (10-50 years)</i>			
<i>The Group</i>	<i>Hong Kong</i>	<i>Hong Kong</i>			
At cost and valuation at 31.3.1977	HK\$ 1,124,950	HK\$ 34,794,105	HK\$ 46,179	HK\$ 118,869,111	HK\$ 154,834,345
Additions	—	2,354,880	1,428	544,504	2,900,812
	1,124,950	37,148,985	47,607	119,413,615	157,735,157
Disposals	—	933,100	1,301	—	934,401
At cost and valuation at 31.3.1978	1,124,950	36,215,885	46,306	119,413,615	156,800,756
Accumulated Depreciation and Amortisation	101,987	5,829,884	20,352	32,808,506	38,760,729
Net Book Value at 31.3.1978	1,022,963	30,386,001	25,954	86,605,109	118,040,027

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of Hong Kong
High Court

Net Book Value at
31.3.1977 1,039,961 30,026,230 30,419 92,031,281 123,127,891

No. 16

1972/73 Directors' Valuation 118,229,845 118,229,845
Accumulated Exchange Differences 1,183,770 1,183,770

Balance at 31.3.1978 119,413,615 119,413,615

Extracts from
Ocean Land's
Annual Report
1977/78
dated 31.7.1979

The Company

Furniture and Fixtures —

At cost at 31.3.1977 HK\$9,030

Additions —

At cost at 31.3.1978 \$9,030 10

Accumulated Depreciation 4,205

Net Book Value at 31.3.1978 HK\$4,825

Net Book Value at 31.3.1977 HK\$5,728

3. RIGHTS TO LAND

This represents Letter B entitlement to the estate right, title interest and benefit to and in compensation and/or exchange of land by the Hong Kong Government in respect of properties in the New Territories. Exercising the foregoing right would involve the payment of a sum of money to be determined by the Government at that time. Rights to land are stated at cost.

4. INVESTMENTS IN SUBSIDIARIES

20

	1978	1977
	HK\$	HK\$
Shares, at cost	\$35,400,000	\$35,400,000
Loan	14,500,000	15,000,000
Amount due from Subsidiaries	18,955,717	18,207,425
Dividends Receivable	7,226,250	6,361,640
Amount due to Subsidiaries	—	(3,041,483)
	<u>\$76,081,967</u>	<u>\$71,927,582</u>

5. TRADE INVESTMENTS

30

	1978		1977	
	HK\$		HK\$	
	Company	Group	Company	Group
Trade Investments, Unquoted, at cost	\$11,304,000	\$24,195,985	\$11,304,000	\$16,160,066
Quoted Investments, at cost less provision for diminution in value	—	6,000	—	6,000
	<u>\$11,304,000</u>	<u>\$24,201,985</u>	<u>\$11,304,000</u>	<u>\$16,166,066</u>
Market value of Quoted Investments		<u>\$ 6,240</u>		<u>\$12,545</u>

6. CURRENT ASSETS	<i>Company</i>		<i>Group</i>		Supreme Court of Hong Kong High Court
	<i>1978</i>	<i>1977</i>	<i>1978</i>	<i>1977</i>	
	<i>- HK\$ -</i>		<i>- HK\$ -</i>		
Ships Stores, at cost	\$ —	\$ —	\$ 1,198,698	\$ 912,810	No. 16
Accounts Receivable and Prepaid Expenses	1,335	1,341	11,231,053	13,884,421	
Dividends Receivable	2,037,500	1,161,000	2,037,500	—	Extracts from Ocean Land's Annual Report 1977/78 dated 31.7.1979
Cash and Bank Balances	50,483	10,319	212,437	55,394	
Temporary Advance	—	—	296,037	—	
10	<u>\$ 2,089,318</u>	<u>\$ 1,172,660</u>	<u>\$14,975,725</u>	<u>\$14,852,625</u>	

Included in Group Accounts Receivable and Prepaid Expenses are the following amounts:—

- (i) HK\$200,000 which represents the first contribution towards a proposed joint venture.
- (ii) HK\$2,975,000 which represents a temporary loan by a subsidiary to a trade investment and is repayable before March, 1979.

7. CURRENT LIABILITIES	<i>Company</i>		<i>Group</i>	
	<i>1978</i>	<i>1977</i>	<i>1978</i>	<i>1977</i>
	<i>- HK\$ -</i>		<i>- HK\$ -</i>	
20 Bank Loans and Overdrafts	\$ —	\$ —	\$ 9,580,989	\$ 5,248,226
Short Term Loans	—	—	14,562,064	19,526,497
Instalments Payable (Secured)	—	—	9,161,542	8,907,642
Accounts Payable and Accrued Expenses	178,527	163,026	7,371,369	4,477,241
Charter Hire Received in Advance	—	—	903,115	1,140,360
Provision for Taxation	(1,690)	7,844	122,571	326,574
Proposed Dividend	6,056,250	5,100,000	6,056,250	5,100,000
	<u>\$ 6,233,087</u>	<u>\$ 5,270,870</u>	<u>\$47,757,900</u>	<u>\$44,726,540</u>

30 8. LONG TERM LIABILITIES

Long term liabilities consist of instalments payable after 31st March, 1979, but within 5 years on Shipbuilding contracts and on the purchase of Leasehold flats and the non-current portion of a bank loan amounting to HK\$6,250,000.

9. SHARE CAPITAL	<i>1978</i>	<i>1977</i>
	<i>HK\$</i>	<i>HK\$</i>
Authorised		
100,000,000 Shares of HK\$1 each	<u>\$100,000,000</u>	<u>\$100,000,000</u>
Issued and Fully Paid		
63,750,000 Shares of HK\$1 each	<u>\$ 63,750,000</u>	<u>\$ 63,750,000</u>

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Extracts from
Ocean Land's
Annual Report
1977/78
dated 31.7.1979

10. CAPITAL RESERVES	<i>Company</i>		<i>Group</i>		
	1978	1977	1978	1977	
	- HK\$ -		- HK\$ -		
(i) <i>Share Premium Account</i>					
Balance at beginning and end of year	\$ 3,879,572	\$ 3,879,572	\$ 3,879,572	\$ 3,879,572	
(ii) <i>Capital Reserves</i>					
Balance at beginning and end of year	\$ —	\$ —	56,700	56,700	
Exchange Gain on Consolidation	—	—	7,476,179	8,050,673	10
	\$ —	\$ —	\$ 7,532,879	\$ 8,107,373	
	<u>\$ 3,879,572</u>	<u>\$ 3,879,572</u>	<u>\$ 11,412,451</u>	<u>\$ 11,986,945</u>	
11. GENERAL RESERVE					
Balance at 31.3.77	\$10,500,000	\$ 8,000,000	\$10,500,000	\$ 8,000,000	
<i>Add: Appropriations from profits</i>	3,000,000	2,500,000	3,000,000	2,500,000	
Balance at 31.3.78	<u>\$13,500,000</u>	<u>\$10,500,000</u>	<u>\$13,500,000</u>	<u>\$10,500,000</u>	
12. EXCHANGE FLUCTUATION RESERVE (GROUP)			<i>1978</i>	<i>1977</i>	20
			<i>HK\$</i>	<i>HK\$</i>	
Balance at 31.3.77			\$ 1,366,161	\$ 1,024,394	
Realised Exchange Gain/(Loss) on Instalments Paid under Shipbuilding Contracts			(153,014)	341,767	
Balance at 31.3.78			<u>\$ 1,213,147</u>	<u>\$ 1,366,161</u>	
13. TURNOVER					
	<i>Company</i>		<i>Group</i>		
	1978	1977	1978	1977	
	<i>HK\$</i>		<i>HK\$</i>		
Charter Hire Income	\$ —	\$ —	\$22,185,168	\$20,622,408	30
Rent Received	—	—	6,674,543	6,631,574	
Dividend Income	12,680,910	10,653,620	3,352,072	3,226,034	
Management Fees Received	300,000	300,000	389,512	111,259	
Transfer Fees Received	3,056	4,146	3,056	—	
	<u>\$12,983,966</u>	<u>\$10,957,766</u>	<u>\$32,604,351</u>	<u>\$30,591,275</u>	

14. DIRECTORS' REMUNERATION		<i>Company</i>		<i>Group</i>		Supreme Court of Hong Kong High Court
		<i>1978</i> <i>HK\$</i>	<i>1977</i> <i>HK\$</i>	<i>1978</i> <i>HK\$</i>	<i>1977</i> <i>HK\$</i>	
	Fees	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	No. 16
	Other Services	—	—	—	—	
		<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	Extracts from Ocean Land's Annual Report 1978/79 dated 31.7.1979
15. INTEREST PAID						
				<i>Group</i>		
				<i>1978</i> <i>HK\$</i>	<i>1977</i> <i>HK\$</i>	
10	Bank Loans and Overdrafts			\$ 691,791	\$ 472,647	
	Short Term Loans			1,102,949	1,098,438	
	Purchase of Leasehold Flats			163,102	125,419	
	Shipbuilding Contracts			1,658,641	2,030,987	
	Other			31,575	11,212	
				<u>\$ 3,648,058</u>	<u>\$ 3,738,703</u>	
16. DIVIDEND INCOME						
		<i>Company</i>		<i>Group</i>		
		<i>1978</i> <i>HK\$</i>	<i>1977</i> <i>HK\$</i>	<i>1978</i> <i>HK\$</i>	<i>1977</i> <i>HK\$</i>	
20	Trade Investments – unquoted	\$ 2,388,200	\$ 1,356,040	\$ 3,351,312	\$ 3,225,264	
	Subsidiaries	10,292,710	9,297,580	—	—	
	Quoted Investments	—	—	760	770	
		<u>\$12,680,910</u>	<u>\$10,653,620</u>	<u>\$ 3,352,072</u>	<u>\$ 3,226,034</u>	
17. INSTALMENTS PAYABLE				<i>1978</i> <i>HK\$</i>	<i>1977</i> <i>HK\$</i>	
	On Shipbuilding Contracts			\$19,783,604	\$28,429,705	
	On Purchase of Leasehold Flats			3,455,662	1,072,857	
				<u>\$23,239,266</u>	<u>\$29,502,562</u>	
	Amount due within one year			\$ 9,161,542	\$ 8,907,642	
30	Amount due after one year but within five years			14,077,724	20,594,920	
				<u>\$23,239,266</u>	<u>\$29,502,562</u>	

Instalments payable under shipbuilding contracts are secured on the vessels owned by the ship-owning subsidiaries by way of first preferred mortgages.

Supreme Court
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No. 16

Extracts from
Ocean Land's
Annual Report
1977/78
dated 31.7.1979

18. BANK LOANS AND OVERDRAFTS		1978	1977
		HK\$	HK\$
Bank Loan		\$ 8,750,000	\$ —
Bank Loan on Shipbuilding Contract		142,000	994,000 (a)
Bank Overdraft		6,938,989	4,396,226 (b)
		<u>\$15,830,989</u>	<u>\$ 5,390,226</u>
Amount due within one year		\$ 9,580,989	\$ 5,248,226
Amount due after one year but within five years		6,250,000	142,000
		<u>\$15,830,989</u>	<u>\$ 5,390,226</u>

(a) A vessel owned by a ship-owning subsidiary is secondly mortgaged in favour of a banker to secure payment on the bank loan. **10**

(b) The premises of a subsidiary in Kwai Chung have been mortgaged in favour of the subsidiary's banker to secure general banking facilities to the extent of HK\$15,000,000.

19. CONTINGENT LIABILITIES	<i>Company</i>		<i>Group</i>	
	1978	1977	1978	1977
Uncalled Capital on Trade Investments			HK\$135,000	HK\$135,000
Bank Guarantees:				
Subsidiary Companies	HK\$8,260,000	HK\$8,260,000		
	¥ 153,893,325	¥ 153,893,325		
Others	US\$ 9,000,000	US\$ 9,000,000		

20

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current year's presentation of accounts.

PRINCIPAL SUBSIDIARY COMPANIES AND TRADE INVESTMENTS

Supreme Court
of Hong Kong
High Court

	<i>Country of Incorporation</i>	<i>Percentage Effective Interest in Issued Ordinary Shares held at</i>				<i>Principal Activity</i>	No. 16
		<i>31st March, 1978</i>		<i>31st March, 1977</i>			
		<i>By Company</i>	<i>By Subsidiary</i>	<i>By Company</i>	<i>By Subsidiary</i>		
SUBSIDIARIES							
Eastern Winner Transports Inc.	Liberia	100		100		Ship Owning	
10 Eastern Wiseman Transports Inc.	Liberia	100		100		Ship Owning	
Eastern World Transports Inc.	Liberia	100		100		Ship Owning	
Gala Land Investment Company Limited	Hong Kong	100		100		Investment and Property Holding	
Centurion Limited	Hong Kong		100		100	Property Investment	
Chatterley Limited	Hong Kong		100		100	Property Investment	
20 Shatin Properties Limited	Hong Kong		100		100	Property Investment	
TRADE INVESTMENTS							
Eastern Pearl Transports Inc.	Liberia	50		50		Ship Owning	
Forerunner Investment Limited	Hong Kong	25		25		Investment Holding	
Pan-Land Development Limited	Hong Kong	50		50		Investment Holding	
30 Sea-Land Mining Limited	Hong Kong	50		50		Investment Holding	
C.G. & L. Investment Limited	Hong Kong		37		37	Property Investment	
Clinton Investment Limited	Hong Kong		40		40	Property Investment	
Kai Fook Investment Company Limited	Hong Kong		25		25	Property Investment	
Multiland Investment Limited	Hong Kong		45		45	Property Investment	
40 Pentaland Investment Limited	Hong Kong		33-1/3		33-1/3	Property Investment	
Prat Development Limited	Hong Kong		33-1/3		33-1/3	Property Investment	
Winner Housing International Limited	Hong Kong		40		40	Housing Consultant	
Magna Corporation	Liberia		45		45	Investment	
Wyatt Estate Limited	Hong Kong		14.8		—	Property Investment	
Five Lakes Investment Company Limited	Hong Kong		50		—	Property Investment	
50 Multiford Company Limited	Hong Kong		50		—	Property Investment	
Hong Kong Car Park Limited	Hong Kong		50		—	Property Investment	

Extracts from
Ocean Land's
Annual Report
1977/78
dated 31.7.1979

EXTRACTS FROM OCEAN LAND'S ANNUAL REPORT 1979/80

OCEAN-LAND DEVELOPMENT LIMITED

DIRECTORS' REPORT

No. 17

The Directors have pleasure in presenting their Report and Statement of Accounts for the year ended 31st March, 1980.

Extracts from
Ocean Land's
Annual Report
1979/80
dated 1.8.1980

<i>ACCOUNTS</i> 1978/79		1979/80
HK\$16,615,885	The Consolidated Net Profit for the year ended 31st March, 1980, after Extraordinary Items	HK\$25,494,657
<u>3,071,867</u>	From which is deducted Amount retained by subsidiaries	<u>10,213,683</u>
HK\$13,544,018		HK\$15,280,974
<u>2,117,451</u>	To which is added Balance Brought Forward	<u>2,098,969</u>
<u>HK\$15,661,469</u>	Marking a total available for appropriation	<u>HK\$17,379,943</u>
HK\$ 2,868,750	And the Directors recommend that the said sum of HK\$17,379,943 be dealt with as follows:—	
6,693,750	Interim Dividend paid – 5½ cents per share	HK\$ 3,506,250
4,000,000	Pay a Final Dividend of 12½ cents per share on 22nd September, 1980	7,968,750
<u>2,098,969</u>	Transfer to General Reserve	4,000,000
<u>HK\$15,661,469</u>	Carried Forward	<u>1,904,943</u>
		<u>HK\$17,379,643</u>

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associated companies are shipping, real estate, mining and investments.

FIXED ASSETS

Particulars of the movements in Fixed Assets during the year are contained in Note 2 annexed to the Statement of Accounts.

DIRECTORS

Directors on the Board during the year are listed on Page 2.

In accordance with the provisions of Article 78, Mr. Cheng Wei Shue, Mr. Chow Chung Kai and Mr. Gaw Siong Chwan retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST IN CONTRACTS

Eastern Shipping (Managers) Ltd., Monrovia, Liberia, which has been appointed general agents to manage all the Company's vessels at a total agency fee of US\$9,000 per month, has in turn appointed Fortuna Navigation Co. Ltd., Hong Kong as sub-agents

with limited powers at a total sub-agency fee of US\$6,000 per month. Mr. W.H. Chou, Mr. C.K. Chow and Mr. T.C. Hsin are directors and shareholders of the sub-agents.

Supreme Court
of Hong Kong
High Court

AUDITORS

The accounts have been audited by Messrs. Price Waterhouse & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

No. 17

Hong Kong, 1st August, 1980.

CHOU WEN HSIEN
Chairman

Extracts from
Ocean Land's
Annual Report
1979/80
dated 1.8.1980

OCEAN-LAND DEVELOPMENT LIMITED

10

CHAIRMAN'S STATEMENT

I am pleased to report an increase of about 53.4% in the Group Profits of your Company and its subsidiaries for the year under review. The audited consolidated net profit, after taxation, for the year ended 31st March, 1980 (including extraordinary items aggregating HK\$8,555,863) amounts to HK\$25,494,657, as compared with HK\$16,615,885 for the previous year. Earnings per share for 1979/80 have been raised to \$0.27 (\$0.24 in 1978/79) before extraordinary items and \$0.40 (\$0.26 in 1978/79) after extraordinary items.

In January an Interim Dividend of 5.5 cents was paid. Your Directors now recommend a Final Dividend of 12.5 cents per share, which, subject to shareholders' approval at the forthcoming Annual General Meeting, will be paid on 22nd September, 1980. Total dividend payment for 1979/80 will amount to 18 cents, representing an increase of 20% over the 15 cents paid for the previous year.

SHIPPING ACTIVITIES

One of the Group's vessels sustained a grounding damage in December last year and after repairs, has resumed its operation under timecharter. Despite this damage, the overall contribution from shipping subsidiaries to the Group's revenue has shown a slight increase over that of last year.

As mentioned in the interim report, the Charter Parties of two vessels expired in February 1980. They have been renewed for periods ranging from one to two years at very satisfactory rates. Bank loans in respect of these two vessels have been fully repaid. It is certain that the Group's shipping income shall increase during next year.

REAL ESTATE ACTIVITIES

Following the adjustment in rentals made in September, 1978, rental income from industrial properties increased and was fully reflected in this year's accounts.

During the year under review an industrial site in Shatin, in which your Group held a 50% interest, was disposed of profitably after careful consideration by your Directors. The gain on disposal has been included as an extraordinary item in the accounts.

The profit arising from the sale of "Letter B" entitlements has also been treated as an extraordinary item.

Construction work for a 9-storeyed industrial building at Shatin Town Lot No. 27, Area 3A, in which your Group holds a 68.5% interest, is progressing as planned. It is expected the completion will take place before the end of 1980.

Construction work on other joint-venture projects in Real Estates is in its final stages of completion. The commercial complex at 8-12 Hennessy Road will start earning rental income as from early 1981 and the container cargo complex at Container Port Road, Kwai Chung is also expected to come on stream about the same time.

OTHER ACTIVITIES

Your Group has engaged itself in the development of mining in Southeast Asia in a number of small projects. Experience in such activities has proved that returns cannot be expected in the near term without involving elaborate technical efforts as well as very substantial capital outlay. It is therefore decided that management should divert its attention to activities with better short-term prospects. Arrangements are being made to sell our interests in these projects with profits which will be reflected in subsequent accounts when the sales are consummated. **10**

OUTLOOK

In view of the increased charter hire and rental income, together with improved dividends from other investments, your Directors are confident that, in the absence of unforeseen circumstances, the recurrent profit of your Group will show further improvements in the coming year. **20**

APPRECIATION

I would like to take this opportunity of thanking the management and staff of the Company for their continued dedication and unswerving loyalty to the Company.

CHOU WEN HSIEN
Chairman

Hong Kong, 1st August, 1980.

OCEAN-LAND DEVELOPMENT LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 1980

	<i>Note</i>	<i>HK\$</i>	<i>1979</i> <i>HK\$</i>	30
Fixed Assets	2	\$107,215,940	\$113,448,464	
Rights to Land		—	1,091,753	
Amounts due by Affiliated Companies	4	6,817,920	9,168,131	
Other Investments	5	22,290,094	22,639,993	
Deferred Interest Expenses		780,909	902,613	
		<hr/>	<hr/>	
		\$137,104,863	\$147,250,954	

Current Assets	6	\$ 13,045,083	\$ 7,497,213	Supreme Court of Hong Kong High Court
Current Liabilities	7	38,829,285	47,700,436	
Net Current Liabilities		<u>\$(25,784,202)</u>	<u>\$(40,203,223)</u>	
Long Term Liabilities	8	<u>\$(2,831,465)</u>	<u>\$(11,482,464)</u>	No. 17
Net Assets		<u>\$108,489,196</u>	<u>\$ 95,565,267</u>	
<i>Representing:</i>				
Share Capital	9	\$ 63,750,000	\$ 63,750,000	Extracts from Ocean Land's Annual Report 1979/80 dated 1.8.1980
Capital Reserves	10	6,492,247	7,587,975	
General Reserve		21,500,000	17,500,000	
10 Unappropriated Profits		16,746,949	6,727,292	
CHOU WEN HSIEN Director	CHOW CHUNG KAI Director			
Shareholders' Funds		<u>\$108,489,196</u>	<u>\$ 95,565,267</u>	

OCEAN-LAND DEVELOPMENT LIMITED
**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 1980**

	<i>Note</i>	<i>HK\$</i>	<i>1979 HK\$</i>
Turnover	11	<u>\$33,748,593</u>	<u>\$33,525,043</u>
20 Net Profit before Taxation	12	\$17,852,822	\$16,024,008
Taxation	13	914,028	736,648
Net Profit after Taxation		\$16,938,794	\$15,287,360
Extraordinary Item	14	8,555,863	1,328,525
Unappropriated Profits brought forward		\$25,494,657	\$16,615,885
		6,727,292	3,673,907
		\$32,221,949	\$20,289,792
Appropriations			
Transfer to General Reserve		\$4,000,000	\$ 4,000,000
Interim Dividend Paid		3,506,250	2,868,750
Final Dividend Proposed		<u>7,968,750</u>	<u>6,693,750</u>
30		15,475,000	<u>\$13,562,500</u>
Unappropriated Profits carried forward		<u>\$16,746,949</u>	<u>\$ 6,727,292</u>
Earnings per share	15	<u>\$0.27</u>	<u>\$0.24</u>

OCEAN-LAND DEVELOPMENT LIMITED
BALANCE SHEET AS AT 31ST MARCH, 1980

No. 17	<i>Note</i>	<i>HK\$</i>	<i>1979 HK\$</i>
Fixed Assets	2	\$ 4,067	\$ 4,462
Investment in Subsidiaries	3	86,869,380	82,538,211
Trade Investments	5	<u>11,304,000</u>	<u>11,304,000</u>
		<u>\$98,177,547</u>	<u>\$93,846,673</u>
Current Assets	6	\$ 1,076,612	\$ 304,230
Current Liabilities	7	<u>8,219,644</u>	<u>6,922,362</u> 10
Net Current Liabilities		<u>\$ (7,143,032)</u>	<u>\$ (6,618,132)</u>
Net Assets		<u>\$91,034,515</u>	<u>\$87,228,541</u>
<i>Representing:</i>			
Share Capital	9	\$63,750,000	\$63,750,000
Capital Reserves	10	3,879,572	3,879,572
General Reserve		21,500,000	17,500,000
Unappropriated Profits		1,904,943	2,098,969
<p>CHOU WEN HSIEN CHOW CHUNG KAI Director Director</p>			
Shareholders' Funds		<u>\$91,034,515</u>	<u>\$87,228,541</u> 20

