

# Report of the Directors

The directors herein present their report together with the audited financial statements of the Company and of the Group for the year ended 31st July, 2000.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of garments. The principal activities of the Company's principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's turnover and contribution to loss before tax by activity and geographical location of operations is as follows:

	Turnover HK\$'000	Contribution to loss before tax HK\$'000
By activity:		
Manufacture and sale of garments	712,851	(40,391)
Property rental	7,791	601
Operation of a restaurant	6,880	245
Forfeiture of deposits received in respect of a property sale transaction	—	12,004
Others	—	(1,489)
	<u>727,522</u>	<u>(29,030)</u>
By geographical location of operations:		
The People's Republic of China:		
Hong Kong	462,882	(41,332)
Elsewhere	229,214	21,218
The United States of America	20,219	(5,579)
The United Kingdom	1,596	(441)
Others	13,611	(2,896)
	<u>727,522</u>	<u>(29,030)</u>

# Report of the Directors

## FINANCIAL RESULTS

The Group's loss for the year ended 31st July, 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 51.

## DIVIDENDS

The directors do not recommend the payment of a final dividend in respect of the year. No interim dividend was declared by the Company for the year.

## CORPORATE FINANCIAL INFORMATION

The following is a summary of the published consolidated results and assets and liabilities of the Group for the five financial years from 1996 to 2000.

	Year ended 31st July,				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover	<u>727,522</u>	<u>651,984</u>	<u>905,500</u>	<u>1,045,819</u>	<u>1,030,721</u>
Net profit/(loss) attributable to shareholders	<u>(35,728)</u>	<u>(196,345)</u>	<u>(141,775)</u>	<u>32,003</u>	<u>954</u>
	As at 31st July,				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Total assets	<u>647,842</u>	<u>716,162</u>	<u>970,071</u>	<u>1,231,584</u>	<u>1,145,875</u>
Total liabilities	<u>212,891</u>	<u>245,483</u>	<u>302,987</u>	<u>371,615</u>	<u>323,160</u>
Minority interests	<u>—</u>	<u>—</u>	<u>60</u>	<u>60</u>	<u>60</u>
Shareholders' funds	<u>434,951</u>	<u>470,679</u>	<u>667,024</u>	<u>859,909</u>	<u>822,655</u>
	<u>647,842</u>	<u>716,162</u>	<u>970,071</u>	<u>1,231,584</u>	<u>1,145,875</u>

# Report of the Directors

## DIRECTORS

The directors of the Company who were in office during the year and those at the date of this report are as follows:

### *Executive directors*

Lim Por Yen (*Chairman*)

Lam Kin Ming (*Deputy Chairman*)

Lam Kin Ngok, Peter

Lam Kin Ko, Stewart

Lam Kin Hong, Matthew

So Hoi Pan

(resigned on 27th September, 1999)

### *Non-executive directors*

U Po Chu

Shiu Kai Wah

Chiu Wai

Wan Yee Hwa, Edward\*

Lai Ching Chung, Alfred\*

\* *Independent non-executive directors*

In accordance with Article 100 of the Company's Articles of Association, Messrs. Lim Por Yen, Lam Kin Ko, Stewart and Shiu Kai Wah will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 4 to the financial statements and set out below under the heading "CONNECTED TRANSACTIONS", no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding company was a party at the balance sheet date or at any time during the year.

## DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment other than statutory compensation.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### **Executive directors:**

Mr. Lim Por Yen, Chairman, aged 85, is the founder of the Lai Sun Group. He has been a director of the Company since November 1987. He is also the chairman and managing director of Lai Sun Garment (International) Limited ("LSG"), the honorary chairman of Lai Sun Development Company Limited and a director of eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited). LSG is the ultimate holding company of the Company. Mr. Lim first became involved in the property and investment business in the mid-1950's and has close to 60 years' experience in the garment business. He is an honorary citizen of the city of Guangzhou, the city of Swatow, the city of Xiamen and the city of Zhong Shan in the People's Republic of China. Mr. Lim was also one of the Hong Kong Affairs Advisers to the People's Republic of China and is a founder member of The Better Hong Kong Foundation.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Executive directors: (continued)

Mr. Lam Kin Ming, Deputy Chairman, aged 63, was appointed a director in December 1993. He is also a deputy chairman of Lai Sun Garment (International) Limited (“LSG”) and has been involved in day-to-day management in the garment business since 1958. He is also a director of Lai Sun Development Company Limited, eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited) and Lai Fung Holdings Limited. LSG is the ultimate holding company of the Company. Mr. Lam is a son of Mr. Lim Por Yen and the elder brother of Mr. Lam Kin Ngok, Peter.

Mr. Lam Kin Ngok, Peter, aged 43, was appointed a director of the Company in October 1987. He is a deputy chairman of Lai Sun Garment (International) Limited (“LSG”), the chairman and president of Lai Sun Development Company Limited, an executive director of eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited) and the chairman of Lai Fung Holdings Limited. LSG is the ultimate holding company of the Company. Mr. Lam has extensive experience in property and investment business. He is a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming.

