

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, 2006.

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, 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 101.

The directors propose a final dividend of 0.1 HK cents per ordinary share for the year ended 31st July, 2006 (2005: Nil). No interim dividend has been declared or paid by the Company for the year (2005: 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:

Lam Kin Ngok, Peter (*Chairman*)

Lam Kin Ming* (*Deputy Chairman*)

Lam Kin Hong, Matthew (*Executive Deputy Chairman*)

Lam Hau Yin, Lester (*Chief Executive Officer*)

Ho Wing Tim (*Deputy Chief Executive Officer*)

(resigned on 21st June, 2006)

Lee Po On

U Po Chu

Lau Shu Yan, Julius

Tam Kin Man, Kraven

Non-executive directors:

Lim Ming Yan

(appointed on 21st June, 2006)

Lui Chong Chee

(appointed on 21st June, 2006)

Wong Yee Sui, Andrew**

Lam Bing Kwan**

Ku Moon Lun**

(appointed on 21st June, 2006)

Lam Kin Ko, Stewart

(resigned on 1st September, 2006)

Mui Ying Chun, Robert**

(resigned on 1st October, 2005)

Wan Yee Hwa, Edward**

(appointed on 1st October, 2005 and
resigned on 21st June, 2006)

* Also alternate director to Messrs. Ho Wing Tim and Lam Kin Ko, Stewart

** Independent non-executive directors

Report of the Directors

DIRECTORS (continued)

In accordance with Article 99 of the Company's Articles of Association, Mr. Lim Ming Yan, Mr. Lui Chong Chee and Mr. Ku Moon Lun 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. Lee Po On and Madam U Po Chu retire from office by rotation at the forthcoming Annual General Meeting. Being eligible, Madam U offers herself for re-election. However, Mr. Lee has indicated that he will not be offering himself for re-election at the forthcoming Annual General Meeting of the Company.

In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), details required under Rule 13.51(2) of the aforesaid Directors had been included in the "Biographical Details of Directors and Senior Management" section of this report. All retiring directors confirmed that there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company.

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.

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DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 39(a)(ii) and 39(a)(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 Listing Rules:

Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Ming, Mr. Lam Kin Hong, Matthew, Mr. Lau Shu Yan, Julius, Madam U Po Chu, Mr. Lim Ming Yan and Mr. Lui Chong Chee 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 independently 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. Lam Kin Ngok, Peter, Chairman, aged 49, 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, a council member of the Anglo Hong Kong Trust and a member of the Film Development Committee. 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 Kin Ming, Deputy Chairman, aged 69, was appointed a director of the Company in September 1997. Mr. Lam is the chairman of Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and chairman and chief executive officer of Crocodile Garments Limited and a non-executive director of Lai Sun Development Company Limited and eSun Holdings 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 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 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 25, was appointed a director of the Company in April 2005. He is also an executive director of Lai Sun Garment (International) Limited (a substantial shareholder of the Company) and an alternate director to Madam U Po Chu, a non-executive director of Lai Sun Garment (International) Limited, and a vice president of Lai Sun Development Company Limited. 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. He is a son of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lee Po On, aged 51, was appointed a director of the Company in January 2003. Mr. Lee joined the Lai Sun Group in November 1987. He is also an executive director of Lai Sun Garment (International) Limited (“LSG”) (a substantial shareholder of the Company), and an executive director and chief executive officer of eSun Holdings Limited (“eSun”). Both LSG and eSun are listed on the Main Board of The Hong Kong Stock Exchange. He is a member of The Institute of Chartered Accountants in England & Wales and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has about 30 years of financial and commercial experience including ten years with KPMG and five years as former chief executive officer of Asia Television Limited.

Madam U Po Chu, aged 81, 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 of 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. Since 1980’s, Madam U began investing in the catering industry in Hong Kong for several occasions. Madam U is Mr. Lam Kin Ngok, Peter’s mother. Madam U does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Madam U does not have 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. Madam U is entitled to 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.

Mr. Lau Shu Yan, Julius, aged 50, 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.

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”) and Lai Sun Garment (International) Limited (a substantial shareholder of the Company). 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 of experience in property development, investment and management. He also has over 15 years of 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.

