

Report of the Directors

DETAILS OF PROPERTIES (continued)

	Location	Group Interest	Tenure	Use
4.	Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of 99 years less the last 3 days thereof from 1st July, 1898, and was renewed for a term of another 50 years	Office/ commercial/ carpark
5.	Crocodile House 1, 50 Connaught Road Central, Hong Kong (Marine Lot Nos. 384–386)	100%	Marine Lot No. 384 is held for a term of 999 years from 7th December, 1903. Marine Lot Nos. 385 and 386 are held for a term of 999 years from 20th November, 1903	Office/ commercial
6.	Crocodile House 2, 54–56 Connaught Road Central, Hong Kong (Marine Lots Nos. 387, 388 and the Remaining Portion of Marine Lot No. 389)	100%	Marine Lot No. 388 and the remaining portion of Marine Lot No. 389 are held for a term of 999 years from 6th November, 1903. Marine Lot No. 387 is held for a term of 999 years from 20th November, 1903	Office/ commercial
7.	Lai Sun Yuen Long Centre, 21–35 Wang Yip Street East, Yuen Long, New Territories, Hong Kong (Yuen Long Town Lot No. 362)	100%	The property is held for a term of 99 years less the last 3 days thereof from 1st July, 1898, and was renewed for a term of another 50 years	Industrial
8.	Garment Centre, 576–586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong (The Remaining Portion of Section C of New Kowloon Inland Lot No.1892)	100%	The property is held for a renewed term of 24 years less the last 3 days thereof from 1st July, 1973, and was renewed for a term of another 50 years	Industrial

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DETAILS OF PROPERTIES (continued)

	Location	Group Interest	Tenure	Use
9.	Commercial podium and certain office and service apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	67%	The property is held for a term of 50 years, commencing on 16th September, 1992 and expiring on 15th September, 2042	Office/commercial/club/service apartments
10.	181 service apartment units of Hong Kong Plaza, North Tower, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	74%	The property is held for a term of 50 years, commencing on 16th September, 1992 and expiring on 15th September, 2042	Service apartments

All the Group's investment properties are situated in Hong Kong or the PRC and are held under medium or long term leases.

The principal properties under development of the Group are as follows:

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	Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
1.	Furama Court, 24-26 Kimberley Road, 55-61 Carnarvon Road and 38-40 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong	50%	Foundation work in progress	November 2002	Commercial/service apartments	The total site area is 960 sq.m. The total gross floor area will be 10,610 sq.m.
2.	Well-found Building, 486-488 Jaffe Road, Causeway Bay, Hong Kong	100%	Superstructure work in progress	January 2001	Commercial/residential	The total site area is 159 sq.m. The total gross floor area will be 1,506 sq.m.
3.	The Waterfront, 1 Austin Road West, Tsimshatsui, Kowloon, Hong Kong	10%	Superstructure work in progress	November 2000	Residential	The total site area is 16,815 sq.m. The total gross floor area will be 147,562 sq.m.

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DETAILS OF PROPERTIES (continued)

	Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
4.	Eastern Place, 787 Dong Feng Road East, Gunagzhou, Guangdong Province, PRC	74%	Phase III foundation work in progress	Late 2002	Commercial/ residential/ office	The total site area for the development is 44,252 sq.m. The total gross floor area for the development will be 222,190 sq.m.
5.	New Trend Plaza, (previously known as Rili Shanghai) 32-80 Zhongshanwu Road, 5-15 Guang Da Road and 3-7 Guangzhu Yixiang, Yue Xiu District, Guangzhou, Guangdong Province, PRC	74%	Basement construction work in progress	Early 2002	Commercial/ office	The total site area is 5,782 sq.m. The total gross floor area will be 34,733 sq.m.
6.	Guangli Building, Chang Di Main Road, Yue Xiu District, Guangzhou, Guangdong Province, PRC	74%	Resettlement of original inhabitants in progress	2005	Commercial/ office	The total site area is 8,427 sq.m. The total gross floor area will be 104,500 sq.m.
7.	Shanghai Baining Baba Plaza, Junction of Anhua Road and Kaixuan Road, Changning District, Shanghai, PRC	71%	Vacant site and in planning stage	2005	Residential/ commercial	The total site area is 36,149 sq.m. The total gross floor area will be 166,285 sq.m.