OCEAN-LAND DEVELOPMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 1980

	<i>Note</i>	<i>HK\$</i>	<i>1979 HK\$</i>
Turnover	11	<u>\$15,595,524</u>	<u>\$13,777,984</u>
Net Profit before Taxation	12	\$15,291,090	\$13,553,003
Taxation	13	<u>10,116</u>	<u>8,985</u>
Net Profit after Taxation		\$15,280,974	\$13,544,018
Unappropriated Profits brought forward		<u>2,098,969</u>	<u>2,117,451</u> 30
		<u>\$17,379,943</u>	<u>\$15,661,469</u>

Appropriations			Supreme Court of Hong Kong High Court
Transfer to General Reserve	\$ 4,000,000	\$ 4,000,000	
Interim Dividend Paid	3,506,250	2,868,750	
Final Dividend Proposed	7,968,750	6,693,750	
	<u>\$15,475,000</u>	<u>\$13,562,500</u>	No. 17
Unappropriated Profits carried forward	<u>\$ 1,904,943</u>	<u>\$ 2,098,969</u>	Extracts from Ocean Land's Annual Report 1979/80 dated 1.8.1980

OCEAN-LAND DEVELOPMENT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 31ST MARCH, 1980**

	1980 HK\$	1979 HK\$
10		
Profit before Taxation and Extraordinary Item	\$17,852,822	\$16,024,008
Extraordinary Item	8,555,863	1,328,525
	<u>\$26,408,685</u>	<u>\$17,352,533</u>
Adjustments for items not involving the movement of funds:		
Gain on Sale of Rights to Land	\$ (7,941,971)	\$ —
20 Depreciation	6,790,839	6,840,950
Exchange difference on depreciation	449,764	—
Gain on Sale of Fixed Assets	(2,911,403)	(110,507)
Gain on Sale of Investments	(245,399)	(401,422)
	<u>(3,858,170)</u>	<u>\$ 6,329,021</u>
TOTAL GENERATED FROM OPERATIONS	\$22,550,515	\$23,681,554
<i>Funds from other Sources</i>		
Sale of Fixed Assets	\$ 4,350,684	\$ 300,232
Sale of Unquoted Investments	595,399	2,392,753
Sale of Rights to Land	9,033,724	2,462,441
30 Decrease in Amounts due by Affiliated Companies	2,350,211	—
Decrease in Deferred Interest Expenses	121,704	—
	<u>16,451,722</u>	<u>\$ 5,155,426</u>
	\$39,002,237	\$28,836,980

Supreme Court of Hong Kong High Court	<i>Application of Funds</i>		
	Translation differences in year	\$ 1,095,728	\$ 5,037,623
	Purchase of Fixed Assets	990,212	2,301,892
	Purchase of Investments	101	109,902
No. 17	Taxation Paid	1,292,007	189,663
	Dividends Paid	10,200,000	8,925,000
	Decrease in Long Term Liabilities	8,650,999	8,845,260
Extracts from Ocean Land's Annual Report 1979/80 dated 1.8.1980	Exchange difference on repayments of loan	1,457,148	—
	Increase in Amounts due by Affiliated Companies	—	4,645,968
	Increase in Deferred Interest Expenses	—	39,415
		23,686,195	\$30,094,723
		\$15,316,042	\$ (1,257,743)
	<i>Increase/(Decrease) in Working Capital</i>		
	Increase in Ships Stores	\$ 179,205	\$ (14,746)
	Increase in Accounts Receivable	4,760,642	(1,550,136)
	Increase in Dividends Receivable	807,700	(1,788,000)
	Increase in Trade Property	—	130,620
	Increase in Short Term Loans	(4,267,535)	5,562,064
	Increase in Charter Hire Advanced	(4,315,169)	232,691
	Decrease in Instalments Payable	3,896,867	557,848
	Decrease in Accounts Payable	3,816,048	(3,495,695)
	Movement in Net Liquid Funds:		
	Decrease in Bank Loans and Overdrafts	10,637,961	(1,614,759)
	Decrease in Cash and Bank Balances	(199,677)	722,370
		\$15,316,042	\$ (1,257,743)

OCEAN-LAND DEVELOPMENT LIMITED

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Consolidation

30

The consolidated accounts include the accounts of Ocean-Land Development Limited and all its subsidiaries made up to 31st March, 1980.

(b) Fixed Assets

All vessels are shown at 1972/73 directors' valuation. Other fixed assets are stated at cost. Fixed assets are depreciated over their estimated useful lives on the straight line basis as follows:—

Leasehold Land	—	no amortisation is provided
Leasehold Flats	—	4% on cost
Furniture & Fixtures	—	10% on cost
Vessels	—	5% on valuation

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(c) Subsidiaries

A company is a subsidiary company if more than 50% of the issued share capital is held long-term. Investments in subsidiaries are carried at cost.

Extracts from
Ocean Land's
Annual Report
1979/80
dated 1.8.1980

(d) Trade Investments

Trade investments are investments in companies whose business is closely allied with that of the group and in which 50% or less of the issued share capital of the company is held long-term and in which no significant influence in the company's management is exercised. Trade investments are carried at cost.

(e) Foreign Currencies

Assets and liabilities in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at 31st March each year with the exception of certain fixed assets and depreciation thereon which are translated into Hong Kong dollars at the date of purchase or valuation. The results of overseas subsidiaries are translated at the average exchange rates for the year. Net currency translation differences arising, other than those directly affecting the year's trading profit are shown in reserves.

(f) Turnover

Turnover comprises charter hire income, rent received, dividend income and management fees.

2. FIXED ASSETS	<i>Leasehold Properties</i>		<i>Property under Development</i>	<i>Furniture and Fixtures</i>	<i>Vessels</i>	<i>Total</i>
	<i>Long Term (Over 50 years)</i>	<i>Medium Term (10-50 years)</i>				
<i>The Group</i>	<i>Hong Kong</i>	<i>Hong Kong</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At cost and valuation at 31.3.1979	1,124,950	37,212,424	—	46,905	120,988,373	159,372,652
Additions	—	—	988,981	1,231	—	990,212
Exchange Differences	—	—	—	—	1,457,148	1,457,148
Transfer	—	(1,761,069)	1,761,069	—	—	—
Disposals	—	(1,459,903)	—	(338)	—	(1,460,241)
At 31.3.1980	<u>1,124,950</u>	<u>33,991,452</u>	<u>2,750,050</u>	<u>47,798</u>	<u>122,445,521</u>	<u>160,359,771</u>
Accumulated Depreciation						
At 31.3.1979	118,984	6,922,076	—	25,212	38,857,916	45,924,188
Charged for the year	16,998	1,096,359	—	4,960	6,122,285	7,240,602
Amount written back	—	(20,800)	—	(159)	—	(20,959)
At 31.3.1980	<u>135,982</u>	<u>7,997,635</u>	<u>—</u>	<u>30,013</u>	<u>44,980,201</u>	<u>53,143,831</u>

Supreme Court
of Hong Kong
High Court

Net Book Value						
At 31.3.1980	<u>988,968</u>	<u>25,993,817</u>	<u>2,750,050</u>	<u>17,785</u>	<u>77,465,320</u>	<u>107,215,940</u>
At 31.3.1979	<u>1,005,966</u>	<u>30,290,348</u>	<u>—</u>	<u>21,693</u>	<u>82,130,457</u>	<u>113,448,464</u>

No. 17

1972/73 Directors' Valuation					118,229,845	118,229,845
Exchange Differences					4,215,676	4,215,676

Extracts from
Ocean Land's
Annual Report
1979/80
dated 1.8.1980

Balance at 31.3.1980					<u>122,445,521</u>	<u>122,445,521</u>
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The Company – Furniture and Fittings

At cost at 31.3.1979						\$ 9,630
Additions						631
At cost at 31.3.1980						<u>\$10,261</u> 10

Accumulated Depreciation

At 31.3.1979						\$ 5,168
Charged for the year						1,026
At 31.3.1980						<u>\$ 6,194</u>

Net Book Value

At 31.3.1980						<u>\$ 4,067</u>
At 31.3.1979						<u>\$ 4,462</u>

No amortisation has been provided on land with leases of less than 50 years to run. Amortisation of such land is required by Statement on Standard Accounting Practice No. 123 issued by the Hong Kong Society of Accountants. Had amortisation been provided on land over the related leasehold period from the dates of acquisition fixed assets would be shown as HK\$104,916,038 (1979 HK\$111,363,484) for the group, revenue reserves would be shown as HK\$26,546,417 (1979 HK\$4,772,932) and profit for the year would have been reduced by HK\$357,043 (1979 HK\$373,488). 20

3. INVESTMENT IN SUBSIDIARIES

	1980 HK\$	1979 HK\$	
Unquoted Shares, at cost	\$35,400,000	\$35,400,000	
Loan to a Subsidiary	7,230,000	11,500,000	
Amounts due from Subsidiaries	34,408,280	26,355,894	
Dividends Receivable	9,831,200	9,583,800	30
Amounts due to Subsidiaries	—	(301,483)	
	<u>\$86,869,480</u>	<u>\$82,538,211</u>	

4. AMOUNTS DUE BY AFFILIATED COMPANIES

	1980 HK\$	Group 1979 HK\$
Loans to Affiliates	\$ 5,040,000	\$12,490,000
Amounts due by Affiliates	5,769,920	6,828,131
Loans by Affiliates	<u>(3,992,000)</u>	<u>(10,150,000)</u>
	<u>\$ 6,817,920</u>	<u>\$ 9,168,131</u>

5.	TRADE INVESTMENTS		1980 HK\$		1979 HK\$		Supreme Court of Hong Kong High Court
			Company	Group	Company	Group	
		Unquoted Investments, at cost	\$11,304,000	\$22,284,094	\$11,304,000	\$22,633,993	No. 17
		Quoted Investments, at cost less provision for diminution in value	—	6,000	—	6,000	Extracts from Ocean Land's Annual Report 1979/80 dated 1.8.1980
			<u>\$11,304,000</u>	<u>\$22,290,094</u>	<u>\$11,304,000</u>	<u>\$22,639,993</u>	
10		Market Value of Quoted Investments		\$ 11,120		\$ 6,960	
6.		CURRENT ASSETS	Company		Group		
			1980	1979	1980	1979	
			- HK\$ -		- HK\$ -		
		Ships Stores, at cost	\$ —	\$ —	\$ 1,363,157	\$ 1,183,952	
		Accounts Receivable and Prepaid Expenses	454	743	9,889,596	5,128,954	
		Dividends Receivable	1,057,200	249,500	1,057,200	249,500	
		Cash and Bank Balances	18,958	53,987	735,130	934,807	
20			<u>\$ 1,076,612</u>	<u>\$ 304,230</u>	<u>\$13,045,083</u>	<u>\$ 7,497,213</u>	
7.		CURRENT LIABILITIES	Company		Group		
			1980	1979	1980	1979	
			- HK\$ -		- HK\$ -		
		Bank Loans and Overdrafts	20	\$ —	\$ 557,787	\$11,195,748	
		Short Term Loans	—	—	13,267,535	9,000,000	
		Instalments Payable (Secured)	19	—	4,706,827	8,603,694	
30		Accounts Payable and Accrued Expenses	247,514	227,417	7,051,016	10,867,064	
		Charter Hire Received in Advance	—	—	4,985,593	670,424	
		Provision for Taxation	3,380	1,195	291,777	669,756	
		Proposed Dividend	7,968,750	6,693,750	7,968,750	6,693,750	
			<u>\$ 8,219,644</u>	<u>\$ 6,922,362</u>	<u>\$38,829,285</u>	<u>\$47,700,436</u>	
8.		LONG TERM LIABILITIES					
		Long term liabilities consist of instalments payable after 31st March, 1981, but within 5 years on the purchase of leasehold flats.					
9.		SHARE CAPITAL			1980	1979	
40		Authorised			HK\$	HK\$	
		100,000,000 Shares of HK\$1 each			<u>\$100,000,000</u>	<u>\$100,000,000</u>	

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Issued and Fully Paid
63,750,000 Shares of HK\$1 each

\$ 63,750,000 \$ 63,750,000

No. 17

Extracts from
Ocean Land's
Annual Report
1979/80
dated 1.8.1980

10. CAPITAL RESERVE

(i) Share Premium
as at 1st April, 1979 and
31st March, 1980

	<i>Company</i> <i>HK\$</i>	<i>Group</i> <i>HK\$</i>
	<u>\$ 3,879,572</u>	<u>\$ 3,879,572</u>

(ii) Capital Reserve
as at 1st April, 1979
Translation differences in current year

	\$ —	\$ 3,708,403
	—	1,095,728

	<u>\$ —</u>	<u>\$ 2,612,675</u>
--	-------------	---------------------

Balance as at 31st March, 1980

	<u>\$ 3,879,572</u>	<u>\$ 6,492,247</u>
--	---------------------	---------------------

11. TURNOVER

	<i>Company</i>		<i>Group</i>	
	1980	1979	1980	1979
	— HK\$ —		— HK\$ —	
Charter Hire Income	\$ —	\$ —	\$24,436,992	\$25,269,759
Rent Received	—	—	7,776,077	7,371,480
Dividend Income	15,231,560	13,469,360	1,507,560	851,180
Management Fees Received	360,000	300,000	24,000	24,000
Transfer Fees Received	3,964	8,624	3,964	8,624
	<u>\$15,595,524</u>	<u>\$13,777,984</u>	<u>\$33,748,593</u>	<u>\$33,525,043</u>

12. NET PROFIT BEFORE TAXATION

Net profit before taxation is arrived at after charging/(crediting) the following:—

		<i>Company</i>		<i>Group</i>	
		1980	1979	1980	1979
	<i>Note</i>	— HK\$ —		— HK\$ —	
Directors' Remuneration	16	\$ 45,000	\$ 45,000	\$ 105,000	\$ 45,000
Auditors' Remuneration		26,000	12,000	74,329	50,290
Depreciation		1,026	963	6,790,839	6,840,950
Interest Paid	17	—	—	4,231,141	4,029,952
Dividend Income	18	<u>(15,231,560)</u>	<u>(13,469,360)</u>	<u>(1,507,560)</u>	<u>(851,180)</u>

13. TAXATION

Taxation is provided at 17% (1979 – 17%) on the estimated assessable profits of the group's Hong Kong registered companies.

14. EXTRAORDINARY ITEM

This represents profits derived from the sale of letter "B" entitlements and certain leasehold land owned by subsidiary companies outwith the normal course of business.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on profit before extraordinary items of HK\$16,938,794 and 63,750,000 shares in issue throughout the two years ended 31st March, 1980.

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Extracts from
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dated 1.8.1980

16. DIRECTORS' REMUNERATION	<i>Company</i>		<i>Group</i>	
	1980	1979	1980	1979
	- HK\$ -		- HK\$ -	
Fees	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Other Emoluments	—	—	60,000	—
10	\$ 45,000	\$ 45,000	\$ 105,000	\$ 45,000

17. INTEREST PAID

	<i>Group</i>	
	1980	1979
	- HK\$ -	
Bank Loans and Overdraft	\$ 1,089,983	\$ 1,179,499
Short Term Loans	2,071,087	1,220,986
Purchase of Leasehold Flats	179,360	187,556
Shipbuilding Contracts	587,729	1,344,773
Other	302,982	97,138
	\$ 4,231,141	\$ 4,029,952

20 18. DIVIDEND INCOME

	<i>Company</i>		<i>Group</i>	
	1980	1979	1980	1979
	- HK\$ -		- HK\$ -	
Unquoted Trade Investments	\$ 1,506,120	\$ 393,500	\$ 1,506,120	\$ 851,180
Unquoted Subsidiaries	13,725,440	13,075,860	—	—
Quoted Investments	—	—	1,440	—
	\$15,231,560	\$13,469,360	\$ 1,507,560	\$ 851,180

30 19. INSTALMENTS PAYABLE

	<i>Group</i>	
	1980	1979
	- HK\$ -	
On Shipbuilding Contracts	\$ 4,267,662	\$12,141,957
On Purchase of Leasehold Flats	3,270,630	4,194,200
	\$ 7,538,292	\$16,336,157
Amount due within one year	\$ 4,706,827	\$ 8,603,694
Amount due after one year but within five years	2,831,465	7,732,463
	\$ 7,538,292	\$16,336,157

Instalments payable under shipbuilding contracts are secured on the vessels owned by ship-owning subsidiaries by way of first preferred mortgages.

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Extracts from
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20. BANK LOANS AND OVERDRAFTS		<i>Group</i>		
		1980	1979	
		- HK\$ -		
Bank Loan		\$ —	\$ 6,250,000	
Bank Overdraft		557,787	8,695,748	
		\$ 558,787	\$14,945,748	
Amount due within one year		\$ 557,787	\$11,195,748	
Amount due after one year but within five years		—	\$ 3,750,000	
		\$ 557,787	\$14,945,748	10

The premises of a subsidiary in Kwai Chung have been mortgaged in favour of the subsidiary's banker to secure general banking facilities to the extent of HK\$15,000,000.

21. CONTINGENT LIABILITIES		<i>Company</i>		<i>Group</i>		
		1980	1979	1980	1979	
				- HK\$ -		
Uncalled Capital on Trade Investments		—	—	\$ 135,000	\$ 135,000	
Bank Guarantees:—						
Subsidiary Companies		—	HK\$4,000,000	—	—	20
		¥153,893,325	¥153,893,325	—	—	
Others		US\$9,000,000	US\$9,000,000	—	—	
22. CAPITAL COMMITMENT						
Amount contracted for but not provided for in the accounts with respect to property under development		\$ —		\$ 4,177,641		

23. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to the current year's presentation of the accounts.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
OCEAN-LAND DEVELOPMENT LIMITED** **30**

Except for the effects of not providing amortisation on leasehold land as more fully described in note 2, in our opinion the accounts set out on page 7 to 18 give a true and fair view of the state of affairs of the Company and the Group at 31st March, 1980 and of the profit of the company and the group and changes in financial position of the Group for the year ended on that date and comply with the Hong Kong Companies Ordinance.

PRICE WATERHOUSE & Co.
Certified Public Accountants.

Hong Kong, 16th July, 1980.

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OCEAN-LAND DEVELOPMENT LIMITED

PRINCIPAL SUBSIDIARY COMPANIES AND TRADE INVESTMENTS

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	Country of Incorporation	Percentage Effective Interest in Issued Ordinary Shares held at				Principal Activity	No. 17
		31st March, 1980		31st March, 1979			
		By Company	By Subsidiary	By Company	By Subsidiary		
SUBSIDIARIES							
Eastern Winner Transports Inc.	Liberia	100		100		Ship Owning	
10 Eastern Wiseman Transports Inc.	Liberia	100		100		Ship Owning	
Eastern World Transports Inc.	Liberia	100		100		Ship Owning	
Gala Land Investment Company Limited	Hong Kong	100		100		Investment and Property Holding	
Centurion Limited*	Hong Kong		100		100	Property Investment	
20 Chatterley Limited*	Hong Kong		100		100	Property Investment	
Shatin Properties* Limited	Hong Kong		100		100	Property Investment	
TRADE INVESTMENTS							
Eastern Pearl Transports Inc.	Liberia	50		50		Ship Owning	
Forerunner Investment Limited	Hong Kong	25		25		Investment Holding	
Pan-Land Development Limited	Hong Kong	50		50		Investment Holding	
30 Sea-Land Mining Limited	Hong Kong	50		50		Investment Holding	
C.G. & L. Investment Limited	Hong Kong		37		37	Property Investment	
Tat Yeung Investment Limited	Hong Kong		30		—	Property Investment	
Adam Knitters Limited	Hong Kong		50		—	Property Investment	
Multiland Investment Limited	Hong Kong		45		45	Property Investment	
40 Ocean-Land Estate Agents Limited	Hong Kong		50		50	Property Investment	
Winner Housing International Limited	Hong Kong		40		40	Housing Consultant	
Magna Corporation	Liberia		45		45	Investment	
Wyatt Estate Limited	Hong Kong		14.8		14.8	Property Investment	
Five Lake Investment Company Limited	Hong Kong		50		50	Property Investment	
Multiford Company Limited	Hong Kong		50		50	Property Investment	
50 Hong Kong Car Park Limited	Hong Kong		50		50	Property Investment	
Famatina Investment Company Limited	Hong Kong		50		50	Property Investment	

Extracts from
Ocean Land's
Annual Report
1979/80
dated 1.8.1980

* The accounts of these subsidiary companies have been audited by firms other than Price Waterhouse & Co. In this respect (a) Turnover is HK\$64,010 (b) Net profit before taxation is HK\$1,941,956 and (c) The net assets are HK\$7,049,844.

EXTRACTS FROM OCEAN LAND'S ANNUAL REPORT 1980/81

1980-1981

OCEAN-LAND DEVELOPMENT LIMITED

No. 18

DIRECTORS' REPORT

Extracts from
Ocean Land's
Annual Report
1980/81
dated 31.7.1981

The Directors have pleasure in presenting their Report and Accounts for the year ended 31st March, 1981.

ACCOUNTS	HK\$	
Consolidated Net Profit for the year ended 31st March, 1981, after Extraordinary Item	28,383,947	
From which is deducted		10
Amount retained by Subsidiaries	2,560,323	
	<u>25,823,624</u>	
To which is added		
Balance brought forward	1,904,943	
Making a total available for Appropriation	<u>27,728,567</u>	
The Directors recommend that the said sum of HK\$27,728,567 be dealt with as follows:—		
Interim Dividend Paid — 7 cents per share	4,462,500	
Pay a Final Dividend of 15 cents per share on 28th September, 1981	9,562,500	
Transfer to General Reserve	10,000,000	20
Balance carried forward	<u>3,703,567</u>	
	<u>27,728,567</u>	

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiary and related companies are shipping, real estate, mining and investments.

FIXED ASSETS

Particulars of the movements in Fixed Assets during the year are contained in Note 2 to the Accounts.

DIRECTORS

30

The Board of Directors, as now constituted, is listed on Page 2.

On 30th September, 1980, Mr. A.D.A.G. Mosley resigned and Mr. S.F. Fairchild was appointed as Director on 6th October, 1980.

In accordance with the provisions of Article 78, Mr. Hsin Ting Chia, Mr. Hu Ca Fee and Mr. Samuel Tak Lee retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST IN CONTRACTS

Eastern Shipping (Managers) Ltd., Monrovia, Liberia, which has been appointed general agents to manage all the Company's vessels at a total agency fee of US\$12,000 per month, has in turn appointed Fortuna Navigation Co. Ltd., Hong Kong as sub-agents with limited powers at a total sub-agency fee of US\$9,000 per month. Mr. W.H. Chou, Mr. C.K. Chow and Mr. T.C. Hsin are directors and shareholders of the sub-agents.

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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable Directors of the Company to acquire benefits by means of acquisition of shares in
10 or debentures of the Company or any other body corporate.

Extracts from
Ocean Land's
Annual Report
1980/81
dated 31.7.1981

AUDITORS

The accounts have been audited by Messrs. Price Waterhouse, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

CHOU WEN HSIEN
Chairman

Hong Kong, 31st July, 1981.

OCEAN-LAND DEVELOPMENT LIMITED

CHAIRMAN'S STATEMENT

I have much pleasure in reporting that for the year to 31st March, 1981 the
20 audited consolidated net profit after taxation but before extraordinary items was HK\$24,108,339, an increase of 42.3% as compared with the previous year's figure of HK\$16,938,794. Extraordinary items added a surplus of HK\$4,275,608 (HK\$8,555,863 in 1979/80), thus bringing the Group's net profit including extraordinary items to HK\$28,383,947, a gain of 11.3% over HK\$25,494,657 for 1979/80. Earnings per share for 1980/81 increased to HK\$0.38 (\$0.27 in 1979/80) before extraordinary items and HK\$0.45 (\$0.40 in 1979/80) after extraordinary items.

An Interim Dividend of 7 cents per share (5.5 cents in 1979/80) was paid in January of this year and a Final Dividend of 15 cents per share (12.5 cents in 1979/80) is now recommended by your Directors. Subject to shareholders' approval at the Annual
30 General Meeting to be held on 25th September, 1981 the Final Dividend will be paid on 28th September, 1981 to all shareholders registered on 25th September, 1981. The total dividend payment is 22 cents per share for the whole year, representing a 22.2% improvement over the 18 cents paid last year.

