

# 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, 2005.

## PRINCIPAL ACTIVITIES

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

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

Details of the principal activities of the subsidiaries are set out in note 21 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, 2005 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 32 to 113.

The directors do not recommend the payment of a final ordinary dividend for the year ended 31st July, 2005.

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 as at the date of this report are as follows:

Lam Kin Ngok, Peter (*Chairman*)

Lau Shu Yan, Julius (*Chief Executive Officer*)

Mr. Tam Kin Man, Kraven

(appointed on 18th November, 2005)

Mr. Cheung Wing Sum, Ambrose

(appointed on 18th November, 2005)

Lam Kin Ming

U Po Chu

David Tang\*

Lam Bing Kwan\*

Leung Shu Yin, William\*

Lim Por Yen (*Honorary Chairman*)

(passed away on 18th February, 2005)

Wu Shiu Kee, Keith

(resigned on 8th August, 2005)

Chiu Wai

(resigned on 18th November, 2005)

Shiu Kai Wah

(resigned on 18th November, 2005)

\* Independent non-executive directors

# Report of the Directors

## **DIRECTORS (continued)**

Mr. Tam Kin Man, Kraven and Mr. Cheung Wing Sum, Ambrose were appointed executive directors of the Company on 18th November, 2005. In accordance with Article 93 of the Company's Articles of Association, Mr. Tam and Mr. Cheung retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Bing Kwan, Mr. Lam Kin Ming and Mr. Lau Shu Yan, Julius 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 note 8 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. 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 and Mr. Lam Kin Ngok, Peter held interests and/or directorships in companies engaged in the business of investment in and the operation of restaurants in Hong Kong.

As the Board of the Company 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 independent of, and at arm's length from, the businesses of such companies.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Directors

#### *Executive Directors*

Mr. Lam Kin Ngok, Peter, Chairman, aged 48, has been an executive director of the Company since June 1977. He is also the deputy chairman of Lai Sun Garment (International) Limited (“LSG”), the chairman of Lai Fung Holdings Limited and an executive director of eSun Holdings Limited (“eSun”) and Crocodile Garments Limited. eSun and LSG are substantial shareholders of the Company. Mr. Lam has extensive experience in the property development and investment business. He is also a director of the Real Estate Developers Association of Hong Kong, a member of the Hong Kong Hotel Owners Association, a council member of the Anglo-Hong Kong Trust and a non-official member of the Film Development Committee. Mr. Lam is a son of Madam U Po Chu and is the younger brother of Mr. Lam Kin Ming.

Mr. Lau Shu Yan, Julius, Chief Executive Officer, aged 49, joined the Company as an executive director in July 1991. He is also an executive director of Lai Fung Holdings Limited. Mr. Lau has over 20 years’ experience in the property and securities industries holding senior management positions. Prior to joining the Lai Sun Group, 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. He is also a director of a number of subsidiaries of the Company. Save as aforesaid, Mr. Lau does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Lau has entered into a service contract with the Company in which he will receive remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. He will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company.

Mr. Tam Kin Man, Kraven, aged 58, was appointed an executive director of the Company in November, 2005. He first joined the Lai Sun Group in 1989 and is currently an executive director of Lai Fung Holdings Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has close to 30 years’ experience in property development, investment and management. He also has over 16 years’ experience in the hospitality business including hotels, restaurants and clubs in Asia and North America. He is also a director of a number of subsidiaries of the Company. Save as aforesaid, Mr. Tam does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. He does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tam has entered into a service contract with the Company with no fixed term of service and he will receive remuneration and discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. He will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Directors (continued)

#### *Executive Directors (continued)*

Mr. Cheung Wing Sum, Ambrose, aged 54, was appointed an executive director of the Company in November 2005. He is a business executive with a legal and banking background. He was a partner of Philip K H Wong, Kennedy Y H Wong & Co to which he remains as a consultant. He has over 24 years experience in merger and acquisition, management and development of hotels, hospitality and property industries. He was previously a partner of Woo, Kwan, Lee & Lo, a director of the Company and executive director of Sino Land Company Limited. Mr. Cheung is also an executive director of eSun Holdings Limited, a public company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a substantial shareholder of the Company. Mr. Cheung is a Justice of the Peace and over the last 24 years he served on a number of public bodies and committees, which included the Legislative Council, the Urban Council and the Hong Kong Stadium Board of Governors. He is currently an elected member of the Shamshuipo District Council; the Chairman of Insurance Agents Registration Board and a member of the Tourism Strategy Group, Tourism Commission, Advisory Committee, Securities & Futures Commission and Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong. Save as aforesaid, Mr. Cheung does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Cheung does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Cheung does not have a service contract with the Company. He will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

