

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, 2004.

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, 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 93.

The directors do not recommend the payment of a final dividend in respect of the year (2003: Nil). No interim dividend has been declared or paid by the Company for the year (2003: 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 (*Chairman*)

Lam Kin Ming (*Deputy Chairman*)*

Lam Kin Hong, Matthew (*Chief Executive Officer*)

Ho Wing Tim (*Deputy Chief Executive Officer*)^o

Lam Kin Ngok, Peter

Lee Po On

U Po Chu

Yew Yat Ming

Non-executive directors:

Lam Kin Ko, Stewart^o

Chiu Wai^o

Shiu Kai Wah^o

Siu Fai Wing^o

Yu Po Kwan^o

Wong Yee Sui, Andrew**

Lam Bing Kwan**

Mui Ying Chun, Robert**

(appointed on 30th September, 2004)

** *Independent non-executive directors*

* *Also alternate director to ^o*

Report of the Directors

DIRECTORS (continued)

In accordance with Article 99 of the Company's Articles of Association, Mr. Mui Ying Chun, Robert retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Lam Kin Hong, Matthew, Mr. Ho Wing Tim, Mr. Yew Yat Ming, Mr. Lam Bing Kwan and Ms. Yu Po Kwan 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 notes 5(iii), 5(iv) and 5(v) 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 BUSINESS

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

Mr. Lim Por Yen, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew and Madam U Po Chu held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and 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 business 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 89, is the founder of the Lai Sun Group and was appointed a director of the Company in 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, and the honorary chairman of Lai Sun Development Company Limited. Mr. Lim first became involved in the property and investment business in the mid-1950's and has close to 60 years' experience in the garment business. He was admitted to the honorary university fellowships of University of Hong Kong in December 2003. Mr. Lim was 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 67, was appointed a director of the Company in 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 and garment businesses, and has 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.

Mr. Lam Kin Hong, Matthew, Chief Executive Officer, aged 36, was appointed a director of the Company in 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 46, was appointed a director of the Company in April 2001. Mr. Ho joined the Lai Sun Group in November 1990 and is currently 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 47, was appointed a director of the Company in 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 49, was appointed a director of the Company in 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. He is a Fellow of the Association of Chartered Certified Accountants with over 20 years financial and commercial experience.

Madam U Po Chu, aged 79, was appointed a director of the Company in 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 38, was appointed a director of the Company in 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 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 and The Chartered Institute of Arbitrators and is also a Registered Professional Surveyor in Hong Kong. He is a Council Member of Shanghai and Guangzhou 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 56, was appointed a director of the Company in April 2001. He has over 10 years' experience in garment manufacturing and China trade and has held the position of Consultant to the Chairman (China Affairs) of the Lai Sun Group since 1994.

Mr. Chiu Wai, aged 73, was appointed a director of the Company in 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 72, was appointed a director of the Company in April 2001. He 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. Shiu has over 30 years' experience in the management of garment business.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

Non-executive directors: (continued)

Mr. Siu Fai Wing, aged 58, was appointed a director in 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., and chairman and managing director of Shantou SEZ Art & Culture Centre Development Co., Ltd.. He is also guest professor in the Faculty of Fine Arts of the Institute of Xian, and a researcher of Chinese art at the Zhejiang University, 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 a reputation in cultural and painting circles in the Mainland of China and overseas. He 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 (as chairman), the Hong Kong Shantou Chamber of Commerce and Chinese Overseas Association. Mr. Siu has extensive connections in the Mainland of China and is also a senior consultant to Crocodile Garments Limited on China affairs.

Ms. Yu Po Kwan, aged 54, was appointed a director of the Company in 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 garment business and has been managing the garment export quota operation since 1980. Ms. Yu had been elected a director of the Federation of Hong Kong Garment Manufacturers since 2002.