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DETAILS OF PROPERTIES (continued)

	Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
8.	Zhabei Plaza (plot 130-3), Zhabei, Shanghai, PRC	36%	Interior decoration work in progress	2001	Commercial/office	The total site area is 3,222 sq.m. The total gross area will be 17,609 sq.m.
9.	Jingshazhou, Heng Sha, Guangzhou, Guangdong Province, PRC	74%	Vacant site and in planning stage	2010	Commercial/residential	The total site area is 297,186 sq.m. The total gross floor area will be 356,623 sq.m.

DETAILS OF COMPLETED PROPERTIES FOR SALE

The principal completed properties for sale of the Group are as follows:

	Location	Group interest	Existing use	Gross floor area
1.	Certain portions in Star House, 3 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong	100%	Office	8,557 sq.m.
2.	Certain portions in Centre 600, 82 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong	100%	Industrial	4,367 sq.m.
3.	Certain portions in Eastern Place Phase I, 787 Dong Feng Road East, Guangzhou, Guangdong Province, PRC	74%	Residential	1,386 sq.m.
4.	Certain portions in Eastern Place Phase II, 787 Dong Feng Road East, Guangzhou, Guangdong Province, PRC	74%	Residential	15,537 sq.m.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of the movements in the fixed assets and investment properties of the Company and the Group during the year are set out in notes 13 and 14, respectively, to the financial statements.

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PROPERTIES UNDER DEVELOPMENT

Details of the movements in the properties under development of the Company and the Group during the year are set out in note 15 to the financial statements.

INTEREST IN SUBSIDIARIES

Details of Company's principal subsidiaries at the balance sheet date are set out in note 18 to the financial statements.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of bank loans, overdrafts and other borrowings of the Company and the Group at the balance sheet date are set out in note 29 to the financial statements.

BONDS PAYABLE

Details of bonds payable of the Group at the balance sheet date are set out in note 30 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 31 to the financial statements.

RESERVE

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

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

CONVERTIBLE BONDS

Details of the convertible bonds of the Group at the balance sheet date are set out in note 33 to the financial statements.

CONVERTIBLE NOTE

Details of the convertible note of the Group at the balance sheet date are set out in note 34 to the financial statements.

DONATIONS

During the year, the Group made charitable or other donations totalling HK\$3,864,000.

POST BALANCE SHEET EVENT

Details of the post balance sheet event are set out in note 38 to the financial statements.

INTEREST CAPITALISED

Interest capitalised by the Group during the year amounted to HK\$101,851,000.

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SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 31st July,				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TURNOVER	<u>4,659,663</u>	<u>1,752,093</u>	<u>3,538,210</u>	<u>3,040,345</u>	<u>2,186,843</u>
PROFIT/(LOSS) BEFORE TAX	<u>(3,524,199)</u>	<u>(6,998,179)</u>	<u>486,251</u>	<u>1,108,411</u>	<u>910,813</u>
Tax	<u>16,008</u>	<u>(45,614)</u>	<u>(143,959)</u>	<u>(141,671)</u>	<u>(141,026)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(3,508,191)</u>	<u>(7,043,793)</u>	<u>342,292</u>	<u>966,740</u>	<u>769,787</u>
Minority interests	<u>750,209</u>	<u>211,370</u>	<u>(32,910)</u>	<u>(62,048)</u>	<u>(3,384)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(2,757,982)</u>	<u>(6,832,423)</u>	<u>309,382</u>	<u>904,692</u>	<u>766,403</u>

