

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 manufacture and sale of garments, property investment for rental purposes and investment holding.

The Group's principal activities have not changed during the year, focusing on manufacture and trading of garments, property development, property investment for investment potential purposes and investment holding.

SEGMENTAL INFORMATION

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

	Turnover		Contribution/(absorption)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activities:				
Manufacture and sale of garments	1,295,647	1,556,083	39,647	85,042
Property development and sale of properties	—	524,993	—	(290,107)
Property rentals	10,676	456,149	3,640	313,842
Hotel, restaurant and other operations	11,248	429,659	(871)	118,779
	<u>1,317,571</u>	<u>2,966,884</u>	<u>42,416</u>	<u>227,556</u>
Other revenue			36,740	494,004
Other operating expenses, net			(3,133)	(207,163)
Loss on disposal of a long term listed investment			—	(3,500)
Provisions for diminutions in values of fixed assets			—	(638,170)
Provisions for diminutions in values of properties under development			—	(858,454)
Provisions for diminutions in values of completed properties for sale			—	(402,184)
Provisions for diminutions in values of associates holding properties under development			—	(25,000)
Provisions for diminutions in values of long term unlisted investments			—	(158,587)
Provision for contingent loss in respect of the put options relating to the disposal of a subsidiary in prior year			—	(145,000)
Provisions for contingent losses in respect of profit guarantees			—	(11,480)
Adjustments for impairments in values of goodwill on consolidation of subsidiaries			—	(125,000)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES			<u>76,023</u>	<u>(1,852,978)</u>

Report of the Directors

SEGMENTAL INFORMATION (continued)

	Turnover		Contribution/(absorption)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By geographical areas:				
Hong Kong	1,001,588	2,417,916	20,357	174,394
The People's Republic of China ("PRC") excluding Hong Kong	303,943	435,371	23,325	38,635
Others	12,040	113,597	(1,266)	14,527
	<u>1,317,571</u>	<u>2,966,884</u>	<u>42,416</u>	<u>227,556</u>
Other revenue			36,740	494,004
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Adjustments for impairment in values of goodwill on consolidation of subsidiaries			—	(125,000)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES			<u>76,023</u>	<u>(1,852,978)</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 of the Group as at that date are set out in the financial statements on pages 29 to 74.

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

No interim dividend was 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 (*Chairman and Managing Director*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Lam Kin Ming (*Deputy Chairman*)

Chiu Wai

Shiu Kai Wah

Lee Po On, Mark

Lam Kin Hong, Matthew

(Appointed on 1st March, 2001)

U Po Chu

Lai Yuen Fong

Lam Wai Kei, Vicky[#]

(Appointed on 3rd September, 2001)

Wong Kai Cho, Kenneth*

Mui Chiu Ying*

[#] *Alternate director to Madam Lai Yuen Fong*

* *Independent non-executive directors*

In accordance with Article 93 of the Company's Articles of Association, Mr. Lam Kin Hong, Matthew retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election at the said meeting.

In accordance with Article 102 of the Company's Articles of Association, Messrs. Lam Kin Ngok, Peter, Chiu Wai and Wong Kai Cho, Kenneth 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.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 4 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.

CONNECTED TRANSACTIONS

Certain connected transactions of the Group subsisted or had been entered into during the year. Details of these connected transactions, which have been approved by the Company's directors, are included in note 15 to the financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lim Por Yen, Chairman and Managing Director of the Company, aged 86, is the founder of the Lai Sun Group and has been an executive director of the Company since October 1987. He is also the honorary chairman of Lai Sun Development Company Limited, the chairman of Crocodile Garments Limited, and an executive director of eSun Holdings Limited. 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, aged 44, is a Deputy Chairman of the Company. He has been an executive director of the Company since October 1987. Mr. Lam is also the chairman and president of Lai Sun Development Company Limited, the chairman of Lai Fung Holdings Limited and an executive director of eSun Holdings Limited and Crocodile Garments Limited. Mr. Lam has extensive experience in the 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. Lam Kin Ming, aged 64, is the Deputy Chairman of the Company. He has been a director of the Company since October 1987 and has been involved in the management of garment business since 1958. Mr. Lam is also a deputy chairman of Crocodile Garments Limited, a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited and an executive director of Lai Fung Holdings Limited. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Directors (continued)

Executive Directors (continued)

Mr. Chiu Wai, aged 70, has been a director of the Company since October 1987. Mr. Chiu is also a non-executive director of Lai Sun Development Company Limited, eSun Holdings Limited, Lai Fung Holdings Limited and Crocodile Garments Limited. 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 1990. He is also a non-executive director of Lai Sun Development Company Limited, eSun Holdings Limited, Lai Fung Holdings Limited and Crocodile Garments Limited. Mr. Shiu has over 29 years' experience in the management of the garment business.