SHIPPING ACTIVITIES

The operation of your Group's vessels has been smooth and uneventful during the year under review and income further increased. All your Group's vessels are now free of bank loans and mortgages, except one vessel in which your Group holds a 50%

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High Court

No. 18

Extracts from
Ocean Land's
Annual Report
1980/81
dated 31.7.1981

interest and for which the bank loan has also been greatly reduced. Your Group is considering further purchases, especially of dry cargo ships, subject to obtaining suitable charters.

REAL ESTATE ACTIVITIES

As mentioned in my Interim Report, a review of your Group's real estate investments was undertaken and as a result several residential flats and factory units owned by your Group's subsidiaries were sold at a net gain of HK\$4,244,091. Moreover, plans are now in hand for the re-development of the existing 7-storey industrial building at 476 Castle Peak Road into a 23-storey industrial building with a total floor area of about 150,000 sq. ft. on completion. It is estimated that the building will be completed **10** in 1983.

Piling work on a 18-storey (including basement) commercial building, with a total floor area of 36,600 sq. ft., at 17-19 Prat Avenue, Tsim Sha Tsui, (30% held) will soon start. It is expected that completion will be in 1982.

The 9-storey industrial building at Shatin Town Lot No. 27, Area 3A, in which your Group holds a 68.5% interest through subsidiaries and affiliated companies, has been completed and the occupation permit obtained. Most of this building has been let and negotiations as regards leasing of the remaining area are at the final stage of conclusion.

Your Group's other joint-venture projects in real estate have also been completed. **20** The occupation permit for the 26-storey commercial complex at 8-12 Hennessy Road (50% owned) was issued in October 1980 and the building is now substantially let. The container cargo complex at Container Port Road, Kwai Chung (26% held) was completed in February 1981 and negotiations are continuing with prospective tenants.

OUTLOOK

An adjustment in rentals of your Group's industrial properties will become effective from September 1981 and it is expected that rental income will increase for the coming year. Barring unforeseen circumstances, the total dividend distribution in the coming year will not be less than that of the current year.

APPRECIATION

Mr. A.D.A.G. Mosley resigned as Director of the Company on 30th September, 1980 on his retirement from the Hongkong and Shanghai Banking Corporation. Our thanks are due to him for his help and advice during his tenure of office. Mr. S.F. Fairchild has accepted our invitation to serve on the Board. His experience and expert advice will contribute greatly to the development of your Company.

Before conclusion, I would like to take this opportunity to thank the management and staff of the Group for their efforts and loyalty in the past year.

CHOU WEN HSIEN
Chairman

Hong Kong, 31st July, 1981.

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OCEAN-LAND DEVELOPMENT LIMITED

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CONSOLIDATED BALANCE SHEET AT 31ST MARCH, 1981

	<i>Note</i>	<i>1981</i> <i>HK\$</i>	<i>1980</i> <i>HK\$</i>	No. 18
Fixed Assets	2	102,726,429	107,215,940	Extracts from Ocean Land's Annual Report 1980/81 dated 31.7.1981
Amounts Due by Related Companies	4	27,831,085	6,817,920	
Trade Investments	5	22,295,119	22,290,094	
Deferred Interest Expense		138,465	780,909	
Net Current Liabilities	6	(24,477,665)	(25,784,202)	
10 Long Term Liabilities	7	(7,398,478)	(2,831,465)	
Net Assets		<u>121,114,955</u>	<u>108,489,196</u>	
<i>Financed by:</i>				
Share Capital	8	63,750,000	63,750,000	
Capital Reserve	9	4,759,059	6,492,247	
General Reserve		31,500,000	21,500,000	
Unappropriated Profits		21,105,896	16,746,949	
CHOU WEN HSIEN Director				
CHOW CHUNG KAI Director				
Shareholders' Funds		<u>121,114,955</u>	<u>108,489,196</u>	

OCEAN-LAND DEVELOPMENT LIMITED

**20 CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 1981**

	<i>Note</i>	<i>1981</i> <i>HK\$</i>	<i>1980</i> <i>HK\$</i>
Turnover	10	47,417,335	33,748,593
Net Profit before Taxation	11	24,389,418	17,852,822
Taxation	12	281,079	914,028
Net Profit after Taxation		24,108,339	16,938,794
Extraordinary Item	13	4,275,608	8,555,863
30 Unappropriated Profits brought forward		28,383,947 <u>16,746,949</u>	25,494,657 <u>6,727,292</u>
		<u>45,130,896</u>	<u>32,221,949</u>

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Extracts from
Ocean Land's
Annual Report
1980/81
dated 31.7.1981

APPROPRIATIONS

Transfer to General Reserve		10,000,000	4,000,000
Interim Dividend Paid		4,462,500	3,506,250
Final Dividend Proposed		9,562,500	7,968,750
		<u>24,025,000</u>	<u>15,475,000</u>
Unappropriated Profits carried forward		<u>21,105,896</u>	<u>16,746,949</u>
Earnings per Share	14	\$ 0.38	\$ 0.27

OCEAN-LAND DEVELOPMENT LIMITED

BALANCE SHEET AT 31ST MARCH, 1981

	<i>Note</i>	<i>1981</i> <i>HK\$</i>	<i>1980</i> <i>HK\$</i>	10
Fixed Assets	2	3,041	4,067	
Investment in Subsidiaries	3	100,928,397	86,869,480	
Trade Investments	5	11,304,000	11,304,000	
Net Current Liabilities	6	<u>(9,402,299)</u>	<u>(7,143,032)</u>	
Net Assets		<u>102,833,139</u>	<u>91,034,515</u>	
<i>Financed by:</i>				
Share Capital	8	63,750,000	63,750,000	
Capital Reserve	9	3,879,572	3,879,572	
General Reserve		31,500,000	21,500,000	
Unappropriated Profits		3,703,567	1,904,943	20
		<u>102,833,139</u>	<u>91,034,515</u>	
Shareholders' Funds		<u>102,833,139</u>	<u>91,034,515</u>	

CHOU WEN HSIEN
Director

CHOW CHUNG KAI
Director

OCEAN-LAND DEVELOPMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1981

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High Court

	<i>Note</i>	<i>1981</i> <i>HK\$</i>	<i>1980</i> <i>HK\$</i>		
Turnover	10	<u>26,218,006</u>	<u>15,595,524</u>	No. 18 Extracts from Ocean Land's Annual Report 1980/81 dated 31.7.1981	
Net Profit before Taxation	11	25,830,309	15,291,090		
Taxation	12	<u>6,685</u>	<u>10,116</u>		
Net Profit after Taxation		25,823,624	15,280,974		
Unappropriated Profits brought forward		<u>1,904,943</u>	<u>2,098,969</u>		
10		<u>27,728,567</u>	<u>17,379,943</u>		
<i>Appropriations</i>					
Transfer to General Reserve		10,000,000	4,000,000		
Interim Dividend Paid		4,462,500	3,506,250		
Final Dividend Proposed		<u>9,562,500</u>	<u>7,968,750</u>		
		<u>24,025,000</u>	<u>15,475,000</u>		
Unappropriated Profits carried forward		<u>3,703,567</u>	<u>1,904,943</u>		

OCEAN-LAND DEVELOPMENT LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 31ST MARCH, 1981**

	<i>1981</i> <i>HK\$</i>	<i>1980</i> <i>HK\$</i>
20		
SOURCE OF FUNDS		
Profit before Taxation and Extraordinary Item	24,389,418	17,852,822
Extraordinary Item	<u>4,275,608</u>	<u>8,555,863</u>
	28,665,026	26,408,685
Adjustments for items not involving the movement of funds:		
Depreciation	7,227,708	6,790,839
Translation Differences on Consolidation	(1,733,188)	(645,964)
Gain on Disposal of Fixed Assets	(4,275,608)	(2,911,403)
Gain on Disposal of Rights to Land	—	(7,941,971)
30 Gain on Disposal of Trade Investments	—	(245,399)
Deferred Interest Expense	<u>642,444</u>	<u>121,704</u>

Supreme Court of Hong Kong High Court	TOTAL GENERATED FROM OPERATIONS	30,526,382	21,576,491	
No. 18	Funds from Other Sources			
	Proceeds on Disposal of Fixed Assets	7,482,070	4,350,684	
	Proceeds on Disposal of Rights to Land	—	9,033,724	
	Proceeds on Disposal of Trade Investments	—	595,399	
	Decrease in amounts due by Related Companies	—	2,350,211	
Extracts from Ocean Land's Annual Report 1980/81 dated 31.7.1981	Increase in Long Term Liabilities	4,567,013	—	
		<u>42,575,465</u>	<u>37,906,509</u>	
	APPLICATION OF FUNDS			
	Purchase of Fixed Assets	4,991,607	990,212	10
	Purchase of Trade Investments	5,025	101	
	Taxation Paid	656,713	1,292,007	
	Dividends Paid	12,431,250	10,200,000	
	Exchange Difference on Repayment of Loan	953,052	1,457,148	
	Increase in amounts due by Related Companies	21,013,165	—	
	Decrease in Long Term Liabilities	—	8,650,999	
		<u>40,050,812</u>	<u>22,590,467</u>	
		<u>2,524,653</u>	<u>15,316,042</u>	
	INCREASE/(DECREASE) IN WORKING CAPITAL			
	Ships Stores	64,043	179,205	20
	Accounts Receivable	624,548	4,760,642	
	Dividends Receivable	(649,025)	807,700	
	Short Term Loans	1,211,940	(4,267,535)	
	Charter Hire Advances	1,051,506	(4,315,169)	
	Instalments Payable	4,584,864	3,896,867	
	Accounts Payable	(4,205,309)	3,816,048	
	Movement in Net Liquid Funds:			
	Bank Loans and Overdraft	(11,489,705)	10,637,961	
	Cash and Bank	<u>11,331,791</u>	<u>(199,677)</u>	
		<u>2,524,653</u>	<u>15,316,042</u>	30

OCEAN-LAND DEVELOPMENT LIMITED

NOTES TO THE ACCOUNTS

Supreme Court
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No. 18

Extracts from
Ocean Land's
Annual Report
1980/81
dated 31.7.1981

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated accounts include the accounts of Ocean-Land Development Limited and all its subsidiaries made up to 31st March, 1981.

(b) Fixed Assets

All vessels are shown at 1972/73 directors' valuation. Other fixed assets are stated at cost less accumulated depreciation. No amortisation is provided on land or property under development. Other fixed assets are depreciated over their estimated useful lives on the straight line basis at the following annual rates:

Vessels	—	5% on valuation
Leasehold Building	—	4% on cost
Furniture and Fixtures	—	10% on cost

(c) Subsidiaries

A company is a subsidiary company if more than 50% of the issued share capital is held long-term. Investments in subsidiaries are carried at cost.

(d) Trade Investments

Trade Investments are investments in companies whose business is closely allied with that of the group and in which 50% or less of the issued share capital of the company is held long-term and in which no significant influence in the company's management is exercised. Unquoted Investments are carried at cost. Quoted Investments are carried at cost less provision for diminution in value.

(e) Foreign Currencies

Assets and liabilities in foreign currencies are translated into Hong Kong dollars at the rate of exchange ruling at 31st March each year with the exception of certain fixed assets and depreciation thereon which are translated into Hong Kong dollars at the date of purchase or valuation. The results of overseas subsidiaries are translated at the average exchange rates for the year. Net currency translation differences arising, other than those directly affecting the year's trading profit, are shown in reserves.

2. FIXED ASSETS

	<i>Leasehold Properties</i>		<i>Property under Development</i>	<i>Furniture and Fixtures</i>	<i>Vessels</i>	<i>Total</i>
	<i>Long Term (Over 50 years)</i>	<i>Medium Term (10-50 years)</i>				
<i>The Group</i>	<i>Hong Kong</i>	<i>Hong Kong</i>				
At Cost or Valuation	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 31.3.1980:						
Cost	1,124,950	33,991,452	2,750,051	47,798	—	37,914,251
Valuation	—	—	—	—	122,445,521	122,445,521
Additions	—	—	4,949,085	1,500	41,022	4,991,607
Exchange Differences	—	—	—	—	953,052	953,052
Transfer	—	(65,310)	65,310	—	—	—

Supreme Court
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Extracts from
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Annual Report
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Disposals	—	(3,435,890)	—	(3,012)	—	(3,438,902)
At 31.3.1981	1,124,950	30,490,252	7,764,446	46,286	123,439,595	162,865,529
Accumulated Depreciation						
At 31.3.1980	135,982	7,997,636	—	30,013	44,980,201	53,143,832
Charge for the year	16,998	1,034,100	—	4,628	6,171,982	7,227,708
Amount written back	—	(230,303)	—	(2,137)	—	(232,440)
At 31.3.1981	152,980	8,801,433	—	32,504	51,152,183	60,139,100
Net Book Value at 31.3.1981	971,970	21,688,819	7,764,446	13,782	72,287,412	102,726,429
Net Book Value at 31.3.1980	988,968	25,993,816	2,750,051	17,785	77,465,320	107,215,940
1972/73 Directors' Valuation At cost					118,229,845	118,229,845
Exchange Differences					41,022	41,022
Balance at 31.3.1981					5,168,728	5,168,728
					123,439,595	123,439,595

10

The Company

Furniture and Fixtures

At cost at 31.3.1980 and 31.3.1981

HK\$
10,261 20

Accumulated Depreciation

At 31.3.1980

6,194

Charge for the year

1,026

At 31.3.1981

7,220

Net Book Value

At 31.3.1981

3,041

At 31.3.1980

4,067

No amortisation has been provided on land with leases of less than 50 years to run. Amortisation of such land is required by Statement on Standard Accounting Practice No. 123 issued by the Hong Kong Society of Accountants. Had amortisation been provided on land over the relevant leasehold periods from the dates of acquisition, fixed assets would be shown as HK\$100,870,602 (1980 - HK\$104,916,038) for the group, group revenue reserves would be shown as HK\$50,750,069 (1980 - HK\$26,546,417) and group profit for the year would have been reduced by HK\$232,129 (1980 - HK\$357,043).

30

3. INVESTMENT IN SUBSIDIARIES		<i>1981</i>	<i>1980</i>	Supreme Court of Hong Kong High Court
		<i>HK\$</i>	<i>HK\$</i>	
	Unquoted Shares, at cost	35,400,000	35,400,000	
	Loan to a Subsidiary	9,595,000	7,230,000	
	Amounts due from Subsidiaries	36,700,497	34,408,280	No. 18
	Dividends Receivable	19,232,900	9,831,200	
		<u>100,928,397</u>	<u>86,869,480</u>	Extracts from Ocean Land's Annual Report 1980/81 dated 31.7.1981
4. AMOUNTS DUE BY RELATED COMPANIES		<i>Group</i>		
		<i>1981</i>	<i>1980</i>	
10		<i>HK\$</i>	<i>HK\$</i>	
	Loans to Related Companies	—	5,040,000	
	Amounts due by Related Companies	27,831,085	5,769,920	
	Loans from Related Companies	—	(3,992,000)	
		<u>27,831,085</u>	<u>6,817,920</u>	
5. TRADE INVESTMENTS		<i>Company</i>		
		<i>1981</i>	<i>1980</i>	
		<i>HK\$</i>	<i>HK\$</i>	
	Unquoted Investments, at cost	11,304,000	11,304,000	
	Quoted Investments, at cost			
20	less Provision for Diminution in Value	—	—	
		<u>11,304,000</u>	<u>11,304,000</u>	
		22,289,119	22,284,094	
		<u>22,295,119</u>	<u>22,290,094</u>	
	Market Value of Quoted Investments	—	42,240	
		<u>—</u>	<u>11,120</u>	
6. NET CURRENT LIABILITIES		<i>Company</i>		
		<i>1981</i>	<i>1980</i>	
		<i>HK\$</i>	<i>HK\$</i>	
	Current Assets			
	Ships Stores	—	—	
	Accounts Receivable and Prepaid Expenses	4,065	454	
30	Dividends Receivable	408,175	1,057,200	
	Cash and Bank Balances	10,659	18,958	
		<u>422,899</u>	<u>1,076,612</u>	
		24,500,297	13,045,083	
		<u>24,500,297</u>	<u>13,045,083</u>	
	Current Liabilities			
	Bank Loans and Overdrafts—Secured	—	—	
	Short Term Loans	—	—	
	Instalments Payable	—	—	
	Accounts Payable and Accrued Expenses	262,698	247,514	
		<u>262,698</u>	<u>247,514</u>	
		12,047,492	557,787	
		<u>12,055,595</u>	<u>13,267,535</u>	
		121,963	4,706,827	
		<u>121,963</u>	<u>4,706,827</u>	
		11,256,325	7,051,016	
		<u>11,256,325</u>	<u>7,051,016</u>	

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of Hong Kong
High Court

Charter Hire Received in Advance	—	—	3,934,087	4,985,593
Provision for Taxation	—	3,380	—	291,777
Proposed Dividend	9,562,500	7,968,750	9,562,500	7,968,750

No. 18

	<u>9,825,198</u>	<u>8,219,644</u>	<u>48,977,962</u>	<u>38,829,285</u>
	<u>9,402,299</u>	<u>7,143,032</u>	<u>24,477,665</u>	<u>25,784,202</u>

Extracts from
Ocean Land's
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1980/81
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7. LONG TERM LIABILITIES

Long term liabilities consist of instalments payable, after 31st March, 1982 but within 5 years, on the purchase of leasehold properties and the non-current portion of a bank loan.

	<i>Group</i>		
	<i>1981</i>	<i>1980</i>	
	<i>HK\$</i>	<i>HK\$</i>	
Instalments Payable	731,778	2,831,465	
Bank Loan	6,666,700	—	
	<u>7,398,478</u>	<u>2,831,465</u>	
8. SHARE CAPITAL	<i>1981</i>	<i>1980</i>	
	<i>HK\$</i>	<i>HK\$</i>	
Authorised:			
100,000,000 Shares of HK\$1 each	<u>100,000,000</u>	<u>100,000,000</u>	
Issued and Fully Paid:			
63,750,000 Shares of HK\$1 each	<u>63,750,000</u>	<u>63,750,000</u>	20

9. CAPITAL RESERVE

	<i>Revaluation Reserve</i>	<i>Reserve on Consolidation</i>	<i>Share Premium</i>		<i>Total</i>	
	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>	<i>Group</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 31.3.1980	56,700	2,555,975	3,879,572	3,879,572	3,879,572	6,492,247
During the year						
— Translation Differences	—	(1,733,188)	—	—	—	(1,733,188)
At 31.3.1981	<u>56,700</u>	<u>822,787</u>	<u>3,879,572</u>	<u>3,879,572</u>	<u>3,879,572</u>	<u>4,759,059</u>

10. TURNOVER

	<i>Company</i>		<i>Group</i>	
	<i>1981</i>	<i>1980</i>	<i>1981</i>	<i>1980</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Charter Hire Income	—	—	39,079,506	24,436,992
Rent Received	—	—	7,567,223	7,776,077
Dividend Income	25,787,630	15,231,560	760,230	1,507,560
Management Fees Received	420,000	360,000	—	24,000
Transfer Fees Received	10,376	3,964	10,376	3,964
	<u>26,218,006</u>	<u>15,595,524</u>	<u>47,417,335</u>	<u>33,748,593</u>

11. NET PROFIT BEFORE TAXATION		Net profit before taxation is arrived at after charging/(crediting) the following:—			
		<i>Company</i>		<i>Group</i>	
	<i>Note</i>	<i>1981</i>	<i>1980</i>	<i>1981</i>	<i>1980</i>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
		20,000	26,000	68,000	74,329
		1,026	1,026	7,227,708	6,790,839
	16	—	—	3,976,025	4,231,141
	17	(25,787,630)	(15,231,560)	(760,230)	(1,507,560)
10		<u>—</u>	<u>—</u>	<u>(2,197,703)</u>	<u>(642,515)</u>
12. TAXATION		Taxation is provided at 16.5% (1980-17%) on the estimated assessable profits of the group's Hong Kong registered companies.			
13. EXTRAORDINARY ITEM		This represents profit derived from the sale of certain leasehold properties owned by subsidiary companies outwith the normal course of business.			
14. EARNINGS PER SHARE		The calculation of earnings per share is based on profit before extraordinary item of HK\$24,108,339 (1980 – HK\$16,938,794) and 63,750,000 shares in issue throughout the two years ended 31st March, 1981.			
15. DIRECTORS' EMOLUMENTS					
				<i>Group</i>	
				<i>1981</i>	<i>1980</i>
				<i>HK\$</i>	<i>HK\$</i>
				45,000	45,000
				60,000	60,000
				<u>105,000</u>	<u>105,000</u>
16. INTEREST PAID					
				<i>Group</i>	
				<i>1981</i>	<i>1980</i>
				<i>HK\$</i>	<i>HK\$</i>
30	Bank Loans and Overdrafts – Secured			1,046,011	1,089,983
	Short Term Loans			2,680,577	2,374,069
	Purchase of Leasehold Properties			76,460	179,360
	Shipbuilding Contracts			172,977	587,729
				<u>3,976,025</u>	<u>4,231,141</u>
17. DIVIDEND INCOME		<i>Company</i>		<i>Group</i>	
		<i>1981</i>	<i>1980</i>	<i>1981</i>	<i>1980</i>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	Unquoted Trade Investments	552,730	1,506,120	758,590	1,506,120
	Unquoted Subsidiaries	25,234,900	13,725,440	—	—
40	Quoted Trade Investments	<u>—</u>	<u>—</u>	<u>1,640</u>	<u>1,440</u>
		<u>25,787,630</u>	<u>15,231,560</u>	<u>760,230</u>	<u>1,507,560</u>

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No. 18

Extracts from
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Annual Report
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dated 31.7.1981

18. CONTINGENT LIABILITIES

	<i>Company</i>		<i>Group</i>	
	<i>1981</i>	<i>1980</i>	<i>1981</i>	<i>1980</i>
Uncalled Capital on Trade Investments	—	—	HK\$135,000	HK\$135,000
Bank Guarantees:—				
Subsidiary Companies	¥153,893,325	¥153,893,325	—	—
Others	US\$ 9,000,000	US\$ 9,000,000	—	—

19. CAPITAL COMMITMENT

	<i>Company</i>		<i>Group</i>	
	<i>1981</i>	<i>1980</i>	<i>1981</i>	<i>1980</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Amount contracted but not provided for in the accounts	<u>—</u>	<u>—</u>	<u>2,766,929</u>	<u>4,177,641</u>

10

REPORT OF THE AUDITORS TO THE MEMBERS OF

OCEAN-LAND DEVELOPMENT LIMITED

Except for the effects of not providing amortisation on leasehold land as more fully described in note 2 to the accounts, in our opinion the accounts set out on pages 7 to 18 give a true and fair view of the state of affairs of the Company and the Group at 31st March, 1981 and of the profit of the Company and the Group and changes in financial position of the Group for the year ended on that date and comply with the Hong Kong Companies Ordinance. **20**

PRICE WATERHOUSE
Certified Public Accountants.

Hong Kong, 21st May, 1981.