Non-executive directors:

Mr. Lim Ming Yan, aged 43, was appointed a director of the Company in June 2006. Mr. Lim is the chief executive officer of CapitaLand China Holdings Group and CapitaLand Financial Limited (China Development) and is responsible for CapitaLand Group’s real estate development and financial operations in China. CapitaLand China Holdings Pte Ltd (“CapitaLand China”). (a substantial shareholder of the Company), is a developer of premier homes and quality commercial properties in various gateway cities in China since 1994. CapitaLand China is a wholly owned subsidiary of CapitaLand Limited, one of the largest listed property companies in Asia. In recognition of his contribution, Mr. Lim was conferred “Magnolia Award” by Shanghai Municipal Government in 2003 and 2005. Mr. Lim studied at the University of Birmingham, UK where he graduated with first class honours. He also attended the Advanced Management Program at Harvard Business School in 2002. Save as aforesaid, Mr. Lim has not held any other directorships in listed public companies in the last three years. Mr. Lim 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. Lim 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. Lim 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.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Lui Chong Chee, aged 46, was appointed a director of the Company in June 2006. Mr. Lui is the chief executive officer of CapitaLand Residential Limited (“CRL”), a wholly-owned subsidiary of CapitaLand Limited (“CapitaLand”) which is a substantial shareholder of the Company. CapitaLand is one of the largest listed property companies in Asia. Mr. Lui is also the joint deputy chairman of United Malayan Land Bhd., and a Director of Australand and Raffles Holdings Limited. Mr. Lui joined CapitaLand in November 2001 as chief financial officer. He relinquished his position as chief financial officer and assumed the role as chief executive officer of CRL in July 2005. Prior to joining CapitaLand, Mr. Lui was the managing director of Citigroup Investment Bank (Singapore) Limited, which he joined in July 1986. He was then responsible for debt and equity capital markets and financial advisory business in Singapore. Mr. Lui has 15 years of experience in investment banking. Mr. Lui holds an MBA in Finance and International Economics and a Bachelor of Science degree in Business Administration (magna cum laude) from New York University. Mr. Lui held the position of an alternate director in The Ascott Group Limited for the period from 28th November, 2001 to 1st March, 2006. Save as aforesaid, Mr. Lui has not held any other directorships in listed public companies in the last three years. Mr. Lui 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. Lui 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. Lui 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.

Independent non-executive directors:

Mr. Wong Yee Sui, Andrew, aged 57, 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 and an independent non-executive director of Peace Mark (Holdings) Limited.

Mr. Lam Bing Kwan, aged 57, 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive directors: (continued)

Mr. Ku Moon Lun, aged 55, was appointed a director of the Company in June 2006. Mr. Ku was an executive director of Davis Langdon & Seah International (“DLSI”) and retired at the end of 2005. DLSI is an international property consultant firm where he was responsible for implementing policies and steering the direction of the DLSI group of companies. Mr. Ku joined Davis Langdon & Seah Hong Kong (“DLSHK”) in 1971. He was the chairman of the board of directors of DLSHK from 1995 to 2004. Mr. Ku has more than 35 years of experience in the real estate industry in Hong Kong. Mr. Ku was also appointed a director of Ascott Residence Trust Management Limited in January 2006. He was previously the chairman of Premas Hong Kong Limited, a facilities management company, from 2000 to 2002 and chairman of Icofx International, an information technology company, from 2000 to 2003. Mr. Ku is a fellow of the Hong Kong Institute of Surveyors, associate of the Chartered Institute of Arbitrators and member of the Association of Cost Engineers. Save as aforesaid, Mr. Ku has not held any other directorships in listed public companies in the last three years. Mr. Ku does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company and 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. Ku does not have a service contract with the Company but will be subject to retirement and re-election at future annual general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. Mr. Ku 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.

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, in his rank as a senior superintendent, 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.

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, 2006, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares 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	Personal Interests	Long positions in the shares		Capacity	Total	Percentage
		Family Interests	Corporate Interests			
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note)	Beneficial owner	3,265,688,037	40.58%
Lau Shu Yan, Julius	2,258,829	Nil	Nil	Beneficial owner	2,258,829	0.03%

Note:

These interests in the Company represented the shares beneficially owned by Lai Sun Garment (International) Limited (“LSG”) (1,869,206,362 shares) and Silver Glory Securities Limited (“SGS”) (1,396,481,675 shares), a wholly-owned subsidiary of LSG. Mr. Lam Kin Ngok, Peter was deemed to be interested in the 3,265,688,037 shares in the Company held by LSG and SGS since he held (1) a 50% interest in Wisdoman Limited which held 484,991,750 shares in LSG and (2) a personal interest of 124,644,319 shares in LSG, representing in aggregate approximately 37.69% of the issued share capital of LSG.

