

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, 2003.

PRINCIPAL ACTIVITIES

During the year, 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.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st July, 2003 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 37 to 101.

The directors do not recommend the payment of a final ordinary dividend for the year ended 31st July, 2003.

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
U Po Chu
Chiu Wai
Shiu Kai Wah
David Tang*
Lam Bing Kwan*

* *Independent non-executive directors*

Report of the Directors

DIRECTORS (continued)

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Mr. David Tang 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, 18 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.

Mr. Lam Kin Ngok, Peter and Madam U Po Chu held interests and/or directorships in companies engaged in the business of investment in and operation of restaurants 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 SHAREHOLDERS' 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lim Por Yen, Honorary Chairman, aged 88, is the founder of the Lai Sun Group and has been a 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 46, has been a 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 47, joined the Company as a 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 40, joined the Lai Sun Group in November 1997 and was appointed a director of the Company on 1st January, 1998. He has over 15 years’ experience in investment research and asset management. Prior to his appointment in 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 66, 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 78, 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, and an executive director of Lai Fung Holdings 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 in the late 1980’s became involved in property development and investment. In 2000, Madam U began investing in the catering industry in Hong Kong. She is Mr. Lim Por Yen’s wife.

Mr. Chiu Wai, aged 72, has been a director of the Company since December 1993. Mr. Chiu is also a non-executive director of Lai Sun Garment (International) Limited (“LSG”), 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 71, 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 49, 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 54, 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 Technology Limited and South Sea Holding Company Limited, both listed on the Main Board of the Hong Kong Stock Exchange.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management

Mr. Tam Kin Man, Kraven, aged 55, 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 Hotel Enterprises Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has over 27 years' experience in property development, investment and management. He also has over 14 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Mr. Alan Tse, aged 40, 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 18 years' financial experience.

Mr. Yeung Kam Hoi, aged 54, 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.

Report of the Directors

DIRECTORS' INTERESTS

As at 31st July, 2003, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange:

(1) The Company

| Name of Director | Personal Interests | Long positions in the shares | | | Total | Percentage |
|---------------------|--------------------|------------------------------|---------------------------|------------------|---------------|------------|
| | | Family Interests | Corporate Interests | Capacity | | |
| Lim Por Yen | 197,859,550 | 633,400 (Note 1) | 1,582,869,192 (Note 2) | Beneficial owner | 1,781,362,142 | 47.55% |
| Lam Kin Ngok, Peter | 10,099,585 | Nil | Nil | Beneficial owner | 10,099,585 | 0.27% |
| Lau Shu Yan, Julius | 1,200,000 | Nil | Nil | Beneficial owner | 1,200,000 | 0.03% |
| Wu Shiu Kee, Keith | 200,000 | Nil | Nil | Beneficial owner | 200,000 | 0.01% |
| U Po Chu | 633,400 | 1,780,728,742 (Note 3) | Nil | Beneficial owner | 1,781,362,142 | 47.55% |
| Chiu Wai | 195,500 | Nil | Nil | Beneficial owner | 195,500 | 0.01% |

Notes:

1. Mr. Lim Por Yen was deemed to be interested in 633,400 shares by virtue of the interest in such shares of his spouse, Madam U Po Chu.
2. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lim Por Yen was deemed to be interested in such shares by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.
3. Madam U Po Chu was deemed to be interested in 1,780,728,742 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(1) The Company (continued)

Long positions in underlying shares of equity derivatives

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives.

Short positions in underlying shares of equity derivatives

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives.

(2) Associated Corporation

eSun Holdings Limited ("eSun")

| Name of Director | Long positions in shares of eSun | | | | Total | Percentage |
|------------------|----------------------------------|-------------------------|-------------------------|------------------|-------------|------------|
| | Personal Interests | Family Interests | Corporate Interests | Capacity | | |
| Lim Por Yen | Nil | Nil | 285,512,791 (Note 1) | Beneficial owner | 285,512,791 | 42.54% |
| U Po Chu | Nil | 285,512,791 (Note 2) | Nil | Beneficial owner | 285,512,791 | 42.54% |

Notes:

- eSun is an associated corporation of the Company as 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 that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Madam U Po Chu were directors of LSG and held an interest of approximately 42% in aggregate in the issued share capital of LSG.
- Madam U Po Chu was deemed to be interested in 285,512,791 shares in eSun by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Long positions in underlying shares of equity derivatives of eSun

None of the directors nor the chief executive of the Company were interested or deemed to be interested in long positions in underlying shares of equity derivatives of eSun.

