

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st July, 2000.

PRINCIPAL ACTIVITIES

The Company's principal activities have not changed during the year and consisted of property development for sale, property investment for investment potential purposes and investment holding.

The Group's principal activities have not changed during the year and consisted of property development for sale, property investment for investment potential purposes, investment in and operations of hotels and restaurants and investment holding. In addition, the Group has commenced the development and operation of, and investment in, media, entertainment and other related businesses.

SEGMENTED INFORMATION

An analysis of Group turnover and contribution/(absorption) to loss from operating activities by activities and geographical areas for the year ended 31st July, 2000 is as follows:

	Turnover HK\$'000	Contribution/ (absorption) HK\$'000
By activity:		
Sales of properties	3,466,069	(897,781)
Property rentals	602,662	424,486
Hotel, restaurant and other operations	590,932	158,952
	<u>4,659,663</u>	<u>(314,343)</u>
Other revenue		290,480
Other operating expenses		(151,608)
Loss on disposal of a long term listed investment		(3,500)
Write off of goodwill		(407,822)
Provisions for diminutions in values of fixed assets		(638,170)
Provisions for diminutions in values of properties under development		(338,388)
Provisions for diminutions in values of completed properties for sale		(383,353)
Provisions for diminutions in values of associates holding properties under development		(25,000)
Provisions for impairment in values of long term unlisted investments		(158,587)
Provision for contingent loss in respect of the Put Options (note 36(f) to the financial statements)		(245,000)
Provisions for contingent losses in respect of profit guarantees		<u>(11,480)</u>
LOSS FROM OPERATING ACTIVITIES		<u>(2,386,771)</u>

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SEGMENTED INFORMATION (continued)

	Turnover HK\$'000	Contribution/ (absorption) HK\$'000
By geographical areas:		
Hong Kong	4,296,800	(361,961)
People's Republic of China ("PRC"), excluding Hong Kong	272,232	23,138
Others	90,631	24,480
	<u>4,659,663</u>	<u>(314,343)</u>
Other revenue		290,480
Other operating expenses		(151,608)
Loss on disposal of a long term listed investment		(3,500)
Write off of goodwill		(407,822)
Provisions for diminutions in values of fixed assets		(638,170)
Provisions for diminutions in values of properties under development		(338,388)
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LOSS FROM OPERATING ACTIVITIES		<u>(2,386,771)</u>

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st July, 2000 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 40 to 113.

The directors do not recommend the payment of a final ordinary dividend for the year ended 31st July, 2000.

No interim ordinary dividend had been paid by the Company for the year.

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DIRECTORS

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

Lim Por Yen (*Honorary Chairman*)

Lam Kin Ngok, Peter (*Chairman and President*)

Lau Shu Yan, Julius

Tong Yuk Lun, Paul

Wu Shiu Kee, Keith

Lam Kin Ming

U Po Chu

Chiu Wai

Shiu Kai Wah

David Tang*

Law Man Fai*

Cheung Wing Sum, Ambrose

(resigned on 11th October, 1999)

* *Independent Non-Executive Directors*

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Dr. Tong Yuk Lun, Paul and Mr. David Tang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

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DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation other than that of a statutory nature.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 18 and note 19 to the financial statements, no director had a material beneficial interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

At no time during the year had the Company, or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTIONS

The Group consummated certain connected transactions (the "Connected Transactions") the details of which are included in notes 18, 19, 36 and 37 to the financial statements. The Connected Transactions have been approved by the Company's directors.

Report of the Directors

CONNECTED TRANSACTIONS (continued)

For those Connected Transactions of which waiver from full disclosure and obtaining independent shareholders' approval had been granted, the directors opine that such transactions have been entered into by the Group:

- (a) in the ordinary and usual course of its business;
- (b) on normal commercial terms and on arm's length basis;
- (c) where there are agreements governing such transactions, the transactions have been carried out in accordance with the terms of the agreements governing such transactions, or if there are no such agreements, the transactions have been entered into on terms no less favourable than terms available to or from independent third parties; and
- (d) on terms that are fair and reasonable so far as the shareholders of the Company are concerned and, where applicable, the transactions undertaken during the year, were within the amount as agreed with the Stock Exchange of Hong Kong Limited.

For the other Connected Transactions, the directors opine that those transactions are entered into:

- (a) on normal commercial terms and on arm's length basis; and
- (b) on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

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All relevant requirements under Chapter 14 of the Listing Rules in respect of the Connected Transactions have been properly complied with.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lim Por Yen, Honorary Chairman, aged 85, is the founder of the Lai Sun Group. He has been an executive director of the Company since June 1959. He is also the chairman and managing director of Lai Sun Garment (International) Limited ("LSG"), the chairman of Crocodile Garments Limited and an executive director of eSun Holdings Limited (formerly Lai Sun Hotels International Limited). LSG is the controlling shareholder of the Company. Mr. Lim first became involved in the property and investment business in the mid-1950's and has over 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.