OCEAN-LAND DEVELOPMENT LIMITED
PRINCIPAL SUBSIDIARY COMPANIES AND TRADE INVESTMENTS

Supreme Court
of Hong Kong
High Court

		<i>Percentage Effective Interest in Issued Ordinary Shares held at</i>				
		<i>31st March, 1981</i>		<i>31st March, 1980</i>		
	<i>Country of Incorporation</i>	<i>By Company</i>	<i>By Subsidiary</i>	<i>By Company</i>	<i>By Subsidiary</i>	<i>Principal Activity</i>
SUBSIDIARIES						
	Eastern Winner Transports Inc.	Liberia	100		100	Ship Owner
10	Eastern Wiseman Transports Inc.	Liberia	100		100	Ship Owner
	Eastern World Transports Inc.	Liberia	100		100	Ship Owner
	Gala Land Investment Company Limited	Hong Kong	100		100	Investment and Property Holding
	Centurion Limited*	Hong Kong		100	100	Property Investment
	Chatterley Limited*	Hong Kong		100	100	Property Investment
20	Shatin Properties Limited*	Hong Kong		100	100	Property Investment
TRADE INVESTMENTS						
	Eastern Pearl Transports Inc.	Liberia	50		50	Ship Owner
	Forerunner Investment Limited	Hong Kong	25		25	Investment Holding
	Pan-Land Development Limited	Hong Kong	50		50	Investment Holding
30	Sea-Land Mining Limited	Hong Kong	50		50	Investment Holding
	C.G. & L. Investment Limited	Hong Kong		37	37	Property Investment
	Tat Yeung Investment Limited	Hong Kong		30	30	Property Investment
	Adam Knitters Limited	Hong Kong		50	50	Property Investment
	Multiland Investment Limited	Hong Kong		45	45	Property Investment
40	Ocean-Land Estate Agents Limited	Hong Kong		50	50	Property Investment
	Winner Housing International Limited	Hong Kong		40	40	Housing Consultant
	Magna Corporation	Liberia		45	45	Investment
	Wyatt Estates Limited	Hong Kong		14.8	14.8	Property Investment
	Five Lakes Investment Company Limited	Hong Kong		50	50	Property Investment
	Multiford Company Limited	Hong Kong		50	50	Property Investment
50	Hong Kong Car Park Limited	Hong Kong		50	50	Property Investment
	Famatina Investment Company Limited	Hong Kong		50	50	Property Investment
	Choice Estates Limited	Hong Kong		50	—	Property Investment
	Gotland Enterprises Limited	Hong Kong		25	—	Property Investment

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Extracts from
Ocean Land's
Annual Report
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dated 31.7.1981

* The accounts of these subsidiary companies have been audited by firms other than Price Waterhouse. In this respect (a) Turnover is HK\$236,214 (b) Net profit before taxation is HK\$36,546 and (c) The net assets are HK\$8,173,318.

Supreme Court
of Hong Kong
High Court

**LETTER FROM SAMUEL TAK LEE TO ALBERT LAM
dated 23.3.1982**

No. 19

1201-2, General Commercial Building,
156-164, Des Voeux Road, C.,
Hong Kong.

23rd March, 1982.

Letter from
Samuel Tak Lee
to Albert Lam
dated 23.3.1982

Mr. Albert Lam,
The Secretary,
Ocean-Land Development Limited,
The Hongkong & Shanghai Bank Building,
12th Floor,
673, Nathan Road,
Kowloon.

20

Dear Sir,

FORERUNNER INVESTMENT LIMITED

Further to my telephone request this morning, kindly allow the bearer to obtain from you copies of the audited account of the above company since its formation in 2nd 30 March, 1973 to the most recent year.

Thank you for your assistance.

Sincerely yours,

(Sd.) SAMUEL TAK LEE
Director of
Ocean-Land Development Ltd.

No. 20

**LETTER FROM OCEAN LAND TO SAMUEL TAK LEE
dated 3.4.1982**

3rd April, 1982

Letter from
Ocean-Land to
Samuel Tak Lee
dated 3.4.1982

Mr. Samuel Tak Lee,
1201-2 General Commercial Building,
156-164 Des Voeux Road Central,
Hong Kong.

Dear Mr. Lee,

FORERUNNER INVESTMENTS LTD.

We refer to your letter of 23rd March, 1982 and wish to advise that since we have only one copy of the Audited Accounts of the above-named company for each of the years since its incorporation, please come to our office personally, or send a duly 10 authorised representative, for inspection of the said accounts.

Sincerely yours,
OCEAN-LAND DEVELOPMENT LTD.

(Sd.) ALBERT LAM
Executive Secretary

**LETTER FROM SAMUEL TAK LEE TO ALBERT LAM
dated 16.4.1982**

Supreme Court
of Hong Kong
High Court

1201 General Commercial Bldg.,
156-164 Des Voeux Road, C.,
Hong Kong.

No. 21

16th April, 1982

Letter from
Samuel Tak Lee
to Albert Lam
dated 16.4.1982

Mr. Albert Lam,
The Executive Secretary,
The Ocean Land Development Ltd.,
10 11/F., The Hongkong & Shanghai Bank Bldg.,
673 Nathan Road,
Kowloon.

Dear Sir,

GALA LAND INVESTMENT LTD.

May I have copies of the yearly audited accounts of our captioned wholly owned subsidiary covering the periods ending March, 1977 to March, 1981?

Sincerely yours,
OCEAN LAND DEVELOPMENT LTD.

(Sd.) SAMUEL TAK LEE
Director

20

**LETTER FROM SAMUEL TAK LEE TO ALBERT LAM
dated 22.4.1982**

No. 22

1201-2 General Commercial Bldg.,
156-164 Des Voeux Road, C.,
Hong Kong.

Letter from
Samuel Tak Lee
to Ocean-Land
dated 22.4.1982

22nd April, 1982

Mr. Albert Lam,
The Secretary,
Ocean Land Development Ltd.,
30 The Hongkong & Shanghai Bank Bldg.,
12th Floor,
673, Nathan Road,
Kowloon.

Dear Mr. Lam,

FORERUNNER INVESTMENT LTD.

Thank you for your letter dated 3rd April, 1982.

Since you have only one copy of the Audited Accounts of the above Company for each of the years since its incorporation, it is not necessary for you to send me a copy of each of the audited accounts signed by the Auditors but a photo-copy of each of the
40 audited accounts will be sufficient as they are only for my record purposes.

Supreme Court
of Hong Kong
High Court

No. 22

Letter from
Samuel Tak Lee
to Ocean-Land
dated 22.4.1982

Please let me have your debit note for your copying charges, if any.

Sincerely yours,

(Sd.) SAMUEL TAK LEE
Director of
Ocean Land Development Ltd.

No. 23

Letter from Peter
Mark & Co. to
Robert W.H. Wang
& Co.
dated 23.4.1982

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 23.4.1982**

23rd April 1982

Messrs Robert W.H. Wang & Co.,
Solicitors,
803-5 Hongkong & Shanghai Bank Bldg,
Nathan Road,
Hong Kong.

10

For the Attention of Mr Robert W.H. Wang

Dear Sirs,

We write on behalf of Mr Samuel Tak Lee in his capacity as a director of Ocean-Land Development Limited and with reference to your client, Mr W.H. Chou, in his corresponding capacity as a director and Chairman of that Company.

We understand that our client has, pursuant to his responsibility as a director, asked the Company Secretary to provide him with certain information about the affairs of one of the company, (viz., Gala Land Investment Co. Ltd) and in particular the balance sheet and accounts and that your client has instructed the secretary not to furnish the information pending the taking by the Company of legal advice. 20

We take a serious view of the action of your client in his capacity as a director of the Company in taking steps to frustrate or delay the provision of relevant information in respect to the affair of the group to a fellow director. The inference prima facie apparant is that your client is acting not in the interest of Ocean Land as a company but for some purposes of his own.

We require from you an explanation from your client of the matter we have raised here and an assurance that your client acknowledges and recognises that his fellow directors in Ocean Land are entitled to full and proper information about the affairs of the holding company and the companies in its group in pursuance of and the discharge of their responsibility as directors. Our client will take such further actions as are open to him if he has not been fully satisfied on the foregoing in the course of the next seven days. 30

Yours faithfully,

(Sd.) PETER MARK & Co.

**LETTER FROM SAMUEL TAK LEE TO OCEAN LAND
dated 23.4.1982**

Supreme Court
of Hong Kong
High Court

Samuel Tak Lee,
24th Floor,
8-12 Hennessy Road,
Hong Kong.

No. 24

23rd April, 1982

Letter from
Samuel Tak Lee
to Ocean-Land
dated 23.4.1982

The Company Secretary,
Ocean-Land Development Ltd.,
10 11th Floor,
The Hongkong & Shanghai Bank Bldg.,
673, Nathan Road,
Kowloon.

Dear Sir,

WINNER HOUSING INTERNATIONAL LTD.

In order to enable me to exercise my statutory duties as a Director, I shall appreciate if you will kindly let me have a copy each of the audited accounts for the financial years 1974 to 1981 of Winner Housing International Ltd., which is an associate company of Ocean-Land Development Ltd.

20

Yours sincerely,

(Sd.) SAMUEL TAK LEE
Director of
OCEAN-LAND DEVELOPMENT LTD.

**LETTER FROM SAMUEL TAK LEE TO OCEAN LAND
dated 23.4.1982**

No. 25

Samuel Tak Lee,
24th Floor,
8-12, Hennessy Road.
Hong Kong.

Letter from
Samuel Tak Lee
to Ocean-Land
dated 23.4.1982

23rd April, 1982

30 The Company Secretary,
Ocean Land Development Ltd.,
11th Floor,
The Hongkong & Shanghai Bank Bldg.,
673 Nathan Road,
Kowloon.

Dear Sirs,

I shall appreciate if you will kindly let me have a copy each of the audited accounts for the financial years 1979, 1980 and 1981 for each of the following subsidiary/
40 associate companies:—

Supreme Court
of Hong Kong
High Court

No. 25

Letter from
Samuel Tak Lee
to Ocean-Land
dated 23.4.1982

1. Eastern Winner Transports Inc.
2. Eastern Wiseman Transports Inc.
3. Eastern World Transports Inc.
4. Centurion Limited
5. Chatterley Limited
6. Eastern Pearl Transports Inc.
7. Pan-Land Development Ltd.
8. Sea-Land Mining Limited
9. Tat Yeung Investment Limited
10. Adam Knitters Limited
11. Ocean Land Estate Agents Limited
12. Magna Corporation
13. Hong Kong Car Park Limited
14. Choice Estates Limited
15. Gotland Enterprises Limited
16. Shatin Properties Limited
17. Caledon Investment Limited

10

I also refer to my letters dated 16th April, 1982 and 22nd April, 1982 requesting for audited accounts of Gala Land Investment Limited and Forerunner Investment Limited and shall appreciate if you will kindly also let me have these accounts requested in my said letters. 20

Yours sincerely,

20

(Sd.) SAMUEL TAK LEE
Director of
Ocean Land Development Ltd.

No. 26

**LETTER FROM ROBERT W.H. WANG & CO. TO
PETER MARK & CO. dated 26.4.1982**

26th April, 1982

Letter from
Samuel Tak Lee
to Ocean-Land
dated 26.4.1982

Messrs. Peter Mark & Co.,
Solicitors,
Grand Building, 11/F,
15-18 Connaught Road, C.,
Hong Kong.

30

BY HAND

Dear Sirs,

Re: OCEAN-LAND DEVELOPMENT LIMITED

We refer to your letter to us dated 23rd April 1982.

We have been instructed by Ocean-Land Development Ltd. to send to you the audited accounts of Ocean-Land Development Ltd. showing the investments of its subsidiaries. Should your clients require further information regarding the financial status of Ocean-Land Development Ltd., please address all correspondence to the Board of Directors of Ocean-Land Development Ltd. via our office. 40

The audited accounts of Ocean-Land Development Ltd. for the years ending March 1977 through to March 1981 have already been supplied to your client previously. These accounts have been passed at the requisite Board of Directors' Meeting and have also been issued to Shareholders and tabled at various Annual General Meetings.

May we point out that the innuendoes raised in your letter of 23rd April, 1982 are very serious indeed and unless supported would be libellous in nature.

Yours faithfully,

(Sd.) ROBERT W.H. WANG & CO.

Supreme Court
of Hong Kong
High Court

No. 26

Letter from
Robert W.H.
Wang & Co. to
Peter Mark & Co.
dated 26.4.1982

10

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 27.4.1982**

No. 27

Messrs Robert W.H. Wang & Co.,
Solicitors,
Room 803-805,
Hongkong & Shanghai Bank Bldg,
673 Nathan Road,
KOWLOON.

27th April, 1982

Letter from Peter
Mark & Co. to
Robert W.H.
Wang & Co.
dated 27.4.1982

**VERY URGENT
BY HAND**

Dear Sirs,

Re: OCEAN-LAND DEVELOPMENT LIMITED

20

Thank you for your letter of April 26th without enclosure.

The only comfort we derived from it is that you now seem to appreciate something of the seriousness of the matters which our client is investigating in his capacity as a director of Ocean-Land.

30 May we remind you unequivocally that the responsibilities of a director of a parent company included the over seeing of the business and affairs of the group as a whole. Our client is seriously perturbed by the evident reluctant and apparent refusal of his fellow directors to furnish him with information relevant to his responsibilities as above, and their attempt to divert his attention with an offer of information which as you say he has already had. The immediate inference is that his fellow directors know of matters within the documents of which our client has sought the production which they wish to conceal from our client for some motive other than the best interest of Ocean-Land. We sincerely hope that this inference turn out to be wrong.

We must insist on behalf of our client that the documents which he has requested are produced. We are prepared to say in term that our client is investigating into the transaction of shares own by Gala Land Investment Ltd. to the apparent detriment o Ocean-Land as the parent company. In default of their production with in a further period of 3 days which we are prepared finally to extend to you our client will take such further steps as he may be advised.

Yours faithfully,
(Sd.) PETER MARK & CO.

40

Supreme Court
of Hong Kong
High Court

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 3.5.7982**

3rd May, 1982

No. 28

Letter from Peter
Mark & Co. to
Robert W.H.
Wang & Co.
dated 3.5.1972

Messrs Robert W.H. Wang & Co.,
Solicitors,
Room 803-805,
Hongkong & Shanghai Bank Bldg,
673 Nathan Road,
KOWLOON.

Dear Sirs,

10

We refer to your letter of the 26th April and note in particular that you now purport to act for the Board of Directors of Ocean-Land Development Limited (Ocean-Land).

Insofar as accounts are concerned your letter refers only to the audited accounts of Ocean-Land although both you and your purported clients are well aware that our client has specifically requested the audited accounts of Gala Land Investment Limited (Gala Land).

In this respect we would refer you to our client's letter dated 16th April 1982 and our own letter dated 23rd April 1982.

Both these letters are unequivocal.

20

As a Director of Ocean-Land, of which Gala Land is a wholly owned subsidiary, our client is entitled as a matter of law to those accounts and your clients' action in denying him access to them is not only an unwarranted interference with that right but also fetters the duty that our client owes, as a Director, to Ocean-Land.

Unless the audited accounts of Gala Land for the years 1978-1981 inclusive are sent to our client at this address by 5 p.m. on Wednesday the 5th May, 1982 our client will take such action that may be appropriate without further notice to you.

Yours faithfully,
(Sd.) PETER MARK & Co.

**LETTER FROM ROBERT W.H. WANG & CO. TO
PETER MARK & CO. dated 3.5.1982**

Supreme Court
of Hong Kong
High Court

3rd May, 1982

Messrs. Peter Mark & Co.,
Solicitors,
Grand Building, 11th Floor,
15-18 Connaught Road, C.,
Hong Kong.

No. 29

Letter from Robert
W.H. Wang & Co.
to Peter Mark & Co.
dated 3.5.1982

Dear Sirs,

10

Re: OCEAN LAND DEVELOPMENT LIMITED

We refer to our letter to you dated 26th April, 1982 and enclose herewith copies of the audited accounts of the above company for the years 1977-1981 for your record.

Yours faithfully,

(Sd.) ROBERT W.H. WANG & Co.

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 4.5.1982**

No. 30

Hong Kong, 4th May, 1982

Messrs Robert W.H. Wang & Co.,
Solicitors,
20 Room 803-805,
Hongkong & Shanghai Bank Bldg,
673 Nathan Road,
KOWLOON.

VERY URGENT
BY HAND

Letter from Peter
Mark & Co. to
Robert W.H.
Wang & Co.
dated 4.5.1982

Dear Sirs,

Re: GALA LAND INVESTMENT LIMITED

Thank you for your letter dated 3rd May 1982 in which you enclosed copies of Annual Reports of Ocean-Land for the years 1977-1981.

We have specifically asked for the audited accounts of Gala Land in our letter of 2nd May 1982. This repeated the request in our client's letter of 16th April 1982 and
30 our earlier letter to you dated 27th April 1982.

Can we take it that your letter of 3rd May 1982 and its enclosures amount to a refusal to supply the accounts of Gala Land as requested.

Our client is prepared to extend the deadline contained in the last paragraph of our letter of 3rd May to Friday, 7th May 1982 at 5:00 p.m.

Yours faithfully,

(Sd.) PETER MARK & Co.

Supreme Court
of Hong Kong
High Court

**LETTER FROM SAMUEL TAK LEE TO ALBERT LAM
dated 7.5.1982**

No. 31

24th Floor,
8-12 Hennessy Road,
Hong Kong.

7th May, 1982.

Letter from
Samuel Tak Lee
to Albert Lam
dated 7.5.1982

Mr. Albert Lam,
The Company Secretary,
Ocean-Land Development Ltd.,
11th Floor, HK & Shanghai Bank Bldg.,
673, Nathan Road,
Kowloon.

10

Dear Mr. Lam,

This is to advise you that I am summoning a meeting of the directors of this company pursuant to Article 89 of the Company Article, this meeting be held on Tuesday 11/5/82 at 10:00 a.m. As a matter of convenience I am arranging for a room to be made available at the Regent Hotel.

The agenda for discussion at this meeting will be the following:—

- (1) To discuss the failure of the company to supply me, at my request, with copies of the audited accounts of our subsidiaries and associate companies **20** for the financial years 1979, 1980 & 1981.
- (2) To consider questions to be raised by me in respect of the affairs of our subsidiary and associate companies.

Would you please arrange to notify my fellow directors of the time and place of the meeting and do your best to ensure that as many as possible of the board are in attendance. I shall for my part endeavour to provide you, in advance of the meeting, with documentation to furnish in confidence to my fellow directors in the hope that they will not come to the meeting entirely unprepared.

Yours sincerely,

(Sd.) SAMUEL TAK LEE **30**
Director of
Ocean-Land Development Ltd.

NOTICE OF DIRECTORS' MEETING dated 8.5.1982

Supreme Court
of Hong Kong
High Court

OCEAN-LAND DEVELOPMENT LIMITED

NOTICE OF DIRECTORS' MEETING

No. 32

NOTICE is hereby given that, at the request of Mr. Samuel T. Lee, a Directors' Meeting will be held at Room R1, Ground Floor, Regent Hotel, Kowloon on Tuesday, 11th May, 1982 at 10:00 a.m.

Notice of
Directors' Meeting
dated 8.5.1982

Dated the 8th day of May, 1982.

for and on behalf of
SEKOTS SECRETARIAL SERVICES LIMITED

10

(Sd.) By:
Director
Secretaries

OCEAN-LAND—REGISTER OF MEMBERS dated 8.5.1982

No. 33

OCEAN-LAND DEVELOPMENT COMPANY LIMITED

REGISTER OF MEMBERS

Ocean-Land—
Register of
Members
dated 8.5.1982

NAME OF SHAREHOLDER		NAME IN CHINESE	PAGE			
Lee Samuel Tak			ACCOUNT NUMBER 0008177			
ADDRESS Rm 1201 General Comm. Bldg., 156-164 Des Voeux Rd C., Hong Kong. Tel. 5-432323		DIVIDEND TO				
SPECIMEN SIGNATURE OF SHAREHOLDER		POWER OF ATTORNEY/PROBATE				
		OCCUPATION Architect British				
DATE	NUMBER OF SHARES		TRANSFER NO.	CERTIFICATE NO.	BALANCE OF SHARES HELD	PROOF
	ACQUIRED	TRANSFERRED				
8 May 82	248,000	(124 x 2000)	4993	58646-769	248,000	496,000
8 May 82	2,000		4993	58766	246,000	492,000
8 May 82	2,000		4993	58772	248,000	496,000
8 May 82	2,000		4993	58766		
8 May 82	2,000		4993	58766	248,000	496,000

Supreme Court
of Hong Kong
High Court

TELEX FROM SAMUEL TAK LEE TO ALBERT LAM
dated 9.5.1982

No. 34

091723 PTS
43533 +
43533 WINNC HX
66259 STYLI HX

Telex from
Samuel Tak Lee
to Albert Lam
9.5.1982

9/5/82

To: Mr. Albert Lam,
Executive Secretary,
Ocean-Land Development Ltd.,
11/F, 673 Nathan Road.

Further to my letter to you dated 7/5/82, I contacted the following directors and with **10** these results:—

Mr. T.C. Hsin might be busy during 10:00 a.m. 11/5/82. As for further date if meeting to be postponed, Mr. Hsin will very possibly available if other directors will be available. Mr. Hsin inform me that Mr. W.H. Chou might not be in Hong Kong for the meeting. Mr. Hu Ca Fee will be going to Japan early next week and will return around 14/15 May. Mr. Hu can participate meeting during the week from 17th May. Mr. S.C. Gaw is not in Hong Kong but his office said he could be informed of any meeting. Dr. T.K. Ann's office informed me he is under doctor's recommendation to cancel most meeting for next week. In view of the above, I wish to call the directors' meeting on 17th May, 1982, Monday, at 10:00 a.m. in Room R1, G/F, Regent Hotel instead of **20** 11th May, 1982. Please arrange to notify my fellow directors of the postponed date of meeting.

SAMUEL TAK LEE, Director

C.C. Directors, Ocean-Land Development Ltd.

43533 WINNC HX
ADD 004.25

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 10.5.1982**

Supreme Court
of Hong Kong
High Court

10th May, 1982

Messrs Robert W.H. Wang & Co.,
Solicitors,
Room 803-805,
Hongkong & Shanghai Bank Bldg,
673 Nathan Road,
Kowloon.

No. 35

WITHOUT PREJUDICE

Letter from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 10.5.1982

Dear Sirs,

10 We refer to the meeting of directors of Ocean-Land Development Ltd. summoned by our client Mr. Samuel Tak Lee to be held on 17th May 1982.

We heard with some regret that your client Mr. W.H. Chou feels that no purpose would be served by an exploratory meeting before that date between the two teams of legal advisers.

It seems to us, after careful consideration of our instructions, that your client is taking a very casual view of his responsibilities as a Chairman of Ocean Land, and of the potential effect upon Ocean Land and its members of open dissent between the Chairman and another member of the board.

20 You are aware that our client is determined to have produced to him the accounts of Ocean Land's subsidiary and associate companies, and you must appreciate that it is only a matter of time before these documents are produced. What you may not be aware is that careful re-scrutiny of the accounts of Ocean Land as a parent company has already given rise to a series of important doubts as to the treatment in the accounts year after year of the affairs of at least the following subsidiaries and associated companies:—

- (1) Gala Land Investment Company Limited
- (2) Sea Land Mining Limited
- (3) Pan-Land Development Limited
- (4) Forerunner Investment Limited
- (5) Winner Housing International Limited
- 30** (6) Ocean-Land Estate Agents Limited.

Do we need to spell out what the possible consequences may be? We see the following in prospect:—

- (i) delay by the auditors in the completion of the 1981/2 accounts and annual report
- (ii) consequent postponement of the Annual General Meeting beyond the statutory limit
- (iii) Possible qualification of the accounts
- (iv) rumours on the Hong Kong Stock Exchanges, and possible panic selling of shares

Supreme Court
of Hong Kong
High Court

(v) possible suspension of dealings with an enquiry of some kind to follow.

It seems to us highly invidious to have to trigger off these and other unexpected consequences, when your client may have acceptable explanations to put forward on the matters which at present are causing such concern to our client.

No. 35

If your client does not wish to explore these matters in advance, so be it. If he does, a meeting can be arranged provided that we hear from you by noon on Wednesday 12th May.

Letter from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 10.5.1982

Yours faithfully,

(Sd.) PETER MARK & Co.

No. 36

**TELEX FROM SAMUEL TAK LEE TO
MRS. MILDRED POON dated 11.5.1982**

10

Telex from
Samuel Tak Kee
to Mrs. Mildred
Poon
dated 11.5.1982

111121 PTS
73704+
73704 RETSA HX
66259 STYLI HX

11/5/82

To: Mrs. Mildred Poon,

Sekots Secretarial Services Ltd.