Short positions in underlying shares of equity derivatives of eSun

None of the directors nor the chief executive of the Company were interested or deemed to be interested in short positions in underlying shares of equity derivatives of eSun.

Report of the Directors

DIRECTORS' INTERESTS (continued)

Save as disclosed above, as at 31st July, 2003, none of the directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Code for Securities Transactions by Directors adopted by the Company to be notified to the Company and the Stock Exchange.

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st July, 2003, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

| Name | Capacity | Long positions in the shares | | |
|---|------------------|--------------------------------|---------------------|--------------------|
| | | Nature (Note 1) | Number of Shares | Percentage |
| Lai Sun Garment (International) Limited ("LSG") | Beneficial owner | Corporate | 1,582,869,192 | 42.25% |
| Lim Por Yen | Beneficial owner | Personal, Family and Corporate | 1,781,362,142 | 47.55% (Note 2) |
| U Po Chu | Beneficial owner | Personal and Family | 1,781,362,142 | 47.55% (Note 3) |
| Lai Yuen Fong | Beneficial owner | Family | 1,781,362,142 | 47.55% (Note 4) |
| Nice Cheer Investment Limited ("Nice Cheer") | Beneficial owner | Corporate | 781,346,935 | 20.86% |
| Xing Feng Investments Limited ("Xing Feng") | Beneficial owner | Corporate | 781,346,935 | 20.86% (Note 5) |

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued) Long positions in the shares

| Name | Capacity | Nature (Note 1) | Number of Shares | Percentage |
|-------------------------|------------------|--------------------|---------------------|---------------------------------|
| Chen Din Hwa | Beneficial owner | Corporate | 781,346,935 | 20.86% (Notes 5 and 6) |
| Chen Yang Foo Oi | Beneficial owner | Family | 781,346,935 | 20.86% (Note 7) |
| Asia Television Limited | Beneficial owner | Corporate | 200,000,000 | 5.34% (Note 8) |
| Today's Asia Limited | Beneficial owner | Corporate | 200,000,000 | 5.34% (Notes 8 and 9) |
| Liu Changle | Beneficial owner | Corporate | 200,000,000 | 5.34% (Notes 8, 9 and 10) |

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest, respectively.
2. Mr. Lim Por Yen was deemed to be interested in 1,582,869,192 shares by virtue of his interest (including that of his spouse) of approximately 33.99% in the issued share capital of LSG. Mr. Lim Por Yen was also deemed to be interested in the 633,400 shares owned by his spouse, Madam U Po Chu.
3. Madam U Po Chu was deemed to be interested in 1,780,728,742 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
4. Madam Lai Yuen Fong was deemed to be interested in 1,781,362,142 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.
6. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer.
7. Madam Chen Yang Foo Oi was deemed to be interested in 781,346,935 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.
8. Persons falling into the category of "Other Persons" in Practice Note 5 to the Listing Rules.
9. Today's Asia Limited through two wholly-owned subsidiaries indirectly controlled 46% of Asia Television Limited. Today's Asia Limited was taken to be interested in 200,000,000 shares beneficially owned by Asia Television Limited due to its corporate interests therein.
10. Mr. Liu Changle controlled 93.29% of Today's Asia Limited which indirectly controlled 46% of Asia Television Limited, Mr. Liu Changle was taken to be interested in 200,000,000 shares by virtue of his corporate interests in Asia Television Limited.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Long positions in underlying shares of equity derivatives

| Name | Capacity | Nature (Note 1) | Number of Shares (as enlarged) | Percentage |
|------------------|------------------|--------------------|--------------------------------------|---------------------|
| Chen Din Hwa | Beneficial owner | Corporate | 861,784,435 | 22.52% (Note 11) |
| Chen Yang Foo Oi | Beneficial owner | Family | 861,784,435 | 22.52% (Note 12) |