Mr. Lam Kin Ngok, Peter, Chairman and President, aged 43, has been an executive director of the Company since June 1977. He is also the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Fung Holdings Limited and an executive director of eSun Holdings Limited (formerly Lai Sun Hotels International Limited) and Crocodile Garments Limited. LSG is the controlling shareholder 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Executive Directors (continued)

Mr. Lau Shu Yan, Julius, aged 44, joined the Company as an executive director in July 1991. Mr. Lau has over 10 years of experience in the property and securities industries holding senior management positions. Prior to his current appointment, he had been a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of Real Estate Developers Association of Hong Kong.

Dr. Tong Yuk Lun, Paul, aged 59, was appointed as an executive director of the Company in October 1997 and was also appointed as the vice chairman of Lai Fung Holdings Limited in June 1999. Prior to Dr. Tong's current appointments, he was an executive director and the chief executive officer of Pacific Century Regional Developments Ltd. for the period from January 1995 to September 1997. From 1978 to 1994, Dr. Tong was employed by the New World Group. He had been an executive director of Hip Hing Construction Co., Ltd. and the general manager of New World Development Co., Ltd. Dr. Tong holds B.Sc., M.Sc. and Ph.D. degrees and has extensive experience in civil, structural and geotechnical engineering. He is a member of Institution of Civil Engineers, London and Hong Kong Institution of Engineers and has also worked with British and Hong Kong engineering consulting firms.

Mr. Wu Shiu Kee, Keith, aged 37, joined the Lai Sun Group in November 1997 and was appointed as an executive director of the Company on 1st January, 1998. He has over 13 years' experience in investment research and asset management. Prior to his appointment with the Lai Sun Group in 1997, Mr. Wu served as a director and head of Hong Kong/ China Research for Peregrine Brokerage Limited. He holds a Bachelor in Science degree from the University of Toronto and a Master in Science degree from Stanford University.

Non-Executive Directors

Mr. Lam Kin Ming, aged 63, has been a director of the Company since June 1959. Mr Lam is also the deputy chairman of both Lai Sun Garment (International) Limited ("LSG") and Crocodile Garments Limited. He is a non-executive director of Lai Fung Holdings Limited and eSun Holdings Limited (formerly Lai Sun Hotels International Limited). LSG is the controlling shareholder of the Company. Mr. Lam has been involved in the day-to-day management of the garment business since 1958 and is the son of Mr. Lim Por Yen and the elder brother of Mr. Lam Kin Ngok, Peter.

Madam U Po Chu, aged 75, has been a director of the Company since December 1993. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG"), eSun Holdings Limited (formerly Lai Sun Hotels International Limited) and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Madam U has over 50 years' experience in the garment manufacturing business and had been 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 became involved in property development and investment in the late 1980's. She is Mr. Lim Por Yen's wife.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Directors (continued)

Non-Executive Directors (continued)

Mr. Chiu Wai, aged 69, has been a director of the Company since December 1993. Mr. Chiu is also an executive director of Lai Sun Garment (International) Limited (“LSG”) and a non-executive director of eSun Holdings Limited (formerly Lai Sun Hotels International Limited) and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Mr. Chiu has over 40 years’ experience in production management and is responsible for the operation and administration of the garment business of LSG. He has been working for the Lai Sun Group’s garment business since 1955.

Mr. Shiu Kai Wah, aged 68, has been a director of the Company since December 1993. He is also an executive director of Lai Sun Garment (International) Limited (“LSG”) and a non-executive director of eSun Holdings Limited (formerly Lai Sun Hotels International Limited) and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Mr. Shiu has over 29 years’ experience in the management of garment business.

Mr. David Tang, aged 46, is an independent non-executive director of the Company. He is the founder of The China Clubs in Hong Kong and Beijing, Shanghai Tang Stores and The Pacific Cigar Company Ltd. He is also a director of First Pacific Company Ltd. and FPB Bank Holdings Ltd. In community service, he is the chairman of The Hong Kong Cancer Fund and president of the Hong Kong Down Syndrome Association. He holds an Honours Degree in Philosophy and Logic. In 1983/84, he taught at Peking University.

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Mr. Law Man Fai, aged 64, is an independent non-executive director of the Company. He completed his education specialising in architecture and had served with a reputable local architects firm. He had also worked for a number of large and well-known local property development companies. He possesses extensive experience in the building industry.

Senior Management

Mr. Alan Tse, aged 37, joined the Lai Sun Group in June 1989. Mr. Tse has been the financial controller of the Company since October 1990. Mr. Tse is a Fellow of the Association of Chartered Certified Accountants with over 15 years’ financial experience.

Mr. Yeung Kam Hoi, aged 51, joined the Company as group company secretary in March 1998. Prior to his current appointment, Mr. Yeung served at various times as the company secretary of a number of listed companies in Hong Kong for over 10 years. He has been an Associate Member of The Institute of Chartered Secretaries and Administrators since 1979 and is also an Associate Member of The Hong Kong Institute of Company Secretaries and a member of Hong Kong Securities Institute.

