

# 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, 2001.

## 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 focused on property development for sale, property investment for investment potential purposes, investment in and operation of hotels and restaurants and investment holding subsequent to the deemed disposal of a 49.09% and a 0.49% equity interests in Lai Fung Holdings Limited and eSun Holdings Limited, respectively as detailed in note 1 to the financial statements.

## SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution/(absorption) to loss from operating activities by principal activities and geographical areas for the year ended 31st July, 2001 is as follows:

	Turnover 2001 HK\$'000	Turnover 2000 HK\$'000	Contribution/ (absorption) 2001 HK\$'000	Contribution/ (absorption) 2000 HK\$'000
By activities:				
Sales of properties	596,064	3,466,069	76,780	(897,781)
Property rentals	511,224	602,662	306,501	424,486
Hotel, restaurant and other operations	792,574	590,932	47,908	158,952
	<u>1,899,862</u>	<u>4,659,663</u>	431,189	(314,343)
Other revenue			258,247	290,480
Other operating expenses			(29,292)	(124,602)
Loss on deemed disposal of subsidiaries			(1,044,781)	(16,686)
Release of unrealised profit arising on deemed disposal of subsidiaries			412,556	—
Provisions for impairments in values of properties under development			(138,652)	(338,388)
Provisions for impairments in values of long term unlisted investments			(71,755)	(158,587)
Provision for contingent loss in respect of the Put Options (note 35(e))			(86,000)	(245,000)
Provisions for impairments in values of associates			(74,002)	(50,300)
Write off of goodwill			—	(407,822)
Provisions for impairments in values of fixed assets			—	(638,170)
Provisions for impairments in values of completed properties for sale			—	(383,353)
LOSS FROM OPERATING ACTIVITIES			<u>(342,490)</u>	<u>(2,386,771)</u>

# Report of the Directors

## SEGMENTAL INFORMATION (continued)

	Turnover 2001 HK\$'000	Turnover 2000 HK\$'000	Contribution/ (absorption) 2001 HK\$'000	Contribution/ (absorption) 2000 HK\$'000
By geographical areas:				
Hong Kong	1,666,799	4,296,800	349,068	(361,961)
People's Republic of China ("PRC"), excluding Hong Kong	99,649	272,232	18,690	23,138
Others	133,414	90,631	63,431	24,480
	<u>1,899,862</u>	<u>4,659,663</u>	<u>431,189</u>	<u>(314,343)</u>
Other revenue			258,247	290,480
Other operating expenses			(29,292)	(124,602)
Loss on deemed disposal of subsidiaries			(1,044,781)	(16,686)
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Provisions for impairments in values of fixed assets			—	(638,170)
Provisions for impairments in values of completed properties for sale			—	(383,353)
LOSS FROM OPERATING ACTIVITIES			<u>(342,490)</u>	<u>(2,386,771)</u>

# Report of the Directors

## RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st July, 2001 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 35 to 96.

The directors do not recommend the payment of a final ordinary dividend for the year ended 31st July, 2001 (2000: HK\$Nil).

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

## 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  
 Wu Shiu Kee, Keith  
 Lam Kin Ming  
 Tong Yuk Lun, Paul  
 U Po Chu  
 Chiu Wai  
 Shiu Kai Wah  
 David Tang\*  
 Law Man Fai\*

\* *Independent non-executive directors*

In accordance with Article 102 of the Company's Articles of Association, Mr. Lim Por Yen, Madam U Po Chu, Mr. Wu Shiu Kee, Keith and Mr. Law Man Fai retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

## 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 17 to the financial statements, no director had a material interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party during the year.

## CONTROLLING SHAREHOLDER'S INTERESTS 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.

# Report of the Directors

## CONNECTED TRANSACTIONS

The following connected transactions entered into by Lai Fung Holdings Limited (“Lai Fung”) in previous year subsisted during the year:

- (1) A loan facility in an amount of RMB120,000,000 was provided by Bank of China (“BOC”) to Guangzhou Grand Wealth Properties Ltd., a wholly-owned subsidiary of Lai Fung, 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 a carrying value amounting to approximately HK\$53,000,000. Lai Fung was deconsolidated on 10th January, 2001. The maximum amount of loan outstanding of the facility during the period was RMB30,000,000 and the loan was subsequently fully repaid.
- (2) The following bank loans (the “Financing Transactions”) were provided by BOC to Lai Fung and its subsidiary:
  - (a) A loan facility in an amount of HK\$150,000,000 was provided by BOC to Lai Fung. The loan bore interest at market rate. The loan facility was secured by charges over the shares of Good Strategy Limited and Sunlite Investment Limited together with charges over 181 units of service apartments of Hong Kong Plaza. Lai Fung was deconsolidated on 10th January, 2001. The maximum amount of the loan outstanding under the facility during the period was HK\$50,000,000 and the loan was subsequently fully repaid.
  - (b) A loan facility in an amount of RMB250,000,000 was provided by BOC to Guangzhou Jieli Real Estate Development Co., Ltd., a wholly-owned subsidiary of Lai Fung, 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 a carrying value amounting to approximately HK\$520,000,000. Lai Fung was deconsolidated on 10th January, 2001. The maximum amount of loan outstanding of the facility during the period was RMB50,000,000.

In respect of the Financing Transactions, the Company had been granted a waiver by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from the strict compliance with the requirements of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The transactions have been reviewed by the directors of the Company who have confirmed that the transactions are:

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

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Directors

#### Executive Directors

**Mr. Lim Por Yen**, Honorary Chairman, aged 86, is the founder of the Lai Sun Group and 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. 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 44, 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 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.

**Mr. Lau Shu Yan, Julius**, aged 45, 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 was 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.

**Mr. Wu Shiu Kee, Keith**, aged 38, joined the Lai Sun Group in November 1997 and was appointed an executive director of the Company on 1st January, 1998. He has over 14 years’ experience in investment research and asset management. Prior to his appointment with the Lai Sun Group, 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 64, 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 an executive director of Lai Fung Holdings Limited and a non-executive director of eSun Holdings Limited. LSG is the controlling shareholder of the Company. Mr. Lam has been involved in the management of garment business since 1958 and is the son of Mr. Lim Por Yen and the elder brother of Mr. Lam Kin Ngok, Peter.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Directors (continued)

#### Non-Executive Directors (continued)

**Dr. Tong Yuk Lun, Paul**, aged 60, was appointed a director of the Company in October 1997. He was also appointed the vice chairman of Lai Fung Holdings Limited in June 1999. Prior to Dr. Tong's current appointments with the Company, he was an executive director and the chief executive officer of Pacific Century Regional Developments Ltd. during the period from January 1995 to September 1997. From 1978 to 1994, Dr. Tong was employed by the New World Group. He was 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.

**Madam U Po Chu**, aged 76, 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 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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**Mr. Chiu Wai**, aged 70, 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 Lai Fung Holdings Limited, eSun Holdings Limited and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Mr. Chiu has over 40 years' experience in production management. He has been working for the Lai Sun Group's garment business since 1955.

**Mr. Shiu Kai Wah**, aged 69, 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 Lai Fung Holdings Limited, eSun Holdings Limited and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Mr. Shiu has over 30 years' experience in the management of garment business.

**Mr. David Tang**, aged 47, is an independent non-executive director of the Company. He is the founder of The China Clubs (in Hong Kong, Beijing and Singapore), Shanghai Tang Stores and The Pacific Cigar Company Ltd. He is also a director of First Pacific Company Ltd. in Hong Kong. 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.

**Mr. Law Man Fai**, aged 65, 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.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Senior Management

**Mr. Alan Tse**, aged 38, 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 16 years' financial experience.

**Mr. Yeung Kam Hoi**, aged 52, 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.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st July, 2001, 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
Wu Shiu Kee, Keith	200,000	Nil	Nil	Nil	200,000
Tong Yuk Lun, Paul	135,000	Nil	Nil	Nil	135,000

*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 of the Company by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of LSG. 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.

# Report of the Directors

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

### (2) Associated Corporations

#### (a) eSun Holdings Limited ("eSun")

	Number of eSun Ordinary Shares Held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Lim Por Yen	1,656,867	Nil	285,512,791 (Note 1)	Nil	287,169,658
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000 (under share options) (Note 2)	3,426,567
U Po Chu	112,500	Nil	Nil	Nil	112,500
Wu Shiu Kee, Keith	40,000	Nil	Nil	Nil	40,000

#### Notes:

- The Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Company. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of LSG. 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.
- 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. A second option was granted by eSun to Mr. Lam 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.

On the consolidation of every five issued and unissued shares into one ordinary share of HK\$0.50 each in eSun with effect from 29th December, 2000, the numbers of shares for subscription under Mr. Lam's first and second options were adjusted to 4,000,000 shares and 3,000,000 shares, and the exercise prices per share were adjusted to HK\$3.05 and HK\$7.00 respectively.