Notes:

11. Please refer to note 5 above.

Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. The remaining balance represents 80,437,500 shares to be issued by the Company to Absolute Gain Trading Ltd. upon its exercise of rights attaching to the convertible bonds issued by Lai Sun International Finance (1997) Limited and guaranteed by the Company. Mr. Chen Din Hwa was taken to be interested in such shares by virtue of his corporate interests in Absolute Gain Trading Ltd. Mr. Chen Din Hwa's aggregate interest in 861,784,435 shares represents 22.52% of the issued share capital of the Company as enlarged by the potential issue by the Company of 80,437,500 shares in the event of Absolute Gain Trading Ltd. exercising its rights attaching to the said convertible bonds.

12. Madam Chen Yang Foo Oi was deemed to be interested in 861,784,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31st July, 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31st July, 2003, 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) (The disposal of the property has been completed after the balance sheet date) | 100% | Inland Lot No. 2836 is held for a term of 99 years commencing from 30th September, 1929 and renewable for a further term of 99 years. Inland Lot Nos. 8659 and 8683 are held for a term of 60 years commencing from 18th June, 1987 | Office/ commercial |
| 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 from 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 which expired on 27th June, 1997 and had been extended upon expiry until 30th June, 2047 | 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) (The disposal of the property has been completed after the balance sheet date) | 100% | The property is held for a term which expired on 27th June, 1997 and had been extended upon expiry until 30th June, 2047 | Industrial |

Report of the Directors

DETAILS OF PROPERTIES (continued)

| Location | Group Interest | Tenure | Use |
|--|----------------|---|------------|
| 6. Majestic Centre, the commercial portion of 348 Nathan Road, Yau Ma Tei, Kowloon, Hong Kong (7,973/29,810th equal and undivided shares of and in Kowloon Inland Lot No. 6733) | 100% | Kowloon Inland Lot No. 6733 is held for a term of 150 years commencing from 25th December, 1888 | Commercial |
| 7. The roof and the exterior advertising spaces, China Hong Kong Centre, 122-126 Canton Road, Tsimshatsui, Kowloon, Hong Kong (40/980th equal and undivided shares of and in Kowloon Inland Lot Nos. 3554, 3555 and 3556) | 100% | Kowloon Inland Lot Nos. 3554, 3555 and 3556 are held for a term of 75 years commencing from 4 July 1899, and had been renewed for a term of another 75 years. | Commercial |
| 8. Flats A and B on 10th floor and car parking spaces nos. 1, 2, 13 and 14 on Ground Floor, Metropolitan Factory and Warehouse Building, 30-32 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong (28/380th equal and undivided shares of and in Section B of Tsuen Wan Inland Lot No. 34) | 100% | Tsuen Wan Inland Lot No. 34 is held for a term which expired on 27th June 1997 and had been extended upon expiry until 30th June, 2047 | 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% | Superstructure work in progress | End 2004 | Commercial/ service apartments | The total site area is 960 sq.m. The total gross floor area will be approximately 10,600 sq.m. |
| 2. AIG Tower, 1 Connaught Road Central, Hong Kong | 10% | Foundation work completed | 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% | Superstructure work in progress | End 2004 | Residential | The total site area is approximately 19,600 sq.m. The total gross floor area will be approximately 7,110 sq.m. |
| 4. Various lots in DD244, Sai Kung, New Territories, Hong Kong | 100% | Land bank | — | — | The total site area is 592 sq.m. |

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of 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 investment properties are set out on pages 25 to 26.

PROPERTIES UNDER DEVELOPMENT

Details of 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.

Report of the Directors

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st July, 2003, 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 contributions totalling HK\$133,000.

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 is set out below.