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ASSETS AND LIABILITIES

	As at 31st July,				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Fixed assets	1,371,567	2,014,989	2,338,740	1,742,399	1,716,295
Investment properties	9,478,130	9,954,900	13,259,000	13,668,400	10,211,100
Properties under development	3,571,007	7,886,347	10,994,066	4,954,064	3,484,384
Goodwill on consolidation of subsidiaries	—	—	90,012	87,965	28,943
Deferred pre-operating expenses	—	10,718	32,256	6,068	11,331
Interests in associates	1,964,843	1,126,531	2,399,601	2,749,201	2,795,211
Interests in jointly controlled entities	50,127	188,572	183,219	79,919	33,088
Long term investments	1,018,910	1,018,389	2,073,429	2,479,810	899,196
Long term note receivable	—	245,000	1,100,000	—	—
Deferred tax assets	749	216	—	—	—
Current assets	<u>2,044,096</u>	<u>2,140,135</u>	<u>2,368,064</u>	<u>4,138,726</u>	<u>2,872,901</u>
TOTAL ASSETS	<u>19,499,429</u>	<u>24,585,797</u>	<u>34,838,387</u>	<u>29,906,552</u>	<u>22,052,449</u>
Current liabilities	(3,633,586)	(4,703,058)	(4,395,426)	(2,942,319)	(2,466,938)
Long term rental deposits received	(73,629)	(102,635)	(124,527)	(108,868)	(97,860)
Provision for premium on bonds redemption	(354,081)	(249,554)	(135,915)	(23,023)	(87,795)
Provision for premium on convertible note redemption	(21,667)	(1,667)	—	—	—
Long term interest bearing bank and other borrowings	(2,575,890)	(3,124,279)	(5,314,604)	(2,681,221)	(2,109,301)
Long term bonds payable	(735,853)	(891,250)	(891,250)	(1,818,850)	(927,600)
Deferred tax	—	—	(1,130)	(34,401)	—
Convertible bonds	(1,888,324)	(2,098,581)	(2,102,757)	(1,158,465)	(1,158,465)
Convertible note	<u>(600,000)</u>	<u>(600,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL LIABILITIES	<u>(9,883,030)</u>	<u>(11,771,024)</u>	<u>(12,965,609)</u>	<u>(8,767,147)</u>	<u>(6,847,959)</u>
MINORITY INTERESTS	<u>(3,233,971)</u>	<u>(4,105,773)</u>	<u>(4,682,432)</u>	<u>(2,465,560)</u>	<u>(1,023,063)</u>
NET ASSETS	<u>6,382,428</u>	<u>8,709,000</u>	<u>17,190,346</u>	<u>18,673,845</u>	<u>14,181,427</u>

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to its five largest customers accounted for approximately 69% of the Group's combined sales, including the sale of Furama Hotel to a company that the Group has a 35% interest, which represented approximately 62% of the Group's combined sales for the year. During the year, the Group's purchases from its five largest suppliers accounted for less than 30% of the Group's combined purchases.

PRACTICE NOTE 19 TO THE LISTING RULES

(1) Specific performance obligations on controlling shareholder

A bank loan facility of HK\$200 million was granted to the Company for a term of two years (the "Loan Agreement") commencing 19th February, 1999. The outstanding amount as at 31st July, 2000 was HK\$187.9 million. According to the Loan Agreement, Mr. Lim Por Yen and members of the Lim Family (as defined in the Loan Agreement) are required to maintain control of Lai Sun Garment (International) Limited ("LSG"), and LSG should maintain control of the Company.

(2) Financial assistance and guarantees provided to affiliated companies (including associates and jointly controlled entities)

As at 31st July, 2000, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies amounting to, in aggregate, approximately 51.5% of the Group's net asset value. In compliance with Practice Note 19, the proforma combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	HK\$'000
Fixed assets	449,144
Properties under development	5,147,982
Associates	323,985
Net current liabilities	<u>(184,836)</u>
Total assets less current liabilities	5,736,275
Long term borrowings	(401,670)
Deferred income	(84,934)
Amounts due to shareholders	<u>(6,166,126)</u>
	<u>(916,455)</u>
CAPITAL AND RESERVE	
Share capital	408,018
Capital reserve	95,085
Exchange fluctuation reserve	40,109
Accumulated losses	<u>(1,444,489)</u>
	(901,277)
Minority interests	<u>(15,178)</u>
	<u>(916,455)</u>

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PRACTICE NOTE 19 TO THE LISTING RULES (continued)

(3) Breach of loan agreements

As a result of the Group's losses and the Group's prevailing financial position, certain financial and other covenants specified in the trust deeds in respect of the bonds and in certain bank loan agreements were not maintained as at 31st July, 2000. In the meetings of the Exchangeable Bondholders and Convertible Bondholders both held on 4th August, 2000, the bondholders resolved, among other things, to waive any breach or default which had or may have occurred under, or in connection with, the respective trust deeds or the terms and conditions of the respective bonds. The relevant lending banks had also indicated their support to the Group's debt restructuring proposal and that no early loan repayment has been or would be demanded by them in respect of any breach or default which had or may have occurred under, or in connection with, the bank loan agreements.

YEAR 2000 COMPLIANCE

All of the Group's computer systems and equipment have been operating smoothly into the Year 2000 ("Y2K"). However, the Group will continue to stay alert and be prepared for the upcoming "high risk" days generally identified with the Y2K issue.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st July, 2000. All the non-executive directors of the Company 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 Articles of Association of the Company.

The Company established an audit committee comprising two independent non-executive directors on 31st March, 2000.

AUDITORS

Ernst & Young 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

Lam Kin Ngok, Peter
Chairman and President

Hong Kong
20th November, 2000