#### *Non-Executive Directors*

Mr. Lam Kin Ming, aged 68, has been a director of the Company since June 1959. He is also the chairman of Lai Sun Garment (International) Limited ("LSG") and Crocodile Garments limited, a deputy chairman of Lai Fung Holdings Limited ("Lai Fung") and a non-executive director of eSun Holdings Limited ("eSun"). Mr. Lam is also an alternate director to certain directors of Lai Fung. eSun and LSG are substantial shareholders of the Company. Mr. Lam has been involved in the management of garment business since 1958. He is the elder brother of Mr. Lam Kin Ngok, Peter. Mr. Lam does not have a services contract with the Company. He will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Directors (continued)

#### *Non-Executive Directors (continued)*

Madam U Po Chu, aged 80, 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 (“eSun”) and an executive director of Lai Fung Holdings Limited. eSun and LSG are substantial shareholders of the Company. Madam U has over 55 years’ experience in the garment manufacturing business and had been involved in the printing business since 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 the mother of Mr. Lam Kin Ngok, Peter.

Mr. David Tang, aged 51, 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 56, was appointed an independent non-executive director of the Company in July 2002. 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 Nan Hai Corporation Limited and an independent non-executive director of Lai Fung Holdings Limited and eForce Holdings Limited, all listed on the Main Board of The Stock Exchange of Hong Kong Limited. He does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lam does not have a services contract with the Company. He will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Lam does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company.

Mr. Leung Shu Yin, William, aged 56, was appointed an independent non-executive director of the Company in September 2004. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of several certified public accountants’ firms in Hong Kong and is also an independent non-executive director of Lai Sun Garment (International) Limited, a substantial shareholder of the Company and several companies listed in Hong Kong.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Senior Management

Mr. Hui Hon Pong, aged 36, is the qualified accountant of the Company. He joined the Company in 1997 and was appointed the financial controller of the Company in April 2005. Mr. Hui is a Fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants with over 13 years' financial experience.

Mr. Yeung Kam Hoi, aged 56, 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.

## 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

## DIRECTORS' INTERESTS

As at 31st July, 2005, 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 ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited 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 (the "Register"); 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	Long positions in the shares				Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests	Other Interests			
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 (note 1)	1,501,392,188 (note 2)	Beneficial owner	3,094,360,965	24.28%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Nil	Beneficial owner	1,200,000	0.0094%
Wu Shiu Kee, Keith (note 3)	200,000	Nil	Nil	Nil	Beneficial owner	200,000	0.0016%
U Po Chu	633,400	Nil	1,582,869,192 (note 1)	Nil	Beneficial owner	1,583,502,592	12.42%
Chiu Wai (note 4)	195,500	Nil	Nil	Nil	Beneficial owner	195,500	0.0015%

Notes:

- Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in such shares by virtue of their deemed interest of approximately 33.73% in the issued share capital of LSG.
- Mr. Lam Kin Ngok, Peter granted the Bondholders (as defined in the Company's circular to its shareholders dated 15th September, 2004) of the Company a non-assignable right to put to him 3,800,040,000 shares in two tranches (first tranche: 1,000,600,000 shares exercisable during the period from 8th February to 7th March, 2005; second tranche: 2,799,440,000 shares exercisable during the period from 1st November to 30th November, 2005). As at 31st July, 2005, the aforesaid right attached to the first tranche of shares had expired while the number of shares in the second tranche with that right attached was 1,501,392,188.
- Mr. Wu Shiu Kee, Keith resigned as a director of the Company on 8th August, 2005.
- Mr. Chiu Wai resigned as a director of the Company on 18th November, 2005.
- Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest of 197,859,550 shares in the Company.

## Report of the Directors

### DIRECTORS' INTERESTS (continued)

#### (2) Associated Corporation

##### eSun Holdings Limited ("eSun")

Name of Director	Personal Interests	Long position in shares of eSun			Total	Percentage
		Family Interests	Corporate Interests	Capacity		
Lau Shu Yan, Julius	500,000	Nil	Nil	Beneficial owner	500,000	0.067%

Save as disclosed above, as at 31st July, 2005, 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 which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.



## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st July, 2005, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions and short positions in the shares and underlying shares of equity derivatives 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		Percentage
		Nature (Note 1)	Number of Shares	
eSun Holdings Limited	Beneficial owner	Corporate	5,200,000,000	40.80%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	12.42% (Note 2)
Lam Kin Ngok, Peter	Beneficial owner	Personal, Corporate and Other	3,094,360,965	24.28% (Notes 2 and 3)
U Po Chu	Beneficial owner	Personal and Corporate	1,583,502,592	12.42% (Note 2)
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	6.13%
Xing Feng Investments Limited ("Xing Feng")	Beneficial owner	Corporate	781,346,935	6.13% (Note 4)
Chen Din Hwa	Beneficial owner	Corporate	1,047,079,435	8.21% (Notes 4 and 5)
Chen Yang Foo Oi	Beneficial owner	Family	1,047,079,435	8.21% (Note 6)
Lehman Brothers Holdings Inc.	Beneficial Owner	Corporate	692,628,000	5.43%
Name	Capacity	Short positions in the shares		Percentage
		Nature (Note 1)	Number of Shares	
Chen Din Hwa	Beneficial owner	Corporate	195,777,500	1.54% (Note 5)
Chen Yang Foo Oi	Beneficial owner	Family	195,777,500	1.54% (Note 6)
Lehman Brothers Holdings Inc.	Beneficial owner	Corporate	702,628,000	5.51%

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

(continued)

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest respectively.
2. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in such shares by virtue of their deemed interest of approximately 33.73% in the issued share capital of LSG.
3. Mr. Lam Kin Ngok, Peter granted the Bondholders (as defined in the Company's circular to its shareholders dated 15th September, 2004) of the Company a non-assignable right to put to him 3,800,040,000 shares in two tranches (first tranche: 1,000,600,000 shares exercisable during the period from 8th February to 7th March, 2005; second tranche: 2,799,440,000 shares exercisable during the period from 1st November to 30th November, 2005). As at 31st July, 2005, the aforesaid right attached to the first tranche of shares had expired while the number of shares in the second tranche with that right attached was 1,501,392,188.
4. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interests therein.
5. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. In addition, 265,732,500 shares were allotted by the Company to Absolute Gain Trading Limited on 7th December, 2004 as part of the Bonds Settlement (as defined in the Company's circular to its shareholders dated 15th September, 2004). Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein. Also, Mr. Chen was taken to be interested in a short position of 195,777,500 shares by virtue of his controlling interest in Absolute Gain Trading Limited.
6. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa. Also, Madam Chen Yang Foo Oi was taken to be interested in a short position of 195,777,500 shares by virtue of the interest in such short position of 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 equity derivatives of the Company as at 31st July, 2005.

## 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.

# Report of the Directors

## DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

	Location	Group interest	Tenure	Use	Gross floor area (approx. sq.m)
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	44,127 21,175 355 carparking spaces
2.	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	9,045 10,415 55 carparking spaces
3.	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	7,570 9,817 450 private carparking spaces and 71 lorry parking spaces

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

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 16 and 18, respectively, to the financial statements. Further details of the Group's investment properties are set out above under the heading "Details of properties".

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 32 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 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31st July, 2005, the Company did not have any reserves for distribution, in accordance with the provisions of Section 79B of the Companies Ordinance.

# Report of the Directors

## DONATIONS

During the year, the Group made charitable contributions totalling HK\$716,000.

## CONTINUING CONNECTED TRANSACTIONS

- (1) On 24th September, 2003, the Company entered into a tenancy agreement (“Tenancy Agreement 1”) with Crocodile Garments Limited (“CGL”), pursuant to which the Company had leased Unit 1001, 10th Floor of Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong to CGL for a period of 3 years commencing from 1st October, 2003 to 30th September, 2006 (both days inclusive) at a monthly rental of HK\$137,836 (exclusive of rates, government rent, air-conditioning and management charges and other outgoings). Tenancy Agreement 1 is a continuing connected transaction of the Company under the current Chapter 14A of the Listing Rules as CGL is an associate of a substantial shareholder of the Company and thus a connected person of the Company. No previous press announcement of the Company had been published in respect of Tenancy Agreement 1 when it was entered into.

The transaction has been reviewed by the independent non-executive directors of the Company who have confirmed that the transaction has been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreement governing the transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have provided a confirmation in respect of Tenancy Agreement 1 in accordance with the Listing Rules.

- (2) Reference is made to a joint announcement dated 7th December, 2004 (the “Debt Settlement Date”) of the Company, Lai Sun Garment (International) Limited (“LSG”) and eSun Holdings Limited (“eSun”) whereby the Company had completed a debt settlement with its creditors on the Debt Settlement Date.