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES

As at 31st July, 2000, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (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) the Company

	Number of Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	1,582,869,192	Nil	1,780,728,742
			(Note)		
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
U Po Chu	633,400	Nil	Nil	Nil	633,400
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Nil	1,200,000
Chiu Wai	195,500	Nil	Nil	Nil	195,500
Tong Yuk Lun, Paul	135,000	Nil	Nil	Nil	135,000
Wu Shiu Kee, Keith	200,000	Nil	Nil	Nil	200,000

Note: Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in the Company. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of LSG which, together with its wholly-owned subsidiary, in turn, held such shares in the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.

(2) Associated Corporations:

(a) eSun Holdings Limited ("eSun")

(formerly known as Lai Sun Hotels International Limited)

	Number of eSun Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	5,522,890	Nil	951,709,306	Nil	957,232,196
			(Note 1)		
Lam Kin Ngok, Peter	11,421,890	Nil	Nil	35,000,000	11,421,890
				(under share options)	
				(Note 2)	
U Po Chu	375,000	Nil	Nil	Nil	375,000
Wu Shiu Kee, Keith	200,000	Nil	Nil	Nil	200,000

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL OR DEBENTURES (continued)

(2) Associated Corporations: (continued)

(a) eSun Holdings Limited (“eSun”)

(formerly known as Lai Sun Hotels International Limited) (continued)

Notes:

1. The Company and its wholly-owned subsidiaries beneficially owned 951,709,306 shares in eSun. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of Lai Sun Garment (International) Limited (“LSG”). LSG and its wholly-owned subsidiary held, in turn, an interest of approximately 42.25% in the issued ordinary share capital of the Company which, together with its wholly-owned subsidiaries, held such eSun shares. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.
2. An employee share option scheme (the “Scheme”) was adopted by eSun in November 1996. An option was granted by eSun under the Scheme to Mr. Lam Kin Ngok, Peter on 12th February, 2000 to subscribe for 20,000,000 shares in eSun at HK\$0.61 per share exercisable during the period from 13th August, 2000 to 12th August, 2002. Another option was granted by eSun under the Scheme on 4th March, 2000 to subscribe for 15,000,000 shares in eSun at HK\$1.40 per share exercisable during the period from 5th September, 2000 to 4th September, 2002. Both options are exercisable in four 6-month tranches.

(b) Lai Fung Holdings Limited (“Lai Fung”)

	Number of Lai Fung Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	779,958,912	Nil	779,958,912

(Note)

Note: The Company beneficially owned 779,958,912 shares in Lai Fung. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of Lai Sun Garment (International) Limited (“LSG”). LSG and its wholly-owned subsidiary held, in turn, an interest of approximately 42.25% in the issued ordinary share capital of the Company which held such Lai Fung shares. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in 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 Company’s associated corporations as nominee shareholders mainly for the purpose of complying with the statutory requirement for a minimum number of shareholders for those associated corporations.

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

Report of the Directors

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

An employee share option scheme was adopted by eSun Holdings Limited (“eSun”), a subsidiary of the Company, in November 1996, whereby options to subscribe for shares in eSun have been granted to some directors of eSun. Brief details of some of such options which had been granted to a director of the Company are set out in note 2 to 2(a) on page 26.

Save as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable a 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2000, the following parties were interested in 10% or more of the total issued ordinary 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
Lai Sun Garment (International) Limited (“LSG”)	1,582,869,192 <i>(Note 1)</i>
Mr. Lim Por Yen	1,781,362,142 <i>(Note 2)</i>
Nice Cheer Investment Limited (“Nice Cheer”)	781,346,935 <i>(Note 3)</i>
Xing Feng Investments Limited (“Xing Feng”)	781,346,935 <i>(Notes 3 & 4)</i>
Mr. Chen Din Hwa	781,346,935 <i>(Notes 3 & 5)</i>

Notes:

1. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in the Company.
2. Mr. Lim Por Yen was deemed to be interested in 1,582,869,192 ordinary shares in the Company by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of LSG which, together with its wholly-owned subsidiary, in turn, held such shares.
3. Nice Cheer beneficially owned 781,346,935 ordinary shares in the Company.
4. Xing Feng was taken to be interested in 781,346,935 ordinary shares in the Company beneficially owned by Nice Cheer due to its corporate interests therein.
5. Mr. Chen Din Hwa was taken to be interested in 781,346,935 ordinary shares in the Company by virtue of his corporate interests in Nice Cheer.

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

	Location	Group Interest	Tenure	Use
1.	Cheung Sha Wan Plaza 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The Property is held for a term expiring on 30th June, 2047	Office/ commercial/ carpark
2.	Causeway Bay Plaza 1, 489 Hennessy Road, Causeway Bay, Hong Kong (The Remaining Portion of Subsection 10 of Section A of Inland Lot No. 2836 and Inland Lot Nos. 8659 and 8683)	100%	Inland Lot No. 2836 is held for a term of 99 years commencing on 30th September, 1929 and renewable for a further term of 99 years. Inland Lot Nos. 8659 and 8683 are held for a term commencing from 18th June, 1987 and expiring on 30th June, 2047	Office/ commercial
3.	Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15th April, 1929 and renewable for a further term of 99 years	Office/ commercial/ carpark