



LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Annual Report 2008-2009

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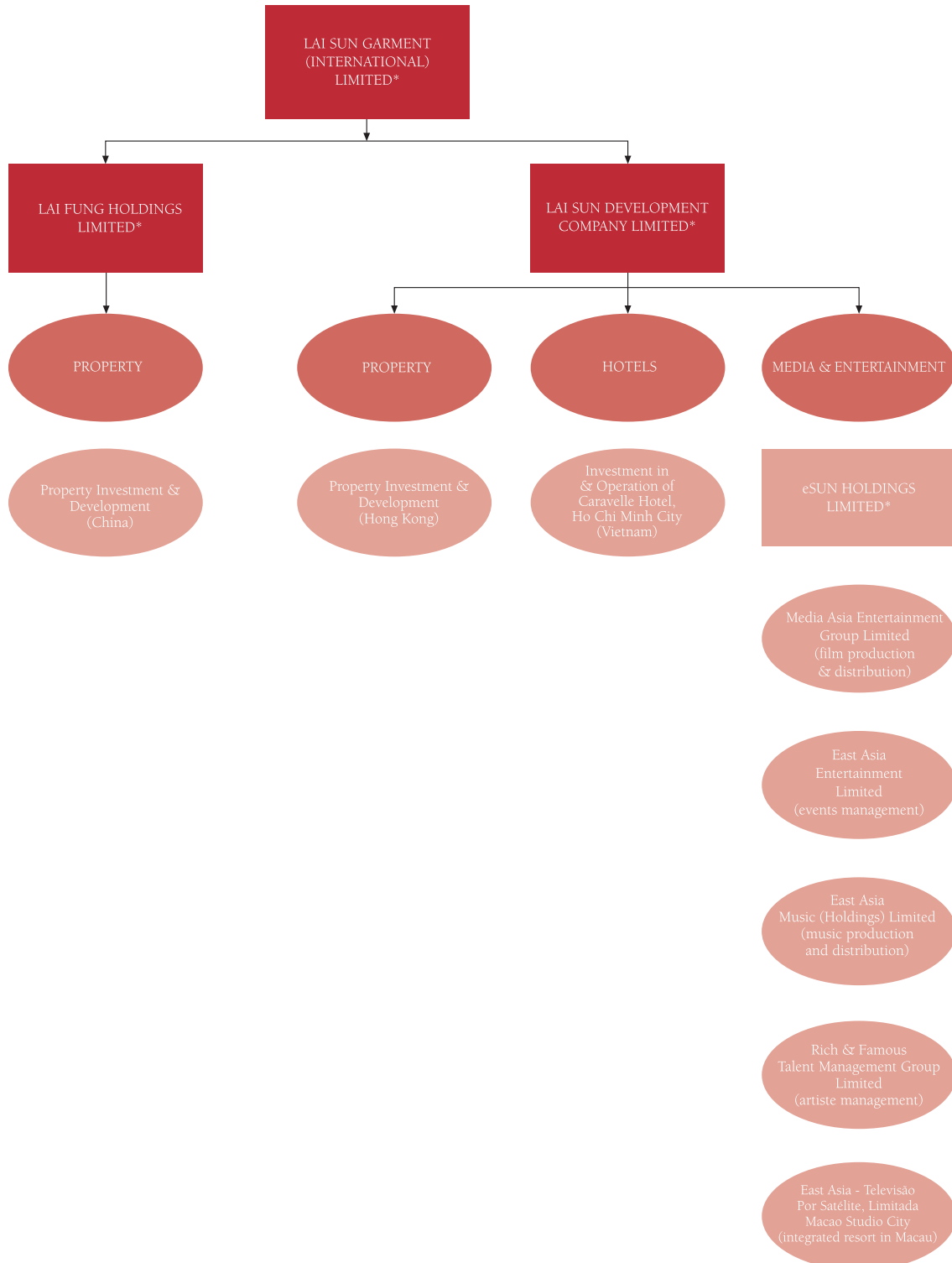
## Lai Sun Garment (International) Limited

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Stock code on Hong Kong Stock Exchange: 191

# Corporate Profile

The Lai Sun Group was founded in 1947 as a garment manufacturer and obtained its first listing on the Hong Kong stock exchange in late 1972. The Group has since evolved into a diversified conglomerate and its principal activities include property development and investment in Hong Kong and China, hotel operation and management, and media and entertainment businesses. Lai Sun Garment (International) Limited is listed on The Stock Exchange of Hong Kong Limited and holds substantial interests in two listed companies of the Group.



\* Listed on the Main Board of The Stock Exchange of Hong Kong Limited

# Corporate Information

## Place of Incorporation

Hong Kong

## Directors

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Shiu Kai Wah

Lam Kin Hong, Matthew

Tam Kin Man, Kraven

Lam Hau Yin, Lester

*(also alternate director to Madam U Po Chu)*

Leung Churk Yin, Jeanny

U Po Chu

Chiu Wai

Wan Yee Hwa, Edward\*

Leung Shu Yin, William\*

Chow Bing Chiu\*

\* *Independent non-executive director*

## Secretary and Registered Office

Yeung Kam Hoi

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon

Hong Kong

## Share Registrars

Tricor Tengis Limited

26th Floor

Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

## Auditors

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

## Solicitors

Vincent T.K. Cheung, Yap & Co.

11th Floor

Central Building

1-3 Pedder Street

Central

Hong Kong

## Bankers

Hang Seng Bank Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking

Corporation Limited

## Chairman's Statement



*Chairman LAM Kin Ming*

### OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2009, the Group recorded a turnover of HK\$14,526,000 (2008: HK\$14,303,000) and a gross profit of HK\$12,806,000 (2008: HK\$12,244,000), representing an increase of approximately 1.6% and 4.6% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment.

During the year under review, the Group recorded a fair value loss on investment properties of HK\$6,678,000 compared to a fair value gain of HK\$43,889,000 in the previous year. Such loss was offset by a reversal of provision for impairment of HK\$21,160,000 with regard to a loan amount of HK\$55,000,000 granted to an independent third party (the "Borrower"). Following recovery actions taken by the Group, the outstanding principal balance of the loan of HK\$55,000,000 due from the Borrower under the abovementioned revolving facility was recovered in full. There was a reversal of provision for impairment of HK\$21,160,000 previously made against the loan for the year ended 31 July 2009. As a result of the above factors, the Group's profit from operating activities decreased by approximately 48.5% to HK\$12,241,000 (2008: HK\$23,770,000).

## Chairman's Statement

### OVERVIEW OF FINAL RESULTS (continued)

Share of profits from associates was HK\$166,676,000 (2008: HK\$39,554,000), up by 321.4% from the previous year. The change in share of profits from associates was due to the substantial increase in share of profits from Lai Fung Holdings Limited ("Lai Fung").

For the year ended 31 July 2009, the Group recorded a consolidated profit attributable to ordinary equity holders of HK\$168,384,000 (2008: HK\$45,797,000), representing an increase of approximately 267.7% from the previous year. Shareholders' equity as at 31 July 2009 amounted to HK\$3,635,847,000, up by 5.2% from HK\$3,455,942,000 as at 31 July 2008. Net asset value per share as at 31 July 2009 was HK\$2.25, as compared to HK\$2.14 as at 31 July 2008.

### *Lai Fung*

As at 31 July 2009, the Group held an effective 40.58% interest in Lai Fung. Lai Fung is principally engaged in property development and investment in China. Lai Fung currently has property projects in Shanghai, Guangzhou and Zhongshan.

For the year ended 31 July 2009, Lai Fung recorded a turnover of HK\$937,380,000 (2008: HK\$868,001,000) and a gross profit of HK\$632,436,000 (2008: HK\$622,837,000), representing an increase of approximately 8.0% and 1.5% respectively from the previous year.

Out of Lai Fung's total turnover, rental income decreased by 14.0% from HK\$254,160,000 to HK\$218,525,000, which was mainly due to the adverse impact of renovation work on Shanghai Hong Kong Plaza. Owing to the completion of Phase II of Shanghai Regents Park and recognition of sales of relevant residential units sold before 31 July 2009, Lai Fung's turnover from sales of properties increased by 17.1% from HK\$613,841,000 to HK\$718,855,000. Mainly as a result of lower proportion of rental income compared to sales of development properties, Lai Fung's gross profit margin decreased slightly to 67.5%, from 71.8% in the previous year.

## Chairman's Statement

### OVERVIEW OF FINAL RESULTS (continued)

#### *Lai Fung (continued)*

During the year under review, Lai Fung recorded a profit from operating activities of HK\$886,631,000 (2008: HK\$761,532,000). The increase in Lai Fung's profit from operating activities was mainly due to a gain on termination of cross currency swaps, a gain on repurchase of its senior notes, and a fair value gain on investment properties (albeit at a lower level than that recorded in the previous year). In addition, Lai Fung recorded an exchange loss of HK\$2,540,000 on a USD denominated bank loan (2008: a net exchange loss of HK\$114,081,000 on a USD denominated bank loan and the cross currency swaps).

Lai Fung's finance costs expensed during the year reduced to HK\$118,588,000 (2008: HK\$151,911,000), after an amount of HK\$77,030,000 (2008: HK\$54,130,000) had been capitalised in properties under development during the year.

As a result of the abovementioned factors, the profit attributable to equity holders of Lai Fung increased to HK\$406,888,000 (2008: HK\$206,005,000).

#### *Lai Sun Development Company Limited ("LSD")*

As at 31 July 2009, the Group held an effective 11.18% interest in LSD. LSD is principally engaged in the development of and investment in Hong Kong property, as well as investment in and operation of hotels and restaurants.

For the year ended 31 July 2009, LSD recorded a turnover of HK\$649,742,000 (2008: HK\$826,506,000) and a gross profit of HK\$454,536,000 (2008: HK\$564,885,000), representing a decrease of approximately 21.4% and 19.5% respectively from the previous year. The decrease in LSD's turnover and gross profit was largely due to the lack of contribution during the year from the hotel operations of the former The Ritz-Carlton Hong Kong which ceased operations since 1 February 2008.



Shanghai Regents Park



Guangzhou West Point



Shanghai Hong Kong Plaza (architectural rendering)



Wood Road Project  
(architectural rendering)

Tai Po Road Project  
(architectural rendering)



79 Hoi Yuen Road, Kwun Tong, Hong Kong  
(architectural rendering)



## Chairman's Statement

### OVERVIEW OF FINAL RESULTS (continued)

#### *Lai Sun Development Company Limited ("LSD") (continued)*

During the year under review, LSD recorded a fair value loss on investment properties of HK\$145,748,000 (2008: a gain of HK\$721,604,000) as a result of the adverse economic conditions from the global financial turmoil since the fourth quarter of 2008. During this year, LSD did not record any gain on disposal whereas in the previous year, LSD recorded a gain on disposal of HK\$699,036,000 for the disposal of a 26.57% interest in Diamond String Limited, which owns the former The Ritz-Carlton Hong Kong property. During this year, LSD recorded a reversal of provision for tax indemnity of approximately HK\$11,936,000 (2008: a provision of HK\$464,632,000). Such provision was made in the financial year of 2008 in respect of certain tax indemnity granted by LSD to Lai Fung in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited. Mainly as a result of the above exceptional items, LSD recorded a profit from operating activities of HK\$11,333,000 during the year ended 31 July 2009, versus a profit from operating activities of HK\$1,240,831,000 in the previous year.