Please inform my fellow directors in Ocean-Land Development Ltd. that the meeting scheduled on 11th May, 1982, 10:00 a.m. at R1, G/F, Regent Hotel has been postponed **20** to 17th May, 1982 Monday, at the same time and same place which has informed by me to all the directors yesterday.

SAMUEL TAK LEE,
Director

73704 RETSA HX
ADD 001.27

NOTICE OF DIRECTORS' MEETING dated 11.5.1982

OCEAN-LAND DEVELOPMENT LIMITED

Supreme Court
of Hong Kong
High Court

NOTICE OF DIRECTORS' MEETING

No. 37

Please be informed that the Directors' Meeting called by the Secretaries at the request of Mr. Samuel T. Lee is postponed to Monday, 17th May, 1982 at 10:00 a.m. at Room R1, Ground Floor, Regent Hotel, Kowloon.

Notice of
Directors' Meeting
dated 11.5.1982

By instructions of
MR. SAMUEL T. LEE

for and on behalf of
SEKOTS SECRETARIAL SERVICES LIMITED

10

(Sd.) By:
Director
Secretaries

11th May, 1982

**NOTICE TO RESIGN FROM DIRECTORS OF
OCEAN LAND TO SAMUEL TAK LEE dated 12.5.1982**

No. 38

Date: 12th May, 1982

Notice to resign
from Directors
of Ocean Land
to Samuel Tak Lee
dated 12.5.1982

Mr. Samuel Tak Lee
8-12 Hennessy Road
20 24th Floor
Hong Kong

Re: OCEAN-LAND DEVELOPMENT LTD.

We, the undersigned, being all the Co-Directors of the above company hereby give you notice that you are requested to resign your office as a Director of the company with effect from the date of this notice. This notice is issued pursuant to Article 73(D) of the Memorandum and Articles of Ocean-Land Development Ltd. which states that the office shall be vacated if a Director is requested in writing by all his Co-Directors to resign.

Yours faithfully,

Sd.
CHOW WEN HSIEN Director

30

Sd.
CHOW CHUNG KAI Director

Sd.
ANN TSE KAI Director

Supreme Court
of Hong Kong
High Court

No. 38

Notice to resign
from Directors
of Ocean Land
to Samuel Tak Lee
dated 12.5.1982

Sd.
GAW SIONG CHWAN Director

Sd.
HU CA FEE Director

Sd.
CHENG WEI SHUE Director

Sd.
HSIN TING CHIA Director

No. 39

**LETTER FROM SAMUEL TAK LEE TO
LOWE BINGHAM & MATHEWS dated 12.5.1982**

Letter from
Samuel Tak Lee to
Lowe Bingham &
Mathews
dated 12.5.1982

24th Floor,
8-12 Hennessy Road, 10
Hong Kong.

12th May, 1982

Lowe Bingham & Mathews,
Price Waterhouse & Co.,
Prince's Building, 22nd Floor,
Hong Kong.

For the Attention of Mr Andrew Ross

Dear Sirs,

Re: OCEAN-LAND DEVELOPMENT LIMITED

A director meeting of the above company is to be convened at my request on **20** Monday the 17th of May at Room R1 G/F Regent Hotel, Kowloon.

I enclose for your information a copy of the relevant notice convening the meeting and in view of the items set out therein you may wish to send a representative to attend.

Yours sincerely,

(Sd.) SAMUEL TAK LEE

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 13.5.1982**

Supreme Court
of Hong Kong
High Court

13th May, 1982

Messrs. Robert W. H. Wang & Co.
Room 803 to 805,
Hongkong & Shanghai Bank Bldg.,
673, Nathan Road,
Kowloon.

No. 40

Letter from Peter
Mark & Co. to
Robert W.H.
Wang & Co.
dated 13.5.1982

Dear Sir,

10 We write generally on behalf of our client Mr. Samuel Tak Lee, with respect to the mutual interests of himself and your client Mr. Wen Hsien Chou.

Your client and ours are fellow directors in a number of companies—in most cases private companies with interests in the development of real estate—and our client has always welcomed yours as a colleague, and valued his business experience and commercial judgment.

We are, however, instructed that in the past few weeks your client's attitude appears to have changed from one of amicable co-operation intended to further the interests of the companies of which Messrs. Chou and Lee are co-directors, to one of determined non-cooperation. We have seen a number of letters, written in respect of the **20** affairs of various companies, either by Mr. Chou himself or by yourselves, which serve to illustrate the change.

It seems opportune that we should, through you, remind your client what the basic rights and responsibilities of a company director are. Our comments apply as much to our own client as they do to yours.

A company director, acting in good faith in the interests of the company of which he is a director, is entitled to make all such enquiries, and see all such documents, as he considers it necessary or desirable for him to make or see, to enable him properly to carry out his management responsibilities as a director. The right of the director is, of course, a personal one, although in suitable cases he may need to have a professional adviser at **30** his elbow. We need not here elaborate on the circumstances in which that would be proper, or the limitations on what such adviser could ask or inspect or record. In making his enquiries, and in seeing documents, the director owes both a fiduciary duty and a duty of confidence to his company.

It is fundamental, therefore, that when a company director uses his powers as a director he does so *in the interests of the company* and not for some ulterior purpose of his own.

Your client has, in respect of several companies, intimated recently that he is dissatisfied with accounts that he has previously signed,—we have in mind, especially, Five Lakes Investment Co. Ltd., Multiford Co. Ltd., and Wyatt Estates Ltd.—but when asked either what his grounds of dissatisfaction are, or what specific items he wishes to **40** investigate, he is either unable or unwilling to say.

Supreme Court
of Hong Kong
High Court

No. 40

Letter from Peter
Mark & Co. to
Robert W.H. Wang
& Co.
dated 13.5.1982

No doubt the relevance and usefulness of any enquiry which your client is minded to pursue, and which he cannot pursue merely by personally asking questions of his fellow directors, or company staff, or by looking at documents, can be considered by each company's board of directors, and perhaps this should be speedily done in every case. However, we feel that we should point out that your client, by refusing to co-operate with ours in carrying through ordinary corporate procedures, such as processing accounts, calling statutory general meetings, and deciding future policy, all without specific reasons which he is prepared to advance, is steadily losing credibility. It begins to emerge more and more clearly that your client is ceasing to concern himself with the best interests of individual companies, but is, on the contrary, minded—if he can—to obstruct and frustrate the pursuit of company business for some ulterior purpose of his own. **10**

We wish to make it clear that so long as our client is a fellow director of yours he is both ready and eager to co-operate in carrying on corporate affairs. Your client for his part will have to demonstrate, in board meetings, and outside them, that he retains the bona fides which his actions appear to discard.

Yours faithfully,

(Sd.) PETER MARK & Co.

No. 41

**LETTER FROM SAMUEL TAK LEE TO
LOWE BINGHAM & MATHEWS dated 13.5.1982**

Letter from
Samuel Tak Lee
to Lowe Bingham
& Mathews
dated 13.5.1982

24th Floor, **20**
8-12 Hennessy Road,
Hong Kong.

13th May, 1982

Lowe Bingham & Mathews,
Price Waterhouse & Co.,
Prince's Building, 22nd Floor,
Hong Kong.

For the Attention of Mr. Andrew Ross

Dear Sirs,

Re: OCEAN-LAND DEVELOPMENT LIMITED

30

Further to my letter of yesterday's date which advised you of the directors' meeting of Ocean-Land, to be held on 17th May, I shall among other things be attempting there to ascertain which companies are treated for the purpose of our accounts as "Related Companies".

If a representative of your firm attends the meeting, it might be helpful if he were able to give immediate information to the Board. In earlier accounting years the expression "Affiliate Companies" was sometimes used, and I am not yet altogether clear whether this means the same thing.

Yours sincerely,

(Sd.) SAMUEL TAK LEE

40

NOTICE dated 15.5.1982

15th May, 1982
(Saturday)

Supreme Court
of Hong Kong
High Court

No. 42

This notice was delivered to S. T. Lee personally by Mr. F. C. Mok of Fortuna Navigation Co. Ltd. at 10:10 a.m. this morning.

Notice
dated 15.5.1982

F. C. MOK

FORTUNA NAVIGATION CO., LTD.

1714 STAR HOUSE
HARBOUR CENTRE, KOWLOON,
HONG KONG

TEL. 3-665533

10

**TELEX FROM PETER MARK & CO. TO OCEAN LAND,
SEKOTS SECRETARIAL, ROBERT W.H. WANG & CO. AND
LOWE BINGHAM & MATTHEWS AND PRICE WATERHOUSE & CO.
dated 15.5.1982**

No. 43

Telex from
Peter Mark & Co.
to Ocean Land,
Sekots Secretarial,
Robert W.H.
Wang & Co. &
Lowe Bingham &
Matthews and
Price Waterhouse
& Co.
dated 15.5.1982

43533
73704
37726
73751+
43533 WINNC HX
20 73704 RETSA HX
37726 RWANG HX
73751 LBMHK HX 卐
74409 LEXLO HX
GA
15/5/82

From: Peter Mark & Co.

To: (1) Ocean-Land Development Ltd. (Mr Albert Lam, Executive Secretary)
(2) Sekots Secretarial Services Ltd. (Mrs Mildred Poon)
(3) Robert W.H. Wang & Co. (Miss Anna Wu)

30 (4) Lowe Bingham & Matthews, Price Waterhouse & Co. (Mr Andrew Ross)

Supreme Court
of Hong Kong
High Court

A writ was issued in the Supreme Court of Hong Kong High Court Commercial List No. 19 of 1982, today 15th May, 1982 by Samuel Tak Lee as plaintiff against the following defendants:—

No. 43

Telex from
Peter Mark & Co.
to Ocean Land,
Sekots Secretarial,
Robert W.H.
Wang & Co. &
Lowe Bingham &
Matthews and
Price Waterhouse
& Co.
dated 15.5.1982

CHOU WEN HSIEN
CHOW CHUNG KAI
ANN TSE KAI
GAW SIONG CHWAN
HSIN TING CHIA
HU CA FEE
CHENG WEI SHUE
OCEAN-LAND DEVELOPMENT LTD.

10

At 19:30 hours today the Honourable the Chief Justice, sitting in chambers, made an order in the above action in the following terms:—

Upon hearing counsel for the Plaintiff

and

Upon reading the Affidavit of Samuel Tak Lee

and

Upon the Plaintiff undertaking through his counsel to file his Affidavit by 10 a.m. on Monday, the 17th day of May, 1982

And upon the Plaintiff by his said counsel undertaking to abide by any order of the Court may make as to damages in case the Court shall hereafter be of the opinion that the defendants or any of them shall have sustained by reason of this order which the Plaintiff ought to pay. 20

It is hereby ordered that:—

The 1st to 7th Defendants (inclusive) either by themselves, their servants or agents, and the 8th Defendant whether by its officers, servants or agents or otherwise howsoever be restrained from:—

- A) Interfering in any manner whatsoever with the holding on the 17th day of May, 1982 of a meeting of the directors of the 8th Defendant summoned by the Plaintiff to take place at the Regent Hotel in Kowloon at 10 a.m., 30
- B) Interfering with the lawful discharge by the Plaintiff of his functions and duties as a director of the 8th Defendant,
- C) Holding or purporting to hold any meeting of directors of the 8th Defendant without giving reasonable prior notice to the Plaintiff of any such meeting,
- D) Holding or purporting to hold any meeting of directors of the 8th Defendant without giving the Plaintiff a reasonable opportunity to attend thereat,

- 10
- E) Lodging or causing to be lodged with the registrar of companies or with any of the stock exchanges registered in Hong Kong any notice or return stating or implying that the Plaintiff has ceased to be or act as a director of the 8th Defendant,
 - F) Making or causing to be made any public announcement or publishing or causing to be published any public statement that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant,
 - G) Making or causing to be made any entry in the minute book of the 8th Defendant that the Plaintiff has ceased to be or ceased to act as a director of the 8th Defendant,
 - H) This order shall continue in force until further order.
 - I) Inter-partes summons to be returnable at 10:00 a.m. on Wed. 19th May, 1982.
 - J) Costs reserved.

Supreme Court
of Hong Kong
High Court

No. 43

Telex from
Peter Mark & Co.
to Ocean Land,
Sekots Secretarial,
Robert W.H.
Wang & Co. &
Lowe Bingham &
Matthews and
Price Waterhouse
& Co.
dated 15.5.1982

Dated the 15th day of May, 1982 at 19:30.

You are formally advised that there is no change in the arrangements made for the directors meeting on 17th May summoned by Samuel Tak Lee. This meeting will take place at the Regent Hotel in Kowloon at 10 a.m.

Peter Mark & Co.

20 Solicitors for Samuel Tak Lee

NNNN
43533 WINNC HX
73704 RETSA HX
37726 RWANG HX
73751 LBMHK HK
AAD 009.30

STATEMENT OF SAMUEL TAK LEE dated 17.5.1982

STATEMENT OF SAMUEL TAK LEE

No. 44

to the Board of Directors
dated 17th May 1982

Statement of
Samuel Tak Lee
dated 17.5.1982

Mr. Chairman,

Gentlemen,

I have summoned this meeting of directors to consider matters which are causing me concern in relation to the affairs of our subsidiary and associate companies.

The first of several matters which I wish to bring to your attention today is a transaction which took place in 1979, when our *Gala Land* subsidiary disposed of its one third shareholding in *Prat Development Limited*. **10**

The basic details of this transaction are that Gala Land sold its shares in Prat to *Red Lake Investments Ltd.* during our 1979/80 financial year for a stated consideration of \$600,000. The only documented reference that I have been able to find to this sale is on page 11 of our Annual Report for 1979/80 which records —

Sale of Unquoted Investments	\$595,399
Gain on sale of Investments	\$245,399

If you refer to the list of our subsidiaries and associates in earlier Annual Reports, you will find the name of Prat included under the head of Trade Investments. In 1980, on page 18, you will not find Prat's name in the list. **20**

Both your Chairman & Managing Director, Mr. W.H. Chou and I myself, have been directors of Prat since the inception of its business, and in that capacity the transfer documents came to me for signature in 1979. Knowing that Mr. Chou was to remain a director after the transfer, I approved it at the time as a matter of mere routine. More recently I have had occasion to reconsider the transaction in my capacity as a director of Prat and the following points should be noted:

- (1) It can be asserted with confidence that, at the time of the transfer to Red Lake, a price of \$600,000 bore no relation at all to the value of one third of the net assets of Prat: to be blunt, it was a gross under-valuation.
- (2) Mr. Chou has recently asserted to me that he and his brother are the beneficial **30** shareholders of Red Lake. In fairness to Mr. Chou, he has since retracted this assertion, leaving me not knowing what to believe.
- (3) I have sought to investigate the true beneficial ownership of the Red Lake shares within Prat, only to be invited by my fellow directors in Prat to raise the matter within Ocean Land.
- (4) As far as I am aware, that is the first occasion on which the transaction with Red Lake has ever been raised for discussion within this Board.

What has happened, then, as far as I can see, is that Ocean Land in 1979 disposed of an asset in a transaction which our board was not asked to approve, at a price substantially below what should have been paid, in a sale which was not at arm's length. Does it not follow that Mr. Chou acquired a personal interest in Prat as a result? I do not see how he could have remained a director of Prat after the disposal, unless there exists a close connection between Mr. Chou and the present owners of Red Lake so that he could effectively represent them on the board; neither do I understand at the moment how Mr. Chou can reconcile the duty which he owes to Ocean Land as its Chairman with the knowledge that he had, that the sale of Gala Land's shares in Prat did not take place
10 at arms' length and was not at a full price.

In order to pursue a more thorough investigation of the matter which I have just outlined to you, I made a number of requests to our company secretary to be shown the accounts of our many subsidiary and associate companies, covering the years from 1979 to 1981. Mr. Albert Lam seems to have referred my initial request to Mr. Chou, and to have been recommended to fob me off in some way. The letters which have been exchanged are placed before you gentlemen today, and you will see that the correspondence ends with exchanges between solicitors.

It seems quite unbelievable to me that lawyers should be called in to write one another letters about whether a company director is entitled to demand to see documents
20 which concern the business of his own company. How can you and I carry out our responsibilities if one or more of our number is able to tie a blindfold around our eyes?

All that resulted from the correspondence was that Miss Anna Wu sent me copies of our own company's Report going back to 1978. We have all seen and considered these in the years to which they relate. However, I have accepted the invitation to study them again, and may be I am seeing more clearly as a result. The further matters that I am going to mention arise principally from looking back on our Annual Reports with a greater understanding than before.

My second matter relates to the acquisition by Red Lake in our 1978/9 trading year of Ocean Land's interest of two fifths and one third, respectively, in the share capital
30 of *Clinton Investment Ltd.* and *Pentaland Investment Ltd.* The basic details of these two acquisitions are essentially the same as I have explained when talking about Prat, and here again the truth is revealed largely by comparing the list of Trade Investments of Ocean Land at 31st March 1978 (see page 17 of the Report) with the same list a year later (see page 18).

Pentaland and Clinton are other cases where Mr. Chou and I are fellow directors, and where I had no reason at the time when the transfers out of Gala Land were made to consider the transactions as anything other than mere routine. I am not in as good a position to comment at the moment, as in the case of Prat, how far the sales were at an undervalue; but I feel sure that you gentlemen would at least want to call upon Mr. Chou
40 to explain to you why these two transactions took place, how the consideration for the sale was arrived at, why the board of Ocean Land was not informed and asked to approve, and exactly who are these owners of Red Lake who are in such a strong position to deal with, perhaps even to manipulate, assets which used to belong to Ocean Land.

Probably all of you will now wish to see for yourselves the documents which I have been demanding for myself, these accounts of subsidiary and associate companies which I am not being allowed to see.

You will probably think that a much deeper investigation of our company's affairs is needed too.

As an example only of the difficulty which we have as ordinary directors in finding out what is going on in our company, I would point to the treatment of Extraordinary items in our Annual Reports. You will see that these are noted on page 15 of the 1979 Report, and the same pages of the 1980 and 1981 Reports. How much more than the ordinary shareholders do we as a body know of the transactions which are mentioned here? Speaking for myself in general terms, I do not feel that I have been either consulted or informed. **10**

If I felt that all was well within the management of Ocean Land, it may be that I would not wish to enquire further. But now that we realise what has been happening in Red Lake, should we not be looking again at all other items of extraordinary business, if only to assure ourselves that there has been fair play?

I have no present reason to criticise the way in which the shipping side of our business is run. This is not my field. I simply accept that our group has made money from the purchase and charter of ships.

In the field of real estate development, of course, my interest is very keen; and you gentlemen all know the property developments which I introduced to the Ocean Land group: participation with companies of mine in Famatina, Five Lakes, Multiford, Wyatt, Multiland, and C. G. & L; also participation in Clinton, Pentaland, and Prat, which apparently our group no longer owns. You know that wherever there has been such joint participation, our group's interests have prospered entirely in parallel with our own. Even in a depressed property market, the six companies which I have mentioned still have a very large future contribution to make to the profits of Ocean Land. Can we say the same for the rest of the companies in our group? **20**

So my next matter is that I consider we need to know much more about the positions individually of our subsidiaries and associates. Would you gentlemen look with me at page 14 of our most recent Report? Do you see that Amounts due by Related Companies rose from \$6.8 million in 1980 to \$27.8 million in 1981? **30**

Which of our related companies is swallowing up these sums? Have our 25 listed companies shared out an extra \$0.84 million each? Or have one or two selected companies been running into difficulties about which this board is not being told? And this was happening in March 1981. What is happening now, in May 1982?

My eyes are turning too to our investment holdings overseas. Look at the Chairman's own statements in our annual Reports. In 1977—I still have a copy—he told us that mining in Indonesia had had to be suspended, mainly because of “an unexpected tropical storm” the previous year. In Malaysian tin-mining, by contrast, our company was enabled “to commence production almost immediately”. What happened in 1978? Tropical rainstorms may have unexpectedly continued. We received no weather report. **40**

By this time in Malaysia (see page 5) much effort had been devoted to reach the “high-valued deep deposits” of tin. Our Chairman expected that the operations would “yield profits from 1979”. By 1979 it was “probable” that profits would be “postponed until 1980”. By 1980 “returns cannot be expected in the near term . . . arrangements are being made to sell . . . with profits”. In 1981, convenient silence: not a word on the subject is said. So what has happened and is happening to our shareholder’s investments in Malaysia and in Indonesia? What contribution has *Sea Land Mining* ever made to profits since it has been a member of this group?

Supreme Court
of Hong Kong
High Court

No. 44

Statement of
Samuel Tak Lee
dated 17.5.1982

And what about *Pen Land Development* and Malaysian tin? What about *Forerunner Investment* and its rubber estates? How many ounces of tin will we win from the rock before the lease expires? How many houses stand where our rubber used to grow? Perhaps Mr. Gaw can tell us if our Chairman does not know?

Now these were two Trade Investments: Our Reports are careful to explain what this means: investments in companies whose business is closely allied with that of the group (for example, mining for gold and mining for tin by a group whose business is in real estate development and ships) and in which 50% or less of the issued share capital of the company is held long-term and in which no significant influence in the company’s management is exercised.

Do we know who are the other shareholders in *Sea-Land Mining* and *Pan-Land*? I will tell you who one of them is. It is our Chairman, Mr Chou. How come then, we have exercised no significant influence in their management? We, who with our own Chairman exercise majority control! Who then are the silent minority who have exercised all significant management and have thrown our money away?

Winner Housing International is another company at which we should look. Our accounts tell us that we hold an investment here of 40%. Who are our shareholder partners? 10%, our Chairman, Mr. Chou. 10% our fellow director, Mr. C.K. Chow. 40%, *First-Time Investment*, a company about which I have other questions to ask. Two of *Winner Housing*’s three directors are our Chairman and his brother C.K. Chow. Are they to be permitted to keep the accounts of this company a secret guarded from our Board?

First Time Investment has another interesting holding. It owns 25% of the *Hong Kong Car Park* shares. Since *Ocean Land*, through *Gala Land*, owns 50% of the shares already, one more share would tip the scales of control. I believe that this board needs to know how *Ocean Land* really stands.

Shall we look next at *Ocean Land Estate Agents*? Here there are two issued shares. One is owned by our subsidiary, *Gala Land*; the other by our Chairman Mr. Chou. And who is left to influence the management of this prudent trade investment of ours?

Gentlemen, we all of us have a common responsibility for the truthfulness of our trading accounts. Is it right that Mr. Chou should have personal shareholdings along with our own company, and that nothing is declared or said? Is it right that companies in which Mr. Chou is personally and substantially interested should be our partners in trading enterprises, and that nothing is declared or known? Is it right to go on calling these trade investments, to continue a mere masquerade? Is it right that we should continue to

tolerate a situation in which since 1976 (but not before) we have been denied the information in our own subsidiaries' Reports? Are we directors or puppets?

So I ask the following questions of Mr. Chou:—

No. 44

(1) Why have I been denied access as a director to the accounts of subsidiaries and trading investments in our group?

Statement of
Samuel Tak Lee
dated 17.5.1982

(2) May I have Mr. Chou's firm undertaking that these documents will be furnished to me within 48 hours?

(3) By whose authority did Gala Land sell to Red Lake shares in

first Clinton,
second Pentaland,
third Prat?

10

When was the sale authorised in each case? In what circumstances? How was the price calculated? Did any professional valuation take place? What was valued? When? At what amounts? When was the purchase money settled?

(4) Who are the real owners of Red Lake?

(5) Will Mr. Chou give this board a positive assurance that he has no beneficial interest of any kind in Red Lake? Can he assure this board that none of his money or other assets contributed to the payment by Red Lake of the purchase price?

(6) May this board have precisely the same assurances in respect of Mr. C.K. Chow?