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Independent non-executive directors:

Mr. Wong Yee Sui, Andrew, aged 55, was appointed an independent non-executive director of the Company in 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 Institute of Certified Public 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 55, was appointed an independent non-executive director of the Company in 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 an independent non-executive director of Lai Sun Development Company Limited and eForce Holdings Limited, and a director of Sino-i Technology Limited and South Sea Holding Company Limited, all listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive directors: (continued)

Mr. Mui Ying Chun, Robert, aged 59, was appointed an independent non-executive director of the Company in September 2004. Mr. Mui is currently the managing director of Mui's Kamsing Enterprises Limited and has over 20 years' experience in the garment manufacturing business. He graduated from the faculty of Business Administration, University of Tennessee, U.S.A. Mr. Mui is an elected member of committee of the Chinese General Chamber of Commerce and a general committee member of the Chinese Manufacturers' Association of Hong Kong.

Senior management:

Mr. Woo King Hang, aged 43, 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 Institute of Certified Public 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.

Mr. So Hiu Hung, aged 54, 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 59, 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 41, 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 projects of Shanghai Li Xing.

Report of the Directors

DIRECTORS' INTERESTS

As at 31st July, 2004, 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 of equity derivatives and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (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:

The Company

Name of Director	Long positions in the shares			Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests			
Lim Por Yen	115,156,000	Nil	2,650,688,037	Beneficial owner	2,765,844,037	47.09%
			(Note 1)			
U Po Chu	Nil	2,765,844,037	Nil	Beneficial owner	2,765,844,037	47.09%
		(Note 2)				

Notes:

- These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited ("LSG") (1,819,206,362 shares) and Silver Glory Securities Limited ("SGS") (831,481,675 shares), a wholly-owned subsidiary of LSG. Mr. Lim Por Yen was deemed to be interested in the 2,650,688,037 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.

- Madam U Po Chu was deemed to be interested in 2,765,844,037 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

Save as disclosed above, as at 31st July, 2004, 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 of equity derivatives 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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section “Share Option Scheme”, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 21st August, 2003 for the purpose of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to Eligible Employees (as defined in the Share Option Scheme) of the Company.

The following options were granted and exercised under the Share Option Scheme for the year ended 31st July, 2004:

Name	Date of Grant	No. of Options	Option Period	Option Price	Date of Exercise	No. of Options Exercised	No. of Options at 31/7/2004
Lam Kin Ming, Director	19/9/2003	46,062,400	19/9/2003 – 2/10/2011	HK\$0.169 per share	8/1/2004	46,062,400	Nil
Lam Kin Hong, Matthew, Director	19/9/2003	46,062,400	19/9/2003 – 2/10/2011	HK\$0.169 per share	8/1/2004	46,062,400	Nil
		92,124,800				92,124,800	

The closing price of shares of the Company (the “Shares”) as at 18th September, 2003, the date immediately before the date of grant of the aforesaid options, was HK\$0.161 per share.

The weighted average closing price of the Shares as at 7th January, 2004, the date immediately before the date of exercise of the abovementioned Options, was HK\$0.255 per share.

Details of the share option scheme are included to note 30 to the financial statements.

Save as disclosed above, no options under the Share Option Scheme were granted to any Eligible Employees or other persons or were cancelled or lapsed during the year ended 31st July, 2004.

The directors consider it inappropriate to disclose a theoretical value of the options granted to the abovementioned directors as various factors crucial for valuation could not be predicted or ascertained on the date of grant. The directors believe that valuation based on assumptions would be speculative and not meaningful.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31st July, 2004, 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 equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Nature (Note 1)	Long positions in the shares	
			Number of Shares	Percentage
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	2,650,688,037 (Note 2)	45.13%
Lim Por Yen	Beneficial owner	Personal and corporate	2,765,844,037 (Note 2)	47.09%
U Po Chu	Beneficial owner	Family	2,765,844,037 (Note 3)	47.09%
Lai Yuen Fong	Beneficial owner	Family	2,765,844,037 (Note 4)	47.09%
Silver Glory Securities Limited ("SGS")	Beneficial owner	Corporate	831,481,675	14.16%

Notes:

1. Personal, family and corporate denote personal interest, family interest and corporate interest respectively.
2. These interests in the Company represented the shares personally owned by Mr. Lim Por Yen (115,156,000 shares) and those beneficially owned by LSG (1,819,206,362 shares) and SGS (831,481,675 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 2,650,688,037 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 2,765,844,037 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 2,765,844,037 shares by virtue of the interest in such shares of her spouse, Mr. Lim Por Yen.