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LSD currently holds a 36.08% interest in eSun Holdings Limited ("eSun"), which in turn holds a 36.72% interest in LSD. During the year, LSD's share of losses from associates was HK\$132,483,000, compared to share of profits from associates of HK\$19,736,000 in the previous year. Such share of losses from associates mainly reflected the operational losses of eSun after taking into account the cross-holdings between LSD and eSun. Also, the cross-holdings between LSD and eSun results in a further loss to LSD due to LSD's further share of eSun's loss arising from eSun's share of the results of LSD.

As a result of decreases in interest rate, LSD's finance costs during the year decreased to HK\$58,479,000 (2008: HK\$104,078,000).

For the year ended 31 July 2009, LSD recorded a consolidated net loss attributable to ordinary equity holders of HK\$220,985,000, compared to a consolidated net profit of HK\$1,013,333,000 in the previous year.

## Chairman's Statement

### OVERVIEW OF FINAL RESULTS (continued)

#### *Development of 79 Hoi Yuen Road, Kwun Tong, Hong Kong*

Construction of this joint office and commercial development project with Crocodile Garments Limited was completed and occupation permit was issued in September 2009. The Group is entitled to the retail portion of this redeveloped property with a gross floor area of approximately 100,000 square feet and the Group is now in the process of finalising the legal title documentation.

### PROSPECTS

The global financial turmoil in the fourth quarter of 2008 negatively affected property market sentiment and volume of transactions in Hong Kong and China's real estate market. Both markets experienced great volatility during the past year. Since the beginning of 2009, with governments and central banks in most major countries implementing massive economic stimulus packages and quantitative credit easing policies, Hong Kong and China's real estate markets started to show strong recovery. Under the current macro-economic circumstances, the Group will manage their operations on a prudent basis, and will strive to position their businesses for future growth.

#### *Lai Fung*

In the medium- and long-term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Since the outbreak of the global financial turmoil in 2008, the Central Government has placed significant emphasis on domestic consumption to fuel economic growth. Real estate as an important segment of domestic consumption will be a key beneficiary. It is widely expected that the Central Government would not easily make a drastic shift from its current favourable policies towards real estate. However, there would be adjustment policies to pace the property market and economic rhythm. By then, this could cause short-term fluctuation in the property market in China.

Overall, Lai Fung is cautiously optimistic about China's property market and Lai Fung is well positioned for growth in the coming years. Owing to its strong sales performance for Shanghai Regents Park Phase II and Guangzhou West Point, Lai Fung has locked in substantial sales revenue for the next financial year. In addition, Lai Fung has re-accelerated the construction schedules of other development projects to fuel growth in turnover and profits for the financial years beyond next year.

## Chairman's Statement

### PROSPECTS (continued)

#### *Lai Fung (continued)*

With the macro-economic condition as mentioned above, Lai Fung will monitor the market closely and expand its landbank at the appropriate time. Furthermore, Lai Fung will continue to grow its recurrent income base through upgrading and renovation of Shanghai Hong Kong Plaza and addition of new venues through completion of commercial property portions of the new development projects.

#### *LSD*

Rentals for office and commercial properties in prime locations in Hong Kong have shown signs of stabilisation since the middle of 2009. With current high occupancy in its investment properties, LSD has in the past economic cycle successfully strengthened its tenant and trade mix, which well prepares LSD to operate through difficult economic environment ahead. In the coming year, LSD will continue to take a defensive approach as regards its rental policies, with the objective of maintaining occupancy rates and rental cashflows from its investment properties.

Since the second quarter of 2009, low mortgage interest rate and encouraging performance of the local stock market triggered the turnaround of Hong Kong's property market sentiment. Volume and property prices for primary and secondary transactions have grown steadily. LSD currently holds a number of residential projects under development in Hong Kong. To capture the strong turnaround in the Hong Kong residential property market, LSD expects to start the pre-sale of residential units in its Wood Road Project, Wanchai and Tai Po Road Project, Kowloon in 2010. Given the shortage of supply in core city areas in Hong Kong, LSD is still cautiously optimistic on the Hong Kong residential properties in the longer term. LSD will monitor the local property market closely and will adopt a prudent and balanced approach towards its property development business.

#### *79 Hoi Yuen Road, Kwun Tong, Hong Kong*

Up to the date of this report, the Group has received commitment from tenants for leasing of 70% of the gross floor area of the retail portion of this property. The tenants who have taken up leases are mainly renowned restaurants as well as food and beverage outlets. This property will contribute to the rental income of the Group in the next financial year.

## Chairman's Statement

### LIQUIDITY AND FINANCIAL RESOURCES

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, interest income generated from the promissory note, dividend income from investment in a listed associate and loan facilities provided by banks and others.

As at 31 July 2009, total borrowings, comprising secured bank loans of HK\$247 million, a note payable of HK\$195 million and a loan of HK\$32 million payable to the late Mr. Lim Por Yen, amounted to a total of HK\$474 million. As at the same date, consolidated net assets of the Group amounted to HK\$3,636 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 13%. All of the Group's borrowings were maintained as floating rate debts.

The note payable of HK\$195 million and the loan of HK\$32 million payable to the late Mr. Lim Por Yen have maturity dates of 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note and loan payables are not repayable within one year from the balance sheet date.

As at 31 July 2009, certain investment properties with carrying value of approximately HK\$190 million were pledged to a bank to secure banking facilities granted to the Group. In addition, the Group's properties under development with carrying cost of HK\$454 million and share in a subsidiary held by the Group were pledged to a bank to secure a construction loan facility for financing the redevelopment of that property.

## Chairman's Statement

### **LIQUIDITY AND FINANCIAL RESOURCES (continued)**

As at 31 July 2009, the Group had cash and bank balances amounting to approximately HK\$76 million and unutilised banking facility of HK\$174 million (including HK\$129 million unutilised construction loan facility for financing the construction costs of a property redevelopment project), which was considered adequate to cover the working capital requirement of the Group. The abovementioned construction loan facility will be maturing in December 2009. The occupation permit of the related property redevelopment project was issued on 22 September 2009. Such construction loan facility is expected to be refinanced by a new property term loan facility granted by the same bank. The Group has received and accepted the offer term sheet from the bank for the refinancing arrangement and is now in the stage of finalising the relevant loan facility documents with the bank.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollar. The Group does not have any significant exposure to exchange rate risk.

### **EMPLOYEES AND REMUNERATION POLICIES**

The Group employed a total of approximately 20 (2008: 20) employees as at 31 July 2009. Pay rates of employees are maintained at competitive levels and salary adjustments or bonuses are made on a performance related basis. Other staff benefits include a share option scheme, mandatory provident fund scheme for all eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

## Chairman's Statement

### CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the balance sheet date are set out in note 31 to the financial statements.

### MANAGEMENT AND STAFF

On behalf of my fellow directors, I wish to thank all members of staff and management for their loyalty and contribution during a difficult year. I would also like to thank our shareholders and business associates for their valuable support.

**Lam Kin Ming**

*Chairman*

Hong Kong

6 November 2009

# Report of the Directors

The directors of the Company present their report and the audited financial statements of the Company and of the Group for the year ended 31 July 2009.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and of the Group have not changed during the year and consisted of property development, property investment and investment holding.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 July 2009 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 34 to 92.

The Directors do not recommend the payment of an ordinary dividend for the year ended 31 July 2009 (2008: Nil). No interim dividend had been declared or paid by the Company for the year ended 31 July 2009 (2008: Nil).

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 28 to the financial statements.

## RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

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## DISTRIBUTABLE RESERVES

As at 31 July 2009, the Company did not have any reserves available for distribution in accordance with provisions of Section 79B of the Companies Ordinance.

## DONATIONS

During the year, the Group made charitable and other donations totalling HK\$125,000.

## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to its five largest customers accounted for approximately 41% of the Group's total turnover, while the largest customer accounted for approximately 14% of the Group's total turnover. None of the Directors 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 customers.

During the year, the Group's purchases from its five largest suppliers accounted for approximately 61% of the Group's total purchases, while the largest supplier accounted for approximately 16% of the Group's total purchases. Included in the Group's five largest suppliers is a supplier company in which certain directors of the Company have indirect interest through their shareholdings in Lai Sun Development Company Limited and the Group's purchases from this supplier during the year accounted for approximately 16% of the Group's total purchases.

### DIRECTORS

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

Lam Kin Ming (*Chairman*)

Lam Kin Ngok, Peter (*Deputy Chairman*)

Shiu Kai Wah

Lam Kin Hong, Matthew

Tam Kin Man, Kraven

Lam Hau Yin, Lester<sup>#</sup>

Leung Churk Yin, Jeanny

U Po Chu

Chiu Wai

Lai Yuen Fong (resigned on 26 March 2009)

Lam Wai Kei, Vicky<sup>^</sup> (ceased as alternate director on 26 March 2009)

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 director



# Report of the Directors

## **DIRECTORS (continued)**

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

Details of the aforesaid Directors required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of this report.

## **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 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, Mr. Lam Hau Yin, Lester, Madam U Po Chu and Mr. Chiu Wai held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and China.

As the board of directors of the Company (the "Board") is independent from the boards of the abovementioned companies and none of the above Directors 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.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Lam Kin Ming**, aged 72, is the Chairman of the Company. He has been a Director 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. Mr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter.

**Mr. Lam Kin Ngok, Peter**, aged 52, is the Deputy Chairman of the Company. He has been a Director since October 1987. Mr. Lam is also the chairman of Lai Sun Development Company Limited and Lai Fung Holdings Limited, an executive director of eSun Holdings Limited and Crocodile Garments Limited, the chairman of Media Asia Entertainment Group Limited, and a director of Wisdoman Limited (a substantial shareholder of the Company). Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. Mr. Lam is currently a director of the Real Estate Developers Association of Hong Kong. He is also Chairman of the Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association Limited, Vice Chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Mr. Lam is also a Trustee of the Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Mr. Lam is the younger brother of Mr. Lam Kin Ming.

