

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31st July, 2003.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding.

The Group's principal activities have not changed during the year and consisted of property development for sale and property investment for rental purposes.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st July, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 77.

The directors do not recommend the payment of a final dividend in respect of the year (2002: Nil). No interim dividend has been declared or paid by the Company for the year (2002: Nil).

DIRECTORS

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

Executive directors:

Lim Por Yen (<i>Chairman</i>)	(appointed on 4th September, 2002)
Lam Kin Ming (<i>Deputy Chairman</i>) *	
Lam Kin Hong, Matthew (<i>Chief Executive Officer</i>)	
Ho Wing Tim (<i>Deputy Chief Executive Officer</i>) °	
Lam Kin Ngok, Peter	
Lee Po On	(appointed on 17th January, 2003)
U Po Chu	(appointed on 14th February, 2003)
Yew Yat Ming	

Non-executive directors:

Lam Kin Ko, Stewart °	
Chiu Wai °	
Shiu Kai Wah °	
Siu Fai Wing °	
Yu Po Kwan °	
Chan Lap Wai	(resigned on 4th September, 2002)
Andrew Gerard Purcell	(resigned on 21st October, 2002)
Wong Yee Sui, Andrew **	
Lam Bing Kwan **	

** *Independent non-executive directors*

* *Also alternate director to°*

Report of the Directors

DIRECTORS (continued)

In accordance with Article 99 of the Company's Articles of Association, Mr. Lee Po On and Madam U Po Chu retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing and Mr. Lam Kin Ko, Stewart retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5(iii) and 5(iv) 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in notes 5(ii) and 27 to the financial statements, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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, Madam U Po Chu, Mr. Ho Wing Tim and Mr. Lam Bing Kwan held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and the Mainland of China.

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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lim Por Yen, Chairman, aged 88, is the founder of the Lai Sun Group and was appointed a director of the Company on 4th September, 2002. He is also the chairman and managing director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), the chairman of Crocodile Garments Limited, the honorary chairman of Lai Sun Development Company Limited and an executive director of eSun Holdings Limited. 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 Ming, Deputy Chairman, aged 66, was appointed a director of the Company on 8th September, 1997. He was also appointed an alternate director to Mr. Chiu Wai, Mr. Shiu Kai Wah, Mr. Siu Fai Wing, Mr. Lam Kin Ko, Stewart, Mr. Ho Wing Tim and Ms. Yu Po Kwan on 21st April, 2001. Mr. Lam is a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited and the deputy chairman of both Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and Crocodile Garments Limited. Mr. Lam has extensive experience in property development and investment businesses and the garment business, having been involved in the day-to-day management of the garment business since 1958. Mr. Lam is a son of Mr. Lim Por Yen and is the elder brother of Mr. Lam Kin Ngok, Peter.

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Mr. Lam Kin Hong, Matthew, Chief Executive Officer, aged 35, was appointed a director of the Company on 22nd December, 2001. He is also an executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and Crocodile Garments Limited. He attained a Bachelor of Science Degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in the property development fields and corporate finance fields in Hong Kong and the Mainland of China. Mr. Lam is a son of Mr. Lim Por Yen and is the younger brother of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming.

Mr. Ho Wing Tim, Deputy Chief Executive Officer, aged 45, was appointed a director of the Company on 21st April, 2001. Mr. Ho joined the Lai Sun Group in November 1990. He is also the financial controller of Lai Sun Garment (International) Limited (a substantial shareholder of the Company). He has over 20 years' experience in the finance fields.

Mr. Lam Kin Ngok, Peter, aged 46, was appointed a director of the Company on 25th November, 1993. Mr. Lam is also the chairman and president of Lai Sun Development Company Limited, a deputy chairman of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), an executive director of eSun Holdings Limited and Crocodile Garments Limited. Mr. Lam has extensive experience in property development 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lee Po On, aged 48, was appointed a director of the Company on 17th January, 2003. Mr. Lee is also an executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), and an executive director and chief executive officer of eSun Holdings Limited. Mr. Lee joined the Lai Sun Group in November 1987 and held the position of chief executive officer of Asia Television Limited from 1992 to 1996. He is a Fellow of the Association of Chartered Certified Accountants with over 24 years' financial and commercial experience.