Save as disclosed above, as at 31st July, 2006, 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, 2006, 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	Long positions in the shares			
	Capacity	Nature	Number of Shares	Percentage
Lai Sun Garment (International) Limited (“LSG”)	Beneficial owner	Corporate Interest	3,265,688,037 (Note 1)	40.58%
Silver Glory Securities Limited (“SGS”)	Beneficial owner	Corporate Interest	1,396,481,675	17.35%
Lam Kin Ngok, Peter	Beneficial owner	Corporate Interest	3,265,688,037 (Note 2)	40.58%
CapitaLand China Holdings Pte Ltd.	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
CapitaLand LF (Cayman) Holdings Co., Ltd	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
CapitaLand Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
CapitaLand Residential Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%
Temasek Holdings (Private) Limited	Owner of Controlled Corporation	Corporate Interest	1,610,000,000	20%

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Name	Capacity	Long positions in the shares		Percentage
		Nature	Number of Shares	
Allianz Aktiengesellschaft	Owner of Controlled Corporation	Corporate Interest	5,872,956,478	7.30%
Dresdner Bank Aktiengesellschaft	Owner of Controlled Corporation	Corporate Interest	5,872,956,478	7.30%
Veer Palthe Voute NV	Investment Manager	Corporate Interest	5,872,956,478	7.30%

Notes:

1. These interests in the Company represented the shares beneficially owned by LSG (1,869,206,362 shares) and SGS (1,396,481,675 shares), a wholly-owned subsidiary of LSG. SGS's interest constituted part of the interest held by LSG.
2. Mr. Lam Kin Ngok, Peter was deemed to be interested in 3,265,688,037 shares held by LSG and SGS by virtue of his approximate 37.69% interest in 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, 2006.

Report of the Directors

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.

CONNECTED TRANSACTION

On 28th February, 2006, Rightop Asia Limited (a wholly-owned subsidiary of Lai Sun Garment (International) Limited ("LSG")), LSG, Goldthorpe Limited (a wholly-owned subsidiary of the Company) and the Company entered into a conditional sale and purchase agreement ("Agreement"), pursuant to which Rightop Asia Limited conditionally agreed to sell and Goldthorpe Limited conditionally agreed to purchase the entire issued share capital of Assetop Asia Limited together with the shareholder's loan at an aggregate consideration of HK\$393,000,000. Of this, HK\$226,000,000 was satisfied by the allotment and issue of 565,000,000 new shares of the Company at the issue price of HK\$0.40 per share and HK\$167,000,000 was satisfied by the issue of a promissory note. The promissory note is unsecured, bears interest at prevailing Hong Kong Dollar Prime Rate as quoted by The Hongkong and Shanghai Banking Corporation Limited and is wholly repayable on 29th May, 2010.

The principal asset of Assetop Asia Limited and its subsidiary is a property under development situated at Su Jia Xiang, Shanghai. Following completion of the transaction, a clear delineation of businesses between the LSG Group and the Group was achieved. The acquisition of the Shanghai property expands the land bank of the Company and further reinforces its operation in Shanghai.

Since LSG held an approximate 45.13% interest in the issued share capital of the Company as at 28th February, 2006, it was a substantial shareholder and a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transaction constituted a connected transaction for the Company under the Listing Rules. Further details are disclosed in the Company's circular dated 3rd May, 2006.

The transaction was approved by independent shareholders of the Company at an extraordinary general meeting held on 19th May, 2006 and was completed on 30th May, 2006.

Report of the Directors

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, China	100%	Residential towers 7 & 8 construction work in progress	Residential towers 7 & 8 in late 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 154,000 sq.m.
Hai Zhu Plaza, Chang Di Main Road, Yuexiu District, Guangzhou, Guangdong Province, China	100%	Resettlement of original inhabitants in progress	2010	Commercial/ office	Total site area: 8,427 sq.m. Total gross floor area: approximately 104,000 sq.m.
Regents Park, 88 Huichuan Road, Changning District, Shanghai, China	95%	Phase II construction work in progress	Phase II in 2008	Residential/ commercial	Total site area (Phase II): approximately 11,670 sq.m. Total gross floor area (Phase II): approximately 72,000 sq.m.
Shanghai May Flower Plaza, Su Jia Xiang, Zhabei District, Shanghai, China	95%	Development under planning	2009	Residential/ commercial	Total site area: approximately 22,000 sq.m. Total gross floor area: approximately 133,000 sq.m.
A piece of land at Western District of Zhongshan, Guangdong Province, China	100%	Development under planning	In phases from 2008 to 2010	Residential/ commercial	Total site area: 236,648 sq.m. Total gross floor areas: approximately 354,972 sq.m.

Report of the Directors

DETAILS OF PROPERTIES (continued)

The principal 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, China	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, China	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.
May Flower Plaza, 68 Zhongshanwu Road, Yuexiu District, Guangzhou, Guangdong Province, China	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 50,654 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, China	100%	697.72 sq.m.
Certain residential units in Regents Park, 88 Huichuan Road, Changning District, Shanghai, China	95%	5,413.69 sq.m.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 16 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 15 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

Movements in the Company's authorised and issued share capital during the year are set out in note 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 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31st July, 2006, 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\$4,273,578,000 (2005: HK\$3,088,464,000) after deducting a proposed final dividend amounted to HK\$8,048,000 (2005: Nil) for the year. 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\$5,291,000.