**Mr. Shiu Kai Wah**, aged 77, has been a Director since December 1990. He has over 30 years' experience in the management of the garment business. He 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. Shiu does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Shiu has a service contract with the Company and will be subject to retirement from office by rotation once every three years since his last election in 2006 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. He will receive such remuneration and 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. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Executive Directors (continued)

**Mr. Lam Kin Hong, Matthew**, aged 41, was appointed a Director 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. He 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 is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter. Mr. Lam has a service contract with the Company and will be subject to retirement from office by rotation once every three years since his last election in 2006 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. He will receive such remuneration and 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. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

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**Mr. Tam Kin Man, Kraven**, aged 61, was appointed a Director in May 2006. He first joined the Lai Sun Group in 1989 and is currently an executive director of Lai Sun Development Company Limited and Lai Fung Holdings Limited, and a director of Furama Hotel Enterprises Limited. 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 18 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America. Mr. Tam holds interest in the listed securities of the associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of this report. 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 a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2006 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. He will receive such remuneration and 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. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

## Report of the Directors

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

#### Executive Directors (continued)

**Mr. Lam Hau Yin, Lester**, aged 28, was appointed a Director in May 2006. He is also the alternate Director to Madam U Po Chu, a non-executive director of the Company. 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. 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 interested, or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, 60,623,968 shares in the Company, representing approximately 3.75% of the issued share capital of the Company. Mr. Lam is a son of Mr. Lam Kin Ngok, Peter. Mr. Lam does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2006 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. He will receive such remuneration and 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. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

**Miss Leung Churk Yin, Jeanny**, aged 44, was appointed a Director with effect from 1 September 2007. She is also an executive director and the chief executive officer of eSun Holdings Limited and an executive director of both Lai Sun Development Company Limited and Lai Fung Holdings Limited. She is also an independent non-executive director of Top Form International Limited. Miss Leung has over 20 years of corporate finance experience in Hong Kong, China and Taiwan.

# Report of the Directors

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(continued)

### Non-executive Directors

**Madam U Po Chu**, aged 84, has been a Director 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. She is the mother of Mr. Lam Kin Ngok, Peter.

**Mr. Chiu Wai**, aged 78, has been a Director since October 1987. Mr. Chiu has over 45 years' experience in production management.

### Independent non-executive Directors

**Mr. Wan Yee Hwa, Edward**, aged 73, was appointed an independent non-executive Director in March 2002. Mr. Wan is also an independent non-executive director of Lai Sun Development Company Limited and 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.

**Mr. Leung Shu Yin, William**, aged 60, was appointed an independent non-executive Director 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 two certified public accountants' firms in Hong Kong and is also an independent non-executive director of Lai Sun Development Company Limited and another company listed in Hong Kong.

**Mr. Chow Bing Chiu**, aged 58, 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. Mr. Chow is also a China-appointed Attesting Officer.

## Report of the Directors

### ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section “Share Option Scheme” in this report, 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 31 July 2009, 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 (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 of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

#### (1) The Company

Name of Director	Long positions in the shares of the Company			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:

Both Mr. Lam Kin Ngok, Peter and Madam U Po Chu were deemed to be interested in 484,991,750 shares 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.

# Report of the Directors

## DIRECTORS' INTERESTS (continued)

### (2) Associated Corporation

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

Name of Director	Personal Interests	Long positions in the shares of Lai Fung			Capacity	Total	Percentage
		Family Interests	Corporate Interests	Other Interests			
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 (Note 1)	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	Nil	20,000,000 (Note 2)	Beneficial owner	20,000,000	0.25%

#### Notes:

- 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.
- A share option scheme was adopted by Lai Fung on 21 August 2003 and will remain in force for 10 years from its effective date. During the year under review, 10,000,000 share options granted to the following Director lapsed under the share option scheme of Lai Fung. Details of the share options outstanding as at 31 July 2009 are set out below:

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Share Options Outstanding	Option Exercisable Period (dd/mm/yyyy)	Subscription Price per Share
Tam Kin Man, Kraven	09/01/2007	10,000,000	01/01/2009 – 31/12/2009	HK\$0.65
	09/01/2007	10,000,000	01/01/2010 – 31/12/2010	HK\$0.75
		<u>20,000,000</u>		

Save as disclosed above, as at 31 July 2009, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation, which were required to be notified to the Company and the Stock Exchange or were required to be entered in the Register as aforesaid.

## Report of the Directors

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 22 December 2006 for the purpose of providing incentives and rewards to Participants as defined in the Share Option Scheme. No share options under the Share Option Scheme have been granted by the Company as at the date of this report.

Details of the Share Option Scheme are set out in note 29 to the financial statements.

### SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS

As at 31 July 2009, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company				
Name	Capacity	Nature of Interests	Number of Shares	Percentage
Lam Kin Ngok, Peter	Beneficial owner	Personal and corporate	609,636,069	37.69% (Note)
U Po Chu	Beneficial owner	Personal and corporate	489,119,375	30.24% (Note)
Wisdoman Limited	Beneficial owner	Corporate	484,991,750	29.99%

Note:

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

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2009.

### 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.



# Report of the Directors

## DETAILS OF PROPERTIES

The investment properties of the Group are as follows:

Location	Group's Interest	Tenure	Use
Por Yen Building 478 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong	100%	New Kowloon Inland Lot No. 2081 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial/ car park
Units A, B, C and D on 3rd Floor Por Mee Factory Building 500 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong	100%	New Kowloon Inland Lot No. 2091 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial
6th Floor and Carparks Nos. 10, 22 and 27 on Ground Floor Forda Industrial Building 16 Wang Chau Road Yuen Long, New Territories Hong Kong	100%	Yuen Long Town Lot No. 221 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial/ car park
Unit B on 5th Floor Victorious Factory Building 33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street San Po Kong, Kowloon Hong Kong	100%	New Kowloon Inland Lot No. 4435 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial

The Group's property under development is its interest in a redevelopment of a property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong pursuant to an agreement entered into between the Group and Crocodile Garments Limited on 28 February 2006, details of which are set out in note 16 to the financial statements. As at the date of this report, the redevelopment was completed and occupation permit was issued in September 2009.

## PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties and properties under development of the Company and the Group during the year are set out in notes 14, 15 and 16 to the financial statements respectively. Further details of the Group's investment properties and properties under development are set out above under the heading "Details of Properties".

## Report of the Directors

### 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 of the Group is set out below:-

#### Results

	Year ended 31 July				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
TURNOVER	<u>14,526</u>	<u>14,303</u>	<u>11,414</u>	<u>347,158</u>	<u>481,725</u>
PROFIT/(LOSS) BEFORE TAX	<u>167,247</u>	<u>48,841</u>	<u>281,673</u>	<u>(41,898)</u>	<u>395,320</u>
Tax	<u>1,137</u>	<u>(3,044)</u>	<u>(6,369)</u>	<u>(20,012)</u>	<u>(19,948)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>168,384</u>	<u>45,797</u>	<u>275,304</u>	<u>(61,910)</u>	<u>375,372</u>
Attributable to:					
Ordinary equity holders of the Company	<u>168,384</u>	<u>45,797</u>	<u>275,304</u>	<u>(120,776)</u>	<u>318,041</u>
Minority interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>58,866</u>	<u>57,331</u>
	<u>168,384</u>	<u>45,797</u>	<u>275,304</u>	<u>(61,910)</u>	<u>375,372</u>

# Report of the Directors

## SUMMARY OF FINANCIAL INFORMATION (continued)

### Assets, Liabilities and Minority Interests

	As at 31 July				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Property, plant and equipment	667	1,481	2,974	4,276	31,708
Investment properties	194,800	200,800	156,100	119,100	250,600
Properties under development	454,061	273,503	183,529	138,494	233,250
Goodwill	—	—	—	—	71,907
Interests in associates	3,147,767	3,025,253	2,656,103	2,268,218	2,177,085
Available-for-sale equity investments	210,522	167,784	474,860	466,946	188,361
Loan and interest receivables	—	—	—	40,730	—
Promissory note receivable	—	167,000	167,000	167,000	—
Current assets	<u>247,811</u>	<u>61,981</u>	<u>79,500</u>	<u>40,851</u>	<u>533,408</u>
<b>TOTAL ASSETS</b>	<b><u>4,255,628</u></b>	<b><u>3,897,802</u></b>	<b><u>3,720,066</u></b>	<b><u>3,245,615</u></b>	<b><u>3,486,319</u></b>
Current liabilities	(295,028)	(45,486)	(23,062)	(15,879)	(174,817)
Interest-bearing bank and other borrowings	(31,745)	(113,745)	(59,745)	(31,745)	(100,902)
Note payable	(195,000)	(195,000)	(195,000)	(195,000)	(195,000)
Accrued interest payable	(66,851)	(55,370)	(41,037)	(23,313)	(6,148)
Deferred tax liabilities	(31,157)	(32,259)	(26,534)	(20,165)	(20,379)
<b>TOTAL LIABILITIES</b>	<b><u>(619,781)</u></b>	<b><u>(441,860)</u></b>	<b><u>(345,378)</u></b>	<b><u>(286,102)</u></b>	<b><u>(497,246)</u></b>
<b>MINORITY INTERESTS</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(201,745)</u></b>
<b>NET ASSETS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<b><u>3,635,847</u></b>	<b><u>3,455,942</u></b>	<b><u>3,374,688</u></b>	<b><u>2,959,513</u></b>	<b><u>2,787,328</u></b>

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2009, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

## Report of the Directors

### **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 from the date of the last Annual Report of the Company to the date of this Annual Report.

### **CORPORATE GOVERNANCE**

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 31 of this Annual Report.

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

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all of its independent non-executive Directors to be independent.

### **AUDITORS**

Ernst & Young retire at the forthcoming 2009 Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board

**Lam Kin Ming**

*Chairman*

Hong Kong

6 November 2009

# Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) from time to time.

## (1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the deviation from code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive directors of the Company was appointed for a specific term. However, all directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

## (2) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to 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 Securities Code during the year ended 31 July 2009.

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## (3) BOARD OF DIRECTORS

(3.1) The board of directors of the Company (the “Board”) supervises the management of the business and affairs of the Company. The Board’s primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely Executive Committee, Audit Committee and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Board currently comprises seven executive Directors, namely Mr. Lam Kin Ming (Chairman), Mr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Miss Leung Churk Yin, Jeanny; two non-executive Directors, namely Madam U Po Chu and Mr. Chiu Wai; and three independent non-executive Directors, namely Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.

# Corporate Governance Report

## (3) BOARD OF DIRECTORS (continued)

(3.3) The Board met four times during the financial year ended 31 July 2009. The attendance record of individual Directors at these board meetings is set out in the following table:

Directors	Board Meetings	
	Held	Attended
<b>Executive Directors</b>		
Lam Kin Ming ( <i>Chairman</i> )	4	3
Lam Kin Ngok, Peter ( <i>Deputy Chairman</i> )	4	2
Shiu Kai Wah	4	2
Lam Kin Hong, Matthew	4	3
Tam Kin Man, Kraven	4	4
Lam Hau Yin, Lester	4	3
Leung Churk Yin, Jeanny	4	4
<b>Non-executive Directors</b>		
U Po Chu (alternate: Lam Hau Yin, Lester)	4	3
Chiu Wai	4	0
Lai Yuen Fong (alternate: Lam Wai Kei, Vicky)*	2	2
<b>Independent non-executive Directors</b>		
Wan Yee Hwa, Edward	4	4
Leung Shu Yin, William	4	4
Chow Bing Chiu	4	4

\* Madam Lai Yuen Fong resigned on 26 March 2009 and Ms. Lam Wai Kei, Vicky ceased to act as her alternate on the same date.