Pursuant to the rights issue of eSun on the basis of one rights share for every two existing consolidated ordinary shares held, the numbers of shares for subscription under Mr. Lam's first and second options were further adjusted to 6,000,000 shares and 4,500,000 shares, and the exercise prices per share were adjusted to HK\$2.655 and HK\$6.094 respectively.

During the year ended 31st July, 2001, Mr. Lam had not exercised any share options.



# Report of the Directors

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

### (2) Associated Corporations (continued)

#### (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	1,413,700,289 (Note)	Nil	1,413,700,289
Lau Shu Yan, Julius	1,000,000	Nil	Nil	Nil	1,000,000

*Note:* Mr. Lim Por Yen was deemed to be interested in 1,413,700,289 shares in Lai Fung 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") which together with its wholly-owned subsidiary beneficially owned 633,741,377 shares in Lai Fung. Further, LSG and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Company which beneficially owned 779,958,912 shares in Lai Fung. 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 of the Company 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, 2001, 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 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 the Model Code or which were required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

#### ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

An employee share option scheme was adopted in November 1996 by eSun Holdings Limited ("eSun"), a subsidiary of the Company up to 4th April, 2001 on which date its results were deconsolidated from those of the Group. Options to subscribe for shares in eSun have been granted to some directors of eSun under the scheme. Brief details of the options which had been granted to a director of the Company are set out in note 2 to Paragraph (2)(a) under the section headed "DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES" above.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding company 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.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2001, the following parties were interested in 10% or more of the issued ordinary 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:

	Number of Shares Held
Lai Sun Garment (International) Limited (“LSG”)	1,582,869,192
Mr. Lim Por Yen	1,781,362,142 <i>(Note 1)</i>
Nice Cheer Investment Limited (“Nice Cheer”)	781,346,935
Xing Feng Investments Limited (“Xing Feng”)	781,346,935 <i>(Note 2)</i>
Mr. Chen Din Hwa	781,346,935 <i>(Notes 2 &amp; 3)</i>

*Notes:*

1. 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.
2. 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.
3. 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31st July, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities.

# Report of the Directors

## 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 on 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
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

# Report of the Directors

## DETAILS OF PROPERTIES (continued)

	Location	Group Interest	Tenure	Use
5.	Crocodile House 1, 50 Connaught Road Central, Hong Kong (Marine Lot Nos. 384, 385 and 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 Lot Nos. 387, 388 and the Remaining Portion of Marine Lot No. 389)	100%	Marine Lot No. 387 is held for a term of 999 years from 20th November, 1903. 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	Office/ commercial
7.	Lai Sun Yuen Long Centre, 27 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 had been renewed for a term of another 50 years	Industrial

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

# Report of the Directors

## DETAILS OF PROPERTIES (continued)

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

	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	2003	Commercial/ service apartments	The total site area is 960 sq.m. The total gross floor area will be approximately 10,800 sq.m.
2.	1 Connaught Road Central, Hong Kong (The re-development of the Furama Hotel)	30%	Finalisation of building plans	2005	Commercial/ office	The total site area is 2,269 sq.m. The total gross floor area will be approximately 38,000 sq.m.
3.	Rolling Hills (Phase II) Lot 2094 in DD105, Ngau Tam Mei, Yuen Long, New Territories, Hong Kong	50%	Finalisation of building plans	2003	Residential	The site area is approximately 19,600 sq.m. The total gross floor area will be approximately 7,110 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.

## 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.

## INTERESTS IN SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 16 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 28 to the financial statements.

# Report of the Directors

## BONDS PAYABLE

Details of bonds payable of the Group at the balance sheet date are set out in note 29 to the financial statements.

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 30 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

## DISTRIBUTABLE RESERVES

At 31st July, 2001, 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 32 to the financial statements.

## DONATIONS

During the year, the Group made charitable or other donations totaling HK\$3,629,000.

## INTEREST CAPITALISED

Interest capitalised by the Group during the year amounted to HK\$72,535,000.