On 15th October, 2004, Gilroy Company Limited (“Gilroy”), a subsidiary of the Company, entered into a tenancy agreement (“Tenancy Agreement 2”) with Media Asia Group Limited (“MAG”), a subsidiary of Media Asia Holdings Limited (“MAH”), a company owned as to 49.77% by eSun which in turn was owned as to 42.54% by the Group, pursuant to which, Gilroy had leased the whole of 24th Floor of Causeway Bay Plaza 2, No. 463-483 Lockhart Road, Hong Kong to MAG for a period of 3 years commencing from 1st October, 2004 to 30th September, 2007 (both days inclusive) at a monthly rental of HK\$112,500 (exclusive of rates, government rent, air-conditioning and management charges and other outgoings). Tenancy Agreement 2 was not a connected transaction of the Company when it was entered into as MAG was then not a connected person of the Company. Subsequently, upon the listing of the MAH group of companies (“MAH Group”) on the Singapore Stock Exchange in November 2004, eSun’s interests in MAH was reduced to approximately 37.3%. Further, upon the Debt Settlement Date, eSun became a substantial shareholder of the Company holding approximately 40.8% of the Company and continues to be interested in approximately 37.3% in the MAH Group. As a result, Tenancy Agreement 2 has become a continuing connected transaction of the Company upon the Debt Settlement Date as the MAH Group (which includes MAG being the tenant under Tenancy Agreement 2) has become a connected person of the Company as a result of the completion of the debt settlement. The Company has sought legal advice to clarify the compliance requirements of the Company.

## Report of the Directors

### SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated and reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policies, as detailed in notes 3 and 4 to the financial statements.

#### Results

	Year ended 31st July,				
	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
TURNOVER	<u>788,799</u>	<u>2,109,513</u>	<u>906,590</u>	<u>934,720</u>	<u>1,899,862</u>
PROFIT/(LOSS) BEFORE TAX	(373,750)	229,363	(1,096,461)	(2,462,251)	(1,306,374)
Tax	<u>(197,446)</u>	<u>198,979</u>	<u>38,577</u>	<u>89,612</u>	<u>(13,138)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>(571,196)</u>	<u>428,342</u>	<u>(1,057,884)</u>	<u>(2,372,639)</u>	<u>(1,319,512)</u>
ATTRIBUTABLE TO:					
Equity holders of the parent	(705,962)	381,435	(1,085,494)	(2,396,234)	(1,329,152)
Minority interests	<u>134,766</u>	<u>46,907</u>	<u>27,610</u>	<u>23,595</u>	<u>9,640</u>
	<u>(571,196)</u>	<u>428,342</u>	<u>(1,057,884)</u>	<u>(2,372,639)</u>	<u>(1,319,512)</u>

# Report of the Directors

## SUMMARY OF FINANCIAL INFORMATION (continued)

### Assets, Liabilities and Minority Interests

	As at 31st July,				
	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Property, plant and equipment	1,298,496	1,303,627	1,797,072	1,262,919	1,279,649
Prepaid land lease payments	14,550	29,915	30,970	32,024	33,079
Investment properties	3,808,700	3,207,980	4,503,410	4,987,860	6,224,870
Properties under development	1,462	1,424	1,400	116,592	160,754
Goodwill	6,294	8,583	92,980	—	—
Interests in associates	1,020,080	1,142,822	966,080	2,082,375	1,602,952
Available-for-sale investments	559,748	287,245	357,791	173,531	539,307
Long term prepayment	—	—	—	194,000	194,000
Pledged bank balances and time deposits	62,341	—	—	70,053	—
Pension scheme assets	—	—	18,298	—	—
Current assets	<u>601,465</u>	<u>760,469</u>	<u>386,620</u>	<u>394,684</u>	<u>805,129</u>
<b>TOTAL ASSETS</b>	<u><b>7,373,136</b></u>	<u><b>6,742,065</b></u>	<u><b>8,154,621</b></u>	<u><b>9,314,038</b></u>	<u><b>10,839,740</b></u>
Current liabilities	(402,819)	(6,430,397)	(8,040,621)	(6,587,485)	(1,762,276)
Deferred tax	(551,756)	(361,262)	(596,596)	(564,414)	(693,157)
Long term rental deposits received	(36,891)	(29,122)	(40,294)	(62,981)	(50,707)
Interest-bearing bank and other borrowings	(2,583,509)	—	—	(1,493,000)	(3,128,335)
Provision for premium on loan repayment	—	—	—	(52,500)	(17,500)
Provision for premium on bonds redemption	—	—	—	—	(473,145)
Long term bonds payable	—	—	—	—	(740,053)
Convertible bonds	—	—	—	—	(965,287)
<b>TOTAL LIABILITIES</b>	<u><b>(3,574,975)</b></u>	<u><b>(6,820,781)</b></u>	<u><b>(8,677,511)</b></u>	<u><b>(8,760,380)</b></u>	<u><b>(7,830,460)</b></u>
<b>MINORITY INTERESTS</b>	<u><b>(366,090)</b></u>	<u><b>(389,722)</b></u>	<u><b>(360,013)</b></u>	<u><b>(352,285)</b></u>	<u><b>(363,551)</b></u>
<b>NET ASSETS/ (DEFICIENCY IN ASSETS) ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>	<u><b>3,432,071</b></u>	<u><b>(468,438)</b></u>	<u><b>(882,903)</b></u>	<u><b>201,373</b></u>	<u><b>2,645,729</b></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. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

