Notes to Financial Statements

31st July, 2006

1. CORPORATE INFORMATION

Lai Sun Garment (International) Limited (the "Company") is a limited liability company incorporated in Hong Kong. The principal place of business 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 Group consisted of property development, property investment, investment holding and the manufacture and trading of garments. During the year, the Group disposed of and discontinued its business of manufacture and trading of garments, further details of which are set out in note 13 to the financial statements. There were no other changes in the nature of the Group's principal activities during the year.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale equity investments and equity investments at fair value through profit or loss, 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 Company and its subsidiaries for the year ended 31st July, 2006. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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

The Group has not applied the following new and revised HKFRSs applicable to the Group's financial statements, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1st January, 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

In accordance with the amendments to HKAS 39 "Financial Instruments: Recognition and Measurement" regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

HKFRS 7 requires disclosure relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation" relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1st January, 2007.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is a company 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.

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 accumulated 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 share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. 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 accumulated impairment losses.

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 accumulated impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of associates, after reassessment, is recognised immediately in the income statement.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of 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 indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however 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 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 jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) 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 (d) or (e); or

(g) 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

31st July, 2006

2.3 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:

Leasehold land and buildings	2% — 5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	10% — 25%
Computers	10% — 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 depreciation method are reviewed, and adjusted if appropriate, 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.

Properties under development

Properties under development are stated at cost less any accumulated 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 constructions or developments of these properties are completed, these properties are reclassified to the appropriate asset categories.

Notes to Financial Statements

31st July, 2006

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets of the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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 the property, plant and equipment.

Notes to Financial Statements

31st July, 2006

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as equity investments at fair value through profit or loss, loans and receivables, or 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, i.e., the date that the Group commits to purchase 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.

Equity investments at fair value through profit or loss

Equity investments classified as held for trading are included in the category "equity investments at fair value through profit or loss". Equity investments are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

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 carried at amortised cost using the effective interest method. 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 financial assets are measured at fair value, with gains or losses being 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

31st July, 2006

2.3 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.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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. 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.

Available-for-sale equity investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Notes to Financial Statements

31st July, 2006

2.3 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 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.

Interest-bearing bank and other borrowings

All bank and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Textile quota entitlements

The Group was entitled to certain textile quotas until 1st January, 2005. Temporary textile quotas purchased from outside parties were written off to the income statement at the time of utilisation, or in the absence of such utilisation, upon the expiry of the relevant utilisation period. Temporary textile quotas granted by the government were not capitalised as assets in the balance sheet. The profit on the transfer of temporary textile quota entitlements to third parties was recognised upon the execution of a legally binding, unconditional and irrevocable transfer form.

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 which 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.

Notes to Financial Statements

31st July, 2006

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 goodwill or the initial recognition of an asset or a 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 a 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.

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.

Notes to Financial Statements

31st July, 2006

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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) from the sale of goods and transfer of quotas, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) 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;

(c) 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;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) royalty income, when the right to receive income is 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 capitalized 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.

Employee benefits

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 end 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 up to that date by the employees and carried forward.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Those subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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 date 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 subsidiaries and 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.

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31st July, 2006

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries operating in Mainland China are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

In determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, 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.

Deferred tax assets

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e. more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

Notes to Financial Statements

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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.

Estimation of fair value of investment properties and recoverable amounts of properties under development

The best evidence of fair value is current prices in an active market for 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 (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition and location by reference to available market information; (iii) 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 (iv) 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.

Estimation of total budgeted costs and costs to completion for properties under development

Total budgeted costs for properties under development comprise (i) prepaid land lease payments, (ii) building costs, and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties under development, management makes reference to information such as (i) current offers from contractors and suppliers, (ii) recent offers agreed with contractors and suppliers, and (iii) professional estimation on construction and material costs.

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 assets. 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.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical 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) Continuing operations:

(i) the property development segment engages in property development and the sale of properties;

(ii) the property investment segment engages in the leasing of commercial premises; and

(iii) the "others" segment comprises, principally, the Group's other corporate income and expense items.

(b) Discontinued operation — the garment operation segment engages in the trading and distribution of garments and the transfer of textile quotas.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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31st July, 2006

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments of the continuing operations and the discontinued operation (as detailed in note 13) for the years ended 31st July, 2006 and 2005:

Group

	Continuing operations								Discontinued operation			
	Property development		Property investment		Others		Subtotal		Garment operation		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
Sales to external customers	—	—	15,464	18,126	9,814	21,638	25,278	39,764	321,880	441,961	347,158	481,725
Other income and gain	—	—	—	217	—	—	—	217	20,457	37,943	20,457	38,160
Total	—	—	15,464	18,343	9,814	21,638	25,278	39,981	342,337	479,904	367,615	519,885
Segment results	92,846	50,551	189,312	143,903	(40,116)	724	242,042	195,178	(180,041)*	12,175	62,001	207,353
Interest income and unallocated other revenue and gain							16,683	7,225	6,639	—	23,322	7,225
Unallocated expense							(7,700)	—	—	—	(7,700)	—
Profit/(loss) from operating activities							251,025	202,403	(173,402)	12,175	77,623	214,578
Finance costs							(21,183)	(15,102)	(2,705)	(1,118)	(23,888)	(16,220)
Gain/(loss) on deemed disposal of interest in an associate							(254,369)	217,817	—	—	(254,369)	217,817
Excess over the cost of acquisition of additional interest in an associate							147,013	—	—	—	147,013	—
Share of profits and losses of associates							11,723	(20,855)	—	—	11,723	(20,855)
Profit/(loss) before tax							134,209	384,263	(176,107)	11,057	(41,898)	395,320
Tax							(36,912)	(7,404)	16,900	(12,544)	(20,012)	(19,948)
Profit/(loss) for the year							97,297	376,859	(159,207)	(1,487)	(61,910)	375,372