Madam U Po Chu, aged 78, was appointed a director of the Company on 14th February, 2003. She is also a non-executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), Crocodile Garments Limited, Lai Sun Development Company Limited and eSun Holdings Limited. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and became involved in property development and investment in the late 1980's. In 2000, Madam U began investing in the catering industry in Hong Kong. Madam U is Mr. Lim Por Yen's wife.

Mr. Yew Yat Ming, aged 37, was appointed a director of the Company on 7th January, 2002. Mr. Yew joined the Lai Sun Group in 1991. He is an executive director of Kingscord Investment Limited, a subsidiary of Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and is responsible for the property development business. He graduated with a Master of Science degree in Construction Management in London and qualified as a professional associate of various institutions including The Royal Institution of Chartered Surveyors, The Chartered Institute of Arbitrators and is also a Registered Professional Surveyor in Hong Kong. He is a Council Member of Shanghai and Xiamen Real Estate Associations. Mr. Yew has served with the Hong Kong Government and an international consultancy firm and has over 15 years' experience in property investment, land acquisitions, project planning and management in Hong Kong and the Mainland of China.

Non-executive directors:

Mr. Lam Kin Ko, Stewart, aged 55, was appointed a director of the Company on 21st April, 2001. He has over 10 years' experiences in garment manufacturing and China trade and had held the position of Consultant to the Chairman (China Affairs) of the Lai Sun Group since 1994. Mr. Lam is also an executive director of Crocodile Garments Limited.

Mr. Chiu Wai, aged 72, was appointed a director of the Company on 21st April, 2001. Mr. Chiu is also a non-executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), Lai Sun Development Company Limited, eSun Holdings Limited and Crocodile Garments Limited. Mr. Chiu has over 45 years' experience in production management.

Mr. Shiu Kai Wah, aged 71, was appointed a director of the Company on 21st April, 2001. He is also an executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company), a non-executive director of Lai Sun Development Company Limited, eSun Holdings Limited and Crocodile Garments Limited. Mr. Shiu has over 30 years' experience in the management of the garment business.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Siu Fai Wing, aged 57, was appointed a director on 21st April, 2001. Mr. Siu is the president and chief executive officer of China Gallery Group Limited, managing director of Hong Kong Gallery Centre & Enterprise Co. Ltd., chairman and managing director of Shantou SEZ Art & Culture Centre Development Co. Ltd., and also an invited professor of fine art in Faculty of Fine Arts of the Institute of Xian, People's Republic of China. He is a well known artist in Chinese paintings and has been actively involved in cultural and civic activities and has attained well-known reputation in cultural and painting in the Mainland of China and overseas and currently serves as a director of a number of organisations and societies such as Federation of Hong Kong Guangdong Community Organisations Ltd., Hong Kong Institute of Chinese Paintings, Calligraphy & Cultural Relics Limited (chairman), the Hong Kong Shantou Chamber of Commerce and a director of the Chinese Overseas Association. Mr. Siu has good social connections in the Mainland of China and is also a senior consultant to the China affairs to Crocodile Garments Limited.

Ms. Yu Po Kwan, aged 53, was appointed a director of the Company on 21st April, 2001. Ms. Yu is a senior manager of Lai Sun Garment (International) Limited (a substantial shareholder of the Company). She has over 25 years' extensive experience in the import and export of garments business and has been managing the garment export quota operation since 1980. Ms. Yu was also elected a director of the Federation of Hong Kong Garment Manufacturers in 2002.

Independent non-executive directors:

Mr. Wong Yee Sui, Andrew, aged 54, was appointed an independent non-executive director of the Company on 1st December, 1999. Mr. Wong graduated from the University of Adelaide, South Australia in 1971 and obtained a Master of Business Administration degree at Queen's University, Canada in 1974. He became a Chartered Accountant in 1976 in Quebec, Canada, and a fellow member of Hong Kong Society of Accountants in 1988. Mr. Wong has extensive experience in the auditing and finance fields in Hong Kong and overseas. He is a partner of W. M. Sum & Co., a firm of Certified Public Accountants in Hong Kong.