Mr. Lee Po On, Mark, aged 46, has been a director of the Company since June 1991. Mr. Lee is also an executive director and the chief executive officer of eSun Holdings Limited. Mr. Lee joined the Lai Sun Group in November 1987 and held the position of chief executive officer of Asia Television Limited from 1993 to 1996. He is a Fellow of the Association of Chartered Certified Accountants with over 23 years' financial and commercial experience.

Mr. Lam Kin Hong, Matthew, aged 34, was appointed an executive director of the Company in March 2001. He is a legal advisor of the Company and is also an executive director of 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 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 Ming and Mr. Lam Kin Ngok, Peter.

Non-Executive Directors

Madam U Po Chu, aged 76, has been a director of the Company since December 1990. She is also a non-executive director of Lai Sun Development Company Limited, Crocodile Garments Limited and eSun Holdings Limited. 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 also became involved in property development and investment in the late 1980's. Madam U is Mr. Lim Por Yen's wife.

Madam Lai Yuen Fong, aged 87, has been a director of the Company since May 1992. Madam Lai is Mr. Lim Por Yen's wife.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Directors (continued)

Non-Executive Directors (continued)

Miss Lam Wai Kei, Vicky, aged 29, was appointed the alternate director to Madam Lai Yuen Fong in September 2001. She graduated from the University of Southern California in the United States with bachelor's degrees in business administration and architecture in 1996. She is a member of the American Institute of Architects and prior to joining the Lai Sun Group in August 2000, she worked as an architect and project manager with Skidmore, Owings and Merrill Co. Ltd., an architects firm in New York which participated in various substantial projects such as the New York Stock Exchange, John Kennedy Airport and Times Square Tower. She is currently a vice president of Kingscord Investment Limited, a wholly-owned subsidiary of the Company engaged in property investments in the Mainland of China and Hong Kong. Miss Lam is a daughter of Mr. Lam Kin Ming and a granddaughter of Mr. Lim Por Yen.

Mr. Wong Kai Cho, Kenneth, aged 76, is an independent non-executive director of the Company. Mr. Wong was admitted and enrolled as a solicitor in England and Wales and in Hong Kong in 1960. He had been the sole proprietor of Messrs. Kenneth K.C. Wong & Co., Solicitors, from January 1973 to 30th September, 1997 and is now a consultant to Messrs. Peter Mark & Co., Solicitors.

Mr. Mui Chiu Ying, aged 64, was appointed an independent non-executive director of the Company in January 2000. Mr. Mui is also a non-executive director of Lai Fung Holdings Limited. He is a businessman and was a member of The Far East Stock Exchange Limited, the Kam Ngan Stock Exchange Limited and subsequently of 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 which 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.

Senior Management

Mr. Lau Shu Yan, Julius, aged 45, joined the Lai Sun Group in July 1991 as an executive director of Lai Sun Development Company Limited. Mr. Lau has over 10 years of experience of holding senior management positions in the property and securities industries. He was a director of Jones Lang Wootton Limited and then Jardine Fleming Broking Limited prior to his current appointment. Mr. Lau is a director and a member of the Executive Committee of the 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 Lai Sun Development Company Limited 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 the Stanford University.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Senior Management (continued)

Mr. Lien Jown Jing, Vincent, aged 40, first joined the Lai Sun Group as an independent non-executive director of eSun Holdings Limited (“eSun”) in August 1998 and was later appointed an executive director and elected the chairman of eSun in December 1999. He has over 12 years’ experience in banking and corporate finance in Hong Kong, China, Singapore and South-east Asia, having held various senior positions at different major multinational banking institutions.

