

# 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, 2001.

## 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's turnover and operating profit/(loss) by activity for the year ended 31st July, 2001 is as follows:

	Turnover		Operating Profit/(Loss)	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of completed properties	76,349	134,639	(5,492)	(768)
Rental	85,394	56,954	79,099	17,702
	<b>161,743</b>	<b>191,593</b>	<b>73,607</b>	<b>16,934</b>

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

## 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 at that date are set out in the accounts on pages 26 to 62.

The Board of directors does not recommend the payment of a final dividend (2000: HK\$Nil). No interim dividend was declared.

# 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 ( <i>Chairman</i> )	
Tong Yuk Lun, Paul ( <i>Vice Chairman</i> )	
Ho Wing Tim ( <i>Chief Executive Officer</i> ) <sup>o</sup>	(appointed on 21st April, 2001)
Lam Kin Ming*	
Lam Kwong Siu ( <i>Vice Chairman</i> )	(resigned on 16th July, 2001)
Kam Kin Yat	(removed on 21st April, 2001)
Ng See Wai, Rowena	(resigned on 5th May, 2001)

### Non-executive directors:

Lam Kin Ko, Stewart <sup>o</sup>	(appointed on 21st April, 2001)
Chiu Wai <sup>o</sup>	(appointed on 21st April, 2001)
Shiu Kai Wah <sup>o</sup>	(appointed on 21st April, 2001)
Mui Chiu Ying <sup>o</sup>	(appointed on 21st April, 2001)
Siu Fai Wing <sup>o</sup>	(appointed on 21st April, 2001)
Yu Po Kwan <sup>o</sup>	(appointed on 21st April, 2001)
Wong Yee Sui, Andrew**	
Lam Bing Kwan**	(appointed on 30th July, 2001)
Hung Hing Chuen, Billy**	(resigned on 1st December, 2000)
Chan Yuk Sing**	(resigned on 16th May, 2001)

\* also alternate director to <sup>o</sup>

\*\* independent non-executive directors

In accordance with Article 99 of the Company's Articles of Association, Mr. Lam Bing Kwan retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Wong Yee Sui, Andrew retires from office by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 119 of the Company's Articles of Association, Mr. Ho Wing Tim, Mr. Lam Kin Ko, Stewart, Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Mui Chiu Ying, Mr. Siu Fai Wing and Madam Yu Po Kwan retire 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.

# Report of the Directors

## DIRECTORS' INTERESTS IN CONTRACTS

No contract 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.

## CONNECTED TRANSACTIONS

During the year, the following bank loans have been provided by The Bank of China ("BOC"):

- (1) A loan facility in an amount of RMB120,000,000 was provided by BOC to Guangzhou Grand Wealth Properties Ltd. 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\$53,000,000. The maximum amount of loan outstanding of the facility during the year was RMB30,000,000. The loan has been fully repaid during the year.
- (2) A loan facility in an amount of HK\$150,000,000 was provided by BOC to the Company. The loan bore interest at market rate. The loan facility was secured by share charges of Good Strategy Limited and Sunlite Investment Limited together with 181 units of service apartments of Hong Kong Plaza. The maximum amount of loan outstanding of the facility during the year was HK\$50,000,000 and was fully repaid during the year.
- (3) A loan facility in an amount of RMB250,000,000 was provided by BOC to Guangzhou Jieli Real Estate Development Co., Ltd. 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\$520,000,000. As at the balance sheet date, RMB50,000,000 of the loan was outstanding.

In the opinion of the directors, the above 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.

# Report of the Directors

## CONNECTED TRANSACTIONS (continued)

In respect of transactions (2) & (3) above, the Company had been granted a waiver by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from strict compliance with the requirements of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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 Group;
- (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 agreements 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 44, 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, a deputy chairman of Lai Sun Garment (International) Limited, a director of eSun Holdings Limited and Crocodile Garments Limited. Both Lai Sun Development Company Limited and Lai Sun Garment (International) Limited are substantial shareholders of the Company. 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.

Dr. Tong Yuk Lun, Paul, aged 60, was appointed a director and a Vice Chairman of the Company on 23rd June, 1999. Dr. Tong joined the Lai Sun Group in October 1997 and is currently a director of Lai Sun Development Company Limited, a substantial shareholder of the Company. Prior to Dr. Tong's appointment with the Lai Sun Group, 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.