Mr. Lam Bing Kwan, aged 54, was appointed an independent non-executive director of the Company on 30th July, 2001. 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 director of Sino-i Technology Limited and South Sea Holding Company Limited, both listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Senior management:

Mr. Woo King Hang, aged 42, was appointed senior vice president of the Company in May 2001. Mr. Woo holds a Bachelor of Science degree in Accounting (University of the State of New York), a Bachelor of Laws degree (Peking University) and a Master of Laws degree (City University of Hong Kong). He is also a fellow member of the Association of Chartered Certified Accountants, Hong Kong Society of Accountants, and the Taxation Institute of Hong Kong. He has over 15 years' experience in finance and administration, and has served as group chief accountant, executive director and chief financial officer of different listed companies, and in other positions with the Hong Kong Government, a certified public accountants firm, a major retail company and a major electronic media company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management: (continued)

Mr. So Hiu Hung, aged 53, is an assistant vice president of the Company and has over 20 years' experience in project development and management in the Mainland of China. Prior to joining the Lai Sun Group in May 1995, he was employed by Great Nortic group and Sun Hung Kai Development (China) Limited as assistant project manager. Mr. So is responsible for the day-to-day management of the Group's projects in the Mainland of China.

Mr. Tong Chit, aged 58, is a vice president of the Company. He has over 20 years' extensive experience in project development and administration in the Mainland of China. Before joining the Lai Sun Group in March 1993, he was employed by Seapower group as manager of China trade and real estate business department. Mr. Tong is responsible for the administration of the Group's Guangzhou office in the Mainland of China.

Mr. Wong Man Kong, aged 40, is a director of Shanghai Li Xing Real Estate Development Co., Ltd. ("Shanghai Li Xing"). He had worked for The Peninsula, Hong Kong, The Ritz-Carlton Hong Kong, Beijing Palace Hotel and Guangzhou China Hotel for about 20 years and had acquired experience in the management of 5-star hotels and service apartments. Mr. Wong subsequently took up employment as the general manager of the property management arm of a group based in Hong Kong. Mr. Wong joined the Group in March 2000 and is currently responsible for all operational matters relating to the management, marketing, sales and leasing of Shanghai Li Xing.

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 ("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:

The Company

Name of Director	Personal Interests	Long positions in the shares		Capacity	Total	Percentage
		Family Interests	Corporate Interests			
Lim Por Yen	Nil	Nil	2,120,550,431 (Note 1)	Beneficial owner	2,120,550,431	46.04%
U Po Chu	Nil	2,120,550,431 (Note 2)	Nil	Beneficial owner	2,120,550,431	46.04%

Report of the Directors

DIRECTORS' INTERESTS (continued)

Notes:

1. These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited ("LSG") (1,455,365,090 shares) and Silver Glory Securities Limited ("SGS") (665,185,341 shares), a wholly-owned subsidiary of LSG. Mr. Lim Por Yen was deemed to be interested in the 2,120,550,431 shares in the Company held by LSG and SGS since Mr. Lim Por Yen (together with his associates) held an interest of about 33.99% in the issued share capital of LSG.

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.

2. Madam U Po Chu was deemed to be interested in 2,120,550,431 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

(i) 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 of the Company.

(ii) 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 of the Company.

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.

A share option scheme for eligible employees of the Group was adopted by the Company on 21st August, 2003.

Report of the Directors

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		Percentage
		Nature (Note 1)	Number of Shares	
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	2,120,550,431	46.04% (Note 2)
Lim Por Yen	Beneficial owner	Corporate	2,120,550,431	46.04% (Note 2)
U Po Chu	Beneficial owner	Family	2,120,550,431	46.04% (Note 3)
Lai Yuen Fong	Beneficial owner	Family	2,120,550,431	46.04% (Note 4)
Silver Glory Securities Limited ("SGS")	Beneficial owner	Corporate	665,185,341	14.44%
Credit Suisse First Boston (Hong Kong) Limited	Beneficial owner	Corporate	442,196,119	9.60% (Note 5)

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest respectively.
2. These interests in the Company represented the shares beneficially owned by LSG (1,455,365,090 shares) and SGS (665,185,341 shares), a wholly-owned subsidiary of LSG. Mr. Lim Por Yen and his spouses held an interest of approximately 33.99% in the issued share capital of LSG and were deemed to be interested in the 2,120,550,431 shares in the Company held by LSG and SGS. Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Madam U Po Chu and Madam Lai Yuen Fong were directors of LSG and held in aggregate an interest of about 42% in the issued share capital of LSG.
3. Madam U Po Chu was deemed to be interested in 2,120,550,431 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 2,120,550,431 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.
5. Persons falling into the category of "Other Persons" in Practice Note 5 of the Listing Rules.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

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 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.