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31st July, 2006

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Continuing operations								Discontinued operation			
	Property development		Property investment		Others		Subtotal		Garment operation		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities:												
Segment assets	138,494	233,315	119,562	251,841	4,276	7,319	262,332	492,475	—	430,402	262,332	922,877
Interests in associates											2,268,218	2,177,085
Unallocated assets											715,065	386,357
Total assets											3,245,615	3,486,319
Segment liabilities	710	1,120	3,272	18,013	—	11,412	3,982	30,545	—	100,016	3,982	130,561
Unallocated liabilities											282,120	366,685
Total liabilities											286,102	497,246
Other segment information:												
Depreciation	—	—	—	180	1,709	40	1,709	220	10,255	10,552	11,964	10,772
Fair value gain on investment properties	—	—	(175,899)	(50,920)	—	—	(175,899)	(50,920)	—	—	(175,899)	(50,920)
Write-back of provision for impairment of properties under development	—	(50,715)	—	—	—	—	—	(50,715)	—	—	—	(50,715)
Gain on disposal of investment properties	—	—	—	(77,009)	—	—	—	(77,009)	—	—	—	(77,009)
Loss on disposal of CGL	—	—	—	—	—	—	—	—	179,284	—	179,284	—
Gain on disposal of other subsidiaries, net	(91,997)	—	—	—	(3,671)	—	(95,668)	—	—	—	(95,668)	—
Capital expenditure	156,588	16	274,264	—	1,435	11	432,287	27	10,210	21,298	442,497	21,325

* The segment results of the garment operation for the year ended 31st July, 2006 included the loss on disposal of CGL of HK$179,284,000 (note 13).

Notes to Financial Statements

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31st July, 2006 and 2005.

Group

	Hong Kong		Mainland China		United States of America		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**212,608**	239,190	**134,550**	187,110	**—**	55,425	**347,158**	481,725
Attributable to a discontinued operation	**(197,144)**	(219,278)	**(124,736)**	(167,258)	**—**	(55,425)	**(321,880)**	(441,961)
Revenue from continuing operations	**15,464**	19,912	**9,814**	19,852	**—**	—	**25,278**	39,764
Other segment information:								
Segment assets	**262,332**	623,366	**—**	295,572	**—**	3,939	**262,332**	922,877
Capital expenditure	**420,909**	18,388	**21,588**	2,937	**—**	—	**442,497**	21,325

Notes to Financial Statements

31st July, 2006

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 2006 HK$'000	Group 2005 HK$'000
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	(i)	**1,766**	2,010
Related companies	(ii)	**3,160**	3,942
Interest expense on note payable to and other borrowing granted by late Mr. Lim Por Yen	(iii)	**17,164**	12,085
Interest expense on other borrowing granted by Mr. Lam Kin Ngok, Peter	(iii)	**3,728**	2,003
Interest income received and receivable from associates of the Group:			
Lai Fung Holdings Limited ("Lai Fung")	(iv)	**2,306**	—
Consideration paid and payable to CGL for contributing an investment property as security	(v)	**1,459**	—

Notes:

(i) Lai Sun Textiles Company Limited is a company beneficially owned by certain directors of the Company. Rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.

(ii) Rental expenses and building management fee were paid to these related companies, of which certain directors of the Company are also the directors of these related companies, based on the terms stated in the respective lease agreements.

(iii) The interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the other borrowings (note 29) and note payable (note 30).

(iv) The interest income was charged on the promissory note receivable from Lai Fung, an associate of the Group, details of which are set out in note 23 to the financial statements.

(v) In consideration of CGL contributing the Property (as defined in note 17) as security for the construction finance, in accordance with the Development Agreement (as defined in note 17), Unipress (as defined in note 17) makes a quarterly payment of HK$2,130,000 to CGL during the period from the delivery of vacant possession of the Property to the completion of construction. Further details are set out in note 17 to the financial statements.

Notes to Financial Statements

31st July, 2006

5. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

(i) During the year, the Group disposed of its equity interest in CGL, a subsidiary of the Company, to Mr. Lam Kin Ming, a director of the Company and CGL. Further details are included in note 13 to the financial statements.

(ii) During the year, the Group entered into a development agreement with CGL in connection with the redevelopment of a property situated in Hong Kong. Further details are included in note 17 to the financial statements.

(iii) During the year, the Group disposed of its entire interest in Assetop Asia Limited ("Assetop"), a then wholly-owned subsidiary of the Company, to Lai Fung. Further details are set out in note 20 to the financial statements.

(c) Compensation of key management personnel of the Group

	Group	
	2006	2005
	HK$'000	HK$'000
Short term employee benefits	**14,081**	16,043
Post-employment benefits	**46**	55
Total compensation paid to key management personnel	**14,127**	16,098

Notes to Financial Statements

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6. TURNOVER, OTHER INCOME AND GAIN

Turnover represents the net invoiced value of garments sold, proceeds from the transfer of textile quotas, rental income and income from other operations. An analysis of turnover, other income and gain is as follows:

	Continuing operations		Discontinued operation		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover						
Sale of garments and proceeds from transfer of textile quotas	**—**	—	**321,880**	441,961	**321,880**	441,961
Rental income	**15,464**	19,172	**—**	—	**15,464**	19,172
Other operations	**9,814**	20,592	**—**	—	**9,814**	20,592
	25,278	39,764	**321,880**	441,961	**347,158**	481,725
Other income and gain						
Royalty income	**—**	—	**20,457**	33,767	**20,457**	33,767
Gain on disposal of equity investments at fair value through profit or loss	**1,018**	—	**—**	—	**1,018**	—
Unrealised gain on revaluation of equity investments at fair value through profit or loss	**—**	2,404	**—**	—	**—**	2,404
Dividend income from equity investments at fair value through profit or loss	**965**	1,100	**—**	—	**965**	1,100
Interest income from bank deposits	**1,682**	264	**3,873**	1,675	**5,555**	1,939
Other interest income	**13,011**	122	**—**	—	**13,011**	122
Foreign exchange differences, net	**—**	(54)	**—**	1,246	**—**	1,192
Others	**7**	3,606	**2,766**	1,255	**2,773**	4,861
	16,683	7,442	**27,096**	37,943	**43,779**	45,385

Notes to Financial Statements

31st July, 2006

7. PROFIT FROM OPERATING ACTIVITIES

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

	Continuing operations 2006 HK$'000	Continuing operations 2005 HK$'000	Discontinued operation 2006 HK$'000	Discontinued operation 2005 HK$'000	Total 2006 HK$'000	Total 2005 HK$'000
Auditors' remuneration	**1,038**	953	**833**	1,100	**1,871**	2,053
Depreciation	**1,709**	220	**10,255**	10,552	**11,964**	10,772
Minimum lease payments under operating leases in respect of land and buildings	**1,010**	1,258	**67,802**	57,730	**68,812**	58,988
Employee benefits scheme (including directors' remuneration — note 9):						
Wages and salaries	**20,760**	21,572	**60,869**	63,187	**81,629**	84,759
Pension scheme contributions	**263**	111	**1,788**	2,605	**2,051**	2,716
	21,023	21,683	**62,657**	65,792	**83,680**	87,475
Loss/(gain) on disposal of items of property, plant and equipment	**—**	(48)	**14**	(17)	**14**	(65)
Impairment for loan and interest receivables	**7,700**	—	**—**	—	**7,700**	—
Write-back of provision for doubtful debts	**—**	—	**—**	(1,425)	**—**	(1,425)
Write-back of provision for slow-moving inventories (included in cost of sales)	**—**	—	**(3,695)**	(4,633)	**(3,695)**	(4,633)
Gross rental income	**(15,464)**	(19,172)	**—**	—	**(15,464)**	(19,172)
Less: Outgoings	**3,026**	3,766	**—**	—	**3,026**	3,766
Net rental income	**(12,438)**	(15,406)	**—**	—	**(12,438)**	(15,406)

Notes to Financial Statements

31st July, 2006

8. FINANCE COSTS

	Group 2006 HK$'000	Group 2005 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**2,996**	2,132
Other borrowings and note payable wholly repayable within five years	**20,892**	14,088
Total interest expense	**23,888**	16,220
Attributable to a discontinued operation (note 13)	**2,705**	1,118
Attributable to continuing operations	**21,183**	15,102
	23,888	16,220

9. DIRECTORS' REMUNERATION

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

	Group 2006 HK$'000	Group 2005 HK$'000
Fees	**674**	743
Other emoluments:		
Salaries, allowances and benefits in kind	**13,407**	10,628
Gratuity/bonuses paid and payable	**—**	4,672
Pension scheme contributions	**46**	55
	13,453	15,355
	14,127	16,098

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9. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Gratuity/ bonuses paid and payable HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2006					
Executive and non-executive directors:					
Lam Kin Ngok, Peter	56	2,480	—	12	2,548
Lam Kin Ming	56	4,366	—	—	4,422
Lam Hau Yin, Lester	—	—	—	—	—
Tam Kin Man, Kraven	—	—	—	—	—
Shiu Kai Wah	56	779	—	—	835
Lee Po On	48	—	—	2	50
Lam Kin Hong, Matthew	56	1,034	—	22	1,112
U Po Chu	50	3,600	—	—	3,650
Chiu Wai	56	—	—	—	56
Lai Yuen Fong	48	793	—	—	841
Lam Wai Kei, Vicky	—	355	—	10	365
Independent non-executive directors:					
Wan Yee Hwa, Edward	88	—	—	—	88
Chow Bing Chiu	100	—	—	—	100
Leung Shu Yin, William	60	—	—	—	60
	674	13,407	—	46	14,127

9. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Gratuity/ bonuses paid and payable HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2005					
Executive and non-executive directors:					
Lim Por Yen (deceased)	31	633	—	—	664
Lam Kin Ngok, Peter	62	520	—	12	594
Lam Kin Ming	62	3,409	2,672	—	6,143
Shiu Kai Wah	62	298	2,000	—	2,360
Lee Po On	52	—	—	2	54
Lam Kin Hong, Matthew	62	2,188	—	24	2,274
U Po Chu	62	1,871	—	—	1,933
Chiu Wai	62	—	—	—	62
Lai Yuen Fong	52	1,186	—	—	1,238
Lam Wai Kei, Vicky	—	523	—	17	540
Independent non-executive directors:					
Wan Yee Hwa, Edward	100	—	—	—	100
Chow Bing Chiu	84	—	—	—	84
Leung Shu Yin, William	52	—	—	—	52
	743	10,628	4,672	55	16,098

There were no other emoluments payable to the independent non-executive directors during the year. (2005: Nil)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2005: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2005: two) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,988**	3,806
Bonuses paid and payable	**—**	1,160
Pension scheme contributions	**10**	24
	6,998	4,990

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

	Number of employees	
	2006	2005
HK$1,000,001 – HK$1,500,000	**1**	—
HK$2,000,001 – HK$2,500,000	**—**	1
HK$2,500,001 – HK$3,000,000	**—**	1
HK$5,500,001 – HK$6,000,000	**1**	—
	2	2