Mr. Ho Wing Tim, aged 43, was appointed a director and Chief Executive Officer of the Company on 21st April, 2001. Mr. Ho joined the Lai Sun Group in November 1990. He is also the financial controller of Lai Sun Garment (International) Limited, a substantial shareholder of the Company, and has over 20 years' experience in the finance fields.

# Report of the Directors

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

### Executive directors: (continued)

Mr. Lam Kin Ming, aged 64, was appointed a director of the Company on 8th September, 1997. He was also appointed an alternate director to Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Mui Chiu Ying, Mr. Siu Fai Wing, Mr. Lam Kin Ko, Stewart, Mr. Ho Wing Tim and Madam Yu Po Kwan on 21st April, 2001. Mr. Lam is a director of Lai Sun Development Company Limited and eSun Holdings Limited and the deputy chairman of both Lai Sun Garment (International) Limited and Crocodile Garments Limited. Both Lai Sun Development Company Limited and Lai Sun Garment (International) Limited are substantial shareholders of the Company. Mr. Lam has extensive experience in property development and investment and the garment business, having 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.

### Non-executive directors:

Mr. Lam Kin Ko, Stewart, aged 53, was appointed a director of the Company on 21st April, 2001. He has over 10 years' experience in garment manufacturing and China trade and had held the position of Consultant to the Chairman (China Affairs) of the Lai Sun Group since 1994. Mr. Lam is also a director of Crocodile Garments Limited.

Mr. Chiu Wai, aged 70, was appointed a director of the Company on 21st April, 2001. Mr. Chiu is also a director of Lai Sun Development Company Limited, Lai Sun Garment (International) Limited, eSun Holdings Limited and Crocodile Garments Limited. Both Lai Sun Development Company Limited and Lai Sun Garment (International) Limited are substantial shareholders 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, was appointed a director of the Company on 21st April, 2001. He is also a director of Lai Sun Development Company Limited, Lai Sun Garment (International) Limited, eSun Holdings Limited and Crocodile Garments Limited. Both Lai Sun Development Company Limited and Lai Sun Garment (International) Limited are substantial shareholders of the Company. Mr. Shiu has over 30 years' experience in the management of the garment business.

Mr. Mui Chiu Ying, aged 64, was appointed a director of the Company on 21st April, 2001. He is a businessman and was a member of The Far East Stock Exchange Limited, the Kam Ngan Stock Exchange Limited and subsequently The Stock Exchange of Hong Kong Limited from 1973 to 1989. Mr. Mui was also the assistant managing director of Stelux Property Ltd., a subsidiary of the Stelux group engaged in property development in Hong Kong and Bangkok from March 1973 to June 1992. Mr. Mui joined Lai Sun Development Company Limited in August 1992 as a senior executive and retired in September 1996. Mr. Mui is also an independent non-executive director of Lai Sun Garment (International) Limited, a substantial shareholder of the Company.

Mr. Siu Fai Wing, aged 55, was appointed a director of the Company on 21st April, 2001. Mr. Siu is the president and chief executive officer of China Gallery Group Limited, managing director of Hong Kong Gallery Centre & Enterprise Co., and chairman and managing director of Shanton Sez Art & Culture Centre Development Co., Ltd.. He has been actively involved in cultural and civic activities and currently serves as a director of a number of organisations and societies such as the Hong Kong Shanton Chamber of Commerce.

# Report of the Directors

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

### Non-executive directors: (continued)

Ms. Yu Po Kwan, aged 51, was appointed a director of the Company on 21st April, 2001. She has over 25 years' extensive experience in the import and export of garments business and has been managing the garment export quota operation since 1980. Ms. Yu is a senior manager of Lai Sun Garment (International) Limited, a substantial shareholder of the Company.

### Independent non-executive directors:

Mr. Wong Yee Sui, Andrew, aged 52, 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.

Mr. Lam Bing Kwan, aged 52, was appointed an independent non-executive director of the Company on 30th July, 2001. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in property development and investment in the Mainland of China, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of listed companies in Hong Kong for over 10 years and is currently a director of Sino-i.com Limited and South Sea Holding Company Limited, both listed on the Main Board of the Hong Kong Stock Exchange.

### Senior management:

Mr. Lam Kin Hong, Matthew, aged 33, is the Deputy Chief Executive Officer of the Company. He is also an executive director of Lai Sun Garment (International) Limited and Crocodile Garments Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in the property development fields and corporate finance fields in Hong Kong and China. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming.