DETAILS OF PROPERTIES

Details of the properties under development of the Group are as follows:

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
Eastern Place, 787 Dong Feng East Road, Dongshan District, Guangzhou, Guangdong Province, PRC	100%	Phase III Construction work in progress	Phase III Early 2004	Commercial/ residential/ office	Total site area (Phase III and remaining phases): 44,252 sq.m. Total gross floor area (Phase III and remaining phases): approximately 222,000 sq.m.
May Flower Plaza (previously known as Wuyuehua Shangye Guangchang), 32-80 Zhongshanwu Road, 5-15 Guang Da Road and 3-7 Guangzhou Yixiang, Yue Xiu District, Guangzhou, Guangdong Province, PRC	77.5%	Construction work in progress	Early 2004	Commercial/ office	Total site area: 5,782 sq.m. Total gross floor area: approximately 35,000 sq.m.

Report of the Directors

DETAILS OF PROPERTIES (continued)

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
Guangli Building, Chang Di Main Road, Yue Xiu District, Guangzhou, Guangdong Province, PRC	100%	Resettlement of original inhabitants in progress	2005	Commercial/ office	Total site area: 8,427 sq.m. Total gross floor area: approximately 104,000 sq.m.
Jingshazhou, Heng Sha, Guangzhou, Guangdong Province, PRC	100%	Planning stage	2010	Commercial/ residential	Total site area: 297,186 sq.m. Total gross floor area: approximately 356,000 sq.m.
Regents Park (previously known as Hai Xin Garden), 88 Huichuan Road, Changning District, Shanghai, PRC	95%	Phase I Construction work in progress	Phase I 2005	Commercial/ residential	Total site area (Phases I and II): 36,149 sq.m. Total gross floor area (Phases I and II): approximately 183,400 sq.m.

Details of the investment properties of the Group are as follows:

Location	Group interest	Tenure	Use
Commercial podium and certain office and service apartment units of Hong Kong Plaza, 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	95%	The property is held for a term of 50 years, commencing on 16th September 1992 and expiring on 15th September, 2042.	Office/ shopping arcades/ service apartments
181 units in North Tower of Hong Kong Plaza 282 & 283 Huaihaizhong Road, Luwan District, Shanghai, PRC	100%	The property is held for a term of 50 years, commencing on 16th September 1992 and expiring on 15th September, 2042.	Service apartments

Report of the Directors

DETAILS OF PROPERTIES (continued)

Details of the principal completed properties for sale of the Group are as follows:

Location	Group interest	Existing use	Gross floor area
Certain portions in Eastern Place Phases I & II, 787 Dong Feng East Road, Dongshan District, Guangzhou, Guangdong Province, PRC	100%	Residential	2,529 sq.m

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 14 and 15, respectively, to the financial statements. Further details of the Group's investment properties are set out in this report under the heading "Details of properties" above.

PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 16 to the financial statements. Further details of the Group's properties under development are set out in this report under the heading "Details of properties" above.

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SHARE CAPITAL

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 29 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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st July, 2003, the Company's reserves, including share premium account, available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law of the Cayman Islands, amounted to HK\$3,011,288,000 (2002: HK\$3,019,959,000). Under the laws of the Cayman Islands, a company may make distributions to its members out of the share premium account under certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$1,787,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