11. TAX

In the prior year, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. In the current year, no provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to Financial Statements

31st July, 2006

11. TAX (continued)

	Group 2006 HK$'000	Group 2005 HK$'000
For the year:		
Current — Hong Kong	—	25
Deferred tax (note 31)	30,060	21,334
	30,060	21,359
Prior years' underprovision/(overprovision):		
Hong Kong	600	—
Mainland China	(10,648)	(1,411)
Tax charge for the year	20,012	19,948

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the Group's effective tax rate is as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Profit/(loss) before tax (including the discontinued operation)	(41,898)	395,320
Tax at the statutory rate of 17.5% (2005: 17.5%)	(7,332)	69,181
Higher tax rate of other places	1,250	9,185
Adjustments in respect of current tax of previous periods	(10,048)	(1,411)
Profits and losses attributable to associates	(27,779)	3,650
Income not subject to tax	(18,596)	(70,514)
Expenses not deductible for tax	87,236	11,745
Write-off of deferred tax assets	—	7,239
Utilisation of tax losses of previous periods	(7,227)	(9,586)
Tax losses not recognised	2,508	1,020
Increase/(decrease) in unprovided tax assets	—	(561)
Tax charge at the Group's effective tax rate	20,012	19,948
Tax credit/(charge) attributable to a discontinued operation (note 13)	16,900	(12,544)
Tax charge attributable to continuing operations	36,912	7,404

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12. PROFIT/(LOSS) FOR THE YEAR OF THE COMPANY

The loss for the year of the Company for the year ended 31st July, 2006 dealt with in the financial statements of the Company was HK$160,008,000 (2005: profit of HK$152,512,000) (note 33(b)).

13. DISCONTINUED OPERATION

On 28th February, 2006, the Company and Joy Mind Limited ("Joy Mind"), a wholly-owned subsidiary of the Company, entered into a conditional share sale and purchase agreement with Rich Promise Limited (the "Purchaser"), a company wholly-owned by Mr. Lam Kin Ming, a director of the Company. Pursuant to the conditional share sale and purchase agreement, the Company and Joy Mind agreed to sell and the Purchaser agreed to purchase an aggregate of 314,800,000 ordinary shares of CGL, representing 51.01% of the issued share capital of CGL, for a cash consideration of HK$192,028,000 (the "CGL Disposal"). CGL and its subsidiaries (the "CGL Group") principally engage in manufacture and trading of garments and property investment.

Since Mr. Lam Kin Ming is a director of the Company and the Purchaser, the CGL Disposal, therefore, constituted a connected and a related party transaction for the Company as defined under the Listing Rules and HKAS 24 "Related Party Disclosures", respectively. The CGL Disposal also constituted a very substantial disposal of the Group pursuant to the Listing Rules. A Company's circular dated 29th April, 2006 was dispatched regarding details of the CGL Disposal. The CGL Disposal became unconditional upon independent shareholders' approval of the conditional share sale and purchase agreement at the Company's extraordinary general meeting held on 24th May, 2006. The CGL Disposal was effectively completed on 29th May, 2006.

Moreover, the Group disposed of its remaining 3.92% interest of the issued share capital of CGL in the stock market during the year at a total consideration of HK$14,755,000. Upon disposal of all the CGL shares held, the Group ceased the business of manufacture and trading of garments and the Group is set to focus on its property development and property investment businesses.

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31st July, 2006

13. DISCONTINUED OPERATION (continued)

The consolidated operating results associated with the garment operation for the year and loss on disposal of CGL are presented below:

	Notes	2006 HK$'000	2005 HK$'000
Turnover	6	**321,880**	441,961
Cost of sales		**(134,961)**	(222,406)
Other income and gain	6	**27,096**	37,943
Selling and distribution costs		**(164,872)**	(166,829)
Administrative expenses		**(43,261)**	(79,839)
Other operating income, net		**—**	1,345
Finance costs	8	**(2,705)**	(1,118)
Profit before tax and loss on disposal of CGL		**3,177**	11,057
Loss on disposal of CGL		**(179,284)**	—
Profit/(loss) before tax		**(176,107)**	11,057
Tax credit/(charge)	11	**16,900**	(12,544)
Loss for the year (including the loss on disposal of CGL)		**(159,207)**	(1,487)
Attributable to:			
Equity holders of the Company		**(168,256)**	(6,424)
Minority interests		**9,049**	4,937
		(159,207)	(1,487)

The net cash flows of the discontinued operation for the year are as follows:

	2006 HK$'000	2005 HK$'000
Operating activities	**(3,510)**	(28,378)
Investing activities	**(6,336)**	(17,634)
Financing activities	**(8,799)**	571
Net cash outflow	**(18,645)**	(45,441)

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31st July, 2006

13. DISCONTINUED OPERATION (continued)

	2006	2005
Loss per share:		
Basic, discontinued operation (including the loss on disposal of CGL)	**HK$0.10**	—
Diluted, discontinued operation (including the loss on disposal of CGL)	**N/A**	N/A

The diluted earnings per share amount from the discontinued operation (including the loss on disposal of CGL) for years ended 31st July, 2006 and 2005 have not been disclosed as no diluting event existed during these years.

The calculation of basic loss per share from the discontinued operation (including the loss on disposal of CGL) are based on:

	2006 HK$'000	2005 HK$'000
Net loss attributable to ordinary equity holders of the Company from the discontinued operation (including the loss on disposal of CGL)	**168,256**	6,424

	2006	2005
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,617,423,423**	1,451,003,601

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on net profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share for years ended 31st July, 2006 and 2005 have not been disclosed as no diluting event existed during these years.

