

Report of the Directors

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

PRINCIPAL ACTIVITIES

The Group focused on property development for sale, property investment, investment in and operation of hotels and restaurants and investment holding.

The principal activities of the Company for the year consisted of property development for sale, property investment and investment holding.

Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements.

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 principal activity and geographical area for the year ended 31st July, 2002 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st July, 2002 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 33 to 100.

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The directors do not recommend the payment of a final ordinary dividend for the year ended 31st July, 2002.

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

DIRECTORS

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

Lim Por Yen (*Honorary Chairman*)

Lam Kin Ngok, Peter (*Chairman and President*)

Lau Shu Yan, Julius

Wu Shiu Kee, Keith

Lam Kin Ming

Tong Yuk Lun, Paul (resigned on 1st May, 2002)

U Po Chu

Chiu Wai

Shiu Kai Wah

David Tang*

Law Man Fai* (resigned on 25th July, 2002)

Lam Bing Kwan* (appointed on 25th July, 2002)

* *Independent non-executive directors*

Report of the Directors

DIRECTORS (continued)

In accordance with Article 93 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 at the said meeting.

In accordance with Article 102 of the Company's Articles of Association, Mr. Lau Shu Yan, Julius, Mr. Chiu Wai and Mr. Shiu Kai Wah 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 statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 6 and 19 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 was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong.

Madam U Po Chu held interest and/or directorship in company engaged in the business of investment in and operation of restaurant in Hong Kong.

As the board of the Company (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.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 19 to the financial statements on the disposal of the Group's 25.40% interest in Lai Fung Holdings Limited to Lai Sun Garment (International) Limited ("LSG"), at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lim Por Yen, Honorary Chairman, aged 87, is the founder of the Lai Sun Group and has been an executive director of the Company since June 1959. He is also the chairman and managing director of Lai Sun Garment (International) Limited (“LSG”), the chairman of Crocodile Garments Limited and Lai Fung Holdings Limited, and an executive director of eSun Holdings Limited. LSG is the controlling shareholder of the Company. Mr. Lim first became involved in the property and investment business in the mid-1950’s and has over 60 years’ experience in the garment business. He is an honorary citizen of the city of Guangzhou, the city of Swatow, the city of Xiamen and the city of Zhong Shan in the People’s Republic of China. Mr. Lim was also one of the Hong Kong Affairs Advisers to the People’s Republic of China and is a founder member of The Better Hong Kong Foundation.

Mr. Lam Kin Ngok, Peter, Chairman and President, aged 45, has been an executive director of the Company since June 1977. He is also a deputy chairman of Lai Sun Garment (International) Limited (“LSG”), and an executive director of eSun Holdings Limited, Crocodile Garments Limited and Lai Fung Holdings Limited. LSG is the controlling shareholder of the Company. Mr. Lam has extensive experience in property and investment business. He is a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association and a council member of the Anglo Hong Kong Trust. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ming.

Mr. Lau Shu Yan, Julius, aged 46, joined the Company as an executive director in July 1991. Mr. Lau has over 15 years of experience in the property and securities industries holding senior management positions. Prior to his current appointment, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of Real Estate Developers Association of Hong Kong.

Mr. Wu Shiu Kee, Keith, aged 39, joined the Lai Sun Group in November 1997 and was appointed an executive director of the Company on 1st January, 1998. He has over 15 years’ experience in investment research and asset management. Prior to his appointment with the Lai Sun Group, Mr. Wu served as a director and head of Hong Kong/China Research for Peregrine Brokerage Limited. He holds a Bachelor in Science degree from the University of Toronto and a Master in Science degree from Stanford University.

Non-Executive Directors

Mr. Lam Kin Ming, aged 65, has been a director of the Company since June 1959. Mr. Lam is also the deputy chairman of Lai Sun Garment (International) Limited (“LSG”), Crocodile Garments Limited and Lai Fung Holdings Limited, and a non-executive director of eSun Holdings Limited. Mr. Lam is also an alternate director to certain directors of Lai Fung Holdings Limited. LSG is the controlling shareholder of the Company. Mr. Lam has been involved in the management of garment business since 1958 and is a son of Mr. Lim Por Yen and the elder brother of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Non-Executive Directors (continued)

Madam U Po Chu, aged 77, has been a director of the Company since December 1993. She is also a non-executive director of Lai Sun Garment (International) Limited (“LSG”), eSun Holdings Limited and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Madam U has over 55 years’ experience in the garment manufacturing business and had been involved in the printing business in the mid-1960’s. In the early 1970’s, she started to expand the business to fabric bleaching and dyeing and became involved in property development and investment in the late 1980’s. She is Mr. Lim Por Yen’s wife.