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ming is the son of Madam Lai Yuen Fong and the father of Ms. Lam Wai Kei, Vicky. Mr. Lam Kin Ngok, Peter is the son of Madam U Po Chu and the father of Mr. Lam Hau Yin, Lester. Mr. Lam Kin Hong, Matthew is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Save as disclosed above and in the “Biographical Details of Directors and Senior Management” section of this Annual Report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

# Corporate Governance Report

## (4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer be separated and not performed by the same individual.

During the year under review, Mr. Lam Kin Ming was the Chairman of the Company while other duties and responsibilities of the Board were undertaken by other executive directors of the Company.

## (5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive directors of the Company is appointed for a specific term.

## (6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 18 November 2005, which currently comprises three independent non-executive Directors, namely Messrs. Leung Shu Yin, William (Chairman), Wan Yee Hwa, Edward and Chow Bing Chiu, and an executive Director, Miss Leung Churk Yin, Jeanny.

(6.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or the executive Directors, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee held one meeting during the year under review to discuss remuneration-related matters. All members of the Remuneration Committee, namely Messrs. Leung Shu Yin, William, Wan Yee Hwa, Edward and Chow Bing Chiu, and Miss Leung Churk Yin, Jeanny, attended the meeting.

## (7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

## (8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK\$630,000 for the year under review. Ernst & Young also received fees amounting to HK\$112,000 for providing non-audit services (mainly taxation services) to the Company and its subsidiaries during the year.

# Corporate Governance Report

## (9) AUDIT COMMITTEE

(9.1) The Board established an Audit Committee on 23 March 2000, which currently comprises three independent non-executive Directors, namely Messrs. Wan Yee Hwa, Edward (Chairman), Leung Shu Yin, William and Chow Bing Chiu.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company, the review of significant financial reporting judgment contained in them before submission to the Board for approval, and the review and monitoring of the auditor's independence and objectivity and effectiveness of the audit process.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. All members of the Audit Committee, namely Messrs. Wan Yee Hwa, Edward, Leung Shu Yin, William and Chow Bing Chiu, attended all the meetings.

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

## (10) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this Annual Report.

## (11) INTERNAL CONTROLS

During the year, BDO Financial Services Limited has been engaged to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group.



# Independent Auditors' Report



## To the shareholders of Lai Sun Garment (International) Limited

*(Incorporated in Hong Kong with limited liability)*

We have audited the financial statements of Lai Sun Garment (International) Limited set out on pages 34 to 92, which comprise the consolidated and company balance sheets as at 31 July 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

# Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### **Ernst & Young**

*Certified Public Accountants*

18th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

6 November 2009

# Consolidated Income Statement

Year ended 31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
TURNOVER	6	14,526	14,303
Cost of sales		<u>(1,720)</u>	<u>(2,059)</u>
Gross profit		12,806	12,244
Other revenue and gain	6	9,048	11,030
Administrative expenses		(23,894)	(23,181)
Other operating income/(expenses), net		20,959	(20,212)
Fair value gain/(loss) on investment properties	15	<u>(6,678)</u>	<u>43,889</u>
PROFIT FROM OPERATING ACTIVITIES	7	12,241	23,770
Finance costs	8	(11,670)	(14,483)
Share of profits and losses of associates		<u>166,676</u>	<u>39,554</u>
PROFIT BEFORE TAX		167,247	48,841
Tax	11	<u>1,137</u>	<u>(3,044)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12	<u>168,384</u>	<u>45,797</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		<u>HK10.41 cents</u>	<u>HK2.83 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

# Consolidated Balance Sheet

31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	667	1,481
Investment properties	15	194,800	200,800
Properties under development	16	454,061	273,503
Interests in associates	18	3,147,767	3,025,253
Available-for-sale equity investments	19	210,522	167,784
Promissory note receivable	20	—	167,000
		<u>4,007,817</u>	<u>3,835,821</u>
<b>CURRENT ASSETS</b>			
Promissory note receivable	20	167,000	—
Debtors, deposits paid and other receivables	21	5,154	5,476
Loan and interest receivables	22	—	33,840
Cash and cash equivalents	23	75,657	22,665
		<u>247,811</u>	<u>61,981</u>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals	24	47,824	44,817
Tax payable		204	669
Interest-bearing bank borrowings	25	247,000	—
		<u>295,028</u>	<u>45,486</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(47,217)</u>	<u>16,495</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,960,600</u>	<u>3,852,316</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	25	(31,745)	(113,745)
Note payable	26	(195,000)	(195,000)
Accrued interest payable	26	(66,851)	(55,370)
Deferred tax liabilities	27	(31,157)	(32,259)
		<u>(324,753)</u>	<u>(396,374)</u>
Total non-current liabilities		<u>(324,753)</u>	<u>(396,374)</u>
		<u>3,635,847</u>	<u>3,455,942</u>

# Consolidated Balance Sheet

31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to</b>			
<b>ordinary equity holders of the Company</b>			
Issued capital	28	16,174	16,174
Share premium account		1,908,840	1,908,840
Asset revaluation reserve		74,619	83,478
Share option reserve		1,438	1,440
Hedging reserve		—	2,321
Investment revaluation reserve		9,498	(33,240)
Capital reserve		148,694	148,694
Exchange fluctuation reserve		479,633	500,284
Retained earnings		996,951	827,951
		<u>3,635,847</u>	<u>3,455,942</u>

**Lam Kin Ming**  
*Director*

**Lam Kin Ngok, Peter**  
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 July 2009

	Attributable to ordinary equity holders of the Company									
	Issued	Share	Asset	Share	Hedging	Investment	Capital	Exchange	Retained	Total
	capital	premium	revaluation	option	reserve	revaluation	reserve	fluctuation	earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 August 2007	16,174	1,908,840	55,494	747	(16,954)	273,836	148,694	206,084	781,773	3,374,688
Changes in fair value of available-for-sale equity investments (note 19)	—	—	—	—	—	(307,076)	—	—	—	(307,076)
Share of reserve movements of associates	—	—	27,984	693	19,275	—	—	294,200	381	342,533
Total income and expense recognised directly in equity	—	—	27,984	693	19,275	(307,076)	—	294,200	381	35,457
Profit for the year	—	—	—	—	—	—	—	—	45,797	45,797
Total income and expense for the year	—	—	27,984	693	19,275	(307,076)	—	294,200	46,178	81,254
At 31 July 2008 and 1 August 2008	16,174	1,908,840	83,478	1,440	2,321	(33,240)	148,694	500,284	827,951	3,455,942
Changes in fair value of available-for-sale equity investments (note 19)	—	—	—	—	—	42,738	—	—	—	42,738
Share of reserve movements of associates	—	—	(8,859)	(2)	(2,321)	—	—	(20,651)	616	(31,217)
Total income and expense recognised directly in equity	—	—	(8,859)	(2)	(2,321)	42,738	—	(20,651)	616	11,521
Profit for the year	—	—	—	—	—	—	—	—	168,384	168,384
Total income and expense for the year	—	—	(8,859)	(2)	(2,321)	42,738	—	(20,651)	169,000	179,905
At 31 July 2009	16,174	1,908,840	74,619	1,438	—	9,498	148,694	479,633	996,951	3,635,847

# Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		167,247	48,841
Adjustments for:			
Fair value loss/(gain) on investment properties		6,678	(43,889)
Interest income from bank deposits	6	(37)	(216)
Other interest income	6	(8,648)	(10,741)
Depreciation	7	839	1,493
Provision for doubtful debts	7	201	—
Provision for impairment/(reversal of provision for impairment) of loan and interest receivables	7	(21,160)	20,212
Finance costs	8	11,670	14,483
Share of profits and losses of associates		(166,676)	(39,554)
		<u>(9,886)</u>	<u>(9,371)</u>
Increase in amounts due from associates		(118)	(148)
Increase in amounts due to associates		—	22
Decrease/(increase) in debtors, deposits paid and other receivables		(137)	588
Decrease in creditors, deposits received and accruals		<u>(129)</u>	<u>(121)</u>
Cash used in operations		<u>(10,270)</u>	<u>(9,030)</u>
Hong Kong profits tax refunded/(paid)		<u>(430)</u>	<u>3,119</u>
Net cash outflow from operating activities		<u>(10,700)</u>	<u>(5,911)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Recovery of loan receivable		55,000	—
Dividend received from an associate		13,063	13,063
Interest received		8,685	11,682
Additions to investment properties		(678)	(811)
Purchases of items of property, plant and equipment		(25)	—
Additions to properties under development		<u>(174,446)</u>	<u>(65,485)</u>
Net cash outflow from investing activities		<u>(98,401)</u>	<u>(41,551)</u>

# Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Bank refinancing charges paid		(519)	(646)
Interest paid on bank loans		(2,388)	(1,628)
New bank borrowings		<u>165,000</u>	<u>54,000</u>
Net cash inflow from financing activities		<u>162,093</u>	<u>51,726</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<u>22,665</u>	<u>18,401</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><b>75,657</b></u>	<u><b>22,665</b></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
	23		
Cash and bank balances		5,657	22,665
Non-pledged time deposits with original maturity of less than three months when acquired		<u>70,000</u>	<u>—</u>
		<u><b>75,657</b></u>	<u><b>22,665</b></u>



# Balance Sheet

31 July 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	667	1,481
Investment properties	15	194,800	200,800
Interests in subsidiaries	17	317,936	299,778
Interests in associates	18	376,471	376,353
Available-for-sale equity investments	19	190,692	151,980
Promissory note receivable	20	—	167,000
Total non-current assets		<u>1,080,566</u>	<u>1,197,392</u>
<b>CURRENT ASSETS</b>			
Promissory note receivable	20	167,000	—
Debtors, deposits paid and other receivables	21	4,891	4,955
Cash and cash equivalents	23	74,070	22,429
Total current assets		<u>245,961</u>	<u>27,384</u>
<b>CURRENT LIABILITIES</b>			
Creditors, deposits received and accruals		15,804	16,022
Tax payable		204	669
Interest-bearing bank borrowing	25	15,000	—
Total current liabilities		<u>31,008</u>	<u>16,691</u>
NET CURRENT ASSETS		<u>214,953</u>	<u>10,693</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,295,519</u>	<u>1,208,085</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing other borrowings	25	(31,745)	(31,745)
Note payable	26	(195,000)	(195,000)
Accrued interest payable	26	(66,851)	(55,370)
Deferred tax liabilities	27	(31,157)	(32,259)
Total non-current liabilities		<u>(324,753)</u>	<u>(314,374)</u>
		<u>970,766</u>	<u>893,711</u>
<b>EQUITY</b>			
Issued capital	28	16,174	16,174
Reserves	30(b)	954,592	877,537
		<u>970,766</u>	<u>893,711</u>

# Notes to Financial Statements

31 July 2009

## 1. CORPORATE INFORMATION

Lai Sun Garment (International) Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) consisted of property development, property investment and investment holding. Details of the principal activities of the principal subsidiaries and associates are set out in notes 17 and 18 to the financial statements, respectively.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and available-for-sale equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 July 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and balances within the Group are eliminated on consolidation in full.

