

Report of the Directors

The directors present their report together with the audited financial statements of the Company and of the Group for the year ended 31st July, 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company and of the Group are the manufacture and sale of garments and property investment. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business segment and geographical area of operations for the year ended 31st July, 2002 is set out in note 4 to the financial statements.

FINANCIAL RESULTS

The Group's profit for the year ended 31st July, 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 54.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31st July, 2002 (2001:Nil). No interim dividend was declared by the Company for the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results and assets and liabilities of the Group for the five financial years from 1998 to 2002:

	Year ended 31st July,				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>595,320</u>	<u>679,939</u>	<u>727,522</u>	<u>651,984</u>	<u>905,500</u>
Net profit/(loss) attributable to shareholders	<u>20,058</u>	<u>5,877</u>	<u>(35,728)</u>	<u>(196,345)</u>	<u>(141,775)</u>
	As at 31st July,				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<u>506,965</u>	<u>602,873</u>	<u>647,842</u>	<u>716,162</u>	<u>970,071</u>
Total liabilities	193,217	203,961	212,891	245,483	302,987
Minority interests	—	—	—	—	60
Shareholders' funds	<u>313,748</u>	<u>398,912</u>	<u>434,951</u>	<u>470,679</u>	<u>667,024</u>
	<u>506,965</u>	<u>602,873</u>	<u>647,842</u>	<u>716,162</u>	<u>970,071</u>

Report of the Directors

DIRECTORS

The directors of the Company as at the date of this report and those who were in office during the year are as follows:

Executive directors

Lim Por Yen (*Chairman*)

Lam Kin Ming (*Deputy Chairman*)

Lam Kin Ngok, Peter

Lam Kin Ko, Stewart

Lam Kin Hong, Matthew

Non-executive directors

U Po Chu

Shiu Kai Wah

Chiu Wai

Wan Yee Hwa, Edward *

Yeung Sui Sang *

* *Independent non-executive directors*

In accordance with Article 100 of the Company's Articles of Association, Mr. Lam Kin Ming, Madam U Po Chu and Mr. Lam Kin Hong, Matthew retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements headed "Related Party Transactions", no director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding company was a party at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and upto the date of this report, the following Directors of the Company are considered to have interests in the business which compete or are likely to compete either directly or indirectly, with the business of the Group pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited:-

Mr. Lim Por Yen, Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter held interests and/or directorships in companies engaged in the business of property investment.

As the Board is independent from the boards of the aforesaid companies and none of the above directors of the Company can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lim Por Yen, Chairman, aged 87, is the founder of the Lai Sun Group. He has been a director of the Company since November 1987. He is also the chairman and managing director of Lai Sun Garment (International) Limited (the ultimate holding company of the Company), the chairman of Lai Fung Holdings Limited, the honorary chairman of Lai Sun Development Company Limited and a director of eSun Holdings Limited. Mr. Lim first became involved in the property and investment business in the mid-1950's and has close to 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 Ming, Deputy Chairman, aged 65, was appointed a director in December 1993. He is a deputy chairman of Lai Sun Garment (International) Limited (the ultimate holding company of the Company) and has been involved in day-to-day management in the garment business since 1958. He is also a director of Lai Sun Development Company Limited and eSun Holdings Limited, and the deputy chairman of Lai Fung Holdings Limited. Mr. Lam is a son of Mr. Lim Por Yen and the elder brother of Mr. Lam Kin Ngok, Peter.

Mr. Lam Kin Ngok, Peter, aged 45, was appointed a director in October 1987. He is a deputy chairman of Lai Sun Garment (International) Limited (the ultimate holding company of the Company), the chairman and president of Lai Sun Development Company Limited, an executive director of eSun Holdings Limited and a director of Lai Fung Holdings Limited. 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. Lim Kin Ming.

Mr. Lam Kin Ko, Stewart, aged 54, was appointed a director in April 1997. He is also a director of Lai Fung Holdings Limited. Prior to his appointment, he has held the position of Consultant (China Affairs) to the Chairman of the Lai Sun Group since 1994. He has over 10 years' experience in garment manufacturing and China trade.

Mr. Lam Kin Hong, Matthew, aged 34, was appointed a director in July 1999. He is also an executive director of Lai Sun Garment (International) Limited (the ultimate holding company of the Company), and a director and chief executive officer of Lai Fung Holdings 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 Ming and Mr. Lam Kin Ngok, Peter.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors:

Madam U Po Chu, aged 77, was appointed a director in September 1989. She is also a director of Lai Sun Garment (International) Limited (the ultimate holding company of the Company), Lai Sun Development Company Limited and eSun Holdings Limited. Madam U has over 50 years' experience in the garment manufacturing business and was 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.

Mr. Shiu Kai Wah, aged 70, was appointed a director in December 1993. He is also a director of Lai Sun Garment (International) Limited (the ultimate holding company of the Company), Lai Fung Holdings Limited, Lai Sun Development Company Limited and eSun Holdings Limited. Mr. Shiu has over 30 years' experience in management in the garment business.

Mr. Chiu Wai, aged 71, was appointed a director in December 1993. He is also a director of Lai Sun Garment (International) Limited (the ultimate holding company of the Company), Lai Fung Holdings Limited, Lai Sun Development Company Limited and eSun Holdings Limited. Mr. Chiu has over 41 years' experience in production management and has been working for the Lai Sun Group's garment business since 1955.