Mr. Woo King Hang, aged 40, was appointed Senior Vice President of the Company in May 2001. Mr. Woo holds a Bachelor of Science degree in Accounting (University of the State of New York), a Bachelor of Laws degree (Peking University) and a Master of Laws degree (City University of Hong Kong). He is also a fellow member of the Association of Chartered Certified Accountants, Hong Kong Society of Accountants, and the Taxation Institute of Hong Kong. He has over 15 years' experience in finance and administration, and has served as group chief accountant, executive director and chief financial officer of different listed companies, and in other positions with the Hong Kong Government, a certified public accountants firm, a major retail company and a major electronic media company.

# Report of the Directors

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

### Senior management: (continued)

Mr. So Hiu Hung, aged 51, 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 Lai Sun Group in May 1995, he was employed by Great Nortic group and subsequently 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. Tong Chit, aged 56, is an assistant vice president of the Company. He has over 20 years' extensive experience in project development and administration in the Mainland. Before joining the Lai Sun Group in March 1993, he was employed by Seapower group as manager of China trade and real estate business department. Mr. Tong is responsible for the administration of the Group's Guangzhou office in the Mainland.

Mr. Wong Man Kong, aged 38, is the general manager of Shanghai Li Xing Real Estate Development Co., Ltd. ("Shanghai Li Xing"). He had worked for The Peninsula, Hong Kong, The Ritz-Carlton Hotel, Hong Kong, Beijing Palace Hotel and Guangzhou China Hotel for about 20 years and had acquired experience in the management of 5-star hotels and service apartments. Mr. Wong subsequently took up employment as the general manager of the property management arm of a group based in Hong Kong. Mr. Wong joined the Group in March 2000 and is currently responsible for all operational matters relating to the management, marketing, sales and leasing of Shanghai Li Xing.

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Mr. Lam Kwai Keung, Herbert, aged 30, is the deputy financial controller of the Company. Prior to joining the Group in November 1997, Mr. Lam 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, 2001, none of the directors and chief executive of the Company had any interest 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 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.

An employee share option scheme was adopted by eSun Holdings Limited 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 and the conditions of grant during the two-year period commencing on the expiry of six months after the date on which the option is accepted.

## Report of the Directors

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

During the year, Mr. Lam Kin Ngok, Peter, a director of the Company, held the following options granted by eSun Holdings Limited which was a fellow subsidiary of the Company until 10th January, 2001:

Date of Grant	No. of Options*	Option Period	Subscription Price*
12th February, 2000	6,000,000	13th August, 2000 – 12th August, 2002	HK\$2.655 per share
4th March, 2000	4,500,000	5th September, 2000 – 4th September, 2002	HK\$6.094 per share

\* As adjusted by the share consolidation and the rights issue of eSun Holdings Limited

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, 2001, 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
Lai Sun Development Company Limited ("LSD")	779,958,912	25.40%
Lai Sun Garment (International) Limited ("LSG")	1,413,700,289 (Note)	46.04%
Lim Por Yen	1,413,700,289 (Note)	46.04%
Silver Glory Securities Limited ("SGS")	443,456,895	14.44%
Credit Suisse First Boston (Hong Kong) Limited	442,112,068	14.40%

Note: These interests in the Company represented the shares beneficially owned by LSD (779,958,912 shares), LSG (190,284,482 shares) and SGS (443,456,895 shares), a wholly-owned subsidiary of LSG. LSG and Mr. Lim Por Yen were deemed to be interested in the 1,413,700,289 shares in the Company held by LSD, LSG and SGS by virtue of LSG and its wholly-owned subsidiary holding collectively an interest of about 42.25% in the issued share capital of LSD and Mr. Lim Por Yen (together with his spouses) holding 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.

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, 2001.