Notes to Financial Statements

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14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculation of basic earnings/(loss) per share is based on:

	2006 HK$'000	2005 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	**47,480**	324,465
From discontinued operation (including the loss on disposal of CGL) (note 13)	**(168,256)**	(6,424)
	(120,776)	318,041
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,617,423,423**	1,451,003,601

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15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings# HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:								
At 1st August, 2004	17,778	753	18,120	59,022	15,151	16,108	16,951	143,883
Additions	—	—	74	16,322	3,070	1,859	—	21,325
Disposals/write-off	—	—	(88)	(9,467)	(2,048)	(4,530)	—	(16,133)
Exchange realignments	—	—	48	78	10	15	—	151
At 31st July, 2005 and 1st August, 2005	17,778	753	18,154	65,955	16,183	13,452	16,951	149,226
Additions	—	—	624	9,785	—	1,236	—	11,645
Disposals/write-off	—	—	(542)	(1,098)	—	(86)	—	(1,726)
Disposals of subsidiaries (note 34(a))	(17,778)	(753)	(18,257)	(67,200)	(4,957)	(14,613)	—	(123,558)
Exchange realignments	—	—	21	23	5	11	—	60
At 31st July, 2006	—	—	—	7,465	11,231	—	16,951	35,647
Accumulated depreciation and impairment:								
At 1st August, 2004	9,350	751	16,130	51,272	12,825	15,363	16,951	122,642
Depreciation provided during the year	800	2	624	7,403	1,395	548	—	10,772
Disposals/write-off	—	—	(72)	(9,326)	(2,048)	(4,520)	—	(15,966)
Exchange realignments	—	—	31	32	3	4	—	70
At 31st July, 2005 and 1st August, 2005	10,150	753	16,713	49,381	12,175	11,395	16,951	117,518
Depreciation provided during the year	667	—	457	9,323	940	577	—	11,964
Disposals/write-off	—	—	(524)	(1,087)	—	(84)	—	(1,695)
Disposals of subsidiaries (note 34(a))	(10,817)	(753)	(16,650)	(53,944)	(2,395)	(11,891)	—	(96,450)
Exchange realignments	—	—	4	23	4	3	—	34
At 31st July, 2006	—	—	—	3,696	10,724	—	16,951	31,371
Net book value:								
At 31st July, 2006	—	—	—	3,769	507	—	—	4,276
At 31st July, 2005	7,628	—	1,441	16,574	4,008	2,057	—	31,708

Notes to Financial Statements

31st July, 2006

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:				
At 1st August, 2004	10,209	11,946	16,951	39,106
Additions	1,893	—	—	1,893
Disposals	(5,326)	(715)	—	(6,041)
At 31st July, 2005 and 1st August, 2005	6,776	11,231	16,951	34,958
Additions	689	—	—	689
At 31st July, 2006	7,465	11,231	16,951	35,647
Accumulated depreciation:				
At 1st August, 2004	6,432	10,350	16,951	33,733
Depreciation provided during the year	1,182	748	—	1,930
Disposals	(5,286)	(715)	—	(6,001)
At 31st July, 2005 and 1st August, 2005	2,328	10,383	16,951	29,662
Depreciation provided during the year	1,368	341	—	1,709
At 31st July, 2006	3,696	10,724	16,951	31,371
Net book value:				
At 31st July, 2006	3,769	507	—	4,276
At 31st July, 2005	4,448	848	—	5,296

As the prepaid land lease payment cannot be allocated reliably between the land and building elements, the entire lease payment is included in the cost of leasehold land and buildings as a finance lease in property, plant and equipment in accordance with HKAS 17 "Leases".

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16. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**250,600**	265,680	**89,600**	74,980
Addition	**274,264**	—	**194**	—
Disposal of subsidiaries (note 34(a))	**(581,663)**	—	**—**	—
Disposals	**—**	(66,000)	**—**	—
Fair value gain	**175,899**	50,920	**29,306**	14,620
Carrying amount at end of year	**119,100**	250,600	**119,100**	89,600

The investment properties on 31st July, 2006 were revalued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$119,100,000 on an open market existing use basis.

The Group's and the Company's investment properties as at 31st July, 2006 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 37(a) to the financial statements.

At 31st July, 2006, certain investment properties of the Group and of the Company with carrying amounts of HK$116,000,000 (2005: HK$248,200,000) and HK$116,000,000 (2005: HK$87,200,000), respectively, were pledged to banks to secure banking facilities granted by the bank to the Group.

Notes to Financial Statements

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17. PROPERTIES UNDER DEVELOPMENT

	Group 2006 HK$'000	2005 HK$'000
At beginning of year	**233,250**	178,150
Additions during the year	**156,588**	718
Reversal of impairment	**—**	50,715
Disposal of subsidiaries (note 34(a))	**(252,607)**	—
Amortisation of prepaid land lease payments	**3,300**	3,289
Capitalisation of amortisation of prepaid land lease payments	**(3,300)**	(3,289)
Exchange realignment	**1,263**	3,667
At end of year	**138,494**	233,250

The Group's properties under development as at 31st July, 2006 are situated in Hong Kong and are held under long term leases. These properties are carried at cost.

The balance at 31st July, 2005 represents the carrying value of a property under development at Shanghai, Mainland China (the "Shanghai Property") owned by Assetop, a subsidiary of the Company, which was disposed of during the year. Further details are set out in note 20 to the financial statements.

Joint development of a property with CGL

On 28th 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 owned by CGL (hereinafter referred as the "Joint Development"). The redeveloped building (the "New Building") on the Property is currently envisaged 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 14th January, 2006. The Land Premium has been fully paid by CGL as of 28th March, 2006;

(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;

Notes to Financial Statements

31st July, 2006

17. PROPERTIES UNDER DEVELOPMENT (continued)

Joint development of a property with CGL (continued)

(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 agrees 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 procession of the Property to completion of construction of the New Building.

