

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, 2005.

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, 2005 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 104.

The directors do not recommend the payment of a final dividend in respect of the year (2004: Nil). No interim dividend has been declared or paid by the Company for the year (2004: Nil).

Report of the Directors

DIRECTORS

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

Executive directors:

Lam Kin Ngok, Peter (<i>Chairman</i>)	
Lam Kin Ming (<i>Deputy Chairman</i>)*	
Lam Kin Hong, Matthew (<i>Executive Deputy Chairman</i>)	
Lam Hau Yin, Lester (<i>Chief Executive Officer</i>)	(appointed on 22nd April, 2005)
Ho Wing Tim (<i>Deputy Chief Executive Officer</i>) °	
Lee Po On	
U Po Chu	
Lau Shu Yan, Julius	(appointed on 22nd April, 2005)
Tam Kin Man, Kraven	(appointed on 22nd April, 2005)
Lim Por Yen	(passed away on 18th February, 2005)
Yew Yat Ming	(resigned on 22nd April, 2005)

Non-executive directors:

Lam Kin Ko, Stewart °	
Wong Yee Sui, Andrew**	
Lam Bing Kwan**	
Wan Yee Hwa, Edward**	(appointed on 1st October, 2005)
Chiu Wai	(resigned on 22nd April, 2005)
Shiu Kai Wah	(resigned on 22nd April, 2005)
Siu Fai Wing	(resigned on 22nd April, 2005)
Yu Po Kwan	(resigned on 22nd April, 2005)
Mui Ying Chun, Robert**	(appointed on 30th September, 2004 and resigned on 1st October, 2005)

** *Independent non-executive directors*

* *Also alternate director to °*

In accordance with Article 99 of the Company's Articles of Association, Mr. Lam Hau Yin, Lester, Mr. Lau Shu Yan, Julius, Mr. Tam Kin Man, Kraven and Mr. Wan Yee Hwa, Edward 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. Lam Kin Ngok, Peter, Mr. Lam Kin Ming and Mr. Wong Yee Sui, Andrew 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.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 7(ii) and 7(iii) 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lam Kin Ngok, Peter, Chairman, aged 48, was appointed a director of the Company in November 1993. Mr. Lam is also the chairman of Lai Sun Development Company Limited ("LSD"), the deputy chairman of Lai Sun Garment (International) Limited ("LSG") (a substantial shareholder of the Company), an executive director of eSun Holdings Limited ("eSun") and Crocodile Garments Limited ("CGL"). LSD, LSG, eSun and CGL are companies listed on the Main Board of The Stock Exchange of Hong Kong 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 Madam U Po Chu, an executive director of the Company, and is the younger brother of Mr. Lam Kin Ming, the deputy chairman of the Company. Mr. Lam has interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Details are set out in the "Directors' Interests" and "Substantial Shareholders' and Other Persons' Interests" sections. Mr. Lam has a service contract with the Company and will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Lam is currently entitled to annual emoluments of HK\$2,000,000 and a 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lam Kin Ming, Deputy Chairman, aged 68, was appointed a director of the Company in September 1997. He was also appointed an alternate director to Mr. Lam Kin Ko, Stewart and Mr. Ho Wing Tim on 21st April, 2001. Mr. Lam is a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited and the 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 the elder brother of Mr. Lam Kin Ngok, Peter. Mr. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lam has a service contract with the Company and will be subject to retirement by rotation and will also be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Lam is currently entitled to annual emoluments of HK\$1,920,000 and a discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Mr. Lam Kin Hong, Matthew, Executive Deputy Chairman, aged 38, 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 the younger brother of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming.

Mr. Lam Hau Yin, Lester, Chief Executive Officer, aged 24, was appointed a director of the Company in April 2005. He joined Lai Sun Development Company Limited as a vice president in January 2004. He holds a bachelor of science in business administration degree from Northeastern University, Boston, USA. He has attained working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products and entertainment. Save as aforesaid, Mr. Lam has not held any other directorships in listed public companies in the last three years. Mr. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is a son of Mr. Lam Kin Ngok, Peter. Mr. Lam does not have a service contract with the Company but he will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Lam is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Ho Wing Tim, Deputy Chief Executive Officer, aged 47, was appointed a director of the Company in April 2001. Mr. Ho joined the Lai Sun Group in November 1990. He has over 20 years' experience in the finance fields.

Mr. Lee Po On, aged 50, 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 25 years' financial and commercial experience.

Madam U Po Chu, aged 80, 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), 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. Lam Kin Ngok, Peter's mother.