Mr. Chiu Wai, aged 71, has been a director of the Company since December 1993. Mr. Chiu is also an executive director of Lai Sun Garment (International) Limited (“LSG”) and a non-executive director of Lai Fung Holdings Limited, eSun Holdings Limited and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Mr. Chiu has over 45 years’ experience in production management. He has been working for the Lai Sun Group’s garment business since 1955.

Mr. Shiu Kai Wah, aged 70, has been a director of the Company since December 1993. He is also an executive director of Lai Sun Garment (International) Limited (“LSG”) and a non-executive director of Lai Fung Holdings Limited, eSun Holdings Limited and Crocodile Garments Limited. LSG is the controlling shareholder of the Company. Mr. Shiu has over 30 years’ experience in the management of garment business.

Mr. David Tang, aged 48, is an independent non-executive director of the Company. He is the founder of The China Clubs (in Hong Kong, Beijing and Singapore), Shanghai Tang Stores and The Pacific Cigar Company Ltd. He is also a director of First Pacific Company Ltd. in Hong Kong. In community service, he is the chairman of The Hong Kong Cancer Fund and president of the Hong Kong Down Syndrome Association. He holds an Honours Degree in Philosophy and Logic. In 1983/84, he taught at Peking University.

Mr. Lam Bing Kwan, aged 53, is an independent non-executive director of the Company. He is also an independent non-executive director of Lai Fung Holdings Limited. 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 non-executive 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. Tam Kin Man, Kraven, aged 54, is a senior vice president of the Company. He first joined the Lai Sun Group in 1989 and is currently the chief executive of Furama Hotels & Resorts International Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has over 26 years’ experience in property development, investment and management. He also has over 13 years’ experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Senior Management (continued)

Mr. Alan Tse, aged 39, joined the Lai Sun Group in June 1989. Mr. Tse has been the financial controller of the Company since October 1990. Mr. Tse is a Fellow of the Association of Chartered Certified Accountants with over 17 years' financial experience.

Mr. Yeung Kam Hoi, aged 53, joined the Company as group company secretary in March 1998. Prior to his current appointment, Mr. Yeung served at various times as the company secretary of a number of listed companies in Hong Kong for over 10 years. He has been an associate member of The Institute of Chartered Secretaries and Administrators since 1979 and is also an associate member of The Hong Kong Institute of Company Secretaries and a member of Hong Kong Securities Institute.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st July, 2002, the interests of the directors and chief executive in the equity or debt securities of the Company or 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 adopted by the Company (the "Code") were as follows:

(1) The Company

Name of Director	Number of Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	197,859,550	Nil	1,582,869,192	Nil	1,780,728,742
			(Note)		
Lam Kin Ngok, Peter	10,099,585	Nil	Nil	Nil	10,099,585
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Nil	1,200,000
Wu Shiu Kee, Keith	200,000	Nil	Nil	Nil	200,000
U Po Chu	633,400	Nil	Nil	Nil	633,400
Chiu Wai	195,500	Nil	Nil	Nil	195,500

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

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DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(2) Associated Corporations

(a) eSun Holdings Limited ("eSun")

Name of Director	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 <i>(Note 1)</i>	Nil	287,169,658
Lam Kin Ngok, Peter	3,426,567	Nil	Nil	10,500,000 (under share options) <i>(Note 2)</i>	3,426,567
Wu Shiu Kee, Keith	40,000	Nil	Nil	Nil	40,000
U Po Chu	112,500	Nil	Nil	Nil	112,500

Notes:

- The Company and its wholly-owned subsidiaries beneficially owned 285,512,791 shares in eSun. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary held an interest of approximately 42.25% in the issued ordinary share capital of the Company. Mr. Lim Por Yen was deemed to be interested in such shares in eSun by virtue of his interest (including those of his associates) of approximately 34.3% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.
- Mr. Lam Kin Ngok, Peter was previously granted options by eSun entitling him on exercise of the options to subscribe for 10,500,000 shares in eSun. Out of the 10,500,000 share options, the option for 6,000,000 shares could be exercised at a subscription price of HK\$2.655 per share during the period from 13th August, 2000 to 12th August, 2002 while option for the remaining 4,500,000 shares could be exercised at HK\$6.094 per share during the period from 5th September, 2000 to 4th September, 2002. Both the number of shares in the options and the subscription price had been adjusted subsequent to the share consolidation of eSun in December 2000 and the rights issue of eSun in January 2001.

During the year ended 31st July, 2002, Mr. Lam had not exercised any share options. These options lapsed as at the date of this report.

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

(2) Associated Corporations (continued)

(b) Lai Fung Holdings Limited ("Lai Fung")

Name of Director	Number of Lai Fung Ordinary Shares Held				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Lim Por Yen	Nil	Nil	1,767,125,360 (Note)	Nil	1,767,125,360
Lau Shu Yan, Julius	1,000,000	Nil	Nil	Nil	1,000,000

Note: Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,767,125,360 shares in Lai Fung. Mr. Lim Por Yen was deemed to be interested in such shares in Lai Fung by virtue of his interest (including those of his associates) of approximately 34.3% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.

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

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ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31st July, 2002, the following parties were interested in 10% or more of the total issued ordinary share capital of the Company as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of Ordinary Shares Held
Lai Sun Garment (International) Limited ("LSG")	1,582,869,192
Mr. Lim Por Yen	1,781,362,142 (Note 1)
Nice Cheer Investment Limited ("Nice Cheer")	781,346,935
Xing Feng Investments Limited ("Xing Feng")	781,346,935 (Note 2)
Mr. Chen Din Hwa	781,346,935 (Notes 2 & 3)

Notes:

1. Mr. Lim Por Yen was deemed to be interested in 1,582,869,192 ordinary shares in the Company by virtue of his interest (including those of his associates) of approximately 34.3% in the issued share capital of LSG.
2. Xing Feng was taken to be interested in 781,346,935 ordinary shares in the Company beneficially owned by Nice Cheer due to its corporate interests therein.
3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 ordinary shares in the Company by virtue of his corporate interests in Nice Cheer.

Save for the interests disclosed above, the directors are not aware of any other person being interested in 10% or more of the issued ordinary share capital of the Company as at 31st July, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Report of the Directors

DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

	Location	Group Interest	Tenure	Use
1.	Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30th June, 2047	Office/ commercial/ carpark
2.	Causeway Bay Plaza 1, 489 Hennessy Road, Causeway Bay, Hong Kong (The Remaining Portion of Subsection 10 of Section A of Inland Lot No. 2836 and Inland Lot Nos. 8659 and 8683)	100%	Inland Lot No. 2836 is held for a term of 99 years commencing on 30th September, 1929 and renewable for a further term of 99 years. Inland Lot Nos. 8659 and 8683 are held for a term commencing on 18th June, 1987 and expiring on 30th June, 2047	Office/ Commercial
24	3. Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15th April, 1929 and renewable for a further term of 99 years	Office/ commercial/ carpark
4.	Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of 99 years less the last 3 days thereof from 1st July, 1898, and was renewed for a term of another 50 years	Office/ commercial/ carpark
5.	Lai Sun Yuen Long Centre, 27 Wang Yip Street East, Yuen Long, New Territories, Hong Kong (Yuen Long Town Lot No. 362)	100%	The property is held for a term of 99 years less the last 3 days thereof from 1st July, 1898, and was renewed for a term of another 50 years	Industrial

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

Report of the Directors

DETAILS OF PROPERTIES (continued)