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 and debentures of the Company as at 31st July, 2004.

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31st July, 2004, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

DETAILS OF PROPERTIES

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

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
Eastern Place, 787 Dongfeng East Road, Dongshan District, Guangzhou, Guangdong Province, PRC	100%	Residential towers 7 & 8 preliminary construction work in progress	Residential towers 7 & 8 in late 2005	Residential/commercial/office	Total site area (residential towers 7 & 8 and remaining phases): 26,941 sq.m. Total gross floor area (residential towers 7 & 8 and remaining phases): approximately 184,000 sq.m.
May Flower Plaza 68 Zhongshanwu Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	77.5%	Decoration & internal fittings in progress	Early 2005	Commercial/office	Total site area: 5,782 sq.m. Total gross floor area: approximately 49,000 sq.m.
Guangli Building, Chang Di Main Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Resettlement of original inhabitants in progress	2006	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	Residential/commercial	Total site area: 297,186 sq.m. Total gross floor area: approximately 356,000 sq.m.
Regents Park 88 Huichuan Road, Changning District, Shanghai, PRC	95%	Phase I construction work in progress	Phase I in 2005	Residential/commercial	Total site area: 36,149 sq.m. Total gross floor area: approximately 175,000 sq.m.

Report of the Directors

DETAILS OF PROPERTIES (continued)

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 the 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
No. 18 of Alley 905, Hua Shan Road Xuhui District, Shanghai, PRC	100%		Residential

The completed properties for sale of the Group are as follows:

Location	Group interest	Gross floor area
Certain residential units in Eastern Place, 787 Dongfeng East Road, Dongshan District, Guangzhou Guangdong Province, PRC	100%	8,987 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.

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 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(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st July, 2004, 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\$3,007,641,000 (2003: HK\$3,011,288,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$11,830,000.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated 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 and restated as appropriate, is set out below:

Results

	Year ended 31st July,				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Turnover	<u>630,204</u>	<u>119,338</u>	<u>142,510</u>	<u>161,743</u>	<u>191,593</u>
Profit/(loss) before tax	240,445	41,332	(87,158)	(165,864)	(153,573)
Tax	<u>(63,820)</u>	<u>(40,462)</u>	<u>(19,434)</u>	<u>(4,180)</u>	<u>103,894</u>
Profit/(loss) before minority interests	<u>176,625</u>	870	(106,592)	(170,044)	(49,679)
Minority interests	<u>(3,851)</u>	<u>3,483</u>	<u>(348)</u>	<u>352</u>	<u>47,101</u>
Net profit/(loss) from ordinary activities attributable to shareholders	<u>172,774</u>	<u>4,353</u>	<u>(106,940)</u>	<u>(169,692)</u>	<u>(2,578)</u>

