

Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31st July, 2006.

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 19 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 profit for the year ended 31st July, 2006 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 30 to 93.

No interim dividend was paid or declared by the Company in respect of the year ended 31st July, 2006 (2005: Nil).

The directors do not recommend the payment of a final dividend for the year ended 31st July, 2006 (2005: Nil) at the forthcoming Annual General Meeting.

SHARE CAPITAL

The directors announced on 30th June, 2006 the Capital Reduction to be effected by cancelling the paid-up capital to the extent of HK\$0.49 and to reduce the nominal value of all the ordinary shares from HK\$0.50 to HK\$0.01 each ("New Shares"). The special resolution was passed by shareholders at the Extraordinary General Meeting held on 24th July, 2006 and the High Court granted an Order confirming the Capital Reduction on 17th October, 2006. The Order and Minute of Reduction was registered by the Registrar of Companies on 18th October, 2006 when the Capital Reduction became effective. Trading in the New Shares commenced on 19th October, 2006.

Details of movement in the Company's share capital during the year and the Capital Reduction are set out in notes 28 and 36(a), respectively, to the financial statements.

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DIRECTORS

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

Lam Kin Ngok, Peter (<i>Chairman</i>)	
Lau Shu Yan, Julius (<i>Chief Executive Officer</i>)	
Tam Kin Man, Kraven	(appointed on 18th November, 2005)
Cheung Wing Sum, Ambrose	(appointed on 18th November, 2005)
Lam Kin Ming	
U Po Chu	
David Tang*	
Lam Bing Kwan*	
Leung Shu Yin, William*	
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*

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter and Mr. David Tang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no director had a material interest, either directly or indirectly, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

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 Ming held interests and/or directorships in companies engaged in the production of pop concerts and management of artistes.

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 operation of restaurant in Hong Kong.

In view of the different locations and different uses of the properties owned by the above companies and those of the Group, the directors do not consider the personal interests held by the abovementioned directors to compete in practice with the relevant businesses of the Group.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

Furthermore, as the board of directors of the Company (the "Board") is independent from the boards of directors 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.

Save as disclosed above, none of the directors or their respective associates were interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lam Kin Ngok, Peter, Chairman, aged 49, 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 interested, or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, in 1,592,968,777 shares in the Company, representing approximately 12.50% of the issued share capital of the Company. Mr. Lam does not have a service contract with 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. He will be subject to retirement by rotation once every three years since his last election 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. In relation to the re-election as Director of the Company, there is no other information which is discloseable nor is/was involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company. Mr. Lam is the 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 50, 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.

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 and Lai Sun Garment (International) Limited ("LSG"). LSG is a substantial shareholder of the Company. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Cheung Wing Sum, Ambrose, aged 55, 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 mergers and acquisitions, 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.

Non-Executive Directors

Mr. Lam Kin Ming, aged 69, has been a director of the Company since June 1959. He is also the chairman of Lai Sun Garment (International) Limited (“LSG”), the chairman and chief executive officer of Crocodile Garments Limited, the deputy chairman of Lai Fung Holdings Limited and a non-executive director of eSun Holdings Limited (“eSun”). 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.

Madam U Po Chu, aged 81, 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. Since early 1980s, Madam U began investing in the catering industry in Hong Kong. She is the mother of Mr. Lam Kin Ngok, Peter.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors (continued)

Mr. David Tang, aged 52, 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 Limited 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. 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. Tang does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election 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. Tang does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. In relation to the re-election as Director of the Company, there is no other information which is discloseable nor is/was involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

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Mr. Lam Bing Kwan, aged 57, 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 the 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.

Mr. Leung Shu Yin, William, aged 57, 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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS

As at 31st July, 2006, 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 its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which would be required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO (the "Register"); or (iii) notified to the Company and the Stock Exchange pursuant to the Code for Securities Transaction by Directors adopted by the Company:

(1) The Company

Name of Director	Personal Interests	Family Interests	Long positions in the shares				Total Percentage
			Corporate Interests	Other Interest	Capacity		
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 (Note 1)	Nil	Beneficial owner	1,592,968,777	12.50%
Lau Shu Yan, Julius	1,200,000	Nil	Nil	Nil	Beneficial owner	1,200,000	0.0094%
U Po Chu (Note 2)	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.005%

Notes:

- Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.
- 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.

