

# Report of the Directors

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

## PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding.

The Group's principal activities have not changed during the year and consisted of property development for sale and property investment for rental purposes.

## SEGMENT INFORMATION

An analysis of the Group turnover and operating profit/(loss) by activity for the year ended 31st July, 2000 is as follows:

	Turnover HK\$'000	Operating profit/ (loss) HK\$'000
By activity:		
Sale of completed properties	134,639	(768)
Rental income	<u>56,954</u>	<u>17,702</u>
	<u>191,593</u>	<u>16,934</u>

No geographical analysis is presented as over 90% of the Group's turnover and operating profit/(loss) are derived from activities inside the Mainland of the People's Republic of China (the "PRC").

## RESULTS AND DIVIDEND

The Group's profit for the year ended 31st July, 2000 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 28 to 65.

The directors do not recommend the payment of any dividend in respect of the year.

# Report of the Directors

## DIRECTORS

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

### Executive directors:

Lam Kin Ngok, Peter (*Chairman*)  
 Lam Kwong Siu (*Vice Chairman*)  
 Tong Yuk Lun, Paul (*Vice Chairman*)  
 Kam Kin Yat  
 Ng See Wai, Rowena

### Non-executive directors:

Lam Kin Ming  
 Hung Hing Chuen, Billy\*  
 Chan Yuk Sing\* (appointed on 1st December, 1999)  
 Wong Yee Sui, Andrew\* (appointed on 1st December, 1999)  
 Mui Chiu Ying\* (resigned on 1st December, 1999)

\* *Independent non-executive directors*

In accordance with Article 116 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Mr. Hung Hing Chuen, Billy retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company, or with any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Report of the Directors

## CONNECTED TRANSACTIONS

Save as those disclosed in notes 16 and 32 to the accounts, the Group has conducted the following connected transactions (the “Connected Transactions”) which have been approved by the Company’s directors:

- (1) On 1st September, 1998, Guangzhou Grand Wealth Properties Limited (“GZ Grand Wealth”) entered into a loan agreement with BOC, whereby BOC agreed to extend a loan in an amount of RMB120,000,000 to GZ Grand Wealth for its settlement of construction costs. The loan bore interest at market rate and was secured by the completed properties developed for sale of Eastern Place Phase II, with carrying value amounting to approximately HK\$125,000,000. As at the balance sheet date, RMB30,000,000 of the loan was outstanding.
- (2) On 14th October, 1999, the Company announced the following matters which constituted connected transactions and which had been approved by independent shareholders of the Company, Lai Sun Development Company Limited (“LSD”) and Lai Sun Garment (International) Limited (“LSG”) at the respective extraordinary general meetings held on 30th October, 1999:
  - (a) Shanghai Li Xing Real Estate Development Co., Ltd. (“Li Xing”) entered into a conditional loan agreement (“Loan Arrangement”) with BOC on 30th September, 1999, whereby BOC agreed to extend a loan in an amount of RMB80,000,000 to Li Xing for its repayment of bank borrowings and settlement of construction costs. The Loan Arrangement was secured by the first four floors of the North Tower of Hong Kong Plaza, which was valued at approximately RMB408,000,000.

Such security is provided with the intention that a new bank loan of approximately RMB150,000,000 will be granted by BOC in replacement of the said loan of RMB80,000,000 in the near future.

- (b) BOC, being one of the principal bankers of the Group, is expected to continue to provide secured loan financing (the “Financing Transactions”) and other financial and banking services (the “Other Transactions”) to the Group. Such transactions, if entered into, may constitute connected transactions for the Company in accordance with the Listing Rules, and may need full disclosure and/or prior approval of the shareholders of the Company, LSD and LSG.

On this basis, it is proposed that the Group’s entering into any future Financing Transactions or Other Transactions with BOC which are expected to be entered into in the ordinary course of business of the Group and on normal commercial terms, to be subject to the following maximum limits:

- i. the aggregate amount of all loans outstanding under any Financing Transactions not to exceed 70% of the net tangible assets of the Group as published in the latest audited accounts; and
- ii. the aggregate amount of all fees payable by the Group in respect of any Other Transactions in any financial year of the Group not to exceed 3% of the net tangible assets of the Group as published in the latest audited accounts.

The above arrangements are still in force.

## Report of the Directors

### CONNECTED TRANSACTIONS (continued)

(3) During the year, the following bank loans have been granted by BOC:

- (a) On 30th December, 1999, the Company entered into a bridging loan agreement (“Bridging Loan Agreement”) with BOC, whereby BOC agreed to extend a bridging loan in an amount of HK\$50,000,000 to the Company for its payment of interest of the HK\$600,000,000 Convertible Note. The bridging loan bore interest at market rate and was secured by 181 units of service apartments of Hong Kong Plaza, which was valued at approximately HK\$475,000,000.