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

Following the completion of the CGL Disposal on 29th May, 2006 which is further detailed in note 13 to the financial statements, CGL was owned by the Purchaser as to approximately 51.01% of the issued share capital of CGL and hence became an associate (as defined in the Listing Rules) of the Purchaser which is wholly owned by Mr. Lam Kin Ming. Since Mr. Lam Kin Ming is a director of the Company, CGL is a connected person of the Company. Therefore, the Joint Development constituted a connected and a related party transaction of the Company as defined under the Listing Rules and HKAS 24, respectively. The Joint Development also constituted a major transaction for the Group pursuant to the Listing Rules. A Company's circular dated 29th April, 2006 was dispatched regarding details of the Joint Development. The Joint Development became unconditional upon independent shareholders' approval of the Development Agreement at the Company's extraordinary general meeting held on 24th May, 2006. Upon the Joint Development became unconditional following the completion of the CGL Disposal, Unipress paid CGL an amount of HK$137,035,000 as described in (ii) above. Such amount was included in the addition to properties under development during the year and the carrying value as at 31st July, 2006.

18. INTERESTS IN SUBSIDIARIES

	2006 HK$'000	2005 HK$'000
Shares listed in Hong Kong, at cost	—	7,265
Unlisted shares, at cost	486	486
	486	7,751
Amounts due from subsidiaries	1,076,344	1,082,909
Amounts due to subsidiaries	(289,165)	(113,511)
	787,179	969,398
Provision for impairment	(500,766)	(359,898)
	286,413	609,500
	286,899	617,251
Market value of listed shares at the balance sheet date	N/A	1,520

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for an amount of HK$43,300,000 as at 31st July, 2006 (2005: Nil) due from a subsidiary which bears interest at a rate of 27% per annum. The carrying amounts of these amounts with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries as at 31st July, 2006 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Joy Mind Limited	Hong Kong	HK$2	100.00	—	Investment holding
Silver Glory Securities Limited	British Virgin Islands	US$1	100.00	—	Investment holding
Starfeel Hong Kong Limited	Hong Kong	HK$1	—	100.00	Investment holding
Unipress Investments Limited	Hong Kong	HK$1	—	100.00	Property development

Notes to Financial Statements

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18. INTERESTS IN SUBSIDIARIES (continued)

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.

19. GOODWILL

	2006 HK$'000	2005 HK$'000
Carrying amount at beginning of year	**71,907**	71,907
Disposal of subsidiaries (note 34(a))	**(71,907)**	—
Carrying amount at end of year	**—**	71,907

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Shares listed in Hong Kong, at cost	**—**	—	**376,436**	361,632
Share of net assets	**2,268,607**	2,177,348	**—**	—
	2,268,607	2,177,348	**376,436**	361,632
Amounts due from associates	**2,540**	2,690	**2,540**	2,691
Amounts due to associates	**(1,973)**	(1,997)	**(1,973)**	(1,997)
	2,269,174	2,178,041	**377,003**	362,326
Provision for impairment	**(956)**	(956)	**(956)**	(956)
	2,268,218	2,177,085	**376,047**	361,370
Market value of listed shares at balance sheet date	**1,094,005**	471,822	**626,184**	323,819

Balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$2,540,000 as at 31st July, 2006 (2005: HK$2,364,000) due from an associate which bears interest at the prevailing market rate. The carrying amounts of the balances approximate to their fair values.

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20. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associate as at 31st July, 2006 are as follows:

Name	Particulars of issued shares	Place of incorporation	Percentage of ownership interest attributable to the Group	Principal activities
Lai Fung	Ordinary shares of HK$0.10 each	Cayman Islands	40.58	Note

Note:

Lai Fung's principal activity during the year 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.

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.

On 28th February, 2006, the Company, Rightop Asia Limited ("Rightop"), a wholly-owned subsidiary of the Company, Lai Fung and Goldthrope Limited ("Goldthrope"), a wholly-owned subsidiary of Lai Fung, entered into an agreement. Pursuant to the agreement, Rightop agreed to sell, and Goldthrope agreed to purchase, the entire issued share capital of Assetop and the shareholder's loan provided by Rightop to Assetop for a consideration of HK$393,000,000 (the "Assetop Disposal"). The principal asset acquired by Goldthrope is the Shanghai Property (as defined in note 17). The consideration satisfied by Goldthrope was (i) the allotment and issue of 565,000,000 new ordinary shares of Lai Fung to the Company at a price of HK$0.40 per share (equivalent to HK$226,000,000) and (ii) the issue of a promissory note to Rightop of HK$167,000,000 (the "Promissory Note") by Lai Fung. Details of the terms of the Promissory Note are set out in note 23 to the financial statements. Pursuant to the Listing Rules, the Assetop Disposal constituted a major transaction of the Group, further details of which are set out in the Company's circular dated 3rd May, 2006.

Immediately after the Assetop Disposal on 30th May, 2006, the Group's equity interest in Lai Fung increased from 45.13% to 49.95%. The excess of the Group's interest in the net fair value of Lai Fung's identifiable assets and liabilities over the cost of acquisition of additional interests in Lai Fung amounting to HK$125,703,000 and is recognised immediately in the consolidated income statement.