### 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the new and revised HKFRSs which are applicable to the Group and are effective in the current year. The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s consolidated financial statements.

# Notes to Financial Statements

31 July 2009

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group, that have been issued but are not yet effective, in these financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>4</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 2 Amendments	Share-based Payment - Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 7 Amendments	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments <sup>2</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, which are effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of HKAS 1 (Revised), HKFRS 7 Amendments and HKFRS 8 may result in new or amended disclosures in the financial statements. The amendment is to be applied prospectively and is effective for the Group's financial period beginning on or after 1 August 2009. In respect of other amendments, new standards and new interpretations, the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Subsidiaries**

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

### **Associates**

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets and investment properties is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a member of the key management personnel of the Group;
- (d) the party is a close member of the family of any individual referred to in (a) or (c);
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	20%
Motor vehicles	25%
Motor vessels	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Jointly controlled assets

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets.

The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers is recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from sale of the Group's share of the output of the jointly controlled assets, together with any expenses incurred by the Group are recognised when it is probable that future economic benefits associated to the transactions will flow to/from the Group.

# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Properties under development

Properties under development are stated at cost less any impairment losses. Cost comprises the prepaid land lease payments together with any other direct costs attributable to the development of the properties. Borrowing costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property.

Once the construction or development of these properties are completed, these properties are reclassified to the appropriate asset categories.

### Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

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### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments and other financial assets**

Financial assets in the scope of HKAS 39 “Financial Instruments : Recognition and Measurement” are classified as loans and receivables and available-for-sale equity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Available-for-sale equity investments*

Available-for-sale equity investments are those non-derivative financial assets in listed equity securities that are designated as available for sale or are not classified in any of the other two categories under the scope of HKAS 39 as stated above. After initial recognition, available-for-sale equity investments are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date.



# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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In relation to debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the debtors is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### *Available-for-sale equity investments*

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Financial liabilities at amortised cost (including interest-bearing bank and other borrowings)

Financial liabilities including creditors, note payable, accrued interest payable and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised, in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) rental and property management fee income, in the period in which the properties are let out and on the straight-line basis over the lease terms;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets; and
- (c) dividend income, when the shareholders' right to receive payment has been established.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits

#### *Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes Model, further details of which are given in note 29 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

#### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the year is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the material expected future cost of such paid leave earned during the current financial year by the employees and carried forward.

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#### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments that have been earned by the employees from their service to the Group at the balance sheet date.

#### *Retirement benefits*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. The assets of the Scheme are held separately from those of the Group in the respective independently administered funds. Contributions to the Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the respective schemes. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

# Notes to Financial Statements

31 July 2009

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Impairment of assets*

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

# Notes to Financial Statements

31 July 2009

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) *Estimation of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar lease terms and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from a variety of sources, including (a) independent valuations; (b) current prices in an active market for properties of a different nature, condition and location by reference to available market information; (c) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (d) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

The carrying amounts of investment properties at fair values as at 31 July 2009 was HK\$194,800,000 (2008: HK\$200,800,000) (note 15).

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(ii) *Impairment of assets*

The Group has to determine whether an asset is impaired or the event previously causing the asset impairment no longer exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the previous estimation.

# Notes to Financial Statements

31 July 2009

## 4. SEGMENT INFORMATION

Segment information is presented on a primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services that are subject to risks and returns which are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the property development segment engages in property development; and
- (b) the property investment segment engages in the leasing of commercial premises.

No further geographical segment information is presented as all of the Group's revenue and operations are generated and located in Hong Kong.



# Notes to Financial Statements

31 July 2009

## 4. SEGMENT INFORMATION (continued)

### Business segments

The following tables present revenue, profit and certain asset, liability and capital expenditure information for the Group's business segments for the years ended 31 July 2009 and 2008:

### Group

	Property development		Property investment		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	<u>—</u>	<u>—</u>	<u>14,526</u>	<u>14,303</u>	<u>14,526</u>	<u>14,303</u>
<b>Segment results</b>	<u>(316)</u>	<u>(9)</u>	<u>5,927</u>	<u>56,133</u>	<u>5,611</u>	<u>56,124</u>
Interest income and unallocated other revenue and gain					9,048	11,030
Reversal of provision for impairment/ (provision for impairment) of loan and interest receivables					21,160	(20,212)
Unallocated expenses					<u>(23,578)</u>	<u>(23,172)</u>
Profit from operating activities					12,241	23,770
Finance costs					(11,670)	(14,483)
Share of profits and losses of associates					<u>166,676</u>	<u>39,554</u>
Profit before tax					167,247	48,841
Tax					<u>1,137</u>	<u>(3,044)</u>
Profit for the year					<u>168,384</u>	<u>45,797</u>

## Notes to Financial Statements

31 July 2009

## 4. SEGMENT INFORMATION (continued)

## Business segments (continued)

## Group

	Property development		Property investment		Consolidated	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities:</b>						
Segment assets	454,324	274,024	195,067	201,056	649,391	475,080
Interests in associates					3,147,767	3,025,253
Unallocated assets					458,470	397,469
Total assets					4,255,628	3,897,802
Segment liabilities	32,099	28,917	3,878	4,183	35,977	33,100
Unallocated liabilities					583,804	408,760
Total liabilities					619,781	441,860
<b>Other segment information:</b>						
Depreciation - unallocated amounts					839	1,493
Provision for doubtful debts	—	—	201	—	201	—
Fair value (gain)/loss on investment properties	—	—	6,678	(43,889)	6,678	(43,889)
Capital expenditure	177,674	87,594	678	811	178,352	88,405
Capital expenditure - unallocated amount					25	—
					178,377	88,405

# Notes to Financial Statements

31 July 2009

## 5. RELATED PARTY TRANSACTIONS

- (a) In addition to the related party transactions and balances detailed elsewhere in these financial statements, the Group entered into the following material transactions with related parties during the year:

	Notes	Group	
		2009 HK\$'000	2008 HK\$'000
Rental expense and building management fee paid and payable to a related company	(i)	576	688
Interest expense on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(ii)	11,481	14,333
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iii)	8,456	10,557
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(iv)	<u>8,520</u>	<u>8,520</u>

Notes:

- (i) Rental expenses and building management fee were paid to the related company, of which certain directors are also the directors of the Company, based on terms stated in the respective lease agreements.
- (ii) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the other borrowing (note 25(b)) and note payable (note 26).
- (iii) Interest income was charged on the promissory note receivable from Lai Fung, details of which are set out in note 20 to the financial statements.
- (iv) Pursuant to the Development Agreement (as defined in note 16), in consideration of CGL pledging the Property (as defined in note 16) as security for the construction finance of a joint development project of the Group and CGL, details of which are set out in note 16 to the financial statements, the Group agreed to make quarterly payments of HK\$ 2,130,000 to CGL for the period from the date of delivery of vacant possession of the Property for development to the date of issuance of a certificate of practical completion of construction. Mr. Lam Kin Ming, a director of the Company, has an interest of approximately 51.66% in CGL within the meaning of the Securities and Futures Ordinance. The Development Agreement constituted a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

# Notes to Financial Statements

31 July 2009

## 5. RELATED PARTY TRANSACTIONS (continued)

### (b) Compensation of key management personnel of the Group

	Group	
	2009 HK\$'000	2008 HK\$'000
Short term employee benefits	6,701	6,610
Post-employment benefits	24	24
Total compensation paid to key management personnel	<u>6,725</u>	<u>6,634</u>

Further details of directors' emoluments are included in note 9 to the financial statements.

## 6. TURNOVER, OTHER REVENUE AND GAIN

Turnover represents gross rental income and property management fee income generated from investment properties held during the year. An analysis of turnover, other revenue and gain is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>		
Gross rental income	13,062	12,725
Property management fee income	1,464	1,578
	<u>14,526</u>	<u>14,303</u>
<b>Other revenue and gain</b>		
Interest income from bank deposits	37	216
Other interest income	8,648	10,741
Others	363	73
	<u>9,048</u>	<u>11,030</u>

# Notes to Financial Statements

31 July 2009

## 7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2009 HK\$'000	2008 HK\$'000
Auditors' remuneration	630	680
Depreciation	839	1,493
Minimum lease payments under operating leases in respect of land and buildings	680	978
Employee benefits scheme (including directors' remuneration (note 9)):		
Wages and salaries	12,283	12,736
Pension scheme contributions	165	187
	<u>12,448</u>	<u>12,923</u>
Provision for doubtful debts <sup>#</sup>	201	—
(Reversal of provision for impairment)/provision for impairment of loan and interest receivables <sup>#</sup>	(21,160)	20,212
Gross rental and property management fee income	(14,526)	(14,303)
Less: Outgoings	<u>1,720</u>	<u>1,011</u>
	<u>(12,806)</u>	<u>(13,292)</u>

<sup>#</sup> These items are included in "other operating income/(expense), net" on the face of the consolidated income statement.

# Notes to Financial Statements

31 July 2009

## 8. FINANCE COSTS

	Group	
	2009 HK\$'000	2008 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	2,345	1,645
Other borrowings and note payable wholly repayable within five years	<u>11,481</u>	<u>14,333</u>
Total interest expenses	13,826	15,978
Bank financing charges	<u>728</u>	<u>885</u>
	14,554	16,863
Less: Amount capitalised in properties under development (note 16)	<u>(2,884)</u>	<u>(2,380)</u>
	<u>11,670</u>	<u>14,483</u>

## 9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Fees	<u>608</u>	<u>544</u>
Other emoluments:		
Salaries, allowances and benefits in kind	6,093	6,066
Pension scheme contributions	<u>24</u>	<u>24</u>
	<u>6,117</u>	<u>6,090</u>
	<u>6,725</u>	<u>6,634</u>

# Notes to Financial Statements

31 July 2009

## 9. DIRECTORS' REMUNERATION (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>2009</b>				
Executive and non-executive directors:				
Lam Kin Ming	48	896	—	944
Lam Kin Ngok, Peter	48	480	12	540
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	—	—	—
Tam Kin Man, Kraven	—	—	—	—
Shiu Kai Wah	48	595	—	643
Lam Kin Hong, Matthew	48	384	12	444
U Po Chu	48	3,600	—	3,648
Chiu Wai	48	—	—	48
Lai Yuen Fong*	32	138	—	170
Lam Wai Kei, Vicky# (alternate to Lai Yuen Fong)	—	—	—	—
Leung Churk Yin, Jeanny	—	—	—	—
Independent non-executive directors:				
Wan Yee Hwa, Edward	96	—	—	96
Chow Bing Chiu	96	—	—	96
Leung Shu Yin, William	96	—	—	96
	<u>608</u>	<u>6,093</u>	<u>24</u>	<u>6,725</u>

\* Lai Yuen Fong resigned as a non-executive director of the Company on 26 March 2009.