On 30th June, 2000, the Company entered into a restated loan agreement (“Restated Loan Agreement”) with BOC, whereby BOC agreed to extend a loan facility in an amount of HK\$150,000,000 to the Company. This Restated Loan Agreement replaced the Bridging Loan Agreement in its entirety and bore interest at market rate. The loan facility was secured by share charges of Good Strategy Limited and Sunlite Investment Limited (“Sunlite”) together with 181 units of service apartments of Hong Kong Plaza. As at the balance sheet date, HK\$50,000,000 of the loan facility had been utilised.

- (b) On 19th June, 2000, Guangzhou Jieli Real Estate Development Co., Ltd. (“GZ Jieli”) entered into a loan agreement with BOC, whereby BOC agreed to extend a loan in an amount of RMB250,000,000 to GZ Jieli for its settlement of construction costs. The loan bore interest at market rate and was secured by the whole property under development of New Trend Plaza, with carrying value amounting to approximately HK\$484,000,000. As at the balance sheet date, RMB50,000,000 of the loan had been utilised.

- (4) On 20th January, 2000, Sunlite, a wholly-owned subsidiary of the Group, entered into conditional agreement with Shanghai Grand Development Co. Ltd. (“Shanghai Grand”) and Shanghai Central City Real Estate Corporation Ltd. (“Shanghai Central City”) relating to Li Xing whereby Sunlite as purchaser agreed to purchase (1) from Shanghai Grand a 10% equity interest in, and a shareholder’s loan in the sum of RMB48,510,972 (equivalent to HK\$45,405,253) and a capital pension contribution in the sum of RMB5,932,191 (equivalent to HK\$5,552,406) to, Li Xing at the total consideration of RMB55,853,288 (equivalent to HK\$52,277,506); and (2) from Shanghai Central City a 14% equity interest in, and a shareholder’s loan in the sum of RMB5,133,111 (equivalent to HK\$4,804,484) and a capital pension contribution in the sum of RMB8,951,854 (equivalent to HK\$8,378,748) to, Li Xing at the total consideration of RMB78,206,610 (equivalent to HK\$73,199,747).

- (5) On 20th January, 2000, Sunlite entered into a conditional agreement with Shanghai Grand and Shanghai Central City relating to Shanghai Lai Fung Department Store Co., Ltd. (“Shanghai Lai Fung Dept.”) whereby Sunlite as purchaser agreed to purchase (1) from Shanghai Grand a 10% equity interest in Shanghai Lai Fung Dept. at the consideration of RMB4,146,713 (equivalent to HK\$3,881,236); and (2) from Shanghai Central City a 14% equity interest in Shanghai Lai Fung Dept. at the consideration of RMB5,805,820 (equivalent to HK\$5,434,125).

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### CONNECTED TRANSACTIONS (continued)

- (6) On 20th January, 2000, Sunlite entered into a conditional agreement with Shanghai Grand and Shanghai Central City relating to Shanghai HKP Property Management Co., Ltd. ("Shanghai HKP") whereby Sunlite as purchaser agreed to purchase (1) from Shanghai Grand a 10% equity interest in Shanghai HKP at the consideration of RMB124,200 (equivalent to HK\$116,249); and (2) from Shanghai Central City a 14% equity interest in Shanghai HKP at the consideration of RMB173,866 (equivalent to HK\$162,735).
- (7) On 20th January, 2000, Creat Master Limited ("Creat Master"), a wholly-owned subsidiary of the Group, entered into two conditional agreements with Shanghai Central City relating to the disposal by Creat Master of all its interests in Shanghai Zhongyue Real Estate Development Co., Ltd. ("Shanghai ZY") to Shanghai Central City.

In respect of the Loan Disposal Agreement, Creat Master had conditionally agreed to assign all the rights and interest in its unsecured shareholder's loan to Shanghai ZY in the sum of RMB56,157,475 (equivalent to HK\$52,562,219) to Shanghai Central City at a consideration equal to such loan. The consideration for the Loan Disposal Agreement should be paid in cash upon completion of the Loan Disposal Agreement.

In respect of the Equity Disposal Agreement, Creat Master had conditionally agreed to sell its 85% equity interest in Shanghai ZY to Shanghai Central City at a consideration of RMB56,342,823 (equivalent to HK\$52,735,701). A deposit in the sum of approximately RMB39,381,112 (equivalent to HK\$36,859,895) should be paid in cash by Shanghai Central City upon completion of the Equity Disposal Agreement and the balance of the consideration in the sum of RMB16,961,712 (equivalent to HK\$15,875,806) (the "Balance") should be paid within one year after the date of completion of the Equity Disposal Agreement in cash. The Balance would bear an interest of 7% per annum and accruing from the date of completion of the Equity Disposal Agreement to the date of actual payment. This payment obligation was secured by charging the land use right of plot No. 74-1 situated in Luwan District which was currently owned by Shanghai ZY.