Mr. Lau Shu Yan, Julius, aged 49, was appointed a director of the Company in April 2005. He is also the chief executive officer of Lai Sun Development Company Limited ("LSD"), having joined the board of LSD in July 1991. Mr. Lau has over 20 years of experience in the property and securities industries holding senior management positions. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of Real Estate Developers Association of Hong Kong. He is also a director of a number of subsidiaries of the Company. Save as aforesaid, Mr. Lau does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Lau has interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Details are set out in the "Directors' Interests" section. Mr. Lau does not have any service contract with the Company but he will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Lau is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Tam Kin Man, Kraven, aged 58, was appointed a director of the Company in April 2005. He is also a director of Lai Sun Development Company Limited (“LSD”). He joined LSD in March 1989 and is currently a director of Furama Hotel Enterprises Limited and a number of subsidiaries of the Company. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has close to 30 years’ experience in property development, investment and management. He also has over 15 years’ experience in the hospitality business covering hotels, restaurants and clubs in Asia and North America. He was a director and chief executive officer of the Company from May 1996 to June 1999. Save as aforesaid, Mr. Tam does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Tam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tam does not have any service contract with the Company but he will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. Mr. Tam is entitled to receive such remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Non-executive director:

Mr. Lam Kin Ko, Stewart, aged 57, 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.

Independent non-executive directors:

Mr. Wong Yee Sui, Andrew, aged 56, 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. Save as aforesaid, Mr. Wong does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Wong 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. Wong does not have any service contract with the Company but he will be subject to retirement by rotation and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. The amount of director’s fees and other emoluments payable to Mr. Wong will be determined by the Board, with reference to his duties and responsibilities within the Company and other relevant market benchmark.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive directors: (continued)

Mr. Lam Bing Kwan, aged 56, 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 non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited, all listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Wan Yee Hwa, Edward, aged 69, was appointed an independent non-executive director of the Company in October 2005. Mr. Wan is also an independent non-executive director of Crocodile Garments Limited and Lai Sun Garment (International) Limited (a substantial shareholder of the Company). He is a Fellow of Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961. Mr. Wan does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as aforesaid, he does not hold any position with the Company or any subsidiary of the Company. Mr. Wan does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) in shares of the Company. The Company has not entered into any service contract with Mr. Wan and there is no fixed term of service. Mr. Wan will be subject to retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company. The amount of director's fees and other emoluments payable to Mr. Wan will be determined by the Board, with reference to his duties and responsibilities within the Company and other relevant market benchmark.

Senior management:

Mr. Tse Ho Yin, Iain, aged 56, joined the Company in March 2005 as General Manager, Guangzhou Region. Mr. Tse recently retired from the civil service after having served in the Hong Kong Police force for 32 years. Immediately prior to his retirement, Mr. Tse was the deputy commander of a police district in the Kowloon West Region, with a working force of over 1,000 police and civilian officers of various ranks under his command. Mr. Tse is responsible for the management of the commercial and residential properties portfolio of the Company in the Guangzhou area.

Mr. Wong Kam Kwan, aged 58, joined Lai Sun Group in December 2004 and is currently the General Manager for Shanghai Region. Mr. Wong has over 30 years of working experience and extensive exposure in the property industry.

Mr. Wong Kim Man, aged 32, joined the Company in 2001 and is the Acting Financial Controller and qualified accountant of the Company. Mr. Wong is a Fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

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.

DIRECTORS’ INTERESTS

As at 31st July, 2005, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares 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			
Lam Kin Ngok, Peter	Nil	Nil	2,650,688,037 (Note 1)	Beneficial owner	2,650,688,037	45.13%
U Po Chu	Nil	Nil	2,650,688,037 (Note 2)	Beneficial owner	2,650,688,037	45.13%
Lau Shu Yan, Julius	2,258,829	Nil	Nil	Beneficial owner	2,258,829	0.04%

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. Lam Kin Ngok, Peter was deemed to be interested in the 2,650,688,037 shares in the Company held by LSG and SGS since he held a 50% interest in Wisdoman Limited which held 545,615,718 shares in LSG (representing 33.73%).
- These interests in the Company represented the shares beneficially owned by LSG (1,819,206,362 shares) and SGS (831,481,675 shares). Madam U Po Chu was deemed to be interested in the 2,650,688,037 shares in the Company held by LSG and SGS since she held a 50% interest in Wisdoman Limited which held 545,615,718 shares in LSG (representing 33.73%).
- Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest in 115,156,000 shares in the Company.

Save as disclosed above, as at 31st July, 2005, none of the directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares 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

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.

