

# Report of the Directors

The directors 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 activities have not changed during the year and consisted of property investment and investment holding.

The Group's manufacture and trading of garments business ceased since the disposal of its subsidiary, Crocodile Garments Limited, during the financial year. The Group's principal activities during the year included property development, property investment, investment holding and manufacture and trading of garments.

## RESULTS AND DIVIDENDS

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

The directors do not recommend the payment of a dividend for the year ended 31st July, 2006 (2005: Nil). No interim dividend had been declared or paid by the Company for the year ended 31st July, 2006 (2005: Nil).

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's principal investment properties are set out on page 22.

## PROPERTIES UNDER DEVELOPMENT

Details of movements in the properties under development of the Group during the year are set out in note 17 to the financial statements. Further details of the Group's properties under development are set out on page 22.

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 32 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 31st July, 2006, the Company did not have any reserves for distribution in accordance with the provisions of Section 79B of the Companies Ordinance.

## DONATIONS

During the year, the Group made charitable and other donations totalling HK\$1,090,000.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to its five largest customers accounted for less than 30% of the Group's combined sales and the Group's purchases from its five largest suppliers accounted for less than 30% of the Group's combined purchases.

## DIRECTORS

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

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Shiu Kai Wah

Lee Po On

Lam Kin Hong, Matthew

Tam Kin Man, Kraven (Appointed on 12th May, 2006)

Lam Hau Yin, Lester<sup>^</sup> (Appointed as director on 12th May, 2006; Appointed as alternate director to Madam U Po Chu on 2nd August, 2006)

U Po Chu

Chiu Wai

Lai Yuen Fong

Lam Wai Kei, Vicky<sup>#</sup>

Wan Yee Hwa, Edward<sup>\*</sup>

Leung Shu Yin, William<sup>\*</sup>

Chow Bing Chiu<sup>\*</sup>

<sup>^</sup> Also alternate director to Madam U Po Chu

<sup>#</sup> Alternate director to Madam Lai Yuen Fong

<sup>\*</sup> Independent non-executive directors

Mr. Tam Kin Man, Kraven and Mr. Lam Hau Yin, Lester were appointed executive directors on 12th May, 2006. In accordance with Article 93 of the Company's Articles of Association, Mr. Tam and Mr. Lam will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

In accordance with Article 102 of the Company's Articles of Association, Mr. Shiu Kai Wah and Mr. Lam Kin Hong, Matthew will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

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 have 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.

# Report of the Directors

## DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no director had a material interest, whether direct or indirect, 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 BUSINESSES

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Madam U Po Chu and Madam Lai Yuen Fong held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and the Mainland.

As the Board is independent from the boards of the aforesaid companies and none of the above directors of the Company can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Lam Kin Ming**, aged 69, is the Chairman of the Company. He has been a director of the Company since October 1987 and has been involved in the management of garment business since 1958. Mr. Lam is also the chairman and chief executive officer of Crocodile Garments Limited and deputy chairman of Lai Fung Holdings Limited, and a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited. Mr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter.

**Mr. Lam Kin Ngok, Peter**, aged 49, is the Deputy Chairman of the Company. He has been a director of the Company since October 1987. Mr. Lam is also the chairman of Lai Sun Development Company Limited, chairman of Lai Fung Holdings Limited and an executive director of eSun Holdings Limited and Crocodile Garments Limited, and a director of Wisdoman Limited (a substantial shareholder of the Company). Mr. Lam has extensive experience in the property 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 the younger brother of Mr. Lam Kin Ming.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Executive Directors (continued)

**Mr. Shiu Kai Wah**, aged 74, has been a director of the Company since December 1990. He is also a non-executive director of Crocodile Garments Limited. Mr. Shiu has over 30 years' experience in the management of the garment business. Mr. Shiu does not have a service contract with the Company and will be subject to retirement by rotation and will be eligible for re-election at future general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. He 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. Shiu does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in shares of the Company.