(7) After the various sales of shares by Gala Land, why did Mr. Chou continue 20 in office as —

first a director of Clinton,
second a director of Pentaland,
third a director of Prat?

(8) Does the phrase "Related Companies" in our 1981 Report and accounts refer only to those companies which are listed under the heading of Trade Investments? If not —

- (1) Identify every other company which was at that time a related company, and
- (2) Explain the relationship.

(9) On 31st March 1981, which of our Related Companies owed more than \$1 30 million to other companies in the Ocean Land Group? How much was owed on that day by each Related Company named and to which other companies?

(10) If the Related Companies named above were instructed to repay any debt owing to other companies in the group at 30th April 1982, would any Related Company, and which of them, be unable to repay within one calendar month?

(11) In the case of any Related company which could not repay within one month,
first how long would it take to repay?
second what assets would need to be realised to enable it to repay?
third what is the risk that the company would never be able to repay?

- (12) Does Mr. Chou consider that any provision or reserve should be made in our accounts for the contingency that money owed by a Related Company is a bad debt? How much should we provide? How much should we reserve? Supreme Court of Hong Kong High Court
- (13) Which of our Related Companies have not so far contributed to the profits of the Ocean Land group? No. 44
- (14) Which of our Related Companies have made losses in any three successive years? Statement of Samuel Tak Lee dated 17.5.1982
- (15) Our trade investments have throughout been valued at cost. Should any—and which—of those trade investments now be valued below cost, by reason of trading losses incurred or decline in value of its assets.
- 10** (16) On which loans to which Related Companies is a commercial rate of interest not charged by the Ocean Land group?
- (17) In 1980 with whom were arrangements being made to sell our interests in South East Asia mining projects? Did those arrangements result in a sale? What was sold? At what price? And at what profit or loss to Ocean Land?
- (18) Why was no reference to our South East Asia projects made in the 1981 Report? If no arrangements to sell have been consummated, what specific proposals now exists for dealing with our projects in South East Asia?
- (19) In half-yearly accounts to 30th September 1980 there were shown under accounts receivable (i) a sum of \$1.61 million owing by *Red Lake Investments* to *Gala Land* (ii) a sum **20** of \$1.61 million owing by *First Time Investment* to *Chatterley*:
- (a) when and in respect of what obligation did the indebtedness of Red Lake Investments arise?
 - (b) when and in respect of what obligation did the indebtedness of First Time Investment arise?
- (20) Who are the directors of First Time Investment? Is any of those named, the wife of Mr. Chou? Is any of those named, a daughter of Mr. Chou? To which, if any, of these directors is Mr. Chou not related? What personal beneficial interest in First Time Investment does Mr. Chou hold?

30 I know, gentlemen, that Mr. Chou will need time to consider and answer some of the questions that I have asked: you would all wish him to answer them with care. I would not deny him that chance myself; but with your approval I propose that we nevertheless insist that to those questions which Mr. Chou *knows* the answer now, he gives his answer *now*. I am interested especially in his immediate answers to questions 1, 2, 5 and 7 and I expect that you gentlemen will now wish that copies of the documents mentioned in question 2 be furnished equally to each of yourselves.

Mr. Chairman, may I now formally move that you be instructed by the board to answer questions 1, 2, 5, and 7 before this meeting concludes, and that the other questions be answered by you at a further board meeting to be held in 10 days' time.

Supreme Court
of Hong Kong
High Court

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 17.5.1982**

17th May, 1982

No. 45

12278/82/PM

Letter from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 17.5.1982

Messrs Robert W.H. Wang & Co.,
Solicitors,
11/F. & 12/F., Sanwa Building,
30-32 Connaught Road Central,
Hong Kong.

Attn: Mr Robert Wang

Dear Sirs,

RE: COMMERCIAL LIST NO. 19 OF 1982

10

We understand that you are acting for Mr Chou Wen Hsien, the 1st Defendant in this action and we send you herewith all the relevant papers by way of service, receipt of which kindly acknowledge.

Yours faithfully,

(Sd.) PETER MARK & CO.

No. 46

**LETTER FROM ROBERT W.H. WANG & CO. TO
PETER MARK & CO. dated 17.5.1982**

Letter from
Robert W.H.
Wang & Co. to
Peter Mark & Co.
dated 17.5.1982

C-26900/82/W/AW

17th May, 1982 20

Peter Mark & Co.,
Solicitors,
11/F Grand Building,
Connaught Road Central,
Hong Kong.

*For the urgent attention
of Mr. Peter Mark.*

BY HAND

Dear Sirs,

Re: H.C. COMMERCIAL LIST NO. 19 OF 1982

It is now a quarter to one. We are still awaiting the affidavit of your client. Presumably it has been filed in accordance with the undertaking given to the Chief Justice at 10.00 a.m. today. We confirm we have instructions to act for two of the directors of Ocean-Land Development Ltd. Messrs W.H. Chou and C.K. Chow.

Yours faithfully,

(Sd.) ROBERT W.H. WANG & CO.

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 17.5.1982**

Supreme Court
of Hong Kong
High Court

C-26900/82/W/AW/RW

17th May, 1982

12278/82/PM

No. 47

Messrs Robert W.H. Wang & Co.,
Solicitors,
11/F., Sanwa Building,
30-32 Connaught Road C.,
10 Hong Kong.

**URGENT
BY HAND**

Letter from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 17.5.1982

Dear Sirs,

Re: OCEAN-LAND DEVELOPMENT LIMITED

We confirm that during the morning of 17th May, 1982 we had occasion, through our Mr Peter Mark, to speak by telephone with your Mr Robert Wang, with reference to the affairs of the above company.

Mr Wang told Mr Mark that he believed that he was acting only for Mr W.H. Chou, and perhaps Messrs. Johnson, Stokes & Master were acting for the company. That firm shortly afterwards informed us that they were, indeed, acting for the company.

20 We refer you to your letter to our firm of 26th April 1982 and in particular to the second paragraph. The clear implication of that paragraph is that you had instructions from the directors of Ocean-Land Development Limited to act for the company.

May we please have an answer from your goodselves by return of post or messenger to the following questions:—

- (1) On whose specific authority or instruction did you write your said letter of 26th April, 1982?
- (2) Do you now say that you were then authorised to act for Ocean-Land Development Ltd.?
- (3) If yes, in what circumstances have you ceased to act?
- (4) If no, for whom did you act in writing the letter?

30 The subject matter of this letter is a matter of serious concern to us, as you will appreciate. We propose, howsoever, to defer further comment until we have your answers to our questions.

Yours faithfully,

(Sd.) PETER MARK & Co.

Supreme Court
of Hong Kong
High Court

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 17.5.1982**

No. 48
C-26900/82/W/AW/RW
12278/82/PM
Messrs Robert W.H. Wang & Co.,
Solicitors,
11/F., Sanwa Building,
30-32 Connaught Road C.,
Hong Kong.

17th May, 1982
3:00 p.m.

Letter from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 17.5.1982

BY HAND

Dear Sirs,

Re: H.C. COMMERCIAL LIST No. 19 OF 1982

Thank you for your hand-delivered letter of today's date. We note that you are acting for Messrs W.H. Chou and C.K. Chow, and that at the time of writing your letter you were still awaiting documents in the above matter. By now you will have received them.

We also note that while your clients had made up their minds by Saturday, 15th May that they would be too busy to attend this morning's meeting, they lacked the courtesy so to inform their colleague Mr Samuel Lee, and they have still found time to instruct your goodselves.

Yours faithfully,

(Sd.) PETER MARK & Co.

10

20

No. 49

**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 17.5.1982**

Letters from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 17.5.1982

C-26900/82/W/AW/RW
12278/82/PM
Messrs Robert W.H. Wang & Co.,
Solicitors,
11/F., Sanwa Building,
30-32 Connaught Road C.,
Hong Kong.

17th May, 1982

Dear Sirs,

Re: OCEAN LAND DEVELOPMENT LIMITED

Thank you for your further letter received by hand today.

We are sorry that you take the view that our paragraph under reference is clouding the issues.

In our belief the reluctance of your clients personally to discharge their responsibilities as Chairman and Deputy Chairman of Ocean-Land Development Limited is central to the whole case.

Yours faithfully,

(Sd.) PETER MARK & Co.

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40

**LETTER FROM ROBERT W.H. WANG & CO. TO
PETER MARK & CO. dated 17.5.1982**

Supreme Court
of Hong Kong
High Court

C-26900/82/W/AW

17th May, 1982

12278/82/PM

No. 50

Peter Mark & Co.,
Solicitors & Notaries,
11/F, Grand Building,
Connaught Road Central,
Hong Kong.

BY HAND

Letter from
Robert W.H.
Wang & Co. to
Peter Mark & Co.
dated 17.5.1982

10 Dear Sirs,

Re: H.C. COMMERCIAL LIST No. 19 OF 1982

Thank you for your letter dated 17th May, 1982.

We are, however, at a loss to understand the general purport of the last paragraph of your letter. We feel that further correspondence of this nature will only cloud the real issues involved and will, therefore, please ask you to desist from composing materials of this nature.

Yours faithfully,

(Sd.) ROBERT W.H. WANG & Co.

20

**LETTER FROM PETER MARK & CO. TO
JOHNSON, STOKES & MASTER dated 17.5.1982**

No. 51

12278/82/PM

17th May, 1982

Messrs Johnson, Stokes & Master,
Solicitors,
16/F., Admiralty Centre,
Tower II,
Hong Kong.

BY HAND

Letter from
Peter Mark & Co.
to Johnson,
Stokes & Master
dated 17.5.1982

Dear Sirs,

Re: H.C. COMMERCIAL LIST No. 19 OF 1982

30 We were grateful for the attendance at short notice at the Regent Hotel, Kowloon, this morning of your firm's Mr Simon Ip, accompanied by Mr Robert Kotewall of counsel, to look after the interests of Mr Lam and Mrs Poon.

Supreme Court
of Hong Kong
High Court

We very much regret that, even with the benefit of your advice, Mr Lam and Mrs Poon chose to disobey Mr Samuel Tak Lee's direct instruction to return to Room R1 and to answer further questions and receive further instructions from him.

No. 51

We enclose, as a matter of courtesy, copies of letters which Mr Lee has directed to Mrs Poon, Mr Lam and others concerned.

Letter from
Peter Mark & Co.
to Johnson,
Stokes & Master
dated 17.5.1982

You will appreciate why, with company business to carry on, correspondence cannot be confined to letters between solicitors, but we shall do our best to keep you advised of developments as they occur.

We are confident that, in tendering further advice to Mr Lam and Mrs Poon, you will have very much in mind that it is not only the defendants actually named in a court injunction who disobey it at their peril. Those who knowingly disobey such an order in the interests of any of the defendants are equally at risk. **10**

We take the view that the actions of Mrs Poon and Mr Lam this morning could be construed as an interference, in breach of injunction, with the holding of this morning's directors' meeting, and an interference with the lawful discharge by our client of his functions and duties as a director of Ocean-Land Development Limited.

We enclose two further copies of the Order in the proceedings of the Honourable the Chief Justice, with the request that you furnish a copy to each of your two clients.

This letter will serve as a stern warning for the future.

Yours faithfully,

20

(Sd.) PETER MARK & CO.

No. 52

MINUTES OF DIRECTORS' MEETING dated 17.5.1982

Minutes of
Directors' Meeting
dated 17.5.1982

MINUTES OF MEETING OF THE DIRECTORS OF OCEAN-LAND DEVELOPMENT LIMITED HELD AT REGENT HOTEL ON 17TH MAY, 1982 AT 10 A.M.

PRESENT: Mr. Samuel Tak Lee	ABSENT: Mr. W. H. Chou
Mr. Peter Mark	Mr. C.K. Chow
Mr. Albert Lam	Dr. T.K. Ann
Mrs. Mildred Poon	Mr. Ca Fee Hu
Mr. Simon Goldblatt, Q.C.	Mr. S.C. Gaw
Mr. John Bleach	Mr. T.C. Hsin
	Mr. W.S. Cheng

30

Recorders: One shorthand writer; one tape recorder of Mr. Lam and two tape recorders of Mr. Lee.

Mr. Albert Lam handed two envelopes to Mrs. Mildred Poon containing letters from Mr. W.H. Chou and Mr. C.K. Chow. Mrs. Poon informed Mr. S.T. Lee that both

gentlemen cannot attend this meeting. Mr. Lam said Mr. Hsin told him he would not come and that Mr. Hu telephoned Mrs. Poon here that he will not come. Mr. Lee asked about Mr. Gaw, Dr. Ann and Mr. Cheng. Mr. Lam said Mr. Cheng lived in Japan but has an office in Hang Chong Building. Mr. Lee asked Mr. Lam if Mr. Gaw or Mr. Ann contacted him or anyone if they were coming. Mr. Lam said none. Mrs. Poon expressed that there is no meeting. Mr. Lee disagreed and telephoned to summon his legal advisers.

Supreme Court
of Hong Kong
High Court

No. 52

Mrs. Mildred Poon of Sekot Secretarial Services began the meeting by asking whether outsiders who are not directors were allowed at the meeting. The following was reported verbatim.

Minutes of
Directors' Meeting
dated 17.5.1982

10 Poon: Why are we here to have this meeting?

Goldblatt: Mrs. Poon, the corporate secretary of the company, and we are here to record the matters that have taken place on behalf of the company. She has raised through you, Mr. Lee, an enquiry as to what is happening here. I can answer that one for you. This is a meeting of the directors, duly convened by you as a director of Ocean Land Development Limited, under Article 89 of the Articles of Ocean Land Development Limited, the meeting having been duly convened. Whatever business that meeting as a director of Ocean-Land Development Limited feel it proper and appropriate to conduct within this meeting may be done so far as the Articles of the Company permitted to be done. I think it might be appropriate to look at Article 89 to see what is the position when a meeting
20 of directors is properly convened and only one director turns up. If we turn to Article 89, we see that the "Directors may meet together for the dispatch of business, adjourn and otherwise regulate their Meeting as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined two Directors shall constitute a quorum. Question arising at any Meeting shall be decided by a majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote. A director may, at any time, summon a Meeting of the Directors."

Reference to quorum is important there. I would think the position to be that one director acting on his own could not pass a resolution for the Board as a whole, but I would take the view very firmly that a director, who is the only one to appear in a duly convened
30 meeting of the directors, of which notice has been given to the other directors, is entitled in the name of the company to demand information and explanations and to receive information and cause matters to be recorded as well as to adjourn to a later occasion a meeting of directors at which a quorum of two has not appeared. In other words, I am saying that a director, sitting by himself in a duly convened meeting of directors, is in a far more responsible position than a director acting outside the ambient of such a meeting. He has the interest and a duty on behalf of the company to make enquiries.

Poon: So you are saying the meeting to be adjourned to a later meeting?

Goldblatt: I am advising you Mr. Lee in relation to matters, Mrs. Poon, quite properly as a corporate secretary to ascertain the procedural aspects.

40 Poon: If there is no directors' meeting, can we go?

Goldblatt: I think it is for you Mr. Lee to decide what's to happen. You might be a little surprised that Mrs. Poon as a secretary to listen and record matters to be so anxious

that the business of this meeting should be rapidly concluded. I would have thought that before you require this meeting to be adjourned you would want at the very least to find out why none of your fellow directors is present here to attend this meeting. It may be that those who are present as representatives of the company can assist you to answer these enquiries or further enquiries which should be made so that the facts can be ascertained.

Poon: Yes.

Lee: There are, however, two letters of apologies . . . and that can be tabled. The first letter was from Mr. C.K. Chow addressed to Mrs. Mildred Poon—I regret to inform you that I will be unable to attend the directors' meeting of the above captioned company to be held on the 17th May, 1982 at 10 a.m. at Regent Hotel due to a previous engagement. Kindly convey my apologies for my absence—signed C.K. Chow dated 15th May, 1982. **10**

The second letter is from Mr. W.H. Chou dated the same date (15th May, 1982) to the secretary of Ocean-Land attention Mrs. Mildred Poon. Heading: Ocean Land Directors' Meeting—I regret to inform you that I will be unable to attend the above meeting on 17th May, 1982 at the Regent Hotel at 10 a.m. due to a previous engagement. Kindly convey my leave of absence at this meeting. Mr. Lam just told me that Hu Ca Fee also telephoned here, in this room, to Mrs. Poon before the meeting stated that he could not come. Dr. T.K. Ann, any news?

Lam: I do not have any news from him. **20**

Lee: There is no news from Hsin?

Lam: Mr. Hsin telephoned me that he is unable to attend.

Lee: Mr. S.C. Gaw, any news?

Lam: No news.

Lee: Mr. Lam told us Mr. Cheng who resides in Japan and is still there, any news from him?

Lam: No.

Goldblatt: I expect you would want to know, having been told that some of your directors have informed Mrs. Poon with the information and the letters that you have just read out, that they are unable to attend and other directors have simply not come in with prior information to Mrs. Poon how much further you would be entitled to carry this meeting. Before you decide whether to bring it to a close or to adjourn it to a later date, it seems to me that there are two further matters which you could quite appropriately do, Mr. Lee. One is to ascertain whether the representative of the auditors was reminded to attend and why he has not, but I gather that he has been given notice of the meeting and the agenda which is of interest to the auditors. If you wish that enquiry to be made, I have no doubt that it could be made while the business of this meeting is still proceeding. The second matter is that you could be entitled for your part to table certain matters as part of the record of this meeting as to whether you wish to proceed with it or close it or adjourn it to a later date. **30**
40

Lee: For the first topic, may I ask Mr. Albert Lam, the corporate secretary.

Lam: I am only the executive secretary.

Lee: Lowe Bingham was informed of all the items in the agenda for this meeting?

Lam: Notices of this meeting were sent out by Mrs. Poon as corporate secretary so I do not know whether she has sent out any notices to Lowe Bingham or not.

Lee: Has Lowe Bingham contacted our company?

Poon: Why should they. We only received a telephone call and a telex from you. That's all I have.

Lam: I am not the company secretary. The company secretary is Mrs. Poon.

10 Goldblatt: Mr. Lee, I gather that you are being told that from the point of view of the company's administration no formal step has been taken by the company to notify the auditors that a directors' meeting was to be held this morning and to inform them what the agenda was. You may wish to ascertain whether that is the true position.

Lee: Is that the true position which Mr. Goldblatt has just advised you that Lowe Bingham has not been approached regarding recording the points of the agenda?

Lam: As I have stated, I am not the company secretary. I am not responsible for sending out any notices to any director.

Lee: We are not talking about the sending of notices to directors. Has there been any requests to or from Lowe Bingham on the request?

20 Lam: Any information should be conveyed by Mrs. Poon to the auditors and not by me. It is the corporate secretary, not me.

Goldblatt: You may wish to find out whether this has been done, Mr. Lee.

Lee: There is no instruction from the management of Ocean Land to you to this effect.

Lam: Well, I have not received any orders from the directors to send out notices to anyone.

Poon: Are we going to adjourn or are we not?

Goldblatt: I am not sure of the first question. Is there any additional information from the corporate secretary about their dealings with the auditors?

Poon: Ask Mr. Lam himself.

30 Lee: I like to repeat the same question to you and, that is, has there been any instruction from the management?

Poon: Mr. Lee, we are here for a directors' meeting. No quorum is present, what do you want to do?

Lee: I have been advised that this meeting is still valid and several issues, namely, three of them need to be processed, the first one being a question from me to Mr. Albert Lam and also to yourself (Mrs. Poon) whether there has been any instruction or notice, or anything of that nature, from our company or anyone of our directors through you to Lowe Bingham?

Poon: No. You have given me the instructions as a director for a directors' meeting. They never invite the auditors.

Lee: Right. I did write, however, to Mr. Albert Lam, stating the agenda of this meeting with two main points.

Lam: I have given your telex to Mr. W.H. Chou. **10**

Lee: With a copy to Mrs. Poon also. The second point of that agenda is to enquire and touch upon the accounts of our company.

Poon: Your copy of the agenda has all gone out.

Lee: The first notice has gone out, but what about the notice regarding the postponement of the meeting.

Poon: I received it afterwards.

Lee: When I first wrote to you regarding the calling of a meeting there stated two points. . . .

Lam: I have handed the notes to Mr. W.H. Chou.

Lee: Any instructions from him? **20**

Lam: No.

Goldblatt: It seems to me, Mr. Lee, that you probably got all the information you can get about this matter directly from Mr. Lam and from Mrs. Poon, which was obviously done this morning, to assist you with information and facts of the directors' meeting. If you wish to pursue the enquiry of the auditors' presence at this meeting, that might be done. If you felt it would be appropriate, it is a matter for you, if you wish to move on to the next item with which you are reminded to deal with.

Lee: I understand that Mr. Lam do not have the Gala Land accounts, you having been requested by the directors to bring it along with you. So may I go along to the second subject which is to table the statement available here as read and recorded into the minute. **30**

Goldblatt: Yes, Mr. Lee, I take it you are referring to a copy of the confidential statement which it was intended to read at this meeting and circulate confidentially to the directors of the company individually to the corporate secretary for record purposes and to the auditor of the company for his information. Is that the document you are referring to? . . . Then, I can advise you it would be appropriate for copies of that confidential statement to be made available by you to the secretary of the company with a view to the secretary distributing it to the intended recipients and no doubt you would wish to draw

attention to the fact that the contents of the statements are confidential and appropriate steps would be taken to see that they reach and reach only the persons for whom they are intended.

Supreme Court
of Hong Kong
High Court

Lee: Including the auditor of the company?

No. 52

Goldblatt: Including the auditor of the company.

Poon: You mean whom?

Minutes of
Directors' Meeting
dated 17.5.1982

Lee: All the directors of the company, the corporate secretary, the auditor.

Goldblatt: That would in fact mean that 9 copies of the statement you wish to be made should be made available to Mrs. Poon with a direction that they be distributed or retained
10 accordingly.

Lee: I now hand over 9 copies to Mrs. Poon.

Lee: Thirdly, may I ask Mr. Albert Lam the question. Is there any instructions from any director of our company to you not to give me the accounts of Gala Land or any one of that 19 subsidiaries which I wrote to you in three or four letters but without a reply.

Lam: I do not know about that.

Lee: I have received no reply from you.

Poon: That has nothing to do with this meeting.

Lee: The first item of my agenda is to request the accounts of this company. Is there anyone stopping you Mr. Lam? Why can't you present it to the meeting?

20 Lam: I am only the executive secretary of Ocean Land. I am not involved in any way with any other company. How can I get hold of the others.

Lee: I wrote to you in your capacity as executive secretary of Ocean Land regarding the document which included the audited accounts and balance sheet of the subsidiary which are in your possession. Those are documents of the company, Ocean Land Development Limited, of which I should be entitled to have access to, and which I wrote to you many times but without a reply. What is the reason for that? Have you encountered obstructions?

Lam: I have received no obstructions.

Poon: What is the purpose of this meeting?

30 Lee: Well, I am a director of Ocean Land.

Poon: Are we going to adjourn this meeting?

Goldblatt: Mr. Lee, It has to be made clear to Mrs. Poon that it is for you as a director of the company to decide how the manner of this meeting is conducted, and while Mrs. Poon will need to be ensured of her position in view of the fact that one director has turned up, you would be quite entitled to take the view that for decisions as to where the

meeting shall go and where she should defer to your authority as a director of the company rather than reminded for perhaps technical or administrative reasons, while you consider it appropriate, can be conducted with perimeters that my advice to you it should be conducted.

Lee: I ask Mr. Albert Lam that I did write several letters to you in your capacity and my capacity as a director requesting documents of the holding company of which I am a director and why I cannot get them? Have you received instructions otherwise as you did inform me and my executives several times that you had received instructions from other directors not to proceed?

Lam: No, I have not.

10

Lee: So you take it the telephone conversations between yourself and myself and my executives Mr. Esmail—once, twice—and you deny all these telephone conversations. Are you denying those telephone conversations? I like to ask you, as a director, is this true or not, or are you being given instructions from other directors?

Lam: No, I have not.

Lee: You have received other instructions. Can you reply that question? You have not replied to my letters.