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

	Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
1.	Furama Court 24-26 Kimberley Road, 55-61 Carnarvon Road and 38-40 Kimberley Street, Tsimshatsui, Kowloon, Hong Kong	50%	Foundation work completed	2004	Commercial/ service apartments	The total site area is 960 sq.m. The total gross floor area will be approximately 10,800 sq.m.
2.	AIG Tower 1 Connaught Road Central, Hong Kong	30%	Demolition work in progress	2005	Commercial/ office	The total site area is 2,269 sq.m. The total gross floor area will be approximately 41,000 sq.m.
3.	Rolling Hills (Phase II) 2094 in DD105, Ngau Tam Mei Yuen Long, New Territories, Hong Kong	50%	Building plans approved	2004	Residential	The total site area is approximately 19,600 sq.m. The total gross floor area will be approximately 7,110 sq.m.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of the movements in the fixed assets and investment properties of the Company and the Group during the year are set out in notes 15 and 16, respectively, to the financial statements. Further details of the Group's principal investment properties are set out on page 24.

PROPERTIES UNDER DEVELOPMENT

Details of the movements in the properties under development of the Company and the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 33 to the financial statements.

Report of the Directors

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

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

DONATIONS

During the year, the Group made charitable or other donations totaling HK\$235,000.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and adjusted as appropriate, is set out below. The amounts for the financial year ended 31st July, 2000 have been restated to account for the effect of the retrospective change in accounting policy affecting goodwill, as further detailed in notes 3 and 13 to the financial statements.

RESULTS

	Year ended 31st July,				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Restated)		
TURNOVER	934,720	1,899,862	4,659,663	1,752,093	3,538,210
PROFIT/(LOSS) BEFORE TAX	(1,881,190)	(1,155,522)	(3,586,818)	(6,998,179)	486,251
Tax	(35,927)	(30,476)	16,008	(45,614)	(143,959)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(1,917,117)	(1,185,998)	(3,570,810)	(7,043,793)	342,292
Minority interests	(24,391)	(10,184)	750,209	211,370	(32,910)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(1,941,508)	(1,196,182)	(2,820,601)	(6,832,423)	309,382

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued) ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31st July,				
	2002	2001	2000	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	1,294,943	1,312,728	1,371,567	2,014,989	2,338,740
Investment properties	4,987,860	6,224,870	9,478,130	9,954,900	13,259,000
Properties under development	116,592	160,754	3,571,007	7,886,347	10,994,066
Goodwill on consolidation of subsidiaries	—	—	—	—	90,012
Deferred pre-operating expenses	—	—	—	10,718	32,256
Interests in associates	2,082,375	2,128,954	1,964,843	1,126,531	2,399,601
Interests in jointly controlled entities	—	—	50,127	188,572	183,219
Long term investments	173,531	539,307	1,018,910	1,018,389	2,073,429
Long term note receivable	—	—	—	245,000	1,100,000
Long term prepayment	194,000	194,000	—	—	—
Deferred tax assets	—	—	749	216	—
Pledged cash and bank balances	70,053	—	—	—	—
Current assets	<u>394,684</u>	<u>805,129</u>	<u>2,044,096</u>	<u>2,140,135</u>	<u>2,368,064</u>
TOTAL ASSETS	<u>9,314,038</u>	<u>11,365,742</u>	<u>19,499,429</u>	<u>24,585,797</u>	<u>34,838,387</u>
Current liabilities	(6,587,485)	(1,762,276)	(3,633,586)	(4,703,058)	(4,395,426)
Deferred tax liabilities	(380)	(380)	—	—	(1,130)
Long term rental deposits received	(62,981)	(50,707)	(73,629)	(102,635)	(124,527)
Interest-bearing bank and other borrowings	(1,493,000)	(3,128,335)	(2,575,890)	(3,124,279)	(5,314,604)
Provision for loan repayment premium	(52,500)	(17,500)	—	—	—
Provision for premium on bonds redemption	—	(473,145)	(354,081)	(249,554)	(135,915)
Long term bonds payable	—	(740,053)	(735,853)	(891,250)	(891,250)
Convertible bonds	—	(965,287)	(1,888,324)	(2,098,581)	(2,102,757)
Provision for premium on convertible note redemption	—	—	(21,667)	(1,667)	—
Convertible note	—	—	(600,000)	(600,000)	—
TOTAL LIABILITIES	<u>(8,196,346)</u>	<u>(7,137,683)</u>	<u>(9,883,030)</u>	<u>(11,771,024)</u>	<u>(12,965,609)</u>
MINORITY INTERESTS	<u>(351,274)</u>	<u>(361,744)</u>	<u>(3,233,971)</u>	<u>(4,105,773)</u>	<u>(4,682,432)</u>
NET ASSETS	<u>766,418</u>	<u>3,866,315</u>	<u>6,382,428</u>	<u>8,709,000</u>	<u>17,190,346</u>

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases.