**Mr. Lee Po On**, aged 51, has been a director of the Company since June 1991. Mr. Lee joined the Lai Sun Group in November 1987. Mr. Lee is also an executive director and the chief executive officer of eSun Holdings Limited and a director of Lai Fung Holdings Limited. 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 the former chief executive officer of Asia Television Limited.

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**Mr. Lam Kin Hong, Matthew**, aged 38, was appointed an executive director of the Company in March 2001. He is a legal adviser of the Company and is also an executive director of Crocodile Garments Limited, and executive deputy chairman of Lai Fung Holdings 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 and corporate finance fields in Hong Kong and China. Mr. Lam is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter. Mr. Lam entered a service contract with the Company in March 2001 with no fixed term of service but with a notice period of 3 months. Mr. Lam will be subject to retirement by rotation and will be eligible for re-election at future general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. He is entitled to receive an annual emolument of HK\$432,000 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. Lam does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in shares 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 May 2006. He joined the Lai Sun Group in 1989. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has 30 years' experience in property development, investment and management. He also has over 16 years' experience in the hospitality business covering hotels, restaurants and clubs in Asia and North America. He is an executive director of Lai Fung Holdings Limited and Lai Sun Development Company Limited ("LSD"). He is also a director of Furama Hotel Enterprises Limited, the hotel investment arm of LSD, and a number of its subsidiaries. Mr. Tam does not have a service contract with the Company and will be subject to retirement by rotation and will be eligible for re-election at future general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. He 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 directors concerned and prevailing market conditions. Mr. Tam does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company and does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in shares of the Company.

**Mr. Lam Hau Yin, Lester**, aged 25, was appointed a director of the Company in May 2006. He joined Lai Sun Development Company Limited as a vice president in January 2004 and is currently an executive director and chief executive officer of Lai Fung Holdings Limited and an alternate director to Madam U Po Chu, a non-executive director of the Company. 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. Mr. Lam is a son of Mr. Lam Kin Ngok, Peter. Mr. Lam does not have a service contract with the Company and will be subject to retirement by rotation and will be eligible for re-election at future general meetings of the Company in accordance with the provisions of the Articles of Association of the Company. He 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 directors concerned and prevailing market conditions. 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" section of the Annual Report.

**Madam U Po Chu**, aged 81, has been a director of the Company since December 1990. She is also a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited, an executive director of Lai Fung Holdings Limited and a director of Wisdoman Limited (a substantial shareholder of the Company). 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 in the late 1980's also became involved in property development and investment. Since 1980's, Madam U began investing in the catering industry in Hong Kong for several occasions. Madam U is the mother of Mr. Lam Kin Ngok, Peter.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Non-Executive Directors

**Mr. Chiu Wai**, aged 75, has been a director of the Company since October 1987. Mr. Chiu is also a non-executive director of Crocodile Garments Limited. Mr. Chiu has over 45 years' experience in production management.

**Madam Lai Yuen Fong**, aged 92, has been a director of the Company since May 1992. Madam Lai is the mother of Mr. Lam Kin Ming.

**Miss Lam Wai Kei, Vicky**, aged 34, was appointed the alternate director to Madam Lai Yuen Fong in September 2001. She graduated from the University of Southern California in the United States with bachelor's degrees in business administration and architecture in 1996. She is a member of the American Institute of Architects and Urban Land Institute. Prior to joining the Lai Sun Group in August 2000, she worked as an architect and project manager with Skidmore, Owings and Merrill Co. Ltd., an architects firm in New York which participated in various substantial projects such as the New York Stock Exchange, John Kennedy Airport and Times Square Tower. Miss Lam is a daughter of Mr. Lam Kin Ming.

**Mr. Wan Yee Hwa, Edward**, aged 70, was appointed an independent non-executive director of the Company in March 2002. Mr. Wan is also an independent non-executive director of Crocodile Garments Limited. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

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**Mr. Leung Shu Yin, William**, aged 57, was appointed an independent non-executive director of the Company in July 2002. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a Fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of several Certified Public Accountants' firms in Hong Kong and is also an independent non-executive director of Lai Sun Development Company Limited and several companies listed in Hong Kong.