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DIRECTORS' INTERESTS (continued)

(2) Associated Corporation

eSun Holdings Limited ("eSun")

Name of Director	Personal Interests	Family Interests	Long positions in shares of eSun		Capacity	Total	Percentage
			Corporate Interests	Other Interests			
Lam Kin Ngok, Peter	Nil	Nil	Nil	7,451,849 (Note)	Beneficial owner	7,451,849	0.91%
Cheung Wing Sum, Ambrose	Nil	Nil	Nil	7,451,849 (Note)	Beneficial owner	7,451,849	0.91%

Note:

An employee share option scheme was adopted by eSun on 23rd December, 2005 and will remain in force for a period of 10 years. Options granted to the above directors as at 31st July, 2006 are set out below:

Name	Date of Grant	Number of share Option	Option Period	Subscription Price
Lam Kin Ngok, Peter	24/02/2006	1,862,962	01/01/2007 — 31/12/2007	HK\$4.00 per share
	24/02/2006	1,862,962	01/01/2008 — 31/12/2008	HK\$4.25 per share
	24/02/2006	1,862,962	01/01/2009 — 31/12/2009	HK\$4.50 per share
	24/02/2006	1,862,963	01/01/2010 — 31/12/2010	HK\$4.75 per share
Cheung Wing Sum, Ambrose	24/02/2006	1,862,962	01/01/2007 — 31/12/2007	HK\$4.00 per share
	24/02/2006	1,862,962	01/01/2008 — 31/12/2008	HK\$4.25 per share
	24/02/2006	1,862,962	01/01/2009 — 31/12/2009	HK\$4.50 per share
	24/02/2006	1,862,963	01/01/2010 — 31/12/2010	HK\$4.75 per share

Save as disclosed above, as at 31st July, 2006, none of the directors and chief executive of the Company was interested, or was 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.

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SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS

As at 31st July, 2006, the following persons, one of whom is a director of the Company, had an interest in the following long positions and short 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	Nature	Long positions in the shares	
			Number of Shares	Percentage
eSun Holdings Limited ("eSun")	Owner of controlled corporation	Corporate	5,200,000,000	40.80%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	12.42%
Lam Kin Ngok, Peter	Beneficial owner	Personal and Corporate	1,592,968,777	12.50% (Note 1)
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	6.13%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	781,346,935	6.13% (Note 2)
Chen Din Hwa	Owner of controlled corporation	Corporate	1,047,079,435	8.21% (Note 3)
Chen Yang Foo Oi	Interest of spouse	Family	1,047,079,435	8.21% (Note 4)
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	7.09%

Notes:

- Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.
- Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interest therein.
- 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.
- 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.

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, 2006.

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CONTROLLING SHAREHOLDER'S INTEREST 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.

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 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
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

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties and properties under development of the Company and the Group during the year are set out in notes 14, 16 and 17, respectively, to the financial statements. Further details of the Group's principal investment properties are set out above under the heading "Details of properties."

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st July, 2006, 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 totaling approximately HK\$1,582,000.

CONTINUING CONNECTED TRANSACTIONS

- (1) As reported in the annual report of the Company for the year ended 31st July, 2005, on 24th September, 2003, the Company entered into a tenancy agreement (the "Crocodile Transaction") with Crocodile Garments Limited ("CGL"), pursuant to which the Company had leased Unit 1001, 10th Floor, 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).

Before 29th May, 2006, CGL was an associate of Lai Sun Garment (International) Limited ("LSG"), a substantial shareholder of the Company. On 29th May, 2006, LSG disposed of a 51.01% interest in CGL to Mr. Lam Kin Ming, a non-executive director of the Company. Accordingly, the Crocodile Transaction remains a continuing connected transaction for the Company under Chapter 14A of the Listing Rules as CGL is an associate of a connected person of the Company.

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CONTINUING CONNECTED TRANSACTIONS (continued)

- (2) The Company announced on 17th July, 2006 that the Company entered into an offer letter (the “Big Honor Transaction”) with Big Honor Asia Limited (“Big Honor”), pursuant to which the Company agreed to lease to Big Honor Unit 1105, 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for a term of two years commencing from 1st July, 2006 to 30th June, 2008 at a monthly rental of HK\$85,830 (exclusive of government rates, government rent, management fee and air-conditioning charges, and equivalent to a monthly rental of HK\$10.00 per square foot).

Big Honor is a company which is owned as to 50% by Mr. Lam Kin Ming, a non-executive director of the Company and as to the remaining 50% by his daughter. Big Honor is thus an associate of a connected person of the Company under the Listing Rules and the Big Honor Transaction constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have 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 transactions 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 the continuing connected transactions in accordance with the Listing Rules.

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 is set out below.