## SUMMARY OF 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,				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	<u>1,899,862</u>	<u>4,659,663</u>	<u>1,752,093</u>	<u>3,538,210</u>	<u>3,040,345</u>
PROFIT/(LOSS) BEFORE TAX	<u>(1,155,522)</u>	<u>(3,524,199)</u>	<u>(6,998,179)</u>	<u>486,251</u>	<u>1,108,411</u>
Tax	<u>(30,476)</u>	<u>16,008</u>	<u>(45,614)</u>	<u>(143,959)</u>	<u>(141,671)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(1,185,998)</u>	<u>(3,508,191)</u>	<u>(7,043,793)</u>	<u>342,292</u>	<u>966,740</u>
Minority interests	<u>(10,184)</u>	<u>750,209</u>	<u>211,370</u>	<u>(32,910)</u>	<u>(62,048)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(1,196,182)</u>	<u>(2,757,982)</u>	<u>(6,832,423)</u>	<u>309,382</u>	<u>904,692</u>

# Report of the Directors

## ASSETS AND LIABILITIES

	As at 31st July,				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Fixed assets	1,312,728	1,371,567	2,014,989	2,338,740	1,742,399
Investment properties	6,224,870	9,478,130	9,954,900	13,259,000	13,668,400
Properties under development	160,754	3,571,007	7,886,347	10,994,066	4,954,064
Goodwill on consolidation of subsidiaries	—	—	—	90,012	87,965
Deferred pre-operating expenses	—	—	10,718	32,256	6,068
Interests in associates	2,128,954	1,964,843	1,126,531	2,399,601	2,749,201
Interests in jointly controlled entities	—	50,127	188,572	183,219	79,919
Long term investments	539,307	1,018,910	1,018,389	2,073,429	2,479,810
Long term note receivable	—	—	245,000	1,100,000	—
Long term prepayment	194,000	—	—	—	—
Deferred tax assets	—	749	216	—	—
Current assets	805,129	2,044,096	2,140,135	2,368,064	4,138,726
<b>TOTAL ASSETS</b>	<b>11,365,742</b>	<b>19,499,429</b>	<b>24,585,797</b>	<b>34,838,387</b>	<b>29,906,552</b>
Current liabilities	(1,779,776)	(3,633,586)	(4,703,058)	(4,395,426)	(2,942,319)
Deferred tax liabilities	(380)	—	—	(1,130)	(34,401)
Long term rental deposits received	(50,707)	(73,629)	(102,635)	(124,527)	(108,868)
Provision for premium on bonds redemption	(473,145)	(354,081)	(249,554)	(135,915)	(23,023)
Provision for premium on convertible note redemption	—	(21,667)	(1,667)	—	—
Interest-bearing bank and other borrowings	(3,128,335)	(2,575,890)	(3,124,279)	(5,314,604)	(2,681,221)
Long term bonds payable	(740,053)	(735,853)	(891,250)	(891,250)	(1,818,850)
Convertible bonds	(965,287)	(1,888,324)	(2,098,581)	(2,102,757)	(1,158,465)
Convertible note	—	(600,000)	(600,000)	—	—
<b>TOTAL LIABILITIES</b>	<b>(7,137,683)</b>	<b>(9,883,030)</b>	<b>(11,771,024)</b>	<b>(12,965,609)</b>	<b>(8,767,147)</b>
<b>MINORITY INTERESTS</b>	<b>(361,744)</b>	<b>(3,233,971)</b>	<b>(4,105,773)</b>	<b>(4,682,432)</b>	<b>(2,465,560)</b>
<b>NET ASSETS</b>	<b>3,866,315</b>	<b>6,382,428</b>	<b>8,709,000</b>	<b>17,190,346</b>	<b>18,673,845</b>

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales from its five largest customers accounted for less than 30% of the Group's combined sales. 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

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

As at 31st July, 2001, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies amounting to, in aggregate, approximately 64.4% of the Group's net asset value. In compliance with Practice Note 19 of the Listing Rules, the proforma combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	HK\$'000
Fixed assets	460,171
Investment properties	2,954,000
Properties under development	7,145,794
Interests in associates	1,067,838
Long term investments	37,053
Amount due to a related company	1,500,040
Interests in jointly controlled entities	50,127
Net current liabilities	<u>(200,737)</u>
 Total assets less current liabilities	 13,014,286
 Long term borrowings	 (1,103,093)
Long term rental deposits received	(7,303)
Deferred income	(81,688)
Amounts due to shareholders	<u>(5,226,964)</u>
	<u>6,595,238</u>



# Report of the Directors

## PRACTICE NOTE 19 TO THE LISTING RULES (continued)

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

	HK\$'000
Capital and reserve	
Share capital	694,536
Share premium account	6,117,253
Contributed surplus	90,269
Investment property revaluation reserve	438,120
Revaluation reserve for properties under development held for investment potential	1,534,865
Capital reserve	181,288
Exchange fluctuation reserve	127,643
Accumulated losses	<u>(2,706,753)</u>
	6,477,221
Minority interests	<u>118,017</u>
	<u>6,595,238</u>

## 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, 2001. All 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.

## 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

9th November, 2001