PRACTICE NOTE 19 TO THE LISTING RULES ("PN19")

Advances to entities (Paragraph 3.2.1 of PN19)

As at 31st July, 2002, the Group had advanced to and given guarantees for facilities granted to certain affiliated companies that, individually, exceed 25% of the Group's net asset value. In compliance with PN19, details of the advances to and guarantees given for facilities granted to Bayshore Development Group Limited ("Bayshore"), an associate owned as to 30% by the Group, Hillfield Trading Limited ("Hillfield Trading"), Bushell Limited and Sky Connection Limited ("Sky Connection"), associates each owned as to 50% by the Group, as at 31st July, 2002 are set out below:

	Name of affiliated companies				Total HK\$'000
	Bayshore HK\$'000 (a)	Hillfield Trading HK\$'000 (b)	Bushell Limited HK\$'000 (b)	Sky Connection HK\$'000 (c)	
Principal amount of advances	900,000	402,180	—	253,458	1,555,638
Interest receivable	105,875	—	—	31,071	136,946
Guarantees given for banking facilities granted	—	—	215,000	124,000	339,000
	<u>1,005,875</u>	<u>402,180</u>	<u>215,000</u>	<u>408,529</u>	<u>2,031,584</u>

Notes:

- (a) The advance was provided to Bayshore to finance the development of AIG Tower project at 1 Connaught Road Central, Hong Kong. The balance was unsecured, interest-bearing at prevailing market rate and had no fixed terms of repayment.
- (b) The advance was provided to Hillfield Trading for its on-lending to Bushell Limited, its wholly-owned subsidiary, to finance the property development of Furama Court project at Tsim Sha Tsui, Hong Kong. The balance was unsecured, interest-free and had no fixed terms of repayment. The guarantee was given to a bank, in proportion to the Group's beneficial shareholding in Bushell Limited, to secure facilities granted to Bushell Limited to finance the property development project of Furama Court.
- (c) The advance was provided to Sky Connection to finance the general working capital requirement of its duty free business. The balance was unsecured, interest-bearing at prevailing market rates and repayable on demand. The guarantees were given to banks, in proportion to the Group's beneficial shareholding in Sky Connection, to secure a performance bond issued by a bank in favour of the Hong Kong Airport Authority and other banking facilities granted by such banks to Sky Connection.

Report of the Directors

PRACTICE NOTE 19 TO THE LISTING RULES (“PN19”) (continued)

Financial assistance provided to and guarantees given for affiliated companies (paragraph 3.3 of PN19)

As at 31st July, 2002, the Group had given financial assistance and guarantees to financial institutions for the benefit of its affiliated companies amounting to, in aggregate, approximately 326% of the Group's net asset value. In compliance with PN19, the pro forma combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

	HK\$'000
Fixed assets	728,757
Properties under development	4,134,229
Interests in associates	405,360
Long term investments	9,182
Amount due from a related company	1,500,040
Interests in jointly controlled entities	34,253
Net current liabilities	<u>(124,830)</u>
 Total assets less current liabilities	 6,686,991
 Long term borrowings	 (3,488)
Convertible notes	(259,501)
Deferred income	(105,788)
Amounts due to shareholders	<u>(5,835,744)</u>
	 <u>482,470</u>
 CAPITAL AND RESERVES	
Issued capital	489,385
Share premium account	3,142,400
Contributed surplus	891,289
Fixed assets revaluation reserve	287,237
Exchange fluctuation reserve	16,461
Accumulated losses	<u>(4,298,553)</u>
	 528,219
 Minority interests	 <u>(45,749)</u>
	 <u>482,470</u>

Report of the Directors

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 throughout the accounting period covered by the annual report. All non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purpose of reviewing the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire at the forthcoming Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board

Lam Kin Ngok, Peter
Chairman and President

Hong Kong
8th November, 2002