DIRECTORS’ INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st July, 2001, the interests of the directors and the 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	484,991,750	Nil	Nil	Nil	484,991,750
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Nil	110,794,951
Chiu Wai	199,600	Nil	Nil	Nil	199,600
U Po Chu	3,669,000	Nil	Nil	Nil	3,669,000
Lai Yuen Fong	4,451,790	Nil	Nil	Nil	4,451,790

(2) Associated Corporations:

(a) Lai Sun Development Company Limited (“LSD”)

	Number of LSD Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	1,582,869,192 (note)	Nil	1,780,728,742
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Chiu Wai	195,500	Nil	Nil	Nil	195,500
U Po Chu	633,400	Nil	Nil	Nil	633,400

Note: The Company and its wholly-owned subsidiary beneficially owned 1,582,869,192 ordinary shares in LSD. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(2) Associated Corporations: (continued)

(b) 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
Lee Po On, Mark	Nil	Nil	Nil	6,000,000 (under share options) (note 3)	Nil

Notes:

- Lai Sun Development Company Limited ("LSD") and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. The Company and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of LSD. 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 the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.
- 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.

- An option was granted by eSun under the Scheme to Mr. Lee Po On, Mark on 4th March, 2000 to subscribe for 20,000,000 shares in eSun at HK\$1.40 per share exercisable during the period from 5th September, 2000 to 4th September, 2002.

After the consolidation of shares in eSun and the subsequent rights issue as mentioned in Note 2 above, the number of shares for subscription under Mr. Lee's option and the exercise price per share were adjusted to 6,000,000 shares and HK\$6.094 respectively.

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

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(2) Associated Corporations: (continued)

(c) 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

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 the Company which together with its wholly-owned subsidiary beneficially owned 633,741,377 shares in Lai Fung. Further, the Company and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of Lai Sun Development Company Limited 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 the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

(d) Crocodile Garments Limited ("CGL")

	Number of CGL Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	338,982,809 (note)	Nil	338,982,809
Lee Po On, Mark	3,410,000	Nil	Nil	Nil	3,410,000

Note: The Company and its wholly-owned subsidiary beneficially owned 338,982,809 shares in CGL. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouses) of approximately 34.3% in the issued share capital of the Company. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of the Company and held an interest of approximately 42% in aggregate in the issued share capital of the Company.

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 requirements for a minimum number of shareholders for those associated corporations.

Save as disclosed above, as at 31st July, 2001, none of the directors or the 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.

Report of the Directors

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2001, the following person was interested in 10% or more of the 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	Number of Shares Held
Mr. Lim Por Yen	493,112,540 (note)

Note: Mr. Lim Por Yen's interest in the said 493,112,540 shares in the Company included 4,451,790 shares and 3,669,000 shares in the Company respectively held by Madam Lai Yuen Fong and Madam U Po Chu, the spouses of Mr. Lim Por Yen, who were also deemed under the SDI Ordinance to have an interest in those of Mr. Lim Por Yen's interest in the share capital of the Company.

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 investment properties of the Group are as follows:

Location	Group interest	Tenure	Use
Shop G9/9A and G10 on ground floor, Room no. 213A on 2nd floor and Room no. 413A on 4th floor, Hankow Centre, 5-15 Hankow Road, 41-51 Peking Road, 4, 4A and 4B Ashley Road and 1, 1A-1E Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong	54.93%	Inland Lot No. 8219 is held for a term of 150 years commencing on 24th June, 1895	Commercial/ rental
The whole of basement, Shop No. 24 on Ground and Mezzanine Floors, Shop No. 33B on Ground and Mezzanine Floors, Tsimshatsui Mansion, Nos. 83-97 Nathan Road, Nos. 36-50 Lock Road, Tsim Sha Tsui, Kowloon, Hong Kong	54.93%	The property is held under Conditions of Renewal No. 5289 for a term of 150 years commencing on 24th June, 1889	Commercial/ rental

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

Report of the Directors

DETAILS OF PROPERTIES (continued)

Particulars of the Group's property under development are as follows:

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
A piece of land at junction of Da Tong Road and Zhi Jiang Xi Road, Su Jia Xiang, Zhabei, Shanghai, PRC	95%	Resettlement of original inhabitants completed	2004	Commercial/residential	The total site area is 41,800 sq.m. The total gross floor area will be 194,000 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 12 and 13, respectively, to the financial statements, respectively.