**Mr. Chow Bing Chiu**, aged 55, was appointed an independent non-executive director in September 2004. He is also an independent non-executive director of Crocodile Garments Limited. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. He is also a China-appointed Attesting Officer.

# Report of the Directors

## ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS

As at 31st July, 2006, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or 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 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 of Hong Kong Limited:

### (1) The Company

Name of Director	Long positions in the shares			Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests			
Lam Kin Ngok, Peter	124,644,319	Nil	484,991,750 (Note)	Beneficial owner	609,636,069	37.69%
Lam Kin Ming	5,008,263	Nil	Nil	Beneficial owner	5,008,263	0.31%
U Po Chu	4,127,625	Nil	484,991,750 (Note)	Beneficial owner	489,119,375	30.24%
Lam Hau Yin, Lester	60,623,968	Nil	Nil	Beneficial owner	60,623,968	3.75%
Chiu Wai	199,600	Nil	Nil	Beneficial owner	199,600	0.01%

Note:

Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdom Limited which directly owned 484,991,750 shares in the Company.

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## DIRECTORS' INTERESTS (continued)

### (2) Associated Corporation

#### Lai Fung Holdings Limited ("Lai Fung")

##### Long positions in the shares of Lai Fung

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note)	Owner of Controlled Corporation	3,265,688,037	40.58%

Note:

The Company and its wholly-owned subsidiary beneficially owned 3,265,688,037 shares in Lai Fung. Mr. Lam Kin Ngok, Peter was deemed to be interested in 3,265,688,037 shares in Lai Fung by virtue of his approximate 37.69% interest in the issued share capital of the Company.

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 (within the meaning of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited or were required to be entered in the Register as aforesaid.

# Report of the Directors

## 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:

### Long positions in the shares

Name	Capacity	Nature (Note 1)	Number of Shares	Percentage
Lam Kin Ngok, Peter	Beneficial owner	Personal and Corporate	609,636,069	37.69% (Note 2)
U Po Chu	Beneficial owner	Personal and Corporate	489,119,375	30.24% (Note 2)
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	29.99%
PMA Capital Management Ltd.	Investment Manager	Corporate	197,180,000	12.19% (Note 3)
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	Corporate	180,873,000	11.18% (Note 3)
Diversified Asian Strategies Fund	Beneficial owner	Corporate	85,664,000	5.30% (Note 3)

Notes:

1. Personal and corporate denote personal interest and corporate interest respectively.
2. Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares each by virtue of their respective 50% interest in the issued share capital of Wisdoman Limited which directly owned 484,991,750 shares in the Company.
3. Persons falling into the category of "Other Persons" in Practice Note 5 to the Rules Governing the Listing of Securities on the Stock Exchange.

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.

## CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

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## CONNECTED TRANSACTIONS

- (1) As reported in the annual report of the Company for the year ended 31st July, 2005, on 29th June, 2004, Crocodile Garments Limited (“CGL”) (which was a subsidiary of the Company prior to 29th May, 2006) entered into a tenancy agreement and a license agreement with Lai Sun Textiles Company Limited (“LST”) for certain units and car parking spaces at Park Sun Building, No. 97-107 Wo Yi Hop Road, Kwai Chung, New Territories. The terms of both the tenancy agreement and license agreement were for two years commencing from 1st July, 2004.

78.67% of the issued share capital of LST was held by the late Mr. Lim Por Yen, a director of CGL, before he passed away in February 2005. LST ceased to be an associate of any director or substantial shareholder of CGL following the death of Mr. Lim in February 2005 and the aforesaid tenancy and license agreements ceased to be a continuing connected transaction for CGL and the Company.