Mr. Lam Kin Ko, Stewart, aged 52, was appointed an executive director in April 1997. Prior to his appointment, he had held the position of Consultant to the Chairman (China Affairs) of the Lai Sun Group since 1994. He has over 10 years’ experience in garment manufacturing and China trade.

Mr. Lam Kin Hong, Matthew, aged 33, was appointed an executive director of the Company in July 1999. He obtained a Bachelor of Science Degree from the University of London in 1993 and completed his training as a solicitor with an international law firm, Messrs. Richards Butler, in 1998. He is presently a member of the Law Society of Hong Kong and the United Kingdom and has considerable experience in the commercial and corporate finance fields. He is also a legal adviser of Lai Sun Garment (International) Limited. Mr. Lam is a son of Mr. Lim Por Yen and is the youngest brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

### Non-executive directors:

Madam U Po Chu, aged 75, was appointed a director of the Company in September 1989. She is also a non-executive director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited and eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited). LSG is the ultimate holding company of the Company. Madam U has over 50 years’ experience in the garment manufacturing business and was involved in the printing business in the mid-1960’s. In the early 1970’s, she started to expand the business to fabric bleaching and dyeing and also became involved in property development and investment in the late 1980’s. Madam U is Mr. Lim Por Yen’s wife.

Mr. Shiu Kai Wah, aged 68, was appointed a director in December 1993. He is also a director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited and eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited). LSG is the ultimate holding company of the Company. Mr. Shiu has over 29 years’ experience in management within the garment business.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Non-executive directors: (continued)

Mr. Chiu Wai, aged 69, was appointed a director in December 1993. He is also a director of Lai Sun Garment (International) Limited (“LSG”), Lai Sun Development Company Limited and eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited). LSG is the ultimate holding company of the Company. Mr. Chiu has over 40 years’ experience in production management and is responsible for the garment operations and administration of LSG. He has been working for the Lai Sun Group’s garment business since 1955.

Mr. Wan Yee Hwa, Edward, aged 64, was appointed a director in December 1993 and is an independent non-executive director. He has been a Certified Public Accountant in Hong Kong since 1961.

Mr. Lai Ching Chung, Alfred, aged 56, was appointed a director in December 1994 and is an independent non-executive director. He has been in the architectural practice for 30 years and was the project director for numerous prestigious commercial, residential and institutional projects in Hong Kong and commercial projects in the cities of the Mainland China including Beijing, Guangzhou, Shanghai and Wuhan. He holds a Bachelor’s Degree in Architecture from the University of Hong Kong and is a registered architect.

### Senior management:

Madam Lam Shun Yee, Sunny aged 43, is the Deputy Chief Executive Officer of the Company from October 1999. She has over 13 years’ management experience in the garment and retail business. On joining the Company in 1987, she brought with her over 10 years’ experience in retail banking with a multinational bank in Hong Kong. Her principal accountability on her appointment to this position is the implementation of the operational policy and strategy set down by the Board under the leadership of the Chairman, encompassing the management of Hong Kong and Mainland retail operations, cost control, development of the Mainland market, and repositioning of the “Crocodile” brand.

Miss Chan Lai Ping, Connie, aged 34, is the financial controller of the Company. Miss Chan is a fellow member of the Chartered Association of Certified Accountants of the United Kingdom and an associate member of the Hong Kong Society of Accountants. Prior to joining the Company in September 1999, she has 11 years’ auditing, banking and accounting experience.

Miss Lam Wai Shan, Vanessa, aged 29, joined the Company in March 1998. Miss Lam is the vice-president of the Company and is in charge of the Hong Kong Retail department. Miss Lam is a graduate of the Fashion Institute of Design and Merchandising in Los Angeles and holds a Bachelor of Arts Degree from Scripps College, California, USA. Prior to joining the Company, Miss Lam worked for two London-based design houses — Alexander McQueen and Julien MacDonald. Miss Lam is the eldest child of Mr. Lam Kin Ming and is the eldest grandchild of Mr. Lim Por Yen.

# Report of the Directors

## DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Details of the directors' remuneration and the five highest paid employees' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and the Listing Rules of The Stock Exchange of Hong Kong Limited are set out in notes 7 and 8 to the financial statements, respectively.

## DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES

As at 31st July, 2000, the interests of the directors in equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) ("the SDI Ordinance")), as recorded in the register required to be kept pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### (1) Company

	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	338,982,809 (Note)	Nil	338,982,809

*Note:* Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 338,982,809 shares in the Company. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.30% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

### (2) Associated Corporations

#### (a) Lai Sun Garment (International) Limited ("LSG")

	Number of LSG Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	484,991,750	4,451,790	Nil	Nil	489,443,540
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Nil	110,794,951
U Po Chu	3,669,000	Nil	Nil	Nil	3,669,000
Chiu Wai	199,600	Nil	Nil	Nil	199,600

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## DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES (continued)

### (2) Associated Corporations (continued)

#### (b) Lai Sun Development Company Limited ("LSD")

	Number of LSD Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	1,582,869,192 (Note)	Nil	1,780,728,742
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
U Po Chu	633,400	Nil	Nil	Nil	633,400
Chiu Wai	195,500	Nil	Nil	Nil	195,500