Details of the Share Option Scheme are set out in note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS

As at 31st July, 2005, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity	Long positions in the shares		
		Nature	Number of Shares	Percentage
Lai Sun Garment (International) Limited (“LSG”)	Beneficial owner	Corporate Interest	2,650,688,037 (Note 1)	45.13%
Silver Glory Securities Limited (“SGS”)	Beneficial owner	Corporate Interest	831,481,675	14.16%
Wisdoman Limited	Beneficial owner	Corporate Interest	2,650,688,037 (Note 2)	45.13%
Lam Kin Ngok, Peter	Beneficial owner	Corporate Interest	2,650,688,037 (Note 3)	45.13%
U Po Chu	Beneficial owner	Corporate Interest	2,650,688,037 (Note 4)	45.13%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Notes:

1. These interests in the Company represented the shares beneficially owned by LSG (1,819,206,362 shares) and SGS (831,481,675 shares), a wholly-owned subsidiary of LSG. SGS's interest constituted part of the interest held by LSG.
2. This parcel of shares refers to the same parcel of shares held by LSG and SGS since Wisdoman Limited held approximately 33.73% of the issued share capital of LSG.
3. Mr. Lam Kin Ngok, Peter was deemed to be interested in 2,650,688,037 shares held by LSG and SGS by virtue of his holding of a 50% interest in Wisdoman Limited which held approximately 33.73% of the issued share capital of LSG.
4. Madam U Po Chu was deemed to be interested in 2,650,688,037 shares held by LSG and SGS by virtue of her holding of a 50% interest in Wisdoman Limited which held approximately 33.73% of the issued share capital of LSG.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of equity derivatives of the Company as at 31st July, 2005.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 28 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.

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, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Residential towers 7 & 8 construction work in progress	Residential towers 7 & 8 in 2006	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.

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DETAILS OF PROPERTIES (continued)

Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
Hai Zhu Plaza (formerly known as "Guangli Building"), Chang Di Main Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	Resettlement of original inhabitants in progress	2009	Commercial/office	Total site area: 8,427 sq.m. Total gross floor area: approximately 104,000 sq.m
Jinshazhou, 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 late 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	Gross floor area
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	approximately 108,675 sq. m.
Certain 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	approximately 19,673 sq. m.
No. 18 of Alley 905, Hua Shan Road, Xuhui District, Shanghai, PRC	100%		Residential	approximately 318 sq. m.
May Flower Plaza, 68 Zhongshanwu Road, Yuexiu District, Guangzhou, Guangdong Province, PRC	77.5%	The property is held for a term of 40 years for commercial use and 50 years for other uses from the date of issue of the State-owned Land Use Right Certificate (14th October, 1997)	Shopping arcades/ office	approximately 49,985 sq. m.

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, Yuexiu District, Guangzhou, Guangdong Province, PRC	100%	1,718 sq. m.

Report of the Directors

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 16 and 17, and 18, 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 19 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.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share options are set out in notes 30 and 31 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 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st July, 2005, 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\$3,088,464,000 (2004: HK\$3,007,641,000). Under the laws of the Cayman Islands, a company may make distribution to its members out of the share premium account under certain circumstances.

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CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$10,202,000.

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,				
	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Turnover	<u>402,863</u>	<u>630,204</u>	<u>119,338</u>	<u>142,510</u>	<u>161,743</u>
Profit / (loss) before tax	<u>440,644</u>	<u>17,245</u>	<u>44,691</u>	<u>(136,653)</u>	<u>(175,135)</u>
Tax	<u>(122,817)</u>	<u>16,207</u>	<u>(16,246)</u>	<u>(7,666)</u>	<u>(6,881)</u>
Profit / (loss) for the year	<u>317,827</u>	<u>33,452</u>	<u>28,445</u>	<u>(144,319)</u>	<u>(182,016)</u>
Attributable to:					
Equity holders of the parent	<u>246,197</u>	<u>36,006</u>	<u>29,970</u>	<u>(142,995)</u>	<u>(182,001)</u>
Minority interests	<u>71,630</u>	<u>(2,554)</u>	<u>(1,525)</u>	<u>(1,324)</u>	<u>(15)</u>
	<u>317,827</u>	<u>33,452</u>	<u>28,445</u>	<u>(144,319)</u>	<u>(182,016)</u>