- (2) On 28th February, 2006, the Company and Joy Mind Limited (“Joy Mind”), a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement with Rich Promise Limited (the “Purchaser”), a company wholly-owned by Mr. Lam Kin Ming, and Mr. Lam Kin Ming, acting as the guarantor of the Purchaser. Pursuant to the conditional share purchase agreement, the Company and Joy Mind agreed to sell and the Purchaser agreed to purchase 314,800,000 ordinary shares of CGL, representing approximately 51.01% of the issued share capital of CGL, for a cash consideration of HK\$192,028,000 (the “CGL Disposal”). Since Mr. Lam Kin Ming is a director of both the Company and the Purchaser, and the Purchaser is a wholly-owned company of Mr. Lam Kin Ming, the CGL Disposal constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The CGL Disposal was approved by independent shareholders of the Company at an extraordinary general meeting held on 24th May, 2006.

- (3) On 28th February, 2006, the Company, Unipress Investments Limited (“Unipress”), a wholly-owned subsidiary of the Company, and CGL entered into a conditional development agreement (the “Development Agreement”) in connection with the redevelopment of a property at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the “Property”), owned by CGL and used for industrial purposes. It was planned to redevelop the Property into a commercial/office building (the “New Building”).

Under the Development Agreement:

- (i) CGL shall be responsible for payment to the relevant government authority of the land premium of HK\$274,070,000 in respect of a lease modification granted by the relevant government authority and accepted by CGL on 14th January, 2006.
- (ii) Unipress shall pay CGL a sum of HK\$137,035,000, representing 50% of the Land Premiums;
- (iii) CGL grants to Unipress the exclusive right to develop the Property;
- (iv) Unipress shall be responsible for demolishing the existing building and constructing the New Building in accordance with the development plan of the Property as agreed by Unipress and CGL and shall bear all development and construction costs (currently estimated at approximately HK\$361 million according to a professional surveyor report) and project management fee in connection with the construction and completion of the New Building;

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### CONNECTED TRANSACTIONS (continued)

#### (3) (continued)

- (v) If construction finance is required by Unipress for financing the development and construction cost, CGL has agreed to provide or procure such security over or in relation to the Property as may reasonably be required by the relevant lending institution(s) and the Company is expected to provide a corporate guarantee as security for such finance; and
- (vi) In consideration of CGL contributing the Property as security for the construction finance, Unipress shall make a quarterly payment of HK\$2,130,000 to CGL during the period from delivery of vacant possession of the Property to completion of construction of the New Building.

On completion of the construction of the New Building, the ownership of New Building shall be allocated and distributed between Unipress and CGL in proportion of 1 to 1.4 in terms of the gross floor area. Assuming a total gross floor area of 240,000 square feet of the New Building as currently anticipated, Unipress shall be entitled to the ownership of such portion of the New Building with 100,000 square feet gross floor area, comprised mainly retail and restaurant space, and CGL shall be entitled to the remaining portion of the New Building with 140,000 square feet gross floor area, comprised mainly office space. In addition, CGL shall assign the ownership of all car parking spaces to an investment holding company which will be owned in equal shares by the Company and CGL.

The Development Agreement is conditional to, inter alia, the completion of the CGL Disposal as mentioned in paragraph (2) above. Following the completion of CGL Disposal, CGL is owned by the Purchaser as to approximately 51.01% and therefore will be an associate of the Purchaser which is owned by Mr. Lam Kin Ming under the Listing Rules. By virtue of Mr. Lam Kin Ming currently being a director of the Company, CGL will be a connected person of the Company following the completion of the CGL Disposal. The Development Agreement therefore constituted a connected transaction of the Company. Since the Company held a 54.93% equity interest in CGL and was a substantial shareholder and a connected person of CGL, the Development Agreement also constituted a connected transaction of CGL. The Development Agreement was approved by independent shareholders of the Company at an extraordinary general meeting held on 24th May, 2006.

In respect of paragraphs (2) and (3) above, details are set out in the Company's announcement dated 4th March, 2006 and circular dated 29th April, 2006.