Note: LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 LSD Shares. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.3% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

#### (c) eSun Holdings Limited ("eSun")

	Number of eSun Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	5,522,890	Nil	951,709,306 (Note 1)	Nil	957,232,196
Lam Kin Ngok, Peter	11,421,890	Nil	Nil	35,000,000 (Note 2)	11,421,890
U Po Chu	375,000	Nil	Nil	Nil	375,000

Note 1: LSD and its wholly-owned subsidiaries beneficially owned 951,709,306 eSun Shares. LSG together with its wholly-owned subsidiary held an interest of approximately 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.3% in the issued capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

Note 2: Under an employee share option scheme of eSun, Mr. Lam Kin Ngok, Peter was granted options on 12th February, 2000 to subscribe for 20,000,000 shares and on 4th March, 2000 to subscribe for 15,000,000 shares at exercise prices of HK\$0.61 and HK\$1.40, respectively, exercisable during the periods 13th August, 2000 to 12th August, 2002 and 5th September, 2000 to 4th September, 2002, respectively, both in four six-month tranches.

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES (continued)

### (2) Associated Corporations (continued)

#### (d) Lai Fung Holdings Limited ("LFH")

	Number of LFH Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	779,958,912 (Note)	Nil	779,958,912

*Note:* LSD beneficially owned 779,958,912 shares in LFH representing an interest of 74.49%. LSG together with its wholly-owned subsidiary held an interest of approximately 42.25% in the issued share capital of LSD. Mr. Lim Por Yen (together with his spouses) held an interest of approximately 34.3% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate 42% of the issued share capital of LSG.

In addition to the above, certain directors held non-beneficial interests in the share capital of some of the subsidiaries of the Company and of its associated corporations as nominee shareholders, mainly for the purpose of complying with the statutory requirements for a minimum number of shareholders for those subsidiaries.

Save as disclosed above, as at 31st July, 2000, none of the directors or chief executives of the Company or their respective associates had any interest in the equity or debt securities of the Company or of any of its associated corporations which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or the Model Code (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which was required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

Save as disclosed above, at no time during the year was the Company, or its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the director of the Company to acquire benefits by means of the acquisition of equity or debt securities of the Company or any other body corporate.



# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2000, the parties listed below were interested in 10% or more of the total issued share capital of the Company as recorded in the register required to be kept under Section 16 (1) of the SDI Ordinance:

	Number of shares held
Joy Mind Limited	336,316,809 (Note 1)
Lai Sun Garment (International) Limited ("LSG")	338,982,809 (Note 2)
Lim Por Yen	338,982,809 (Note 3)

Note 1: Joy Mind Limited beneficially owned 336,316,809 shares in the Company.

Note 2: Joy Mind Limited was a wholly-owned subsidiary of LSG. Its interest in the Company constituted part of the interest held by LSG in the Company.

Note 3: Lim Por Yen was deemed to be interested in the shares in the Company since he (together with his spouses) held an interest of approximately 34.3% in the issued share capital of LSG.

Save for the interests disclosed above, the directors are not aware of any other person being interested in 10% or more of the issued share capital of the Company as at 31st July, 2000.

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## CONNECTED TRANSACTIONS

During the year and subsequent to the year end, the Group had the following significant transactions with connected persons:

Date of agreement	Name of company	Nature of transactions	Period	Monthly rental* HK\$
20th June, 1998	Haw Hong (Holdings) Limited ("Haw Hong")	Rental of shops	1st June, 1998 to 31st May, 2001	150,000
			1st June, 2001 to 31st May, 2003	Subject to increase at open market value
20th June, 1998	Haw Hong	Rental of advertising panels on external wall	1st June, 1998 to 31st May, 2001	150,000
			1st June, 2001 to 31st May, 2003	Subject to increase at open market value

\* Monthly rental is exclusive of rates and management fee

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## CONNECTED TRANSACTIONS (continued)

Haw Hong was a company in which Mr. So Hoi Pan, a director of the Company, who resigned on 27th September, 1999, and his associate had a 50% equity interests during the relevant period.

## ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in note 3 to the financial statements.

## FIXED ASSETS

Details of movements in the fixed assets of the Group and the Company during the year are set out in note 13 to the financial statements.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 14 to the financial statements.

## SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 15 to the financial statements.

## BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at the balance sheet date are set out in note 19 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover for the year.

The purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and suppliers.

## DISTRIBUTABLE RESERVES

As at 31st July, 2000, the Company did not have any reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the financial year ended 31st July, 2000.

# Report of the Directors

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report. The non-executive directors were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association. The Company established an Audit Committee comprising two independent non-executive directors on 31st March, 2000.

## YEAR 2000 COMPLIANCE

A comprehensive plan to address potential Year 2000 issues was implemented and completed on schedule by 30th September, 1999. No Year 2000 occurrences having any material adverse effect on the Group's businesses have been reported by any of the Group's operating units.

## AUDITORS

Ernst & Young will retire at the forthcoming annual general meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board

**Lim Por Yen**

*Chairman*