Mr. Wan Yee Hwa, Edward, aged 66, was appointed a director in December 1993 and is an independent non-executive director. He has been a Certified Public Accountant in Hong Kong since 1961.

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Mr. Yeung Sui Sang, aged 64, was appointed an independent non-executive director on 29th October, 2001. Before joining the Lai Sun Group in March 1988, Mr. Yeung had worked in the civil service for over 30 years. He first joined Lai Sun Garment (International) Limited ("LSG") as Administration Manager, and was later appointed to the boards of LSG, eSun Holdings Limited and Asia Television Limited. Mr. Yeung retired from the Lai Sun Group in June 1998.

Senior management:

Madam Lam Shun Yee, Sunny, aged 46, was appointed the Deputy Chief Executive Officer of the Company in October 1999. She has over 14 years' management experience in the garment and retail business. On joining the Company in 1987, she brought with her over 10 years' experience in retail banking with a multinational bank in Hong Kong. Her principal accountability is the implementation of the operational policy and strategy set down by the Board under the leadership of the Chairman, encompassing the management of Hong Kong and Mainland retail operations, cost control, development of the Mainland market, and repositioning of the "Crocodile" brand.

Miss Chan Lai Ping, Connie, aged 36, is the Financial Controller of the Company. Miss Chan is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and an associate member of the Hong Kong Society of Accountants. She joined the Company in September 1999 and has over 10 years of financial experience.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management: (continued)

Miss Lam Wai Shan, Vanessa, aged 31, joined the Company in March 1998. Miss Lam is a vice-president of the Company and is in charge of the Hong Kong Retail department. Miss Lam is a graduate of the Fashion Institute of Design and Merchandising in Los Angeles and holds a Bachelor of Arts Degree from Scripps College, California, USA. Prior to joining the Company, Miss Lam worked for two London-based design houses - Alexander McQueen and Julien MacDonald. Miss Lam is the eldest child of Mr. Lam Kin Ming and is the eldest grandchild of Mr. Lim Por Yen.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st July, 2002, the interests of the Directors or 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 Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "Code") were as follows:

(1) Company

	Number of Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	338,982,809 (Note)	Nil	338,982,809

Note: Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 338,982,809 ordinary shares in the Company. Mr. Lim Por Yen was deemed to be interested in such shares in the Company by virtue of his interest (and those of his associates) of approximately 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 an interest of approximately 42% in aggregate in the issued share capital of LSG.

(2) Associated Corporations

(a) Lai Sun Garment (International) Limited ("LSG")

	Number of LSG Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	484,991,750	4,451,790	Nil	Nil	489,443,540
Lam Kin Ngok, Peter	110,794,951	Nil	Nil	Nil	110,794,951
U Po Chu	3,669,000	Nil	Nil	Nil	3,669,000
Chiu Wai	199,600	Nil	Nil	Nil	199,600

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(2) Associated Corporations (continued)

(b) Lai Sun Development Company Limited ("LSD")

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

Note: LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 LSD Shares. Mr. Lim Por Yen was deemed to be interested in such shares in LSD by virtue of his interest (and those of his associates) of approximately 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 an interest of approximately 42% in aggregate in the issued share capital of LSG.

(c) Lai Fung Holdings Limited ("LFH")

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	Number of LFH Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	1,767,125,360 <i>(Note)</i>	Nil	1,767,125,360

Note: LSG and its wholly-owned subsidiary beneficially owned 1,767,125,360 LFH Shares. Mr. Lim Por Yen was deemed to be interested in such shares in LFH by virtue of his interest (and those of his associates) of approximately 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 an interest of approximately 42% in aggregate in the issued share capital of LSG.

In addition to the above, certain directors held non-beneficial interests in the share capital of some of the subsidiaries of the Company and of its associated corporations as nominee shareholders, mainly for the purpose of complying with the statutory requirements for a minimum number of shareholders for those subsidiaries.

Save as disclosed above, as at 31st July, 2002, none of the directors or chief executives of the Company or their respective associates had any interest in the equity or debt securities of the Company or of any of its associated corporations which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance or the Code (including interests which they were deemed or taken to have under Section 31 or Part 1 of the Schedule to the SDI Ordinance) or which was required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

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SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2002, 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 under Section 16 (1) of the SDI Ordinance:

	Number of shares held
Joy Mind Limited	336,316,809
Lai Sun Garment (International) Limited ("LSG")	338,982,809
Lim Por Yen	338,982,809

Note: Joy Mind Limited was a wholly-owned subsidiary of LSG. Its interest in the Company constituted part of the interest held by LSG in the Company.

Lim Por Yen was deemed to be interested in the shares in the Company since he (together with his associates) held an interest of approximately 34.3% 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, 2002.

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in note 3 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group and the Company during the year are set out in note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group and the Company during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

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

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at the balance sheet date are set out in note 18 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31st July, 2002, the Company did not have any reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$196,000.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the financial year ended 31st July, 2002.

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 of The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report. The non-executive directors 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 Company's Articles of Association.

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The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice. The audit committee comprises two independent non-executive directors, Mr. Wan Yee Hwa, Edward and Mr. Yeung Sui Sang as at the date hereof.

AUDITORS

Ernst & Young will 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

Hong Kong
8th November, 2002