

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DETAILS OF PROPERTIES

The principal 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 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.
New Trend Plaza (previously known as Rili Shanghai), 32-80 Zhongshanwu Road, 5-15 Guang Da Road and 3-7 Guangzhou Yixiang, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	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.
Guangli Building, Chang Di Main Road, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	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.
Jingshazhou, Heng Sha, Guangzhou, Guangdong Province, PRC	100%	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.
Zhabei Plaza (plot 130-3), Zhabei, Shanghai, PRC	48.3%	Interior decoration work in progress	2001	Commercial/ office	The total site area is 3,222 sq.m. The total gross floor area will be 17,609 sq.m.
Shanghai Baining Baba Plaza, Junction of Anhua Road and Kaixuan Road, Changning District, Shanghai, PRC	95%	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)

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	1,386 sq.m.
Certain portions in Eastern Place Phase II 787 Dong Feng Road East, Guangzhou, Guangdong Province, PRC	100%	Residential	15,537 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.

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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 interests 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 27 to the accounts.

SHARE CAPITAL

Details of movements in the Company's share capital, together with the explanations therefor, are set out in note 25 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 26 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 at the balance sheet date are set out in notes 28 and 29, respectively, to the accounts.

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DISTRIBUTABLE RESERVES

At 31st July, 2000, 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\$2,424,503,000 (1999: HK\$2,474,908,000). 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\$30,148,000 (1999: HK\$35,020,000).

DONATIONS

During the year, the Group made no charitable or other donations (1999: HK\$1,000,000).

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.

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SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results of the Group for each of the five years ended 31st July, 2000, as extracted from the audited accounts of the Group, 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>191,593</u>	<u>135,190</u>	<u>726,283</u>	<u>376,841</u>	<u>141,443</u>
Profit/(loss) before taxation	(153,573)	(56,376)	291,577	81,136	89,263
Taxation	<u>120,740</u>	<u>(723)</u>	<u>(103,976)</u>	<u>(26,637)</u>	<u>(7,014)</u>
Profit/(loss) before minority interests	(32,833)	(57,099)	187,601	54,499	82,249
Minority interests	<u>44,373</u>	<u>67,927</u>	<u>(43,693)</u>	<u>(11,833)</u>	<u>(5,696)</u>
Net profit attributable to shareholders	<u>11,540</u>	<u>10,828</u>	<u>143,908</u>	<u>42,666</u>	<u>76,553</u>

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ASSETS AND LIABILITIES

	As at 31st July,			
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
Fixed assets	8,170	8,785	6,097	4,174
Investment properties	2,972,060	2,956,000	2,754,000	—
Properties under development	3,287,781	3,625,264	3,528,397	2,148,611
Deferred pre-operating expenses	—	—	514	1,059
Associated companies	672,280	683,415	687,415	555,557
Jointly controlled entities	50,127	188,572	183,219	79,919
Current assets	<u>393,966</u>	<u>358,650</u>	<u>618,739</u>	<u>671,309</u>
TOTAL ASSETS	<u>7,384,384</u>	<u>7,820,686</u>	<u>7,778,381</u>	<u>3,460,629</u>
Current liabilities	556,743	703,748	626,240	570,466
Long term rental deposits received	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	97,112	—	—	—
Minority interests	<u>151,889</u>	<u>429,193</u>	<u>725,689</u>	<u>157,583</u>
TOTAL LIABILITIES AND MINORITY INTERESTS	<u>2,365,516</u>	<u>2,688,352</u>	<u>2,399,740</u>	<u>3,422,509</u>
NET ASSETS	<u>5,018,868</u>	<u>5,132,334</u>	<u>5,378,641</u>	<u>38,120</u>

No consolidated balance sheet of the Group as at 31st July, 1996 was presented as there was no published balance sheet of the Group prior to 1st August, 1996.

The summary of consolidated results of the Group for each of the two years ended 31st July, 1997 are extracted from the audited accounts of the Group for the relevant periods. 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 pro forma basis as set out in the "Basis of Presentation" section of the Accountants' Report included in the Prospectus.

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MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of sales attributable to the Group's five largest customers was less than 30% (1999: 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 49% (1999: 39%) of the Group's combined purchases, while the largest supplier accounted for approximately 42% (1999: 26%) 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, 2000, the Group has a gross borrowing amounted to HK\$1,818 million, increased by HK\$56 million over the previous year. Approximately 85% of the Group's gross borrowings were on a fixed rate basis and the remaining 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 or revolving 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 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 Rules Governing the Listing of Securities on the Stock Exchange. 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.

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AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. There has been a change in the auditors of the Company in this year from Ernst & Young to PricewaterhouseCoopers.

On Behalf of the Board

Lam Kin Ngok, Peter

Chairman

Hong Kong

20th November, 2000