Lam: No, I have not.

Lee: Are you therefore to supply me with those documents I just stated now, those that are in your possession?

20

Lam: I am not in possession of any.

Lee: Can you make steps to obtain those documents of the company and provide them for my inspection?

Lam: No, I do not think I can.

Lee: Are you unwilling or you cannot?

Lam: I am not in possession of any.

Lee: Are you willing to do it as an executive of the company. I am a director of the company. I have all the right to the document of the company. I like to continue, Mr. Lam, can you go back and get it from the office while I wait for all the documents I wrote to you about in several of my letters previously since February, March and April. Can you go back to the office and get it?

30

Lam: I cannot answer that question.

Lee: That's within your official function with Ocean Land to get to the documents, or are you having obstructions from other advisers or directors of the company?

Goldblatt: We are touching on sensitive ground and there is certain thing that I odd to say. There is in existence as is known certain litigation and an order of the court. It seems to me that the questions which you have been asking of Mr. Lam placed both him and Mrs. Poon in a rather invidious position, and since you are reminded and asked to pursue these questions which, it seems to me as a director of the company, you are entitled to ask and pursue, it might be appropriate for you to allow a short adjournment of this meeting for perhaps a quarter of an hour, or something like that, to enable either Mr. Lam or Mrs. Poon to go away and consider their position and the position of others in relation to these questions. I would not wish it to be thought that anybody in this room should
10 be subjected to enquiries which might prove embarrassing without a proper opportunity to consider their position and perhaps take advice and instructions from others about it. Of course, it is a matter for you, but you may feel with questions having been put by you, it would be fair to allow Mr. Lam and Mrs. Poon to reflect and perhaps to consult others.

Lee: May I therefore move that this meeting be adjourned for 30 minutes, 20 minutes or so, so we can come back and talk.

Poon: Talk what. We are here to record what you have to say. You were to give a statement and I have put it down. Is the directors' meeting to go on or not, if not, I'll leave.

Lee: I would like to adjourn this meeting for 30 minutes and resume my question to Mr. Albert Poon and I have to hold the meeting as the only director of the company
20 under Article. . . .

Poon: If there is no decision and no record you are just conducting the meeting to asking questions.

Poon: It is a directors' meeting.

Lee: Yes.

Goldblatt: Mr. Lee, in case there is any uncertainty for the record, and it emerged there might be from the version of Mrs. Poon and from you have put to Mr. Lam the certain questions which I have prepared to advise you appropriately, which come within the scope of the business you are seeking to transact here, and in view of the possible embarrassment to Mr. Lam of being addressed by you as a director of the company for answers
30 to those questions, you have decided that it would be appropriate to adjourn this meeting for 15 minutes and then to reconvene so as to enable Mr. Lam and Mrs. Poon, if so advised, to consider their respective positions to take advice about it and to be prepared to continue with this business of the meeting so far as you continue with its resumption after the adjournment.

Poon: Can we adjourn it for longer than that because I have to go. . . .

Lee: That's your business. I like to adjourn the meeting for 15 minutes.

Goldblatt: It is now 5 minutes to 11 o'clock. We will resume the meeting at 11.10 a.m.

Lee: At ten minutes past seven, we will resume.

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of Hong Kong
High Court

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Minutes of
Directors' Meeting
dated 17.5.1982

Meeting adjourned at 10.55 a.m., and resumed at 12.25 p.m. Present at meeting were also Mr. Simon Ip from Johnson, Stokes & Master and Mr. Robert Kockwall, Barrister. After consultation, Mr. Goldblatt addressed the meeting (Mr. Albert Lam, Mrs. Poon, Mr. Mark and Mr. Bleach were not in the room) with the following finishing remarks. Goldblatt: For the record, it is now 25 minutes to 1 p.m. The meeting convened by Mr. Lee was further adjourned to enable Mrs. Poon and Mr. Lam to take advice as to their position. About 10 minutes ago Mr. Simon Ip of Messrs. Johnson, Stokes & Master, accompanied by Counsel, arrived at the Regent Hotel to inform Mr. Lee through me that he represents Mrs. Poon and Mr. Lam and is here to look after their interests of Mrs. Poon and Mr. Lam and asked me to inform Mr. Lee that Mrs. Poon and Mr. Lam were unwilling to take 10 any further part whatever in today's business. After taking instructions from Mr. Lee, I requested the legal advisers of Mrs. Poon and Mr. Lam to convey to them that Mr. Lee was instructing them in his capacity as a director of Ocean Land to return to the meeting room where Mr. Lee would continue to address questions to one or other of them and would give them certain further instructions in his capacity as a director. Counsel returned with Mr. Ip shortly afterwards to advise me that the message had been duly conveyed to his two clients that they declined to take a further part in the proceedings and had decided to leave.

There being no other business, the meeting adjourned at 12.35 p.m.

.....
Director 20

No. 53

**TELEX FROM SAMUEL TAK LEE TO
CHAIRMAN OF SEKOTS SECRETARIAL dated 17.5.1982**

Telex from
Samuel Tak Lee
to Chairman of
Sekots Secretarial
dated 17.5.1982

74409 LEXLO HX

Pls forward also this telex to Mr. Peter Mark
17th May, 1982

To: The Chairman,
Sekot Secretarial Services Ltd.

Dear Sir,

At a directors' meeting of Ocean-Land Development Ltd. which I summoned for 17th May 1982, at the Regent Hotel, Kowloon, Mrs. Mildred Poon attended as your 30 company's representative.

Both before and during the meeting Mrs. Poon displayed a discourteous and truculent attitude. At a certain point I adjourned the meeting to enable Mrs. Poon and Mr. Albert Lam, who was with her as Ocean-Land's executive secretary, to consider their position. Eventually I gave them both a direct instruction to return to the meeting room to answer questions and receive further instructions from me. They each disobeyed.

I have written them jointly a letter with further specific instructions and a strong warning against further disobedience. It would be a discourtesy on my part not to advise you of what took place this morning. Having done so, I simply leave the matter there. I sincerely trust that I shall not have to write further to you on the subject.

Supreme Court
of Hong Kong
High Court

No. 53

Sincerely yours,
Samuel Tak Lee
Director,
Ocean-Land Development Ltd. 中
74409 LEXLO HX
10 66259 STYLI HX
TOD 171558

Telex from
Samuel Tak Lee
to Chairman of
Sekots Secretarial
dated 17.5.1982

**TELEX FROM SAMUEL TAK LEE TO MR. ALBERT LAM
AND MRS. MILDRED POON dated 17.5.1982**

No. 54

17th May, 1982

To: Mr. Albert Lam, Ocean Land Development Ltd.

To: Mrs. Mildred Poon, Sekot Secretarial Service Ltd.

Dear Mr. Lam and Mrs. Poon,

Telex from Samuel
Tak Lee to Mr.
Albert Lam &
Mrs. Mildred Poon
dated 17.5.1982

I confirm that at 12:40 p.m. today, in my capacity as a director of Ocean-Land Development Ltd., I instructed each of you to return to Room R1 at the Regent Hotel to answer further question from me, and to receive my further instructions. That instruction was duly conveyed to you by your legal advisers. You have each disobeyed it, and you both immediately disappeared from the Regent Hotel. I am now satisfied that each of you came to the meeting of directors which I had summoned with one intention only—to obstruct me in carrying out my functions as a director of the company, so as to render the meeting abortive if you could. I was astonished to see you, Mrs. Poon, continually passing to Mr. Lam throughout the earlier part of the meeting notes presumably suggesting to Mr. Lam what he should say in answer to my questions.

No reason whatsoever has been given to me why the accounts of subsidiary companies and trade investments of Ocean-Land Development Ltd. have not been made available to me. I am therefore giving each of you the following direct orders on behalf of Ocean-Land Development Ltd.:—

- (1) You are to ensure that copies of the confidential statement which I tabled at this morning's meeting reach each of my co-directors, as well as the Company's Auditors, at the earliest possible date.
- (2) You are to summon a further meeting of the Directors of Ocean-Land Development Ltd. to take place at Room R5 at the Regent Hotel, Kowloon at 10:00 a.m. on Thursday, 27th May, 1982. The Agenda will be as follows:—

Supreme Court
of Hong Kong
High Court

No. 54

Telex from
Samuel Tak Lee to
Mr. Albert Lam &
Mrs. Mildred Poon
dated 17.5.1982

“To continue the business of the Meeting of Directors summoned to take place on 17th May, 1982.”

- (3) You are to take all practical steps to secure the attendance at that meeting of each of my fellow directors, and you are to advise me at once if you receive.

Information from any director that he does not propose to attend.

- (4) You are to furnish me by 4:30 p.m. Tomorrow, Tuesday, 18th May, 1982, with copies of the audited accounts of the following companies:—

- | | | |
|------------------------------------|---------------------|----|
| (A) Forerunner Investment Ltd. | Accounts Required | |
| | From 1973 | 10 |
| | Formation to date | |
| (B) Gala Land Investment Co. Ltd. | | |
| | For period ending | |
| | March 1977 to date | |
| (C) Eastern Winner Transports Inc. | } For the financial | 20 |
| Eastern Wiseman Transports Inc. | | |
| Eastern World Transports Inc. | | |
| Centurion Limited | | |
| Chatterley Limited | | |
| Eastern Pearl Transports Inc. | | |
| Pan-Land Development Ltd. | | |
| Sea-Land Mining Limited | | |
| Tat Yeung Investment Ltd. | | |
| Adam Knitters Limited | | |
| Ocean Land Estate Agents Ltd. | | |
| Magna Corporation | | |
| Hong Kong Car Park Limited | | |
| Choice Estates Limited | } For the financial | 30 |
| Gotland Enterprises Limited | | |
| Shatin Properties Limited | | |
| Caledon Investment Ltd. | | |

Please be under no misunderstanding. Any further disobedience to the instructions which I give you in my capacity as a Director of Ocean-Land, will render you, Albert Lam, liable to instant dismissal as an employee of the company, and you, Mrs. Poon, liable to have your insubordination formally reported to your employer company with a request for your immediate dismissal.

Sincerely yours,
Samuel Tak Lee
Ocean-Land Development Ltd.

⊕
74409 LEXLO HX
TOD 171554

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**LETTER FROM PETER MARK & CO. TO
ROBERT W.H. WANG & CO. dated 18.5.1982**

Supreme Court
of Hong Kong
High Court

C-26900/82/W/AW/RW

18th May, 1982

12278/82/PM

No. 55

Messrs Robert W.H. Wang & Co.,
Solicitors,
11/F., Sanwa Building,
30-32 Connaught Road C.,
Hong Kong.

Letter from
Peter Mark & Co.
to Robert W.H.
Wang & Co.
dated 18.5.1982

10 Dear Sirs,

Re: OCEAN-LAND DEVELOPMENT LIMITED

In the rapid exchange between our firms of hand-delivered letters yesterday, you did not respond to the two-page letter of yesterday's date, in which we put certain questions to you; and there is no reply to hand at the time of writing.

We are sorry to have to press you, but we do regard it as urgent to have your answers to these questions, and the facts are plainly within your knowledge.

May we please hear from you in the very near future?

Yours faithfully,

(Sd.) PETER MARK & Co.

Supreme Court
of Hong Kong
High Court

**LETTER FROM SEKOTS SECRETARIAL TO
SAMUEL TAK LEE dated 18.5.1982**

SEKOTS SECRETARIAL SERVICES LIMITED

No. 56

18th May, 1982.

Received at 11:15 a.m.

Letters from
Sekots Secretarial to
Samuel Tak Lee
dated 18.5.1982

Dear Mr. Samuel Lee,

Notwithstanding that your office as Director of Ocean-Land Development Limited was vacated but having regard to the injunction you have obtained, we are directed to inform you that there will be a Board Meeting on Tuesday, 18th May 1982 at 12 noon at the above address to consider what the Company should do in connection with the High Court Action No. 19 of 1982. 10

Yours faithfully,

for and on behalf of

(Sd.) SEKOTS SECRETARIAL SERVICES LIMITED

By
Director

To: Mr. Samuel Tak Lee,
24th Floor,
8-12 Hennessy Road,
Hong Kong.

20

No. 57

AFFIRMATION OF HU CA FEE dated 18.5.1982

Affirmation of
Hu Ca Fee
dated 18.5.1982

I, HU CA FEE, of 44 Strawberry Hill, Plunkett's Road, Hong Kong, Company Director, do solemnly, sincerely and truly affirm and say as follows:—

1. I am the 6th Defendant in this case. I make this affirmation on behalf of the 3rd to 8th Defendants herein. The facts hereinafter deposed to are true to the best of my knowledge, information and belief.

2. There is now produced and shown to me marked "HCF-1" a bundle of correspondence addressed to Sekots Secretarial Services Limited, Secretary of Ocean Land Development Limited (hereinafter called "Ocean Land") and to my Solicitors Messrs. Johnson, Stokes & Master since the grant of the Ex Parte Order herein on 15th May, 1982. 30

3. By a Notice dated 18th May 1982 (produced and shown to me marked "HCF-2"), a Directors' Meeting of Ocean Land was called to be held at 12:00 noon at its registered office on the 4/5th Floors, New Henry House, 10 Ice House Street, Hong Kong. The Plaintiff was informed of such meeting in compliance with the said Order of this Honourable Court by letter dated the 18th May 1982 (produced and shown to me marked "HCF-3").

4. At the Directors' Meeting of Ocean Land, I together with Gaw Siong Chwan, Ann Tse Kai and Cheng Wei Shue were authorised acting by any two of us to instruct Messrs. Johnson, Stokes & Master to conduct the action herein for and in the name of Ocean Land. The several directors aforesaid and myself (except Cheng Wei Shue) have since met and have resolved that it is in the best interests of Ocean Land to have the action dismissed on the ground that the Plaintiff has no locus standi to maintain the claims asserted in his affirmation of 15th May 1982 and on such other grounds as Counsel may advance. Further, in our opinion, the Plaintiff's action is without merit and his removal as director was perfectly valid and proper and was made in the interest of the company.

Supreme Court
of Hong Kong
High Court

No. 57

Affirmation of
Hu Ca Fee
dated 18.5.1982

10 5. I crave reference to paragraph 26 of the Plaintiff's said affirmation. The Plaintiff has there asserted that he owns 250,000 shares in Ocean Land. There is now produced and shown to me marked "HCF-4" a copy of the relevant page in the register of members of Ocean Land. It will be seen that the Plaintiff became a shareholder of 248,000 shares of Ocean Land on 8th May 1982.

6. In the time available to us, it has not been possible to deal with every matter raised in the Plaintiff's said affirmation and our failure to do so is not to be taken as any admission of the allegations. Any suggestion that we have not discharged our duties properly or that we have not exercised our independent judgment is denied. We should also make it quite clear that we challenge the bona fides of the Plaintiff in commencing
20 these proceedings and obtaining the ex parte Orders.

AFFIRMED at Room 1225, Prince's Bldg. }
this 18th day of May, 1982. } (Sd.) Hu Ca Fee

Before me,

GWEN W. K. LO
Solicitor, Hong Kong.

This Affirmation is filed on behalf of the 3rd to 8th Defendants.

OCEAN-LAND'S AGENDA OF DIRECTORS' MEETING
dated 18.5.1982

OCEAN-LAND DEVELOPMENT LIMITED

No. 58

Notice is hereby given that a meeting of the directors of Ocean-Land Development Limited will be held at 4/5th floor, New Henry House, 10, Ice House Street, Hong Kong, on Tuesday, 18th May, 1982 at 12 Noon.

Ocean-Land's
Agenda of
Directors' Meeting
dated 18.5.1982

A G E N D A

1. To consider what should be done in connection with High Court Action No. 19 of 1982.
2. To give instructions to Messrs. Johnson, Stokes and Master. **10**

(Sd.) HSIN TING CHIA (director)

18th May, 1982

NOTICE OF APPEAL dated 26.5.1982

No. 59

TAKE NOTICE that the Court of Appeal will be moved on the 22nd June, 1982 at 10.00 in the forenoon or so soon thereafter as Counsel can be heard on behalf of the abovenamed Appellant/Plaintiff on Appeal from the Order herein of the Honourable Mr. Justice Fuad made on the 20th day of May 1982 whereby it was ordered that:—

Notice of Appeal
dated 26.5.1982

1. The general endorsement of the Writ of Summons dated the 15th May, 1982 be struck out.
2. The action herein be dismissed. **20**
3. The interlocutory injunctions ordered by The Honourable Chief Justice on the 15th day of May, 1982 be set aside.

For an order that:—

1. The Order of The Honourable Mr. Justice Fuad be set aside and the action herein be restored.
2. The Respondents/Defendants and each of them may be ordered to pay to the Appellant/Plaintiff the costs of this Appeal and of the hearing before The Honourable Mr. Justice Fuad.
3. The following injunctions ordered by The Honourable The Chief Justice continue, namely:— **30**

The 1st to 7th Respondents/Defendants (inclusive) either by themselves their servants or agents, and the 8th Respondent/Defendant whether by its officers, servants agents or otherwise howsoever be restrained from:

- (a) Interfering with the lawful discharge by the Appellant/Plaintiff of his functions and duties as a Director of the 8th Respondent/Defendant.
- (b) Holding or purporting to hold any Meeting of Directors of the 8th Respondent/Defendant without giving reasonable prior notice to the Appellant/Plaintiff of any such meeting.
- (c) Holding or purporting to hold any Meeting of Directors of the 8th Respondent/Defendant without giving the Appellant/Plaintiff a reasonable opportunity to attend thereat.

Supreme Court
of Hong Kong
High Court

No. 59

Notice of Appeal
dated 26.5.1982

AND FURTHER TAKE NOTICE THAT the Grounds of this Appeal are:—

- 10 1. That having considered the following Article of the 8th Respondent/Defendant Company, namely:—

Article 73:

The Office of an Ordinary Director shall be vacated:—

- (d) If he is requested in writing by all his Co-Directors to resign:

The Learned Judge was wrong in Law in holding that a Notice dated the 12th day of May 1982 signed by the 1st to 7th Respondents/Defendants inclusive was valid in Law despite the fact that the Respondents/Defendants, on the evidence, acted in bad faith and not in the interests of the Company.

- 20 1.(b) The Affidavit evidence before the Court showed prima facie that the 1st to 7th Respondents/Defendants, or some of them, (and in particular the 1st and 2nd Respondents/Defendants) in exercising their powers as Directors under Article 73 (d) were not doing so bona fide in the interests of the Company. Accordingly the Learned Judge erred in ruling that the said Notice was nonetheless valid in law.
2. That in the absence of a Statement of Claim, there was no material upon which the Learned Judge could have concluded that the Appellant/Plaintiff's case, as disclosed in the Affidavit evidence before the Court, was plainly and obviously bad.

The Appellant/Plaintiff reserves the right to add to these grounds of Appeal.

Dated the 26th day of May, 1982.

(Sd.) PETER MARK & Co.
Solicitors for the
Appellant/Plaintiff.

30

Supreme Court
of Hong Kong
High Court

RESPONDENT'S NOTICE dated 5.6.1982

RESPONDENT'S NOTICE UNDER ORDER 59 RULE 6(2)

No. 60

Respondent's
Notice
dated 5.6.1982

TAKE NOTICE that the 3rd to 8th Respondents, while seeking to uphold the judgment and order entered for these Respondents against the Plaintiff upon the hearing of their application before the Honourable Mr. Justice Fuad on the grounds on which such judgment and order were in fact given and entered, desire to contend on the appeal that the said judgment and order should be affirmed on the following other grounds, namely:—

- (1) That the learned judge ought to have struck out the general endorsement of the Writ of Summons dated the 15th May, 1982 and set aside the 10 interlocutory injunctions ordered by the Honourable the Chief Justice on the same date on the ground that where there are alleged breaches of duty by directors of a limited company, any wrong committed as a result of such breaches of duty is to the limited company who is the only proper Plaintiff, and not some other director of the limited company who has no *locus standi* to sue in his own name.
- (2) That in any event the action as constituted and the proceedings by the Plaintiff thereunder were frivolous, vexatious and/or otherwise an abuse of process.

AND FURTHER TAKE NOTICE that these Respondents will apply to the 20 Court of Appeal for an Order that the Appellant pay to these Respondents the costs occasioned by this Notice to be taxed.

Dated this 4th day of June, 1982.

(Sd.) JOHNSON, STOKES & MASTER
Solicitors for the 3rd to 8th Respondents

To: The Appellant and to Messrs. Peter Mark & Co.,
11th floor Grand Building
15-18 Connaught Road Central
Hong Kong, his Solicitors.

JUDGMENT OF COURT OF APPEAL
dated 9.7.1982

IN THE COURT OF APPEAL

Coram : HON. CONS, ZIMMERN, J.J.A. & HOOPER, J.
Date : 9th July, 1982.

Civil Appeal
No. 64 of 1982

Supreme Court
of Hong Kong
Court of Appeal
Civil Appeal
of 1982

No. 61

JUDGMENT

Cons, J.A.:

Judgment of
Cons, J.A.
dated 9.7.1982

Ocean Land Development Limited is a public company incorporated in Hong Kong in August 1972. The persons who were the first to seventh defendants in the proceedings below were then appointed directors and have remained so ever since, the first defendant Mr. Chou Wen Hsien being the Chairman and the Managing Director. The plaintiff Mr. Samuel Tak Lee was also appointed a director at the same time.

The principal business of the company appears to be in the development of real estate and in shipping. The plaintiff concedes that he has little knowledge of shipping affairs but as an experienced architect he is keenly interested in the real estate side and it was in this field that earlier this year he began to feel concern as to the way in which the business of the company was being run, in particular as to the disposal of certain assets of the company, and of its subsidiaries, some three years before. He tried to delve deeper but found his enquiries blocked at almost every turn. He took this to be part of a deliberate policy by the management and accordingly exercised his right as a director to summon a board meeting at which he proposed to express his anxiety and the reasons upon which it was based. The meeting was originally fixed for the 11th May, but this appearing to be inconvenient to many of the directors, was re-fixed for the 17th May, which happened to be a Monday.

The plaintiff's fears that the management were trying to muzzle his criticism were in his own mind confirmed when, on the Saturday morning preceding the meeting, he was handed a letter signed by all the other directors requesting him to resign. This situation is provided for in Article 73.

"73. The Office of an Ordinary Director shall be vacated:—

- 30
- (a) If he becomes bankrupt or insolvent or compounds with his creditors;
 - (b) If he becomes of unsound mind;
 - (c) If he be convicted of an indictable offence;
 - (d) *If he is requested in writing by all his co-directors to resign;*
 - (e) If he becomes prohibited from being a Director by reason of any order made under Section 223 or 275 of the Ordinance;
 - (f) If he gives the Company one month's notice in writing that he resigns his office.

But any act done in good faith by a Director whose office is vacated as aforesaid shall be valid unless, prior to the doing of such act, written notice shall have been served upon the Company or an entry shall have been made in the Directors' Minute Book stating that such Director has ceased to be a Director of the Company."

Much incensed by this the plaintiff hurriedly consulted his legal advisers, and by 7:30 the same evening he had obtained ex parte injunctions from the Chief Justice, which in effect required the other directors to treat him as still being a member of the board, and in particular restrained them from interfering with the meeting called for the following Monday. The affidavit in support alleged that each of the directors had, for various reasons which were there set out, acted otherwise than bona fide in what they believed to be the best interests of the company and that their actions were therefore of no effect in law. The accompanying writ was endorsed for a number of declarations in addition to the injunctions, but all were dependent upon the principal claim that the notice under Article 73(d) was null and void. **10**

The plaintiff was thus able to attend the meeting on the Monday morning. It availed him nothing however, for he was the only director to turn up.

The inter partes summons to continue or discharge the injunctions had been set down for the Wednesday morning, that is the 19th May, before Fuad, J. In the meantime however other summonses had been taken out, and made returnable on the same day, **20** by the first and second defendants on the one hand and the third to eighth defendants, the eighth being the company itself, on the other. The summonses were identical and issued under Order 18 r. 19, asking that the plaintiff's writ be struck out on the grounds that:

- (1) the action was irregularly constituted;
- (2) the writ disclosed no reasonable cause of action;
- (3) the action was frivolous and vexatious and otherwise an abuse of the process of the court.