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	As at 31st July,				
	2005 HK\$'000	2004 HK\$'000 (Restated)	2003 HK\$'000 (Restated)	2002 HK\$'000 (Restated)	2001 HK\$'000 (Restated)
Fixed assets	631,117	639,451	651,641	663,925	634,051
Investment properties	3,081,300	1,971,400	2,151,000	2,152,000	2,177,000
Properties under development	1,349,596	1,881,878	1,958,498	1,761,886	1,747,624
Negative goodwill	—	(8,807)	(9,040)	—	—
Interests in associates	658,058	645,401	600,237	589,458	611,460
Interests in jointly-controlled entities	—	—	—	5,118	50,127
Long term investments	—	—	2,300	—	—
Pledged bank balances	—	10,262	—	—	—
Current assets	<u>699,265</u>	<u>724,103</u>	<u>264,392</u>	<u>193,351</u>	<u>228,136</u>
TOTAL ASSETS	<u>6,419,336</u>	<u>5,863,688</u>	<u>5,619,028</u>	<u>5,365,738</u>	<u>5,448,398</u>
Current liabilities	(785,953)	(435,009)	(313,336)	(395,388)	(389,886)
Long term rental deposits received	(23,257)	(14,147)	(12,666)	(10,735)	(7,303)
Long term interest-bearing bank loans, secured	(732,538)	(1,093,593)	(1,074,362)	(829,445)	(891,635)
Advances from a substantial shareholder	(44,795)	—	—	(86,886)	(53,285)
Deferred tax liabilities	<u>(431,030)</u>	<u>(299,394)</u>	<u>(358,826)</u>	<u>(346,683)</u>	<u>(341,368)</u>
TOTAL LIABILITIES	<u>(2,017,573)</u>	<u>(1,842,143)</u>	<u>(1,759,190)</u>	<u>(1,669,137)</u>	<u>(1,683,477)</u>
	<u>4,401,763</u>	<u>4,021,545</u>	<u>3,859,838</u>	<u>3,696,601</u>	<u>3,764,921</u>
Minority interests	<u>(219,162)</u>	<u>(160,028)</u>	<u>(162,589)</u>	<u>(122,244)</u>	<u>(122,913)</u>
	<u>4,182,601</u>	<u>3,861,517</u>	<u>3,697,249</u>	<u>3,574,357</u>	<u>3,642,008</u>

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers was 6.4% of the Group's total turnover. During the year, the Group's purchases from its five largest suppliers accounted for approximately 24.2% of the Group's total purchases, while the largest supplier accounted for approximately 14.7% 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.

Report of the Directors

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, a substantial shareholder of the Company, and Lai Sun Development Company Limited (“LSD”), an investee company of LSG.

Pursuant to the covenants of the loans agreements dated 14th June, 2001 and 15th February, 2005, the Company and the Subsidiaries shall procure that (i) LSG and LSD shall together hold not less than 35% of the total issued share capital of the Company at all times throughout the terms of the facilities, (ii) LSG and/or LSD will remain as the single largest shareholder of the Company, and (iii) LSG will maintain management control of the Company.

The outstanding loan balances of these facilities at the balance sheet date amounted to approximately HK\$932 million, with the last instalment repayment falling due in July 2008.

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, 2005 and, individually and in aggregate exceeded 8% of the Company’s market capitalisation as at 31st July, 2005, 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%	223,237	1
Besto Investments Limited	25%	497,571	2
		<u>720,808</u>	

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\$298,531,000 which bears interest at the Hong Kong Dollar prime rate as quoted by a designated bank in Hong Kong 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 11.2% of the Group's total assets of HK\$6,419,336,000 as at 31st July, 2005 and represented approximately 69% of the Company's market capitalisation as at 31st July, 2005.

The proforma combined balance sheet of the affiliated companies as at 31st July, 2005 is as follows:

	HK\$'000
Interests in joint venture	626,882
Investment properties	382,000
Properties under development	172,000
Fixed assets	451
Net current liabilities	(106)
	<hr/>
Total assets less current liabilities	1,181,227
Amounts due to shareholders	(1,780,748)
Deferred tax liabilities	(33,218)
	<hr/>
	(632,739)
	<hr/>
Capital and reserves	
Issued capital	40,010
Reserves	(679,824)
	<hr/>
	(639,814)
	<hr/>
Minority interests	7,075
	<hr/>
	(632,739)
	<hr/>

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31st July, 2005, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PUBLIC FLOAT

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

Report of the Directors

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1st January, 2005 throughout the accounting period covered by the annual report. The non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Articles of Association of the Company.

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

The annual results of the Company for the year ended 31st July, 2005 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Wong Yee Sui, Andrew, Mr. Lam Bing Kwan and Mr. Wan Yee Hwa, Edward.

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. The Company still considers all of the independent non-executive directors to be independent.

CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2005 Annual General Meeting.

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong
18th November, 2005