RESULTS

| | Year ended 31st July, | | | | |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| TURNOVER | <u>906,590</u> | <u>934,720</u> | <u>1,899,862</u> | <u>4,659,663</u> | <u>1,752,093</u> |
| LOSS BEFORE TAX | (404,488) | (1,881,190) | (1,155,522) | (3,586,818) | (6,998,179) |
| Tax | <u>(28,516)</u> | <u>(35,927)</u> | <u>(30,476)</u> | <u>16,008</u> | <u>(45,614)</u> |
| LOSS BEFORE MINORITY INTERESTS | (433,004) | (1,917,117) | (1,185,998) | (3,570,810) | (7,043,793) |
| Minority interests | <u>(28,036)</u> | <u>(24,391)</u> | <u>(10,184)</u> | <u>750,209</u> | <u>211,370</u> |
| NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | <u>(461,040)</u> | <u>(1,941,508)</u> | <u>(1,196,182)</u> | <u>(2,820,601)</u> | <u>(6,832,423)</u> |

Report of the Directors

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

| | As at 31st July, | | | | |
|--|--------------------|--------------------|--------------------|--------------------|---------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 | 1999 HK\$'000 |
| Fixed assets | 1,837,653 | 1,294,943 | 1,312,728 | 1,371,567 | 2,014,989 |
| Investment properties | 4,503,410 | 4,987,860 | 6,224,870 | 9,478,130 | 9,954,900 |
| Properties under development | 1,400 | 116,592 | 160,754 | 3,571,007 | 7,886,347 |
| Deferred pre-operating expenses | — | — | — | — | 10,718 |
| Interests in associates | 966,080 | 2,082,375 | 2,128,954 | 1,964,843 | 1,126,531 |
| Interests in jointly controlled entities | — | — | — | 50,127 | 188,572 |
| Long term investments | 357,791 | 173,531 | 539,307 | 1,018,910 | 1,018,389 |
| Long term note receivable | — | — | — | — | 245,000 |
| Long term prepayment | — | 194,000 | 194,000 | — | — |
| Pledged bank balances and time deposits | — | 70,053 | — | — | — |
| Deferred tax assets | — | — | — | 749 | 216 |
| Pension scheme assets | 18,298 | — | — | — | — |
| Current assets | 386,620 | 394,684 | 805,129 | 2,044,096 | 2,140,135 |
| TOTAL ASSETS | 8,071,252 | 9,314,038 | 11,365,742 | 19,499,429 | 24,585,797 |
| Current liabilities | (8,040,621) | (6,587,485) | (1,762,276) | (3,633,586) | (4,703,058) |
| Deferred tax | (5,065) | (380) | (380) | — | — |
| Long term rental deposits received | (40,294) | (62,981) | (50,707) | (73,629) | (102,635) |
| Interest-bearing bank and other borrowings | — | (1,493,000) | (3,128,335) | (2,575,890) | (3,124,279) |
| Provision for premium on loan repayment | — | (52,500) | (17,500) | — | — |
| Provision for premium on bonds redemption | — | — | (473,145) | (354,081) | (249,554) |
| Long term bonds payable | — | — | (740,053) | (735,853) | (891,250) |
| Convertible bonds | — | — | (965,287) | (1,888,324) | (2,098,581) |
| Provision for premium on convertible note redemption | — | — | — | (21,667) | (1,667) |
| Convertible note | — | — | — | (600,000) | (600,000) |
| TOTAL LIABILITIES | (8,085,980) | (8,196,346) | (7,137,683) | (9,883,030) | (11,771,024) |
| MINORITY INTERESTS | (359,428) | (351,274) | (361,744) | (3,233,971) | (4,105,773) |
| NET ASSETS/ (DEFICIENCY IN ASSETS) | (374,156) | 766,418 | 3,866,315 | 6,382,428 | 8,709,000 |

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)