In the opinion of the Company's directors, the Connected 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 an arm's length basis;
- (c) where there are agreements governing such transactions, they 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.

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## CONNECTED TRANSACTIONS (continued)

In respect of transaction (3) above, the Company had been granted a waiver by the Stock Exchange from the strict compliance with the requirements of Chapter 14 of the Listing Rules. The transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions are:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms and fair and reasonable so far as the shareholders of the Company are concerned;
- (c) entered into in accordance with the terms of the agreement governing such transactions; and
- (d) within the amount as agreed with the Stock Exchange.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive directors:

Mr. Lam Kin Ngok, Peter, aged 43, is the Chairman of the Company and has been a director since November 1993. Mr. Lam is also the chairman and president of Lai Sun Development Company Limited, the holding company of the Company, a deputy chairman of Lai Sun Garment (International) Limited, a director of eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited) and Crocodile Garments Limited. Mr. Lam has extensive experience in property development 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 Kwong Siu, aged 66, was appointed a director and a Vice Chairman of the Company on 23rd June, 1999. Mr. Lam is also a deputy chief executive of Bank of China Hongkong-Macau Regional Office, chairman of Po Sang Bank Limited, vice chairman of Chiyu Banking Corporation Limited, director of Bank of China, CITIC Ka Wah Bank Limited, Henderson China Holdings Limited, Ananda Wing On Travel (Holdings) Limited. He has over 30 years' continuous banking experience.

Dr. Tong Yuk Lun, Paul, aged 59, was appointed a director and a Vice Chairman of the Company on 23rd June, 1999. Dr. Tong is also a director of Lai Sun Development Company Limited, the holding company of the Company. Prior to Dr. Tong's current appointment, 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 Company Limited. 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 the Hong Kong Institution of Engineers and has also worked with British and Hong Kong engineering consultancy firms.

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## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Executive directors: (continued)

Mr. Kam Kin Yat, aged 48, has been a director of the Company since November 1993 and was appointed acting chief executive on 24th June, 1999. Mr. Kam has over 20 years' experience of trading with China. Prior to joining the Lai Sun Development Company Limited group in 1991, he worked for the People's Government of Jiangsu Province and was responsible for liaising with foreign investors. He was also a director and deputy general manager of King Leader Development Company Limited, a subsidiary of Fujian Enterprises Holdings Co. Limited, the official investment vehicle of the Fujian Province. Mr. Kam was previously a director of Far East Development Company Limited, a listed company in Hong Kong.

Miss Ng See Wai, Rowena, aged 37, is an executive director and the financial controller of the Company. She graduated with a master degree in Investment & Finance from the University of Hull, United Kingdom. Prior to joining the Company, she was an executive director of BOCI Asia Limited, the investment banking arm of the Bank of China and has over 15 years of experience in investment banking.

### Non-executive director:

Mr. Lam Kin Ming, aged 63, was appointed a director of the Company on 8th September, 1997. Mr. Lam is also a director of Lai Sun Development Company Limited, the holding company of the Company, and eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited) and the deputy chairman of both Lai Sun Garment (International) Limited and Crocodile Garments Limited. Mr. Lam has extensive experience in property development and investment business. He has been involved in the day-to-day management of the garment business since 1958. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

### Independent non-executive directors:

Mr. Hung Hing Chuen, Billy, aged 47, is an independent non-executive director. He is a merchant and obtained his B.A. degree from the University of Wisconsin-Madison. He was a director of W.I. Carr Sons & Co. (Overseas) Limited, Merrill Lynch Asia Pacific Limited and also a director of Lai Sun Garment (International) Limited from September 1991 to January 1994.

Mr. Chan Yuk Sing, aged 38, was appointed an independent non-executive director of the Company on 1st December, 1999. Mr. Chan obtained his Bachelor of Laws (Honour) Degree in England in 1984 and was admitted as a solicitor in Hong Kong in 1987. He was also admitted as a solicitor in England and Wales in 1991. Currently, he is a partner of Koo and Partners, Solicitors & Notaries.

Mr. Wong Yee Sui, Andrew, aged 51, was appointed an independent non-executive director of the Company on 1st December, 1999. Mr. Wong graduated from the University of Adelaide, South Australia in 1971 and obtained a Master of Business Administration degree at Queen's University, Canada in 1974. He became a Chartered Accountant in 1976 in Quebec, Canada, and a fellow member of Hong Kong Society of Accountants in 1988. Mr. Wong has extensive experience in the auditing and finance fields in Hong Kong and overseas. He is now a partner of W. M. Sum & Co., a firm of Certified Public Accountants in Hong Kong.