The defendants summonses were heard first, the proceedings continuing into the following day when Fuad J. found in their favour. He concluded that the action was **30** frivolous and vexatious. He took the view that the plaintiff was not entitled to go behind the letter or to investigate the reasons or motives which led the directors into making their decision. The judge added that in any event the matters disclosed in the plaintiff's affidavit were not sufficient to support the allegations of bad faith.

The plaintiff now appeals. The submissions of his counsel can I think be fairly put as follows:

- (1) the power which Article 73(d) confers on the directors is a fiduciary power which can only be exercised bona fide in the best interests of the company;
- (2) a request made under that Article has no validity ipso facto and if activated **40** by bad faith it has no validity at all;
- (3) although the judge did not actually rule on this point, the plaintiff has the right to claim relief as an individual director. (Respondents' Notices allege the contrary).

- (4) whether or not the plaintiff's claim might eventually prove successful, it is not completely unarguable.

Supreme Court
of Hong Kong
Court of Appeal
Civil Appeal
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It may be most convenient to deal with the second point first. With respect to counsel it seems to me impossible to maintain that the request has not taken effect. The language of the article leaves no room for doubt or uncertainty. The office *shall* be vacated once any event therein mentioned occurs. That vacation must take place immediately. The position would otherwise be intolerable. No one would know who really constituted the board.

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Judgment of
Cons, J.A.
dated 9.7.1982

- 10 Farwell J. took the same view in *In re. The Bodega Company Ltd.*¹ The relevant article there provided that "The office of any director shall be vacated—if he becomes bankrupt, if he becomes lunatic . . . if he be concerned in or participate in the profits of any contract with the company not disclosed to and authorised by the board". It was the last mentioned situation that occurred. The learned judge said this²:

- 20 "In my opinion it is quite plain on the words of the article that he ipso facto, or automatically, vacates his office on the act being done; there is no distinction between this and the other events mentioned in the article, e.g. bankruptcy, and in none of them is there any locus poenitentiae for him, or any means by which the directors can condone the offence or the act which causes the vacation. The office is vacated automatically, . . ."

- 30 There may be occasions when the act which has vacated the office is subsequently nullified. That would happen for example in a case like ours if a director convicted of an indictable offence is acquitted on appeal or if a court subsequently sets aside a request made under paragraph (d). The conviction or request will then be considered as never having taken place. But that result is not achieved until the subsequent reversal. In the meantime the conviction or vacation of office holds good. There is authority for this. *Gaiman and others v. National Association for Mental Health*³ was concerned with the articles of an association without share capital but limited by guarantee. One article provided that a member should cease to be a member of the association if he were requested by resolution of the council to resign. It was alleged that the council had acted under that article in breach of its fiduciary duty to act for the benefit of the association as a whole and that the expulsion of the plaintiffs was therefore invalid. Megarry J. as he then was, said this⁴:

"If the council had acted in breach of its fiduciary duty towards members of the association, this could hardly mean that the council's acts were invalid. A breach of trust is not a nullity, but a ground for complaint."

- 40 A similar opinion had been expressed a few months earlier in *Bamford v. Bamford*⁵ where the question was whether a company could in general meeting ratify an allotment of shares assumed, for the purposes of the argument, to have been made by the board not acting bona fide in the best interests of the company. Russel L.J. (at 241) said:

¹ [1904] 1 Ch. 276

² at 283

³ (1970) 3 W.L.R. 42

⁴ at 54

⁵ (1970) 1 Ch. 212

“But unless the allotment is avoided in proceedings it is effective.”

And again (at 242):

“Basically the argument treats an allotment by directors otherwise than bona fide in the interests of the company as a nullity, which it is not.”

It is suggested that from its very own wording the letter in the instant case could not be effective, for it requires the plaintiff to resign his office “with effect from the date of this notice”, that being expressed as the 12th May, yet was not delivered until the 15th. A director, it is said, cannot resign retrospectively.

This point was not taken below and objection is taken to our receiving it now. **10**
But apart from that I do not think it is well founded. The effective date of a request can only be that on which it is actually communicated.

For these reasons I am satisfied that the plaintiff ceased to be a director of the company as from the 15th May.

I turn then to the first submission, that the power given by Article 73(d) is a fiduciary power. It is not disputed that if so it must be exercised bona fide in the interests of the company. The defendants say that it is simply not a power at all, or that if it is, then it is not of the kind that has to be exercised in the interests of the company.

Their principal argument, if I understand it correctly, is that because most, if not all, of the other events specified in Article 73 as bringing about the vacation of the office of director, can in no way be said to be the exercise of a power by directors the same must apply to paragraph (d). With respect, that sounds to me very much like an allegation of guilt by association, which I am not prepared to accept. I do not say that juxtaposition can never be of assistance in the construction of a document. Words, like men, may sometimes be judged by the company they keep. An example is the ejusdem generis rule. But the present situation is far from that. I can discern no common thread running through the six paragraphs of Article 73, other than the effect they have. **20**

The alternative argument is that powers need only be exercised in the best interests of a company if they are exercised by directors qua directors and not as private individuals; that the capability of asking a director to resign is not exclusive to persons who are directors of companies, it exists in every individual; that in the present case the directors have acted as individuals; and that therefore no question of a power is involved. **30**

The short answer to this point is that the directors did not in fact act as individuals. They acted qua directors. They were careful to point this out in their letter, because otherwise it would have had no effect, except perhaps by way of moral persuasion. It is the fact of their being directors that gives the letter its force. In my view they clearly acted under directors' powers.

Yet not every such power is subject to the restriction that it can only be exercised for the benefit of the company. The House of Lords case of *Bersel Manufacturing Co. v. Berry*⁶ contains an example of one that was not. There power was given to two permanent life **40**

⁶ (1968) 2 A.E.R. 552

directors “to terminate forthwith the directorship or any of the ordinary directors of the company by notice in writing”. Their Lordships found it not intended for the benefit of the company, but for the benefit of the two life directors themselves “in order that it might serve their own interests in preserving their position in the company”⁷. As Diplock L.J. had apparently observed in the Court of Appeal “the special powers given to the two directors are not director’s powers in the ordinary sense. They are not exercised in directors’ meetings but as special powers simply to appoint and dismiss other directors”⁸.

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The nature of the power must be a question of construction in each individual case. In *Bersel*⁶ that came before the House as a preliminary point of law. Lord Wilberforce
10 criticised the procedure. He said⁹:

Judgment of
Cons, J.A.
dated 9.7.1982

“This, in my opinion, is unfortunate. Documents, including articles of association, ought to be interpreted in the light of the circumstances in which they were drawn up. To require the court to construe them in isolation, purely as words printed on paper, as this procedure does, is to put the court in blinkers and to deprive it of legitimate and necessary assistance.”

We labour under the same handicap, although we do not need to come to a final conclusion if we think there may be some force in the plaintiff’s submission. Perhaps however it makes no difference. It is acknowledged that a provision of this kind is by
20 no means uncommon in companies incorporated in Hong Kong and we may fairly safely assume that no particular circumstances dictated its inclusion in the Articles of Ocean Land Development Ltd.

Taking paragraph (d) then simply as it stands it seems to me that a particular director is to be expelled from the board if each and every other director is sufficiently of the opinion that the particular director is no longer suitable to be a director that he is willing to put that opinion in the form of a written request. That is to say that each director has an individual power, although it can only be effectively exercised with the express concurrence of all the other directors. It is like that in *Bersel*⁶, not a director’s power in the ordinary sense that it is to be exercised by resolution of the board. On the other
30 hand it is not there to serve the private interests of the individual directors. There would seem to be no reason for that. It is there to cater for circumstances in which it is desirable for the sake of the company that one director should relinquish his office but which may be so unusual or particular that the articles cannot be expected to provide for them in advance. Counsel suggests, by way of illustration, that a similar power given by articles to say the Chairman of the Hong Kong Stock Exchange, could not possibly be construed as a fiduciary power, only to be exercised for the benefit of the company. With respect I would take the opposite view. Unless the Chairman had some particular interest in the company I can conceive of no other purpose.

I would then agree with counsel for the plaintiff that if any one of the directors
40 could be shown in signing the letter to have acted from some private ulterior purpose the court would set the vacation aside, assuming of course that the action in which that was requested was properly brought. That is the next question to be considered.

⁷ at 555 E
⁸ at 555 C
⁹ at 557 A

It is a well settled rule, I think, that in general circumstances an action can only be brought by the person who has himself suffered the injury. In *Prudential Insurance Co. Ltd. v. Newman Industries Ltd.*¹⁰ the English Court of Appeal referred to:

“ . . . the elementary principle that A cannot, as a general rule, bring an action against B to recover damages or secure other relief on behalf of C for an injury done by B to C. C is the proper plaintiff because C is the party injured, and, therefore, the person in whom the course of action is vested. This is sometimes referred to as the rule in *Foss v. Harbottle* (1843) 2 Hare 461 when applied to corporations, but it has a wider scope and is fundamental to any rational system of jurisprudence.”

10

There is an exception to the rule where what has been done amounts to fraud and the wrongdoers are themselves in control of the company. The rule is then relaxed in favour of the aggrieved minority, who are allowed to bring a minority shareholders action on behalf of themselves and all others. That has not happened here.

What the plaintiff argues is that in the present instance wrongs have been done to him personally, as well as to the company. He relies principally on two cases, *Pulbrook v. Richmond Consolidated Mining Co.*¹¹ and *Hayes v. Bristol Plant Hire Ltd.*¹²

In *Pulbrook*¹¹ the qualifying shares of a director were by mistake transferred out of his name. He took a successful action in the Common Pleas Division to have the register rectified and the order of that court was confirmed upon appeal. Nevertheless the other directors refused to permit him to act as such, whereupon he moved in the Chancery Division for an injunction to restrain them from thus interfering with his rights. It was argued that the action ought to have been brought in the name of the company. Jessel M.R. did not agree. He said (at page 612):

“Now it appears to me that this is an individual wrong, or a wrong that has been done to an individual. It is a deprivation of his legal rights for which the directors are personally and individually liable. He has a right by the constitution of the company to take a part in its management, to be present, and to vote at the meetings of the board of directors. He has a perfect right to know what is going on at these meetings.”

30

“It appears to me that for the injury or wrongdone to him by preventing him from attending board meetings by force, he has a right to sue. He has what is commonly called a right of action, and those decisions which say that, where a wrong is done to the company by the exclusion of a director from board meetings, the company may sue and must sue for that wrong, do not apply to the case of a wrongdone simply to an individual.”

*Hayes*¹² was a case where one director had been expelled by resolution of the board at a meeting when he was not present. He sought declarations that the resolution was invalid and consequential injunctions. The preliminary point was taken that he had not a sufficient proprietary interest in the company to maintain the action. Wynn-Parry J., following *Pulbrook*¹¹, took the view that he did.

¹⁰ (1982) 2 W.L.R. 31 at 37

¹¹ (1878) 9 Ch. D. 610

¹² (1957) 1 W.L.R. 499

At first sight these cases appear to be authorities strongly in favour of the plaintiff, but the distinction is simply this. The plaintiff in each had his own personal cause of action, unlawful force. In *Hayes*¹² it was not expressly put that way, but it follows from the assumption made, for the sake of deciding the preliminary point, that he was and had been a director of the company at all material times. Thus in neither case did the plaintiff need to rely on a cause of action given to someone else. In the present he does. There is a great temptation to re-phrase the words of Jessel M.R. to read “it appears to me that for the injury or wrongdone to him by preventing him from attending board meetings by an abuse of power, he has a right to sue”. But that cannot be, for the first part of the sentence
10 then becomes incorrect. The wrong is not “done to him”, it is done to the company. His injuries are coincidental by-products of that wrong and for which he has no cause of action.

Two other cases put forward by the plaintiff take the matter no further. *Edwards v. Halliwell*¹³ was an action brought by members of a trade union seeking to set aside an increase in subscriptions imposed by a resolution passed, so the plaintiffs alleged, without the authority of a sufficient proportion of members present. It was not however an action by the plaintiffs, “. . . in the right of the Union”, i.e. relying on a cause of action given to the union “but in their own right to protect from invasion their own individual rights as members.”¹⁴

*Stuart v. Mansion House Chambers Co. Ltd.*¹⁵ is a briefly reported case from 1866.
20 Kay J. refused to interfere where a director had been dismissed by a special resolution of the company, as provided for in the article. He commented:

“The law was settled that even where a director was removed, under such a power as existed here, for reasons which the court would not have thought sufficient for removing him, yet the court would not interfere. The only ground for interference was where the removal was something quite improper and almost, if not quite, fraudulent.”

It is suggested that if the court will interfere where the company itself has removed a director in a way that is almost, if not quite, fraudulent, a fortiori will it interfere where only the directors have done so. That may be so. But I do not take Kay J. as
30 conferring upon the unfortunate director a cause of action not otherwise available to him. He was merely emphasising the need to establish a strong case before the court would even consider interfering in the interval affairs of a limited company. The facts before him were not of that order and he did not have to go further. Indeed, he did not even call upon counsel for the defendant company.

For these reasons I think the judge’s order was correctly made. I appreciate that in this particular instance it does stop the plaintiff in limine, that in the well known words of Fletcher-Moulton L.J. in *Dyson v. Attorney-General*¹⁶ the plaintiff is “‘driven from the judgment seat’ without any court having considered his right to be heard”. But as
40 that it could not have been argued with greater clarity or wisdom—and I have come to the conclusion that it is within the exception to those well known words, namely that the cause of action is obviously and almost uncontestably bad.

¹² (1950) 2 A.E.R. 1064

¹⁴ at page 1067 H

¹⁵ (1866) 2 T.L.R. 761

¹⁶ (1911) 1 K.B. 410

I do not therefore propose to consider whether the facts put forward by the plaintiff were sufficient, at least prima facie, to maintain the cause of action had it been open to him, although I would add, in deference to counsel, that there seems to me to be considerable force in his argument that in this respect the judge did omit to consider what was put forward as the history and background of the events. I would dismiss the appeal.

(D. CONS)
Justice of Appeal

Zimmern, J.A.:

I have had the benefit of reading a draft of the judgment of my brother Cons and respectfully agree with it save for one matter which does not affect the decision. It is the quality of the power, if any, given to the co-directors under Article 73(d). **10**

Mr. Ching for two of defendant directors contended that no power is vested in the co-directors at all for under Article 73 as a whole the office of an ordinary director is vacated upon the occurrence of an event set out and in the case of (d) the event is the request in writing. I cannot accept this "birds of a feather" argument. If under the Article, co-directors may by their conduct bring about a state of affairs, in this case the ousting of a fellow director, it cannot be said that they have not been vested with powers to bring this about. In my view, the promoters of the Company in so framing Article 73(d) had been careful in avoiding any suggestion that such powers are to be exercised by committee at a board meeting. There is no mention of any resolution, notice or agenda for a board meeting. All that is required in the clearest possible language is for all the co-directors to sign a request in writing and the requested director is out of office. I agree with the learned judge in the Court below that the exercise of the power under this sub-article cannot be challenged by the ousted director either personally or in a derivative action, save in instances of actual fraud. An aggrieved ousted director can have no conceivable cause of action against the Company. Each director accepted appointment with full knowledge of Article 73(d) which binds him. The co-directors when exercising that power do not act collectively as a board nor do they act on behalf of the Company which in turn has no cause of action against the co-directors. I am of the opinion that the power is vested in each director personally to be exercised in that very limited way as he thinks fit without being tied by fiduciary duties owed to the Company. If it were otherwise there would be uncertainties about the composition of the board and this case is an example. Such uncertainties are rarely in the best interests of the Company. **20**

I also agree that the appeal be dismissed.

(A. ZIMMERN)
Justice of Appeal

Hooper, J.:

I have had the benefit of reading a draft of the judgment of my brother Cons and respectfully agree with it in its entirety. I had in fact prepared a draft judgment myself reaching the same conclusion but do not propose to read it out as it would to a large extent be repetitious and time consuming and would serve no useful purpose.

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(N. B. HOOPER)
Judge of the High Court

Hooper, J.
dated 9.7.1982

Michael Sherrard, Q.C., Simon Goldblatt, Q.C., Henry Litton, Q.C. & John Bleach
(M/S Peter Mark & Co.) for Appellant/Plaintiff.

10 Charles Ching, Q.C., A. Sakhrani, Q.C. & Ronny Wong (M/S Robert W.H. Wang &
Co.) for 1st and 2nd Respondent/Defendant.

Richard Sykes, Q.C., Denis Chang, Q.C. & Robert Kotewall (M/S J.S.M.) for 3rd to
8th Respondents/Defendants.

**NOTICE OF APPLICATION FOR LEAVE TO APPEAL
dated 22.7.1982**

No. 62

TAKE NOTICE that the Court of Appeal will be moved at 9.30 o'clock in
the fore-noon on Friday, the 30th day of July, 1982 or so soon thereafter as Counsel for
the Appellant can be heard for leave to appeal to Her Majesty the Queen in Her Privy
Council from the Judgment of this Honourable Court dated 9th July, 1982 in accordance
20 with the attached Notice of Motion.

Notice of
Application for
Leave to Appeal
dated 22.7.1982

Dated the 22nd day of July, 1982.

(PETER MARK & Co.)
Solicitors for the Appellant.

**NOTICE OF MOTION FOR LEAVE TO APPEAL
dated 22.7.1982**

No. 63

TAKE NOTICE that the Court of Appeal will be moved on Friday, the 30th
day of July 1982, at 9.30 o'clock in the fore-noon at the sitting of the Court or so soon
thereafter as Counsel can be heard, by counsel on behalf of the abovenamed Appellant
for an Order that leave be granted to the Appellant to appeal to Her Majesty the Queen
30 in Her Privy Council from the Judgment of this Honourable Court pronounced by the
Court on the 9th July, 1982 the Appellant undertaking to comply with the provisions of
the Rules and Instructions concerning Appeals to Her Majesty the Queen in her Privy
Council.

Notice of Motion
for Leave to
Appeal
dated 22.7.1982

Dated the 22nd day of July 1982.

(PETER MARK & Co.)
Solicitors for the Appellant.

Supreme Court
of Hong Kong
High Court

ORDER dated 30.7.1982

No. 64

Order
dated 30.7.1982

UPON READING the Notice of Motion herein dated the 22nd day of July, 1982 on behalf of the Plaintiff/Appellant, SAMUEL TAK LEE, for conditional leave to appeal from the Judgment of the Court of Appeal dated the 9th day of July, 1982 to the Judicial Committee of the Privy Council pursuant to the Order in Council regulating appeal from the Court of Appeal for Hong Kong to Her Majesty the Queen in Council.

AND UPON HEARING Leading Counsel for the Plaintiff/Appellant, Counsel for the 1st and 2nd Defendants/Respondents, and Counsel for the 3rd, 4th, 5th, 6th, 7th and 8th Defendants/Respondents.

IT IS ORDERED that the Plaintiff do have leave to appeal to Privy Council 10 in condition that:

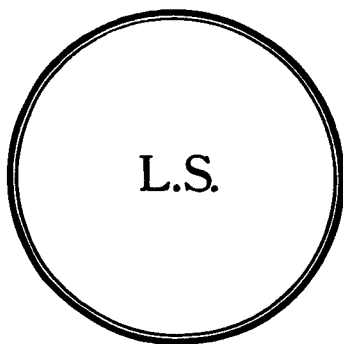
- (1) the Plaintiff do enter into sufficient security, to the satisfaction of the Court, in the sum of \$100,000.00 within 3 months;
- (2) the Plaintiff do prepare and despatch the Records to England within 3 months; and

AND IT IS ORDERED that there be Liberty to apply.

AND IT IS FURTHER ORDERED that the costs of this application be costs in the appeal.

Dated the 30th day of July, 1982.

Registrar



At the Court at Buckingham Palace

The 31st day of July 1984

PRESENT

THE QUEEN'S MOST EXCELLENT MAJESTY IN COUNCIL

WHEREAS there was this day read at the Board a Report from the Judicial Committee of the Privy Council dated the 31st day of July 1984 in the words following viz:—

“ WHEREAS by virtue of His late Majesty King Edward the Seventh's Order in Council of the 18th day of October 1909 there was referred unto this Committee the matter of an Appeal from The Court of Appeal of Hong Kong between Samuel Tak Lee Appellant and (1) Chou Wen Hsien (2) Chow Chung Kai (3) Ann Tse Kai (4) Gaw Siong Chwan (5) Hsin Ting Chia (6) Hu Ca Fee (7) Cheng Wei Shue and (8) Ocean Land Development Limited Respondents (Privy Council Appeal No. 51 of 1982) and likewise the humble Petition of the Appellant setting forth that the Appellant brought an action in the Supreme Court against the Respondents claiming various declarations to the effect that the Appellant was and remained a Director of the 8th Respondent and other relief: that on 15th May 1982 on the application ex parte of the Appellant the Supreme Court granted injunctions restraining the Respondents from interfering with the lawful discharge by the Appellant of his functions and duties as a Director of the 8th Respondent: that by Order of 20th May 1982 the Supreme Court struck out the Appellant's writ of summons dismissed the action with costs to the Respondents and discharged the interlocutory injunctions granted on 15th May 1982: that the Appellant appealed and the Court of Appeal by its Judgment of 9th July 1982 dismissed the Appeal: that by Order dated 30th July 1982 the Court of Appeal granted the Appellant leave to appeal to Your Majesty in Council: And humbly praying Your Majesty in Council to take this Appeal into consideration and that the Judgment of the Court of Appeal of Hong Kong of 9th July 1982 may be reversed altered or varied and for further or other relief:

“ THE LORDS OF THE COMMITTEE in obedience to His late Majesty's said Order in Council have taken the Appeal and humble Petition into consideration and having heard Counsel on behalf of the Parties on both sides Their Lordships do this day agree humbly to report to Your Majesty as their opinion that this Appeal ought to be dismissed and the Judgment of the Court of Appeal of Hong Kong dated 9th July 1982 affirmed:

“ AND in case Your Majesty should be pleased to approve of this Report then Their Lordships do direct that there be paid by the Appellant to the Respondents their costs of this Appeal incurred in the said Court of Appeal and the sum of £15,821·00 for their costs thereof incurred in England.”

HER MAJESTY having taken the said Report into consideration was pleased by and with the advice of Her Privy Council to approve thereof and to order as it is hereby ordered that the same be punctually observed obeyed and carried into execution.

WHEREOF the Governor or Officer administering the Government of Hong Kong and its Dependencies for the time being and all other persons whom it may concern are to take notice and govern themselves accordingly.

N. E. LEIGH.

ON APPEAL
FROM THE SUPREME COURT OF
HONG KONG

(APPELLATE JURISDICTION)
CIVIL APPEAL NO. 64 OF 1982

(On appeal from High Court Commercial List No. 19 of 1982)

	BETWEEN	
LEUNG TAK LEE	and	Appellant
WEN HSIEN	1st Respondent
CHUNG KAI	2nd Respondent
SE KAI	3rd Respondent
ONG CHWAN	4th Respondent
ING CHIA	5th Respondent
FEE	6th Respondent
WEI SHUE	7th Respondent
LAND DEVELOPMENT LIMITED	8th Respondent

RECORD OF PROCEEDINGS

<p>WELL DATLEY & COMPANY Scribble Lane PA Agents for MARK & CO. for the Appellant.</p>	<p>PRITCHARD ENGLEFIELD & TOBIN 23 Great Castle St. London W1. London Agents for ROBERT W. H. WANG & CO. Solicitors for the 1st and 2nd Respondents.</p>	<p>NORTON, ROSE BOTTERELL & ROCHE Kempson House, Camomile St. London EC3A 7AN London Agents for JOHNSON, STOKES & MASTER Solicitors for the 3rd to 8th Respondents.</p>
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