CONNECTED TRANSACTION

On 24th June, 2003, Lai Fung Company Limited (“LFC”), a wholly-owned subsidiary of the Company, entered into an agreement with Basingstoke International Limited (“Basingstoke”), a wholly-owned subsidiary of Lai Sun Development Company Limited (“LSD”), pursuant to which Basingstoke agreed to sell and LFC agreed to purchase the entire issue share capital of Preparis Company Limited, a then wholly-owned subsidiary of Basingstoke, for a total consideration of HK\$2,300,000. Further details of the transaction are included in note 21 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for each of the last five years, as extracted from the audited financial statements of the Group, 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>119,338</u>	<u>142,510</u>	<u>161,743</u>	<u>191,593</u>	<u>135,190</u>
PROFIT/(LOSS) BEFORE TAX	<u>62,922</u>	<u>(89,471)</u>	<u>(165,864)</u>	<u>(153,573)</u>	<u>(56,376)</u>
Tax	<u>(4,103)</u>	<u>(2,352)</u>	<u>2,068</u>	<u>120,740</u>	<u>(723)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<u>58,819</u>	<u>(91,823)</u>	<u>(163,796)</u>	<u>(32,833)</u>	<u>(57,099)</u>
Minority interests	<u>(1,824)</u>	<u>(2,153)</u>	<u>(823)</u>	<u>44,373</u>	<u>67,927</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>56,995</u>	<u>(93,976)</u>	<u>(164,619)</u>	<u>11,540</u>	<u>10,828</u>

Report of the Directors

SUMMARY 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	52,628	50,280	6,364	8,170	8,785
Investment properties	2,946,700	2,952,400	2,954,000	2,972,060	2,956,000
Properties under development	3,377,730	3,209,980	3,354,567	3,287,781	3,625,264
Negative goodwill	(28,383)	—	—	—	—
Interests in associates	607,015	599,908	624,178	672,280	683,415
Interests in jointly-controlled entities	—	5,118	50,127	50,127	188,572
Long-term investments	2,300	—	—	—	—
Current assets	264,392	193,351	228,136	393,966	358,650
TOTAL ASSETS	7,222,382	7,011,037	7,217,372	7,384,384	7,820,686
Current liabilities	313,336	395,388	389,886	556,743	703,748
Long-term rental deposits received	12,666	10,735	7,303	8,660	16,538
Provision for premium on convertible note redemption	—	—	—	21,667	1,667
Convertible guaranteed bonds	—	—	—	929,445	937,206
Convertible note	—	—	—	600,000	600,000
Long-term interest-bearing bank loans, secured	1,074,362	829,445	891,635	97,112	—
Loans from a substantial shareholder	—	86,886	53,285	—	—
Minority interests	219,746	165,085	162,376	151,889	429,193
TOTAL LIABILITIES AND MINORITY INTERESTS	1,620,110	1,487,539	1,504,485	2,365,516	2,688,352
	5,602,272	5,523,498	5,712,887	5,018,868	5,132,334

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% of the Group's total turnover. During the year, the Group's purchases from its five largest suppliers accounted for approximately 47% of the Group's total purchases, while the largest supplier accounted for approximately 13% of the Group's 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 director own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers.

DISCLOSURE PURSUANT TO PARAGRAPH 3.7.1 OF PRACTICE NOTE 19

Loans agreements for certain bank facilities of certain subsidiaries of the Group (the "Subsidiaries") impose specific performance obligations on LSG, the controlling shareholder of the Company, and LSD, an associate of LSG.

Pursuant to the covenants of the loans agreements, the Company and the Subsidiaries shall procure that LSG and LSD shall together hold not less than 45% of the total issued share capital of the Company at all times throughout the terms of the facilities.

The outstanding loan balances of these facilities at the balance sheet date amounted to HK\$829,310,000, with the last instalment repayment falls due in December 2007.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report. The non-executive directors of the Company 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 Company has established an audit committee in accordance with paragraph 14 of the Code 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, namely Mr. Wong Yee Sui, Andrew and Mr. Lam Bing Kwan.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2003 Annual General Meeting.

At the Company's 2001 Annual General Meeting held on 21st December, 2001, PricewaterhouseCoopers retired as auditors of the Company and a resolution was passed to appoint Ernst & Young as auditors of the Company in place of the retired auditors. In addition, there was a change of auditors of the Company from Ernst & Young to PricewaterhouseCoopers for the year ended 31st July, 2000. There were no other changes of auditors of the Company in the past three years.

On Behalf of the Board

Lim Por Yen
Chairman

Hong Kong
7th November, 2003