# Lam Wai Kei, Vicky ceased to act as an alternate director to Lai Yuen Fong on 26 March 2009.

## Notes to Financial Statements

31 July 2009

## 9. DIRECTORS' REMUNERATION (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2008				
Executive and non-executive directors:				
Lam Kin Ming	48	815	—	863
Lam Kin Ngok, Peter	48	480	12	540
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	—	—	—
Tam Kin Man, Kraven	—	—	—	—
Shiu Kai Wah	48	595	—	643
Lam Kin Hong, Matthew	48	384	12	444
U Po Chu	48	3,622	—	3,670
Chiu Wai	48	—	—	48
Lai Yuen Fong	48	170	—	218
Lam Wai Kei, Vicky (alternate to Lai Yuen Fong)	—	—	—	—
Leung Churk Yin, Jeanny	—	—	—	—
Independent non-executive directors:				
Wan Yee Hwa, Edward	64	—	—	64
Chow Bing Chiu	72	—	—	72
Leung Shu Yin, William	72	—	—	72
	<u>544</u>	<u>6,066</u>	<u>24</u>	<u>6,634</u>

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).



# Notes to Financial Statements

31 July 2009

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,232	1,256
Pension scheme contributions	12	12
	<u>1,244</u>	<u>1,268</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2009	2008
HK\$500,001 - HK\$1,000,000	<u>2</u>	<u>2</u>

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## 11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2009	2008
	HK\$'000	HK\$'000
Current tax		
Charge for the year	134	669
Overprovision in prior years	(169)	(3,350)
	<u>(35)</u>	<u>(2,681)</u>
Deferred tax		
Current year (note 27)	(1,102)	7,241
Change in tax rate (note 27)	—	(1,516)
	<u>(1,102)</u>	<u>5,725</u>
Tax charge/(credit) for the year	<u>(1,137)</u>	<u>3,044</u>

# Notes to Financial Statements

31 July 2009

## 11. TAX (continued)

A reconciliation of the tax charge/(credit) applicable to profit before tax using Hong Kong profits tax rate to the tax charge/(credit) for the year is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Profit before tax	<u>167,247</u>	<u>48,841</u>
Tax at the statutory rate of 16.5% (2008: 16.5%)	27,596	8,059
Effect of change in tax rate on opening deferred tax liabilities	—	(1,516)
Adjustments in respect of current tax of previous periods	(169)	(3,350)
Profits and losses attributable to associates	(27,502)	(6,526)
Income not subject to tax	(3,497)	(36)
Expenses not deductible for tax	2,370	6,708
Utilisation of tax losses of previous periods	—	(321)
Tax losses not recognised	<u>65</u>	<u>26</u>
Tax charge/(credit) for the year	<u>(1,137)</u>	<u>3,044</u>

## 12. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 July 2009 includes a profit of HK\$38,343,000 (2008: HK\$14,027,000) which has been dealt with in the financial statements of the Company (note 30(b)).

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of HK\$168,384,000 (2008: HK\$45,797,000) and the weighted average number of 1,617,423,423 (2008: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 July 2009 and 2008 have not been disclosed as no diluting event existed during both years.

# Notes to Financial Statements

31 July 2009

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group and Company

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Motor vessels HK\$'000	Total HK\$'000
Cost:				
At 1 August 2007	7,582	10,604	16,951	35,137
Write off	—	(5,000)	—	(5,000)
At 31 July 2008 and 1 August 2008	7,582	5,604	16,951	30,137
Additions	25	—	—	25
Write off	—	(2,400)	—	(2,400)
<b>At 31 July 2009</b>	<b>7,607</b>	<b>3,204</b>	<b>16,951</b>	<b>27,762</b>
Accumulated depreciation:				
At 1 August 2007	5,137	10,075	16,951	32,163
Depreciation provided during the year	1,226	267	—	1,493
Disposals	—	(5,000)	—	(5,000)
At 31 July 2008 and 1 August 2008	6,363	5,342	16,951	28,656
Depreciation provided during the year	741	98	—	839
Write off	—	(2,400)	—	(2,400)
<b>At 31 July 2009</b>	<b>7,104</b>	<b>3,040</b>	<b>16,951</b>	<b>27,095</b>
Net book value:				
<b>At 31 July 2009</b>	<b>503</b>	<b>164</b>	<b>—</b>	<b>667</b>
At 31 July 2008	1,219	262	—	1,481

# Notes to Financial Statements

31 July 2009

## 15. INVESTMENT PROPERTIES

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Carrying amount at beginning of year	200,800	156,100
Additions, at cost	678	811
Gain/(loss) on revaluation	(6,678)	43,889
Carrying amount at end of year	<u>194,800</u>	<u>200,800</u>

The investment properties on 31 July 2009 were revalued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK\$194,800,000 (2008: HK\$200,800,000) on an open market, existing use basis.

The Group's and the Company's investment properties as at 31 July 2009 are situated in Hong Kong and are held under medium term leases.

Certain investment properties of the Group and the Company were leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

At 31 July 2009, certain investment properties of the Group and of the Company with an aggregate carrying amount of HK\$190,300,000 (2008: HK\$195,900,000) were pledged to a bank to secure banking facilities granted by the bank to the Group.

Further details of the Group's investment properties are included on page 24.

## 16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2009	2008
	HK\$'000	HK\$'000
At beginning of year, at cost	273,503	183,529
Additions during the year	177,674	87,594
Interest and bank refinancing charges capitalised (note 8)	2,884	2,380
At end of year, at cost	<u>454,061</u>	<u>273,503</u>

The Group's properties under development as at 31 July 2009 are situated in Hong Kong and are held under medium term leases.

# Notes to Financial Statements

31 July 2009

## 16. PROPERTIES UNDER DEVELOPMENT (continued)

### Joint development of a property with CGL

On 28 February 2006, the Company, Unipress Investments Limited (“Unipress”), a wholly-owned subsidiary of the Company, and CGL entered into a development agreement (the “Development Agreement”) in connection with the redevelopment of a property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the “Property”) which was beneficially owned by CGL (hereinafter referred as the “Joint Development”). The redeveloped building (the “New Building”) on the Property is planned to be a commercial/office building.

Pursuant to the Development Agreement:

- (i) CGL is responsible for payment to the relevant government authority of the land premium of HK\$274,070,000 (the “Land Premium”) in respect of a lease modification that was granted by the relevant government authority and accepted by CGL on 14 January 2006. The Land Premium was fully paid by CGL;
- (ii) Unipress needs to pay CGL a sum of HK\$137,035,000 representing 50% of the Land Premium;
- (iii) CGL grants to Unipress the exclusive right to develop the Property;
- (iv) Unipress is responsible for the demolishing of 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 and project management fee in connection with the construction and completion of the New Building;
- (v) If construction finance is required by Unipress for financing the development and construction costs, 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 agreeing to contribute 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 for development to the date of issuance of a certificate of practical completion of construction.

# Notes to Financial Statements

31 July 2009

## 16. PROPERTIES UNDER DEVELOPMENT (continued)

### Joint development of a property with CGL (continued)

On completion of the construction of the New Building, according to the Development Agreement, the ownership of the 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, 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.

At 31 July 2009, a HK\$361 million term loan facility granted by a bank in Hong Kong for financing in full the estimated construction costs of the New Building was secured by, inter alia, a building mortgage on the Property. Details of the loan arrangement are set out in note 25(a) to the financial statements.

## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK\$'000	HK\$'000
Unlisted shares, at cost	486	486
Amounts due from subsidiaries	1,073,789	1,104,726
Amounts due to subsidiaries	(261,241)	(289,176)
	812,548	815,550
Provision for impairment	(495,098)	(516,258)
	317,450	299,292
	317,936	299,778

The balances with subsidiaries as at 31 July 2009 are unsecured, non-interest-bearing and have no fixed terms of repayment.

The provision for impairment in respect of the amounts due from subsidiaries at the balance sheet date was determined on the basis of the recoverable amounts with reference to the fair value of the underlying assets held by the subsidiaries.

# Notes to Financial Statements

31 July 2009

## 17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 July 2009 are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Joy Mind Limited	Hong Kong	HK\$2	100	—	Investment holding
Silver Glory Securities Limited	British Virgin Islands/ Hong Kong	US\$1	100	—	Investment holding
Starfeel Hong Kong Limited	Hong Kong	HK\$1	—	100	Investment holding
Unipress Investments Limited	Hong Kong	HK\$1	—	100	Property development

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 31 July 2009, the entire interest in Unipress was pledged to a bank to secure the banking facilities as referred to in note 25(a).

## Notes to Financial Statements

31 July 2009

## 18. INTERESTS IN ASSOCIATES

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Shares listed in Hong Kong, at cost	—	—	376,436	376,436
Share of net assets	3,147,732	3,025,336	—	—
	<u>3,147,732</u>	<u>3,025,336</u>	<u>376,436</u>	<u>376,436</u>
Amounts due from associates	2,991	2,873	2,991	2,873
Amounts due to associates	(2,000)	(2,000)	(2,000)	(2,000)
	<u>3,148,723</u>	<u>3,026,209</u>	<u>377,427</u>	<u>377,309</u>
Provision for impairment	(956)	(956)	(956)	(956)
	<u>3,147,767</u>	<u>3,025,253</u>	<u>376,471</u>	<u>376,353</u>
Market value of listed shares at balance sheet date	<u>849,079</u>	<u>568,230</u>	<u>485,994</u>	<u>325,242</u>

Balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK\$2,991,000 (2008: HK\$2,873,000) as at 31 July 2009 due from an associate which bears interest at the prevailing market rate.

The provision for impairment in respect of the amounts due from associates at the balance sheet date was determined on the basis of the recoverable amounts with reference to the fair value of the underlying assets held by the associates.



# Notes to Financial Statements

31 July 2009

## 18. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associate as at 31 July 2009 are as follows:

Name of company	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Lai Fung Holdings Limited	Ordinary shares of HK\$0.10 each	Cayman Islands	40.58	<i>Note</i>

*Note:*

Lai Fung's principal activity was investment holding. The principal activities of the subsidiaries of Lai Fung during the year consisted of property development for sale and property investment for rental purposes in China.

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The following table illustrates the summarised financial information of the Group's associates extracted from their unaudited management accounts/audited financial statements:

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	2009 HK\$'000	2008 HK\$'000
Assets	12,810,178	12,365,880
Liabilities	5,163,012	5,046,262
Revenues	937,693	868,320
Profit attributable to ordinary equity holders of the parent	<u>406,730</u>	<u>205,853</u>

# Notes to Financial Statements

31 July 2009

## 19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Listed equity investments in Hong Kong, at fair value	<u>210,522</u>	<u>167,784</u>	<u>190,692</u>	<u>151,980</u>

Available-for-sale equity investments at 31 July 2009 represented 11.18% (2008: 11.18%) and 10.12% (2008: 10.12%) equity investments in ordinary shares of Lai Sun Development Company Limited ("LSD") held by the Group and the Company, respectively. Particulars of LSD at the balance sheet date are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group
Lai Sun Development Company Limited	Ordinary shares of HK\$0.01 each	Hong Kong	11.18

During the year, the fair value gain on the available-for-sale equity investments of the Group and the Company recognised directly in equity amounted to HK\$42,738,000 (2008: loss of HK\$307,076,000) and HK\$38,712,000 (2008: loss of HK\$278,152,000), respectively.