# Report of the Directors

## DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES ("CHAPTER 13")

### A. Financial assistance and guarantees to affiliated companies (Paragraph 13.22 of Chapter 13)

At 31st July 2005, there were 12,746,042,320 shares of Lai Sun Development Company Limited ("LSD") (the "Shares") in issue. Based on the average closing price of the Shares of HK\$0.1182 as stated in daily quotation sheets of The Stock Exchange of Hong Kong Limited for the 5 trading days immediately preceding 31st July, 2005, the total market capitalisation (the "Total Market Capitalisation") of LSD was HK\$1,506,582,202.

As at 31st July, 2005, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded 8% of the Total Market Capitalisation of the Company. In compliance with paragraph 13.22 of Chapter 13, the proforma combined balance sheet of the affiliated companies at 31st July, 2005 is disclosed as follows:

	HK\$'000
Property, plant and equipment	461,255
Prepaid land lease payments	720
Investment properties	308,000
Film rights	188,253
Properties under development	253,980
Interests in associates	1,817,514
Interests in jointly controlled entities	505
Net current assets	419,574
<b>Total assets less current liabilities</b>	<b>3,449,801</b>
Long term borrowings	(499,366)
Rental deposits received	(1,950)
Land premium payable	(485)
Deferred tax	(51,902)
Deferred income	(40,370)
Amounts due to shareholders	(1,525,240)
	<b>(2,119,313)</b>
	<b>1,330,488</b>
<b>CAPITAL AND RESERVES</b>	
Issued capital	380,874
Share premium account	3,001,935
Contributed surplus	891,289
Investment revaluation reserve	48,547
Exchange fluctuation reserve	16,197
Accumulated losses	(3,008,550)
	<b>1,330,292</b>
Minority interests	196
	<b>1,330,488</b>



## Report of the Directors

### DISCLOSURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES ("CHAPTER 13") (continued)

#### B. Advance to entities (Paragraph 13.20 of Chapter 13)

In compliance with paragraph 13.20 of Chapter 13, details of advances to the following entities by the Company as at 31st July, 2005 which individually has exceeded 8% of the Total Market Capitalisation are set out below:

Name of Entities	Percentage of capital held	Principal amount of advance HK\$'000	Guarantees given for banking facilities granted HK\$'000	Total HK\$'000	Notes
Hillfield Trading Limited	50.0	383,077	—	383,077	(a)
Majestic Hotel Enterprises Limited and Majestic Centre Limited	50.0	—	250,000	250,000	(b)
Bayshore Development Group Limited	10.0	345,981	—	345,981	(a)

Notes:

- (a) All balances due are unsecured, interest-free and have no fixed terms of repayment.
- (b) A guarantee was given by the Company to a bank to secure 50% of a banking facility of up to HK\$500 million granted to Majestic Hotel Enterprises Limited and Majestic Centre Limited (being the owners of Majestic Hotel and Majestic Centre both situated at Kowloon, Hong Kong, respectively) as joint borrowers and is in proportion to the Group's beneficial shareholdings in the borrowers.

#### PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31st July, 2005.

#### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31st July, 2005, 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

## CORPORATE GOVERNANCE

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 in force prior to 1st January, 2005 throughout the accounting period covered by the annual report. The 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.

The Code of Best Practice was replaced by the Code on Corporate Governance Practices (the "CG Code") on 1st January, 2005 but transitional arrangements for disclosure are applicable in respect of accounting periods commencing on or after 1st January, 2005. The Company has taken relevant actions to comply with the CG Code.

The annual results of the Company for the year ended 31st July, 2005 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely Messrs. David Tang, Lam Bing Kwan and Leung Shu Yin, William.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers all the independent non-executive directors to be independent.

## CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code for Securities Transactions by Directors (the "Code") on terms no less exacting than the standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Code during the year ended 31st July, 2005.

## 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*

Hong Kong  
18th November, 2005