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31st July, 2006

20. INTERESTS IN ASSOCIATES (continued)

In addition, certain PRC subsidiaries of Assetop are undergoing merger by absorption and completion of the merger is conditional upon approval of the relevant PRC government authorities. The parties have applied to the relevant authorities for such approval. The Company has agreed to indemnify Lai Fung and Goldthrope against all losses incurred by Lai Fung and Goldthrope as a result of the merger of the above mentioned subsidiaries not being completed or the resettlement costs of approximately RMB124 million (equivalent to approximately HK$119 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 Shanghai Property (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 liability of the Company under this indemnity will terminate on 29th May, 2012 (being six years after the completion of the Assetop Disposal). The Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. Based on the prevailing rules and regulations, the directors consider such Resettlement Costs are tax deductible and thus no material liabilities are expected to crystallise under this indemnity.

During the year, Lai Fung proposed to allot and issue approximately 1,610 million new ordinary shares of Lai Fung at a price of HK$0.40 per share to CapitaLand China Holdings Pte Ltd, an independent third party (the "Lai Fung Subscription"). The Lai Fung Subscription is conditional upon the approval of Lai Fung's shareholders and completion of the Assetop Disposal. Following the approval of Lai Fung's shareholders of the Lai Fung Subscription in an extraordinary general meeting held on 19th May, 2006 and the completion of Assetop Disposal, the Lai Fung Subscription became unconditional and was subsequently completed on 16th June, 2006. Accordingly, the Group's interest in Lai Fung was diluted from 49.95% to approximately 39.96%. The loss on deemed disposal of the Group's interest in Lai Fung amounting to HK$254,369,000 is recognised in the consolidated income statement.

Thereafter, in June 2006, the Group additionally acquired 50 million issued ordinary shares of Lai Fung in public at a consideration of HK$14,804,000, resulting to an increase of the Group's interest in Lai Fung from 39.96% to 40.58%. The excess of the Group's interest in the net fair value of Lai Fung's identifiable assets and liabilities over the cost of acquisition of additional interests in Lai Fung amounting to HK$21,310,000 was recognised immediately in the consolidated income statement.

As at 31st July, 2005, 115,000,000 ordinary shares of Lai Fung held by the Group were pledged to a bank to secure banking facilities granted to the Company. Such pledge was released during the year ended 31st July, 2006.

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

	31st July, 2006 HK$'000	31st July, 2005 HK$'000
Assets	**8,007,993**	6,426,508
Liabilities	**2,500,422**	2,021,407

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20. INTERESTS IN ASSOCIATES (continued)

	Year ended 31st July, 2006 HK$'000	2005 HK$'000
Revenues	**703,352**	403,529
Profit	**132,615**	328,192

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Listed equity investments in Hong Kong, at fair value	**466,946**	188,361	**422,963**	170,619

Available-for-sale equity investments represented 12.42% equity investments in ordinary shares of Lai Sun Development Company Limited ("LSD"). Particulars of LSD at the balance sheet date are as follows:

Name	Particulars of issued shares	Place of incorporation	Percentage of ownership interest attributable to the Group
LSD	Ordinary shares of HK$0.50 each	Hong Kong	12.42

During the year, the gains of the available-for-sale equity investments of the Group and Company recognised directly in equity amounted to HK$278,585,000 (2005: loss of HK$12,663,000) and HK$252,344,000 (2005: loss of HK$11,470,000), respectively.

The fair values of listed equity investments are based on quoted market prices. The above investments have no maturity date of coupon rate.

22. LOAN RECEIVABLE

The loan to an independent third party is secured by, inter alia, (i) a fixed and floating charges over the assets of the independent third party and its subsidiaries and (ii) charge over the share of the independent third party, and bears interest at a rate of 27% per annum. The loan is under a revolving facility of HK$70 million granted by the Group with a maturity date on 28th July, 2008. The carrying amount of the loan receivable approximates to its fair value.

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23. PROMISSORY NOTE RECEIVABLE

Promissory Note, being part of the consideration arising from the Assetop Disposal as referred to in note 20, is unsecured, interest-bearing at the prevailing Hong Kong dollar prime rate quoted by a designated bank in Hong Kong and has a maturity date of four years from date on 29th May, 2010. The carrying amount of the Promissory Note approximates to its fair value.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2006	2005
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	—	26,654

25. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	—	9,511
Work in progress	—	342
Finished goods	—	58,154
	—	68,007

The Group reversed a provision for slow-moving inventories of HK$3,695,000 (2005: HK$4,633,000) during the year.

26. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

Upon the completion of the CGL Disposal, the Group's major business 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 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.

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26. DEBTORS, DEPOSITS AND OTHER RECEIVABLES (continued)

An aged analysis of the debtors, based on invoice date, at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Debtors:		
Current to 90 days	**394**	7,001
91 to 180 days	**41**	5,269
181 to 365 days	**27**	266
Over 365 days	**—**	4,414
	462	16,950
Deposits and other receivables	**5,697**	35,071
	6,159	52,021

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**34,692**	69,309	**34,489**	69,309
Time deposits	**—**	317,048	**—**	35,257
Cash and cash equivalents	**34,692**	386,357	**34,489**	104,566

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

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28. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

An aged analysis of the creditors, based on invoice date, as at balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Creditors:		
Current to 90 days	**258**	17,601
91 to 180 days	—	1,180
181 to 365 days	—	1,049
Over 365 days	—	14,455
	258	34,285
Deposits received and accruals	**15,390**	75,126
	15,648	109,411

The creditors, deposits received and accruals are non-interest-bearing and are normally settled on 60-day terms.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank overdrafts	—	2,425	—	—
Secured bank loans	—	24,250	—	—
Trust receipt loans:				
Secured	—	9,881	—	—
Unsecured	—	7,311	—	—
Other borrowings, unsecured (Note)	**31,745**	100,902	**31,745**	100,902
	31,745	144,769	**31,745**	100,902
Portion due within one year or on demand, classified as current liabilities	—	(43,867)	—	—
Non-current portion	**31,745**	100,902	**31,745**	100,902
Non-current portion of other borrowings repayable within a period of more than one year but not exceeding two years	**31,745**	100,902	**31,745**	100,902

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29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Group's secured bank loans as at 31st July, 2005 were secured by fixed charges on certain properties and floating charges over certain assets held by the Group.