The fair values of listed equity investments are based on quoted market prices.

## 20. PROMISSORY NOTE RECEIVABLE

Promissory note, being part of the consideration arising from the disposal of Assetop Asia Limited, a former subsidiary of the Company to Lai Fung (as detailed in note 31(a)), is unsecured, interest-bearing at the Hong Kong dollar prime rate quoted by a designated bank in Hong Kong with a maturity date of 29 May 2010.

# Notes to Financial Statements

31 July 2009

## 21. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

The Group's major businesses are property development and property investment. The major income derived is rental income. Rent and related charges in respect of the leasing of properties are receivable from tenants, and are normally payable in advance with rental deposits received in accordance with the terms of the tenancy agreements. In view of the aforementioned and the fact that the Group's trade debtors relate to a number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

An ageing analysis of the debtors, based on payment due date, as at the balance sheet date is as follows:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Debtors:				
Less than 90 days past due	237	239	237	239
91 to 180 days past due	27	1	27	1
181 to 365 days past due	3	16	3	16
	<u>267</u>	<u>256</u>	<u>267</u>	<u>256</u>
Deposits paid and other receivables	4,887	5,220	4,624	4,699
	<u>5,154</u>	<u>5,476</u>	<u>4,891</u>	<u>4,955</u>

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Movements in provision for impairment of the debtors are as follows:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At 1 August	—	—	—	—
Impairment losses recognised	201	—	201	—
At 31 July	<u>201</u>	<u>—</u>	<u>201</u>	<u>—</u>

Debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and rental deposits are received by the Group in advance from its customers, accordingly, the balances are still considered fully recoverable. Other than rental deposits received, the Group does not hold any collateral or other credit enhancements over these balances.

# Notes to Financial Statements

31 July 2009

## 22. LOAN AND INTEREST RECEIVABLES

	Group	
	2009 HK\$'000	2008 HK\$'000
Loan principal	—	55,000
Interest receivable	—	2,693
	—	57,693
Provision for impairment	—	(23,853)
	—	33,840

The movements in provision for impairment of the loan and interest receivables are as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
At 1 August	23,853	3,641
Impairment losses recognised/(reversed) (note 7)	(21,160)	20,212
Amount written off as uncollectible	(2,693)	—
At 31 July	—	23,853

The loan was under a revolving loan facility of HK\$70 million granted by the Group to an independent third party (the "Borrower") with a maturity date on 28 July 2008. The loan was secured by, inter alia, (i) fixed and floating charges over the assets of the Borrower; (ii) fixed charge over the sole issued share of the Borrower; and (iii) the personal guarantee of the beneficial owner of the Borrower. The loan bore interest at a rate of 27% per annum. The principal activities of the Borrower are money lending, securities financing and investment holding.

Following recovery actions taken by the Group, the outstanding principal balance of the loan of HK\$55,000,000 due from the Borrower under the abovementioned revolving facility was recovered in full during the year. Accordingly, an amount of HK\$21,160,000 impairment provision previously made against the loan was written back for the year ended 31 July 2009.

# Notes to Financial Statements

31 July 2009

## 23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and bank balances	5,657	22,665	4,070	22,429
Time deposits, unpledged	70,000	—	70,000	—
Cash and cash equivalents	<u>75,657</u>	<u>22,665</u>	<u>74,070</u>	<u>22,429</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are spread over varying periods up to three months based on the estimated cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no history of default.

## 24. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

An ageing analysis of the creditors, based on payment due date, as at the balance sheet date is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Creditors less than 90 days past due	18,457	21,118
Deposits received and accruals	<u>29,367</u>	<u>23,699</u>
	<u>47,824</u>	<u>44,817</u>

Creditors, deposits received and accruals are non-interest-bearing and are settled pursuant to the relevant agreements.

## Notes to Financial Statements

31 July 2009

## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Current</b>					
Bank loan, secured	(a)	<u>247,000</u>	<u>—</u>	<u>15,000</u>	<u>—</u>
<b>Non-current</b>					
Bank loan, secured	(a)	<u>—</u>	<u>82,000</u>	<u>—</u>	<u>—</u>
Other borrowing, unsecured	(b)	<u>31,745</u>	<u>31,745</u>	<u>31,745</u>	<u>31,745</u>
		<u>31,745</u>	<u>113,745</u>	<u>31,745</u>	<u>31,745</u>
		<u>278,745</u>	<u>113,745</u>	<u>46,745</u>	<u>31,745</u>

## Notes:

- (a) Included in secured bank loans was a bank loan of HK\$232,000,000 (2008: HK\$82,000,000) borrowed under an agreement for a HK\$361 million term loan facility (the "Loan Facility") which was entered into by a wholly-owned subsidiary of CGL (the "CGL Subsidiary") with a bank in Hong Kong on 8 February 2007. The Loan Facility is for financing in full the estimated construction costs of the New Building (as referred to in note 16) and is secured by, inter alia, a building mortgage on the Property. Pursuant to an undertaking entered into between Unipress and the bank on 8 February 2007 (the "Undertaking"), Unipress has undertaken to pay to the bank as the principal obligor each amount due and payable under the Loan Facility. In addition, the Company has entered into a guarantee with the bank on 8 February 2007 pursuant to which the Company has guaranteed to the bank the due and prompt payment by the CGL Subsidiary and Unipress of the amounts payable by CGL Subsidiary and Unipress under the Loan Facility. The bank loan bears interest at prevailing market rate and the entire interest in Unipress was pledged to the bank.

The occupation permit of the New Building was issued on 22 September 2009. Pursuant to the terms of the Loan Facility, the outstanding loan principal under the Loan Facility is repayable in full in December 2009 and it is expected that such outstanding loan principal will be refinanced by a new property term loan facility granted by the same bank. The Group has received and accepted the offer term sheet from the bank for the refinancing arrangement and is now in the stage of finalising the relevant loan facility documents with the bank.

- (b) Other borrowing as at 31 July 2009 was a loan of HK\$31,745,000 (2008: HK\$31,745,000) due to the late Mr. Lim Por Yen. Mr. Lim Por Yen, who passed away on 18 February 2005, was a former executive director and shareholder of the Company. A loan facility of HK\$100 million was granted by him in prior years, which bears interest at the best lending rate quoted by a designated bank in Hong Kong and was originally due for repayment on 30 November 2005. On 31 July 2009, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the outstanding amount or the related interest would be made within one year from 31 July 2009.

# Notes to Financial Statements

31 July 2009

## 26. NOTE PAYABLE AND ACCRUED INTEREST PAYABLE

Note payable represented a loan note payable to the late Mr. Lim Por Yen (the "Loan Note"). According to the terms, the Loan Note is unsecured, bears interest at the best lending rate quoted by a designated bank in Hong Kong and was due for repayment on 30 April 2006.

On 31 July 2009, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the Loan Note or the related interest would be made within one year from 31 July 2009.

Accrued interest payable represented accrued interests on the loan payable to the late Mr. Lim Por Yen (note 25(b)) and the Loan Note.

## 27. DEFERRED TAX LIABILITIES

Deferred tax has been calculated at a rate of 16.5% (2008: 16.5%) on cumulative temporary differences at the balance sheet date. Movements in deferred tax liabilities during the year are as follows:

	Group and Company Revaluation of properties HK\$'000
At 1 August 2007	26,534
Effect of change in tax rate (note 11)	(1,516)
Deferred tax charged to the income statement during the year (note 11)	7,241
At 31 July 2008 and 1 August 2008	32,259
Deferred tax credited to the income statement during the year (note 11)	(1,102)
<b>At 31 July 2009</b>	<b>31,157</b>

# Notes to Financial Statements

31 July 2009

## 28. SHARE CAPITAL

	2009 HK\$'000	2008 HK\$'000
Authorised:		
4,000,000,000 ordinary shares of HK\$0.01 each (2008: 4,000,000,000 ordinary shares of HK\$0.01 each)	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
1,617,423,423 ordinary shares of HK\$0.01 each (2008: 1,617,423,423 ordinary shares of HK\$0.01 each)	<u>16,174</u>	<u>16,174</u>

## 29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution or would-be contribution to the Group, to enable the Group to recruit and retain high-calibre employees and to attract human resources that are valuable to the Group. Eligible participants of the Share Option Scheme include the directors (including executive and non-executive directors), employees of the Group, agents or consultants of the Group, and employees of the shareholder of any member of the Group or holders of securities issued by any member of the Group. The Share Option Scheme was adopted on 22 December 2006 and became effective on 29 December 2006 and, unless otherwise terminated or amended, will remain in force for a period of 10 years from the latter date.

The maximum number of the Company's shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue at any time. The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at the date of adopting the Share Option Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's share at the date of grant) in excess of HK\$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting of the Company.



# Notes to Financial Statements

31 July 2009

## 29. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer to be accompanied by payment of a consideration of HK\$1.00 by the grantee. The exercise period of the share options granted is determinable by the directors of the Company save that such period must not be more than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

During the period from the date of the adoption of the Share Option Scheme on 22 December 2006 to 31 July 2009, no share options had been granted under the Share Option Scheme.

# Notes to Financial Statements

31 July 2009

## 30. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 37 of the financial statements.

### (b) Company

	Share premium account HK\$'000	Asset revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2007	1,908,840	55,494	248,043	(1,070,715)	1,141,662
Changes in fair values of available-for-sale equity investments (note 19)	—	—	(278,152)	—	(278,152)
Profit for the year (note 12)	—	—	—	14,027	14,027
At 31 July 2008 and 1 August 2008	1,908,840	55,494	(30,109)	(1,056,688)	877,537
Changes in fair values of available-for-sale equity investments (note 19)	—	—	38,712	—	38,712
Profit for the year (note 12)	—	—	—	38,343	38,343
At 31 July 2009	<u>1,908,840</u>	<u>55,494</u>	<u>8,603</u>	<u>(1,018,345)</u>	<u>954,592</u>

# Notes to Financial Statements

31 July 2009

## 31. CONTINGENT LIABILITIES

- (a) During the year ended 31 July 2006, the Company disposed of its entire interests in Assetop Asia Limited (“Assetop”), a then wholly-owned subsidiary of the Group, to Goldthorpe Limited (“Goldthorpe”), a wholly-owned subsidiary of Lai Fung. The principal asset held by Assetop is a property under development in Shanghai, the People’s Republic of China (the “PRC”). Certain subsidiaries of Assetop in the PRC were undergoing merger by absorption and completion of the merger was conditional upon approval of the relevant PRC government authorities. During the year ended 31 July 2007, the aforementioned merger of the PRC subsidiaries of Assetop was successfully completed. The Company had agreed to indemnify Lai Fung and Goldthorpe against all losses incurred by Lai Fung and Goldthorpe for the resettlement costs of approximately RMB124 million, which had been incurred and paid in prior years in connection with the relocation of the original inhabitants and the demolition of the then building structure erected on the property under development (the “Resettlement Costs”), not being tax deductible, up to a maximum amount of HK\$102,000,000, which was estimated based on the prevailing tax regulations. The Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. The liability of the Company under this indemnity will terminate on 29 May 2012 (being six years after the completion of the Assetop disposal). Based on the prevailing rules and regulations, the directors of the Company consider such Resettlement Costs are tax deductible and thus no material liabilities are expected to crystallise under this indemnity.
- (b) Other than the contingent liabilities disclosed as above, contingent liabilities in respect of the bank loan as referred to note 25(a) not provided for in the financial statements of the Company at the balance sheet date amounted to HK\$232,000,000 (2008: HK\$82,000,000), being the outstanding principal payable as at the balance sheet date.