# Report of the Directors

## 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.

## DETAILS OF PROPERTIES

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
Eastern Place, 787 Dong Feng Road East, Guangzhou, Guangdong Province, PRC	100%	Phase III construction work in progress	Phase III Residential Late 2002	Commercial/ residential/ office	Total site area is 44,252 sq.m. Total gross floor area is 222,190 sq.m.
New Trend Plaza, 32-80 Zhongshanwu Road, 5-15 Guang Da Road and 3-7 Guangzhou Yixiang, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	Construction work in progress	Late 2002	Commercial/ office	Total site area is 5,782 sq.m. Total gross floor area is 34,733 sq.m.
Guangli Building, Chang Di Main Road, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	Resettlement of original inhabitants in progress	2005	Commercial/ office	Total site area is 8,427 sq.m. Total gross floor area is 104,500 sq.m.
Jingshazhou, Heng Sha, Guangzhou, Guangdong Province, PRC	100%	Planning	2010	Commercial/ residential	Total site area is 297,186 sq.m. Total gross floor area is 356,623 sq.m.
Zhabei Plaza (plot 130-3), Zhabei, Shanghai, PRC	48.3%	Interior decoration in progress	Early 2002	Commercial/ office	Total site area is 3,222 sq.m. Total gross floor area is 17,609 sq.m.
Shanghai Baining Baba Plaza, Junction of Anhua Road and Kaixuan Road, Changning District, Shanghai, PRC	95%	Site cleared and in planning stage	2005	Residential/ commercial	Total site area is 36,149 sq.m. Total gross floor area is 166,285 sq.m.

# Report of the Directors

## DETAILS OF PROPERTIES (continued)

The investment properties of the Group are as follows:

Location	Group interest	Tenure	Use
Commercial podium and certain office and service apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	90%	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
181 units in North Tower of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	100%	The property is held for a term of 50 years, commencing on 16th September, 1992 and expiring on 15th September, 2042	Service apartments

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

Location	Group interest	Existing use	Gross floor area
Certain portions in Eastern Place Phase I, 787 Dong Feng Road East, Guangzhou, Guangdong Province, PRC	100%	Residential	838 sq.m.
Certain portions in Eastern Place Phase II, 787 Dong Feng Road East, Guangzhou, Guangdong Province, PRC	100%	Residential	7,555 sq.m.

## FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 14 and 15 respectively, to the accounts.

## PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 16 to the accounts.

# Report of the Directors

## SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 17 to the accounts.

## ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Details of the Group's interest in associated companies and jointly controlled entities are set out in notes 18 and 19, respectively, to the accounts.

## BORROWINGS

Details of bank loans of the Group at the balance sheet date are set out in note 28 to the accounts.

## SHARE CAPITAL

Details of movements in the Company's share capital, together with the explanations therefor, are set out in note 26 to the accounts.

## RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the accounts.

## CONVERTIBLE GUARANTEED BONDS AND CONVERTIBLE NOTE

Details of the convertible guaranteed bonds and convertible note of the Company and of the Group during the year are set out in notes 29 and 30, respectively, to the accounts.

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## DISTRIBUTABLE RESERVES

At 31st July, 2001, the Company's reserves, including share premium, available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$3,030,560,000 (2000: HK\$2,424,503,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

## INTEREST CAPITALISED

Interest capitalised by the Group during the year amounted to HK\$15,147,000 (2000: HK\$30,148,000).

## DONATIONS

During the year, the Group made no charitable or other donations (2000: HK\$Nil).

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Report of the Directors

### SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results of the Group for each of the five years ended 31st July, 2001, as extracted from the audited accounts of the Group, 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>161,743</u>	<u>191,593</u>	<u>135,190</u>	<u>726,283</u>	<u>376,841</u>
(Loss)/profit before taxation	<u>(165,864)</u>	<u>(153,573)</u>	<u>(56,376)</u>	<u>291,577</u>	<u>81,136</u>
Taxation credit/(charge)	<u>2,068</u>	<u>120,740</u>	<u>(723)</u>	<u>(103,976)</u>	<u>(26,637)</u>
(Loss)/profit before minority interests	<u>(163,796)</u>	<u>(32,833)</u>	<u>(57,099)</u>	<u>187,601</u>	<u>54,499</u>
Minority interests	<u>(823)</u>	<u>44,373</u>	<u>67,927</u>	<u>(43,693)</u>	<u>(11,833)</u>
Net (loss)/profit attributable to shareholders	<u>(164,619)</u>	<u>11,540</u>	<u>10,828</u>	<u>143,908</u>	<u>42,666</u>

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## SUMMARY OF FINANCIAL INFORMATION (continued)