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

### Senior management:

Mr. So Hiu Hung, aged 50, is an assistant vice president of the Company and has over 20 years' experience in project development and management in the PRC. Prior to joining the Group in May 1995, he was employed by Great Nortic group and Sun Hung Kai Development (China) Limited as assistant project manager. Mr. So is responsible for the day-to-day management of the Group's projects in the PRC.

Mr. Mak Wai Ming, aged 39, is a vice president of the Company. Mr. Mak holds a diploma in business management from the Chinese University of Hong Kong and has over ten years' experience in sales, leasing, property and hotel management and marketing in both Hong Kong and the PRC. He is responsible for all operational matters in respect of management, marketing, sales and leasing of the Group's projects in the PRC. Mr. Mak joined the Group in August 1999.

Mr. Choi Wai Lung, Edward, aged 32, is the chief accountant of the Company. Prior to joining the Group in February 1996, Mr. Choi has worked with an international accounting firm in Hong Kong for approximately six years. Mr. Choi is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom.

Mr. Lam Kwai Keung, Herbert, aged 29, is the senior accountant of the Company. Prior to joining the Group in November 1997, Mr. Lam has worked with an international accounting firm in Hong Kong for approximately four years. Mr. Lam is an associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants of the United Kingdom.

## DIRECTORS' INTERESTS IN THE EQUITY OR DEBT SECURITIES

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")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance (including interests which any such director was deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required to be entered in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

### (a) The Company

None of the directors and chief executive of the Company had any interest in the Company (within the meaning of the SDI Ordinance or the Model Code).



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## DIRECTORS' INTERESTS IN THE EQUITY OR DEBT SECURITIES

(continued)

### (b) Associated Corporations

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

	Number of LSD Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Tong Yuk Lun, Paul	135,000	Nil	Nil	Nil	135,000
Kam Kin Yat	50,000	Nil	Nil	Nil	50,000

#### (ii) eSun Holdings Limited ("eSun")

(formerly known as Lai Sun Hotels International Limited)

	Number of eSun Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lam Kin Ngok, Peter	11,421,890	Nil	Nil	35,000,000 (Note)	11,421,890

*Note:* An employee share option scheme was adopted by eSun on 25th November, 1996 and will remain in force for a period of 10 years. An option granted under the share option scheme may be exercised in accordance with the terms of the scheme at any time during the two-year period commencing from the expiry of six months after the date on which the option is accepted and expiring on the last day of the two-year period.

Options granted to a director of the Company are set out below:

Name	Date of Grant	No. of Options	Option Period	Subscription Price
Lam Kin Ngok,	12/02/2000	20,000,000	13/08/2000-12/08/2002	HK\$0.61 per share
Peter	04/03/2000	15,000,000	05/09/2000-04/09/2002	HK\$1.40 per share

In addition to the above, a director held non-beneficial interests in the share capital of the Company's associated corporations as nominee shareholder for the purpose of complying with the statutory requirement for a minimum number of shareholders for those corporations.

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## DIRECTORS' INTERESTS IN THE EQUITY OR DEBT SECURITIES

(continued)

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 any of its associated corporations which were required to be notified to the Company and the Stock Exchange 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 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.

Save as disclosed above, at no time during the year was the Company, its holding company, 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 shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2000, the persons 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 by the Company under Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of Shares Held	Shareholding Percentage	Note(s)
LSD	549,958,912	52.52%	—
	230,000,000	21.97%	2
LSG	549,958,912	52.52%	1
	230,000,000	21.97%	1 & 2
Lim Por Yen	549,958,912	52.52%	1
	230,000,000	21.97%	1 & 2

*Note 1:* These interests in the Company were beneficially owned by LSD. LSG and Lim Por Yen were deemed to be interested in the 779,958,912 shares in the Company held by LSD by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of about 42.25% in LSD. Mr. Lim Por Yen (together with his spouses) held an interest of about 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 an interest of about 42% in the issued share capital of LSG.

*Note 2:* Sun Chung Estate Company, Limited ("Sun Chung") held 21,429,000 shares, representing about 2.05% in the issued share capital of the Company. LSD granted an option to Sun Chung in April 1999 whereby Sun Chung has the right by serving not less than 7 days' written notice upon LSD to require LSD to sell up to 230,000,000 existing shares in the Company to Sun Chung at the price of HK\$0.65 per share (subject to adjustment) during the period commencing from 7th April, 1999 to the date falling 42 months thereafter and accordingly, for the purposes of the SDI Ordinance, Sun Chung, Bank of China and Bank of China Group Investment Limited were deemed to be interested in the said 230,000,000 shares in the Company.

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.