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## 32. PLEDGE OF ASSETS

Details of the Group’s banking facilities, which are secured by the assets of the Group, are included in notes 15, 16 and 17 to the financial statements.

# Notes to Financial Statements

31 July 2009

## 33. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group and the Company lease their investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years (2008: one to three years). The terms of the leases generally require the tenants to pay security deposits.

At the balance sheet date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with the tenants falling due as follows:

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Within one year	7,987	12,285
In the second to fifth years, inclusive	3,116	4,665
	<u>11,103</u>	<u>16,950</u>

### (b) As lessee

The Group leases its office premises under operating lease arrangements. Leases for properties are negotiated for terms of two years (2008: two years).

At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Within one year	92	282
In the second to fifth years, inclusive	—	118
	<u>92</u>	<u>400</u>

# Notes to Financial Statements

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## 34. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	Group	
	2009	2008
	HK\$'000	HK\$'000
<hr/>		
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	45,024	214,170
Authorised, but not contracted for	31,697	31,706
	<u>76,721</u>	<u>245,876</u>

# Notes to Financial Statements

31 July 2009

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009	Group		
Financial assets	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Amounts due from associates	2,035	—	2,035
Available-for-sale equity investments	—	210,522	210,522
Debtors and other receivables	3,518	—	3,518
Promissory note receivable	167,000	—	167,000
Cash and cash equivalents	75,657	—	75,657
	<u>248,210</u>	<u>210,522</u>	<u>458,732</u>
<b>Financial liabilities</b>			<b>Financial liabilities at amortised cost HK\$'000</b>
Amounts due to associates			2,000
Creditors and accruals			41,477
Interest-bearing bank and other borrowings			278,745
Note payable			195,000
Accrued interest payable			66,851
			<u>584,073</u>

# Notes to Financial Statements

31 July 2009

## 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2008	Group		
Financial assets			
	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Amounts due from associates	1,917	—	1,917
Available-for-sale equity investments	—	167,784	167,784
Debtors and other receivables	3,936	—	3,936
Promissory note receivable	167,000	—	167,000
Loan and interest receivables	33,840	—	33,840
Cash and cash equivalents	22,665	—	22,665
	<u>229,358</u>	<u>167,784</u>	<u>397,142</u>
Financial liabilities			
			Financial liabilities at amortised cost HK\$'000
Amounts due to associates			2,000
Creditors and accruals			38,544
Interest-bearing bank and other borrowings			113,745
Note payable			195,000
Accrued interest payable			55,370
			<u>404,659</u>

# Notes to Financial Statements

31 July 2009

## 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Company					
	2009			2008		
	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Financial assets						
Amounts due from subsidiaries	578,691	—	578,691	588,468	—	588,468
Amounts due from associates	2,035	—	2,035	1,917	—	1,917
Available-for-sale equity investments	—	190,692	190,692	—	151,980	151,980
Debtors and other receivables	3,255	—	3,255	3,415	—	3,415
Promissory note receivable	167,000	—	167,000	167,000	—	167,000
Cash and cash equivalents	74,070	—	74,070	22,429	—	22,429
	<u>825,051</u>	<u>190,692</u>	<u>1,015,743</u>	<u>783,229</u>	<u>151,980</u>	<u>935,209</u>

### Financial liabilities

	2009 Financial liabilities at amortised cost HK\$'000	2008 Financial liabilities at amortised cost HK\$'000
Amounts due to subsidiaries	261,241	289,176
Amounts due to associates	2,000	2,000
Creditors and accruals	9,378	9,626
Interest-bearing bank and other borrowings	46,745	31,745
Note payable	195,000	195,000
Accrued interest payable	66,851	55,370
	<u>581,215</u>	<u>582,917</u>

The carrying amounts of all financial assets and financial liabilities at amortised cost approximate to their fair values.



# Notes to Financial Statements

31 July 2009

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise available-for-sale equity investments, loan and interest receivables, cash and cash equivalents and short-term time deposits, a promissory note receivable, interest-bearing bank and other borrowings and a note payable. The main purpose of these financial instruments is to maintain adequate funds for the Group's operations. The Group has various other financial assets and liabilities such as debtors and creditors, which arise directly from its daily operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group has adopted relatively conservative strategies on its risk management and the Group has not used any derivatives and other instruments for hedging purposes during the year. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

### (i) Interest rate risks

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rates relates primarily to the Group's promissory note receivable, time deposits, cash and cash equivalents, interest-bearing bank and other borrowings and note payable with a floating interest rate.

At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant and before any impact on tax, of the Group's profit (through the impact on floating rate promissory note receivable, time deposits, cash and cash equivalents, note payable and interest-bearing bank and other borrowings) and the Group's and the Company's equity.

	Increase in interest rate (in percentage)	Group		Company	
		Increase in profit before tax HK\$'000	Decrease in equity HK\$'000	Increase in interest rate (in percentage)	Decrease in equity HK\$'000
2009	0.5%	1,155	1,155	0.5%	3
2008	0.5%	595	595	0.5%	187

# Notes to Financial Statements

31 July 2009

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (ii) Liquidity risk

The Group's objective is to ensure adequate funds are available to meet commitments associated with its capital expenditure and financial liabilities. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

#### Group

	2009			Total HK\$'000
	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	
Amounts due to associates	—	—	2,000	2,000
Creditors and accruals	41,477	—	—	41,477
Interest-bearing bank and other borrowings	15,059	232,773 <sup>#</sup>	33,332	281,164
Note payable	—	—	204,750	204,750
Accrued interest payable	—	—	66,851	66,851
	<u>56,536</u>	<u>232,773</u>	<u>306,933</u>	<u>596,242</u>
	2008			Total HK\$'000
	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	
Amounts due to associates	—	—	2,000	2,000
Creditors and accruals	38,544	—	—	38,544
Interest-bearing bank and other borrowings	—	—	117,878	117,878
Note payable	—	—	205,238	205,238
Accrued interest payable	—	—	55,370	55,370
	<u>38,544</u>	<u>—</u>	<u>380,486</u>	<u>419,030</u>

<sup>#</sup> Included in interest-bearing bank and other borrowings was a bank loan borrowed under the Loan Facility which is in the process of refinancing with details set out in note 25(a).

# Notes to Financial Statements

31 July 2009

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (ii) Liquidity risk (continued)

#### Company

	2009			Total HK\$'000
	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	
	Amounts due to subsidiaries	—	—	
Amounts due to associates	—	—	2,000	2,000
Creditors and accruals	9,378	—	—	9,378
Interest-bearing bank and other borrowings	15,059	—	33,332	48,391
Note payable	—	—	204,750	204,750
Accrued interest payable	—	—	66,851	66,851
	<u>24,437</u>	<u>—</u>	<u>568,174</u>	<u>592,611</u>
	2008			
	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Amounts due to subsidiaries	—	—	289,176	289,176
Amounts due to associates	—	—	2,000	2,000
Creditors and accruals	9,626	—	—	9,626
Interest-bearing bank and other borrowings	—	—	33,412	33,412
Note payable	—	—	205,238	205,238
Accrued interest payable	—	—	55,370	55,370
	<u>9,626</u>	<u>—</u>	<u>585,196</u>	<u>594,822</u>

### (iii) Credit risk

The Group has no significant concentrations of credit risk. Receivables are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's financial assets which comprise cash and cash equivalents, loan and interest receivables, promissory note receivable and debtors and other receivables, arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

# Notes to Financial Statements

31 July 2009

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale equity investments (note 19) as at 31 July 2009. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the balance sheet date.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Change in equity	<u>10,526</u>	<u>8,389</u>	<u>9,535</u>	<u>7,599</u>

### (v) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of bank and other borrowings, note payable and equity attributable to ordinary equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares as well as maintenance of appropriate level of debts.

# Notes to Financial Statements

31 July 2009

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (v) Capital management (continued)

The Group monitors its capital structure through a gearing ratio of the sum of note payable and bank and other borrowings to total equity. The Group's policy is to maintain the gearing ratio at a moderate level which stands at 13% at 31 July 2009. Total equity represents equity attributable to ordinary equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Note payable	195,000	195,000
Interest-bearing bank and other borrowings	278,745	113,745
Total debts	<u>473,745</u>	<u>308,745</u>
Equity attributable to ordinary equity holders of the Company	<u>3,635,847</u>	<u>3,455,942</u>
Gearing ratio	<u>13.0%</u>	<u>8.9%</u>

## 37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 6 November 2009.

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 23 December 2009 at 11:15 a.m. for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 July 2009;
2. To re-elect the retiring Directors and to fix the Directors' remuneration;
3. To appoint Auditors and to authorise the Directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional ordinary shares in the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of ordinary shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company; or (iii) an issue of ordinary shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of ordinary shares in the Company under any option scheme or similar arrangement for the grant or issue of ordinary shares in the Company or rights to acquire ordinary shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution,
 

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

  - (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting; or
  - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

# Notice of Annual General Meeting

“Rights Issue” means an offer of ordinary shares of the Company open for a period fixed by the Directors to the holders of ordinary shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such ordinary shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

By Order of the Board  
**Yeung Kam Hoi**  
*Company Secretary*

Hong Kong, 6 November 2009

*Notes:*

- (1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
- (2) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or its adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Annual General Meeting or at any of its adjourned meeting should they so wish.
- (3) Concerning item 2 of this Notice, Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven and Mr. Lam Hau Yin, Lester retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election pursuant to Article 102 of the Company's Articles of Association. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), details of the aforesaid Directors are set out in the “Biographical Details of Directors and Senior Management” and “Directors' Interests” sections of the Annual Report 2008-2009 of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meeting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.
- (4) The Ordinary Resolution under item 4 relates to the granting of a general mandate to the directors of the Company to issue new shares of up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said resolution. The Company has no immediate plan to issue any such new shares under the general mandate.
- (5) In compliance with Rule 13.39(4) of the Listing Rules, voting on resolutions in respect of the above matters in this Notice will be decided by way of a poll. In accordance with the Company's Articles of Association, unless a poll is required by the Listing Rules or any other applicable laws, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:
  - (i) the chairman of the meeting; or
  - (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
  - (iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
  - (iv) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.