Assets and liabilities	As at 31st July,				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Fixed assets	6,364	8,170	8,785	6,097	4,174
Investment properties	2,954,000	2,972,060	2,956,000	2,754,000	—
Properties under development	3,354,567	3,287,781	3,625,264	3,528,397	2,148,611
Deferred pre-operating expenses	—	—	—	514	1,059
Associated companies	624,178	672,280	683,415	687,415	555,557
Jointly controlled entities	50,127	50,127	188,572	183,219	79,919
Current assets	<u>228,136</u>	<u>393,966</u>	<u>358,650</u>	<u>618,739</u>	<u>671,309</u>
<b>TOTAL ASSETS</b>	<b><u>7,217,372</u></b>	<b><u>7,384,384</u></b>	<b><u>7,820,686</u></b>	<b><u>7,778,381</u></b>	<b><u>3,460,629</u></b>
Current liabilities	389,886	556,743	703,748	626,240	570,466
Long-term rental deposits received	7,303	8,660	16,538	19,930	—
Provision for premium on convertible note redemption	—	21,667	1,667	—	—
Deferred taxation	—	—	—	—	33,651
Convertible guaranteed bonds	—	929,445	937,206	1,027,881	1,158,465
Convertible note	—	600,000	600,000	—	—
Due to immediate holding company	—	—	—	—	1,502,344
Long-term bank loans, secured	891,635	97,112	—	—	—
Loans from a substantial shareholder	53,285	—	—	—	—
Minority interests	<u>162,376</u>	<u>151,889</u>	<u>429,193</u>	<u>725,689</u>	<u>157,583</u>
<b>TOTAL LIABILITIES AND MINORITY INTERESTS</b>	<b><u>1,504,485</u></b>	<b><u>2,365,516</u></b>	<b><u>2,688,352</u></b>	<b><u>2,399,740</u></b>	<b><u>3,422,509</u></b>
<b>NET ASSETS</b>	<b><u>5,712,887</u></b>	<b><u>5,018,868</u></b>	<b><u>5,132,334</u></b>	<b><u>5,378,641</u></b>	<b><u>38,120</u></b>

The summary of consolidated results of the Group for the year ended 31st July, 1997 is extracted from the audited accounts of the Group for that year. The summary is not the same as that published in the Company's prospectus dated 18th November, 1997 (the "Prospectus") which was prepared on a proforma basis as set out in the "Basis of Presentation" section of the Accountants' Report included in the Prospectus.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of sales attributable to the Group's five largest customers was less than 30% (2000: 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 approximately 47% (2000: 49%) of the Group's combined purchases, while the largest supplier accounted for approximately 36% (2000: 42%) of the Group's combined purchases for the year.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders, who to the directors' best knowledge own more than 5% of the Company's issued share capital, has any interest in the Group's five largest customers and suppliers.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st July, 2001, the Group has gross borrowings (inclusive of the loans from a substantial shareholder of HK\$53,285,000) amounting to HK\$1,031 million, decreased by HK\$787 million over the previous year. All of the Group's gross borrowings were on a floating rate basis at the balance sheet date.

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, bank borrowings on project basis and general term bank loan facilities on secured basis. With the cash held as at the balance sheet date as well as available banking facilities, the Group has sufficient liquidity to finance orderly its existing and planned property development and other investment projects.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The non-executive directors of the Company are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's Articles of Association.

The Company has established an audit committee in compliance with the Code of Best Practice. The audit committee comprises two independent non-executive directors, Mr. Wong Yee Sui, Andrew and Mr. Lam Bing Kwan as at the date hereof.

## SUBSEQUENT EVENT

On 21st June, 2001, Sunlite Investment Limited ("Sunlite"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Tai Hong Company Limited ("Tai Hong"), the minority shareholder of certain subsidiaries of the Company, namely, Shanghai Li Xing Real Estate Development Co., Ltd., Shanghai HKP Property Management Co., Ltd. and Shanghai Lai Fung Department Store Co., Ltd. (collectively "the subsidiaries"), whereby Sunlite as purchaser agreed to purchase from Tai Hong its 5% equity interest in each of the subsidiaries together with its shareholder's loan of approximately RMB4,600,000 at an aggregate consideration of US\$1,700,000. The proposed transaction is subject to the approval of the respective local authorities in the PRC.

# Report of the Directors

## AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire at the forthcoming Annual General Meeting. A notice has been received from a member of the Company and a resolution to appoint Ernst & Young as auditors of the Company in place of the retiring auditors, PricewaterhouseCoopers, will be proposed at the meeting. There has been a change in the auditors of the Company in the financial year ended 31st July, 2000 from Ernst & Young to PricewaterhouseCoopers.

On Behalf of the Board

**Lam Kin Ngok, Peter**

*Chairman*

Hong Kong

9th November, 2001