Results

	Year ended 31st July,				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	<u>793,807</u>	<u>788,799</u>	<u>2,109,513</u>	<u>906,590</u>	<u>934,720</u>
PROFIT/(LOSS) BEFORE TAX	<u>629,758</u>	<u>(373,750)</u>	<u>229,363</u>	<u>(1,096,461)</u>	<u>(2,462,251)</u>
Tax	<u>(80,656)</u>	<u>(197,446)</u>	<u>198,979</u>	<u>38,577</u>	<u>89,612</u>
PROFIT/(LOSS) FOR THE YEAR	<u>549,102</u>	<u>(571,196)</u>	<u>428,342</u>	<u>(1,057,884)</u>	<u>(2,372,639)</u>
Attributable to:					
Equity holders of the Company	<u>512,922</u>	<u>(705,962)</u>	<u>381,435</u>	<u>(1,085,494)</u>	<u>(2,396,234)</u>
Minority interests	<u>36,180</u>	<u>134,766</u>	<u>46,907</u>	<u>27,610</u>	<u>23,595</u>
	<u>549,102</u>	<u>(571,196)</u>	<u>428,342</u>	<u>(1,057,884)</u>	<u>(2,372,639)</u>

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SUMMARY OF FINANCIAL INFORMATION (continued)

Assets and liabilities

	As at 31st July,				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Property, plant and equipment	1,265,621	1,298,496	1,303,627	1,797,072	1,262,919
Prepaid land lease payments	31,176	14,550	29,915	30,970	32,024
Investment properties	4,124,700	3,808,700	3,207,980	4,503,410	4,987,860
Properties under development	61,197	1,462	1,424	1,400	116,592
Goodwill	4,005	6,294	8,583	92,980	—
Interests in associates	1,115,830	1,020,080	1,142,822	966,080	2,082,375
Available-for-sale investments	519,172	559,748	287,245	357,791	173,531
Long term prepayment	—	—	—	—	194,000
Pledged bank balances and time deposits	95,652	62,341	—	—	70,053
Pension scheme assets	—	—	—	18,298	—
Current assets	<u>518,160</u>	<u>601,465</u>	<u>760,469</u>	<u>386,620</u>	<u>394,684</u>
TOTAL ASSETS	<u>7,735,513</u>	<u>7,373,136</u>	<u>6,742,065</u>	<u>8,154,621</u>	<u>9,314,038</u>
Current liabilities	(522,252)	(402,819)	(6,430,397)	(8,040,621)	(6,587,485)
Interest-bearing bank and other borrowings	(2,234,551)	(2,583,509)	—	—	(1,493,000)
Deferred tax	(625,100)	(551,756)	(361,262)	(596,596)	(564,414)
Long term rental deposits received	(31,605)	(36,891)	(29,122)	(40,294)	(62,981)
Provision for premium on loan repayment	—	—	—	—	(52,500)
TOTAL LIABILITIES	<u>(3,413,508)</u>	<u>(3,574,975)</u>	<u>(6,820,781)</u>	<u>(8,677,511)</u>	<u>(8,760,380)</u>
MINORITY INTERESTS	<u>(384,881)</u>	<u>(366,090)</u>	<u>(389,722)</u>	<u>(360,013)</u>	<u>(352,285)</u>
NET ASSETS/ (DEFICIENCY IN ASSETS) ATTRIBUTABLE TO EQUITY HOLDERS OF COMPANY	<u>3,937,124</u>	<u>3,432,071</u>	<u>(468,438)</u>	<u>(882,903)</u>	<u>201,373</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.

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

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

As at 31st July, 2006, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded 8% under the assets ratio as defined under the Listing Rules. In compliance with paragraph 13.22 of Chapter 13, the proforma combined balance sheet of the affiliated companies at 31st July, 2006 is disclosed as follows:

	HK\$'000
Property, plant and equipment	492,183
Prepaid land lease payments	699
Investment properties	390,000
Film rights	179,039
Properties under development	258,329
Interests in associates	1,751,680
Interests in jointly controlled entities	299
Available-for-sale investments	32,041
Amounts due from shareholders	28,860
Net current assets	<u>447,797</u>
Total assets less current liabilities	3,580,927
Long term borrowings	(571,845)
Rental deposits received	(1,484)
Land premium payable	(474)
Deferred tax	(67,111)
Deferred income	(42,535)
Amounts due to shareholders	<u>(902,322)</u>
	<u>(1,585,771)</u>
	<u>1,995,156</u>
CAPITAL AND RESERVES	
Issued capital	418,133
Share premium account	3,390,169
Contributed surplus	891,289
Investment revaluation reserve	33,915
Share option reserve	4,766
Exchange fluctuation reserve	11,360
Accumulated losses	<u>(2,754,672)</u>
	1,994,960
Minority interests	<u>196</u>
	<u>1,995,156</u>

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st July, 2006, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 25 to 28 of the Annual Report 2005-2006.

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.

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
10th November, 2006