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SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	As at 31st July,				
	2004 HK\$'000	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)	2000 HK\$'000 (Restated)
Fixed assets	55,457	52,628	50,280	6,364	8,170
Investment properties	2,704,400	2,946,700	2,952,400	2,954,000	2,972,060
Properties under development	3,634,658	3,377,730	3,209,980	3,354,567	3,287,781
Negative goodwill	(10,210)	(10,480)	—	—	—
Interests in associates	626,595	574,565	588,586	610,543	656,096
Interests in jointly-controlled entities	—	—	5,118	50,127	50,127
Long term investments	—	2,300	—	—	—
Pledged bank balances	10,262	—	—	—	—
Current assets	<u>724,103</u>	<u>264,392</u>	<u>193,351</u>	<u>228,136</u>	<u>393,966</u>
TOTAL ASSETS	<u>7,745,265</u>	<u>7,207,835</u>	<u>6,999,715</u>	<u>7,203,737</u>	<u>7,368,200</u>
Current liabilities	435,009	313,336	395,388	389,886	556,743
Long term rental deposits received	14,147	12,666	10,735	7,303	8,660
Provision for premium on convertible note redemption	—	—	—	—	21,667
Convertible guaranteed bonds	—	—	—	—	929,445
Convertible note	—	—	—	—	600,000
Long term interest-bearing bank loans, secured	1,093,593	1,074,362	829,445	891,635	97,112
Loans from a substantial shareholder	—	—	86,886	53,285	—
Deferred tax liabilities	711,510	555,783	440,314	427,601	429,032
Minority interests	<u>215,708</u>	<u>174,318</u>	<u>124,400</u>	<u>123,437</u>	<u>112,587</u>
TOTAL LIABILITIES AND MINORITY INTERESTS	<u>2,469,967</u>	<u>2,130,465</u>	<u>1,887,168</u>	<u>1,893,147</u>	<u>2,755,246</u>
	<u>5,275,298</u>	<u>5,077,370</u>	<u>5,112,547</u>	<u>5,310,590</u>	<u>4,612,954</u>

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 35% of the Group's total purchases, while the largest supplier accounted for approximately 14% 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 directors, 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 13.21 OF CHAPTER 13 OF THE LISTING RULES

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

Pursuant to the covenants of the loans agreements dated 14th June, 2001, 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\$782,217,000, with the last instalment repayment falling due in December 2007.

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DISCLOSURE PURSUANT TO PARAGRAPH 13.22 OF CHAPTER 13 OF THE LISTING RULES

At the balance sheet date, the Group had amounts due from affiliated companies which in total exceeded 8% of the Group's total assets as at 31st July, 2004 and, individually and in aggregate exceeded 8% of the Company's market capitalisation as at 31st July, 2004, as set out below:

Name of affiliated companies	Percentage of attributable interest held by the Group	Amounts due from affiliated companies HK\$'000	Notes
Hankey Development Limited	50%	201,852	1
Besto Investments Limited	25%	475,347	2
		677,199	

Notes:

- The amounts due from the affiliated companies are unsecured, interest-free and have no fixed terms of repayment.
- Except for an amount of HK\$298,329,000 which bears interest at the Hong Kong dollar prime rate plus 2% per annum, the amounts due from the affiliated companies are unsecured, interest-free and have no fixed terms of repayment.

The Group did not have any committed capital and loan injection to any of its affiliated companies.

Report of the Directors

DISCLOSURE PURSUANT TO PARAGRAPH 13.22 OF CHAPTER 13 OF THE LISTING RULES (continued)

The total amounts due from the affiliated companies represented approximately 8.7% of the Group's total assets of HK\$7,745,265,000 as at 31st July, 2004 and represented approximately 72% of the Company's market capitalisation as at 31st July, 2004.

The proforma combined balance sheet of the affiliated companies as at 31st July, 2004 is as follows:

	HK\$'000
Investment properties	599,000
Properties under development	169,200
Fixed assets	5,379
Other non-current assets	498,780
Net current liabilities	<u>(4,047)</u>
Total assets less current liabilities	1,268,312
Amounts due to shareholders	(1,725,418)
Deferred tax liabilities	(109,994)
Minority interests	<u>(6,362)</u>
	<u>(573,462)</u>
Capital and reserves	
Issued capital	40,010
Reserves	<u>(613,472)</u>
	<u>(573,462)</u>

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 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 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 three independent non-executive directors of the Company, namely Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Mui Ying Chun, Robert.

Report of the Directors

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2004 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. There were no other change of auditors of the Company in the past three years.

On behalf of the Board

Lam Kin Ming

Deputy Chairman

Hong Kong

12th November, 2004