# Report of the Directors

## DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

Location	Group's interest	Tenure	Use
Por Yen Building, No. 478 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	100%	Inland Lot No. 2081 is held for a term which expired on 27th June, 1997 and had been extended upon expiry until 30th June, 2047	Industrial/ car park

The Group's properties under development is its interest in a redevelopment of a property situated at 79 Hoi Yuen Road, Kwun Tong, Hong Kong pursuant to an agreement entered into between the Group and CGL on 28th February, 2006, details of which are set out in note 17 to the financial statements. The property is now under the demolition in progress. The redevelopment is expected to be completed by the end of 2009.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

## RESULTS

	Year ended 31st July,				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
TURNOVER	<u>347,158</u>	<u>481,725</u>	<u>858,755</u>	<u>1,295,241</u>	<u>1,297,622</u>
PROFIT/(LOSS) BEFORE TAX	<u>(41,898)</u>	395,320	115,280	(42,222)	(808,815)
Tax	<u>(20,012)</u>	<u>(19,948)</u>	<u>(11,448)</u>	<u>(19,970)</u>	<u>(12,575)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>(61,910)</u>	<u>375,372</u>	<u>103,832</u>	<u>(62,192)</u>	<u>(821,390)</u>
Attributable to:					
Equity holders of the Company	<u>(120,776)</u>	318,041	82,246	(35,705)	(830,166)
Minority interests	<u>58,866</u>	<u>57,331</u>	<u>21,586</u>	<u>(26,487)</u>	<u>8,776</u>
	<u>(61,910)</u>	<u>375,372</u>	<u>103,832</u>	<u>(62,192)</u>	<u>(821,390)</u>

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## 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	4,276	31,708	21,241	31,465	35,581
Investment properties	119,100	250,600	265,680	246,900	221,100
Properties under development	138,494	233,250	178,150	176,397	177,228
Goodwill	—	71,907	71,907	89,887	107,867
Interests in associates	2,268,218	2,177,085	1,535,567	1,487,397	1,488,934
Available-for-sale equity investments	466,946	188,361	—	—	—
Deferred tax assets	—	—	13,398	10,043	10,681
Loan receivable	40,730	—	—	—	—
Promissory note receivable	167,000	—	—	—	—
Current assets	<u>40,851</u>	<u>533,408</u>	<u>400,439</u>	<u>489,998</u>	<u>648,098</u>
<b>TOTAL ASSETS</b>	<b><u>3,245,615</u></b>	<b><u>3,486,319</u></b>	<b><u>2,486,382</u></b>	<b><u>2,532,087</u></b>	<b><u>2,689,489</u></b>
Current liabilities	(15,879)	(174,817)	(356,123)	(502,819)	(629,733)
Note payable	(195,000)	(195,000)	(195,000)	(210,000)	(210,000)
Long term deposits received	—	—	—	(6,875)	(23,375)
Interest-bearing bank and other borrowings	(31,745)	(100,902)	(38,800)	—	(7)
Accrued interest payable	(23,313)	(6,148)	—	—	—
Deferred tax liabilities	(20,165)	(20,379)	(12,443)	(10,467)	(2,110)
<b>TOTAL LIABILITIES</b>	<b><u>(286,102)</u></b>	<b><u>(497,246)</u></b>	<b><u>(602,366)</u></b>	<b><u>(730,161)</u></b>	<b><u>(865,225)</u></b>
<b>MINORITY INTERESTS</b>	<b><u>—</u></b>	<b><u>(201,745)</u></b>	<b><u>(144,320)</u></b>	<b><u>(122,484)</u></b>	<b><u>(148,970)</u></b>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b><u>2,959,513</u></b>	<b><u>2,787,328</u></b>	<b><u>1,739,696</u></b>	<b><u>1,679,442</u></b>	<b><u>1,675,294</u></b>

# 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 complied with the sufficiency of public float requirement under the Listing Rules during 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 25 to 28 of this report.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company had received from each of its independence non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company still considered the independent non-executive directors to be independent.

## **AUDITORS**

Ernst & Young retire at the forthcoming annual general meeting and a resolution for their reappointment as auditors of the Company will be proposed.

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On behalf of the Board

**Lam Kin Ming**

*Chairman*

Hong Kong

10th November, 2006