PROPERTIES UNDER DEVELOPMENT

Details of the movements in the properties under development of the Group during the year are set out in note 14 to the financial statements.

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INTERESTS IN SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 15 to the financial statements.

INTERESTS IN ASSOCIATES

Details of the Company's and the Group's principal associates at the balance sheet date are set out in note 17 to the financial statements.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of the bank loans, overdrafts and other borrowings of the Company and the Group at the balance sheet date are set out in note 23 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 25 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 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st July, 2001, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$531,576,000.

Report of the Directors

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$4,568,000.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year.

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>1,317,571</u>	<u>2,966,884</u>	<u>3,180,510</u>	<u>5,099,666</u>	<u>4,601,718</u>
PROFIT/(LOSS) BEFORE TAX	<u>(608,191)</u>	<u>(3,035,468)</u>	<u>(7,658,991)</u>	<u>385,429</u>	<u>1,053,318</u>
Tax	<u>(18,695)</u>	<u>(29,211)</u>	<u>(49,758)</u>	<u>(143,515)</u>	<u>(147,887)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>(626,886)</u>	<u>(3,064,679)</u>	<u>(7,708,749)</u>	<u>241,914</u>	<u>905,431</u>
Minority interests	<u>(2,550)</u>	<u>2,008,849</u>	<u>4,074,093</u>	<u>(175,400)</u>	<u>(589,192)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(629,436)</u>	<u>(1,055,830)</u>	<u>(3,634,656)</u>	<u>66,514</u>	<u>316,239</u>

Report of the Directors

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	234,067	376,975	2,414,824	2,832,790	2,330,504
Investment properties	142,800	77,700	10,034,000	13,348,900	13,890,622
Properties under development	188,702	187,840	7,982,105	11,111,712	5,356,895
Goodwill on consolidation of subsidiaries	125,847	128,366	258,544	519,314	526,007
Deferred pre-operating expenses	—	—	10,718	32,256	6,068
Interests in associates	2,788,652	2,654,130	1,124,655	2,396,143	2,748,367
Interests in jointly controlled entities	—	—	188,572	183,219	79,919
Long term investments	—	—	1,018,389	2,073,429	2,479,810
Long term note receivable	—	—	245,000	1,100,000	—
Current assets	<u>513,174</u>	<u>493,410</u>	<u>2,613,982</u>	<u>2,984,506</u>	<u>4,781,788</u>
TOTAL ASSETS	<u>3,993,242</u>	<u>3,918,421</u>	<u>25,890,789</u>	<u>36,582,269</u>	<u>32,199,980</u>
Current liabilities	(509,953)	(450,086)	(5,133,268)	(5,024,203)	(3,438,342)
Long term deposits received	(39,875)	—	(102,635)	(124,527)	(108,868)
Provision for premium on bonds redemption	—	—	(249,554)	(135,915)	(23,023)
Provision for premium on convertible note redemption	—	—	(1,667)	—	—
Interest bearing bank and other borrowings	(2,387)	(7,858)	(3,195,936)	(5,479,975)	(2,905,528)
Convertible bonds	—	—	(2,098,581)	(2,102,757)	(1,158,465)
Convertible note	—	—	(600,000)	—	—
Long term bonds payable	—	—	(891,250)	(891,250)	(1,818,850)
Deferred tax	—	(1,063)	(188)	(1,534)	(34,805)
TOTAL LIABILITIES	<u>(552,215)</u>	<u>(459,007)</u>	<u>(12,273,079)</u>	<u>(13,760,161)</u>	<u>(9,487,881)</u>
MINORITY INTERESTS	<u>(182,541)</u>	<u>(198,880)</u>	<u>(9,123,369)</u>	<u>(13,713,106)</u>	<u>(14,369,492)</u>
NET ASSETS	<u>3,258,486</u>	<u>3,260,534</u>	<u>4,494,341</u>	<u>9,109,002</u>	<u>8,342,607</u>

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

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

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 are 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

Lim Por Yen

Chairman & Managing Director

Hong Kong

9th November, 2001