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 is set out below:

Results

	Year ended 31st July,				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	<u>703,352</u>	<u>402,863</u>	<u>630,204</u>	<u>119,338</u>	<u>142,510</u>
Profit/(loss) before tax	<u>244,294</u>	<u>440,644</u>	<u>17,245</u>	<u>44,691</u>	<u>(136,653)</u>
Tax	<u>(98,034)</u>	<u>(122,817)</u>	<u>16,207</u>	<u>(16,246)</u>	<u>(7,666)</u>
Profit/(loss) for the year	<u>146,260</u>	<u>317,827</u>	<u>33,452</u>	<u>28,445</u>	<u>(144,319)</u>
Attributable to:					
Equity holders of the Company	<u>132,745</u>	<u>246,197</u>	<u>36,006</u>	<u>29,970</u>	<u>(142,995)</u>
Minority interests	<u>13,515</u>	<u>71,630</u>	<u>(2,554)</u>	<u>(1,525)</u>	<u>(1,324)</u>
	<u>146,260</u>	<u>317,827</u>	<u>33,452</u>	<u>28,445</u>	<u>(144,319)</u>

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	As at 31st July,				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Property, plant and equipment and prepaid land lease payments	672,054	631,117	639,451	651,641	663,925
Investment properties	3,189,300	3,081,300	1,971,400	2,151,000	2,152,000
Properties under development	1,937,211	1,349,596	1,881,878	1,958,498	1,761,886
Goodwill/(negative goodwill)	4,561	—	(8,807)	(9,040)	—
Interests in associates	770,917	658,058	645,401	600,237	589,458
Interests in jointly-controlled entities	—	—	—	—	5,118
Available-for-sale investments	13,464	—	—	—	—
Long term investments	—	—	—	2,300	—
Pledged bank balances	—	—	10,262	—	—
Current assets	<u>1,414,223</u>	<u>699,265</u>	<u>724,103</u>	<u>264,392</u>	<u>193,351</u>
TOTAL ASSETS	<u>8,001,730</u>	<u>6,419,336</u>	<u>5,863,688</u>	<u>5,619,028</u>	<u>5,365,738</u>
Current liabilities	(881,338)	(785,953)	(435,009)	(313,336)	(395,388)
Long term rental deposits received	(21,931)	(23,257)	(14,147)	(12,666)	(10,735)
Non-current interest-bearing bank loans, secured	(753,859)	(732,538)	(1,093,593)	(1,074,362)	(829,445)
Promissory note	(167,000)	—	—	—	—
Advances from a substantial shareholder	(45,542)	(44,795)	—	—	(86,886)
Deferred tax liabilities	<u>(627,752)</u>	<u>(431,030)</u>	<u>(299,394)</u>	<u>(358,826)</u>	<u>(346,683)</u>
TOTAL LIABILITIES	<u>(2,497,422)</u>	<u>(2,017,573)</u>	<u>(1,842,143)</u>	<u>(1,759,190)</u>	<u>(1,669,137)</u>
	<u>5,504,308</u>	<u>4,401,763</u>	<u>4,021,545</u>	<u>3,859,838</u>	<u>3,696,601</u>
Minority interests	<u>(258,473)</u>	<u>(219,162)</u>	<u>(160,028)</u>	<u>(162,589)</u>	<u>(122,244)</u>
	<u>5,245,835</u>	<u>4,182,601</u>	<u>3,861,517</u>	<u>3,697,249</u>	<u>3,574,357</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 3% of the Group's total turnover. During the year, the Group's purchases from its five largest suppliers accounted for approximately 44% 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, 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\$615 million, with the last instalment repayment falling due in December 2007.

Report of the Directors

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, 2006.

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

The total amounts due from the affiliated companies represented approximately 10% of the Group's total assets of HK\$8,001,730,000 as at 31st July, 2006.

The proforma combined balance sheet of the affiliated companies as at 31st July, 2006 is as follows:

	HK\$'000
Interests in joint venture	678,204
Investment properties	386,000
Properties under development	374,422
Fixed assets	604
Net current liabilities	<u>(22,084)</u>
Total assets less current liabilities	1,417,146
Amounts due to shareholders	(1,963,315)
Deferred tax liabilities	<u>(33,756)</u>
	<u>(579,925)</u>
Capital and reserves	
Issued capital	40,012
Reserves	<u>(627,403)</u>
	<u>(587,391)</u>
Minority interests	<u>7,466</u>
	<u>(579,925)</u>

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31st July, 2006.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 36 to 39 of this report.

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.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming 2006 Annual General Meeting.

On behalf of the Board

Lam Kin Ngok, Peter

Chairman

Hong Kong

10th November, 2006