In compliance with PN19, details of the advances to and guarantees given for facilities granted to the following affiliated companies of the Company as at 31st July, 2003 are set out below:

| Name of affiliated company | Percentage of capital held | Principal amount of advance HK\$'000 (Note a) | Guarantees given for banking facilities granted HK\$'000 (Note b) | Total HK\$'000 | Notes |
|----------------------------------|----------------------------------|---|---|-------------------|-------|
| Barnwood Limited | 50 | 897 | — | 897 | (c) |
| Bushell Limited | 50 | — | 215,000 | 215,000 | |
| Capital Property Company Limited | 24.5 | 29,274 | — | 29,274 | (c) |
| Easlin Corporation | 20 | 27,181 | — | 27,181 | (c) |
| Giant Riches Limited | 50 | 784 | — | 784 | (d) |
| Giant Riches Mortgage Limited | 50 | 809 | — | 809 | (e) |
| Hillfield Trading Limited | 50 | 418,414 | — | 418,414 | (f) |
| JDL International Limited | 50 | 1,574 | — | 1,574 | (c) |
| Kippford Enterprises Limited | 50 | 50,974 | 52,000 | 102,974 | (g) |
| Mandy Investment Company Limited | 40 | 630 | — | 630 | (g) |
| Modern Focus Limited | 50 | 7,568 | — | 7,568 | (g) |
| Naples Investments Limited | 50 | 107,395 | — | 107,395 | (h) |
| Omicron International Limited | 43.5 | 132,548 | — | 132,548 | (g) |
| Orwell Investments Pte Ltd | 50 | 46,223 | — | 46,223 | (i) |
| Rich Vision Limited | 50 | 12,369 | — | 12,369 | (c) |
| | | <u>836,640</u> | <u>267,000</u> | <u>1,103,640</u> | |

Report of the Directors

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

Advances to entities (Paragraph 3.2.1 of PN19) (continued)

Notes:

- (a) All balances due are unsecured, non-interest bearing and have no fixed terms of repayment.
- (b) The guarantees were given to banks, in proportion to the Group’s beneficial shareholdings in the affiliates, to secure the loan facilities granted to finance the property development projects situated in Hong Kong.
- (c) Advances were provided to the affiliated companies to finance their investments in the property development projects situated in Thailand.
- (d) Giant Riches Limited is the developer of The Panorama at Tsuen Wan, Hong Kong. The advances represented the outstanding fees on services provided by the Group.
- (e) Giant Riches Mortgage Limited is the company providing second mortgage loans to the purchasers of the residential units of The Panorama. Advances were provided to the company to finance its loan business.
- (f) The advance was provided to Hillfield Trading Limited for its on-lending to Bushell Limited, its wholly-owned subsidiary, to finance the property development of the Furama Court project at Tsimshatsui, Kowloon, Hong Kong.
- (g) The advances were provided to finance the property development projects situated in Hong Kong.
- (h) The advance was provided to Naples Investments Limited to finance its investments in the hotel and related operation in the Philippines.
- (i) The advance was provided to Orwell Investments Pte Ltd for its on-lending to its subsidiary to finance the latter’s golf club and related operations in the Mainland of China.

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)

In compliance with PN19, the proforma combined balance sheet of the affiliated companies as at the balance sheet date is disclosed as follows:

| | HK\$'000 |
|---|--------------------|
| Fixed assets | 308,461 |
| Film rights | 112,952 |
| Properties under development | 928,420 |
| Interests in associates | 252,296 |
| Amount due from a related company | 1,500,040 |
| Interests in jointly controlled entities | 1,048 |
| Net current liabilities | <u>(165,065)</u> |
| Total assets less current liabilities | 2,938,152 |
| Long term borrowings | (330,060) |
| Deferred income | (42,743) |
| Amounts due to shareholders | <u>(1,870,440)</u> |
| | <u>694,909</u> |
| CAPITAL AND RESERVES | |
| Issued capital | 344,382 |
| Share premium account | 2,888,305 |
| Contributed surplus | 891,289 |
| Exchange fluctuation reserve | 17,681 |
| Accumulated losses | <u>(3,446,954)</u> |
| | 694,703 |
| Minority interests | <u>206</u> |
| | <u>694,909</u> |

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 39 to the financial statements.

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 established an audit committee 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
7th November, 2003