Note:

Other borrowings as at 31st July, 2006 was a loan of HK$31,745,000 (2005: HK$31,745,000) due to the late Mr. Lim Por Yen. Mr. Lim Por Yen, who passed away on 18th February, 2005, was an executive director and a 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 on 30th November, 2005. On 31st July, 2005 and 2006, 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 31st July, 2005 and 2006, respectively.

Other borrowings as at 31st July, 2005 also included another loan of HK$69,157,000, which bore interests at the best lending rate quoted by a designated bank in Hong Kong, due to Mr. Lam Kin Ngok, Peter, an executive director of the Company. The loan from Mr. Lam Kin Ngok, Peter has been fully repaid during the year.

The carrying amounts of the Group's interest-bearing bank and other borrowings approximate to their fair values at the balance sheet date.

30. NOTE PAYABLE AND ACCRUED INTEREST PAYABLE

Note payable amount 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 is due on 30th April, 2006.

On 31st July, 2005 and 2006, 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 31st July, 2005 and 2006, respectively.

Accrued interest payable amount represented accrued interests on the loan payable to the late Mr. Lim Por Yen of HK$31,745,000 (2005: HK$31,745,000) (note 29) and accrued interests on the Loan Note outstanding at the balance sheet date.

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31. DEFERRED TAX

Movements in deferred tax assets/liabilities during the year are as follows:

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 August, 2004	—	12,443	12,443
Deferred tax charged to the consolidated income statement during the year attributable to continuing operations (note 11)	404	8,386	8,790
At 31st July, 2005 and 1st August, 2005	404	20,829	21,233
Deferred tax charged to the consolidated income statement during the year attributable to continuing operations (note 11)	25	46,935	46,960
Disposal of subsidiaries (note 34(a))	(429)	(47,599)	(48,028)
At 31st July, 2006	—	20,165	20,165

Deferred tax assets

Group

	Losses available for offset against future taxable profits HK$'000
At 1st August, 2004	13,398
Deferred tax charged to the consolidated income statement during the year attributable to a discontinued operation (note 11)	(12,544)
At 31st July, 2005 and 1st August, 2005	854
Deferred tax credited to the consolidated income statement during the year attributable to a discontinued operation (note 11)	16,900
Disposal of subsidiaries (note 34(a))	(17,754)
At 31st July, 2006	—

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31st July, 2006

31. DEFERRED TAX (continued)

Deferred tax liabilities

Company

	Revaluation of properties HK$'000
At 1st August, 2004	12,443
Deferred tax charged to the income statement during the year	2,559
At 31st July, 2005 and 1st August, 2005	15,002
Deferred tax charged to the income statement during the year	5,163
At 31st July, 2006	20,165

At 31st July, 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax, should such amounts be remitted.

Deferred tax has been calculated at a rate of 17.5% (2005: 17.5%) on cumulative temporary differences at the balance sheet date.

32. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (2005: 4,000,000,000 ordinary shares of HK$0.50 each)	**40,000**	2,000,000
Issued and fully paid:		
1,617,423,423 ordinary shares of HK$0.01 each (2005: 1,617,423,423 ordinary shares of HK$0.50 each)	**16,174**	808,712

On 5th July, 2005, rights issue of one rights share for every eight existing shares was made, at an issue price of HK$0.5 per rights share, resulting in the issue of 179,713,713 shares of HK$0.5 each for a total cash consideration, before expenses of HK$3,436,000, of approximately HK$89,857,000.

Pursuant to an extraordinary general meeting held on 26th August, 2005, the nominal amount of each of the existing authorised share of the Company was reduced from HK$0.50 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.49 in respect of each existing authorised share. On the basis of the 1,617,423,423 shares in issue as of that date, the credit arising from such reduction, which amounted to approximately HK$792,538,000, was credited to the share premium account of the Company.

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33. 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 pages 34 to 35 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 1st August, 2004	1,119,738	55,494	—	(1,082,412)	92,820
Share issue expenses	(3,436)	—	—	—	(3,436)
Changes in fair values of available-for-sale equity investments	—	—	(11,470)	—	(11,470)
Profit for the year (note 12)	—	—	—	152,512	152,512
At 31st July, 2005 and 1st August, 2005	1,116,302	55,494	(11,470)	(929,900)	230,426
Changes in fair values of available-for-sale investments	—	—	252,344	—	252,344
Loss for the year (note 12)	—	—	—	(160,008)	(160,008)
Capital reduction (note 32)	792,538	—	—	—	792,538
At 31st July, 2006	1,908,840	55,494	240,874	(1,089,908)	1,115,300

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34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	Notes	2006 HK$'000	2005 HK$'000
Net assets disposed of:			
Property, plant and equipment	15	27,108	—
Investment properties	16	581,663	—
Properties under development	17	252,607	—
Inventories		79,094	—
Debtors, deposits and other receivables		61,374	—
Cash and cash equivalents		125,696	—
Creditors, deposits received and accruals		(94,887)	—
Interest-bearing bank borrowings		(172,337)	—
Tax payable		(10,551)	—
Deferred tax liabilities	31	(30,274)	—
Minority interests		(271,634)	—
		547,859	—
Release of goodwill	19	71,907	—
Release of exchange fluctuation reserve		(12,023)	—
Loss on disposal of CGL (including the discontinued operation)	13	(179,284)	—
Gain on disposal of other subsidiaries, net (Note)		171,335	—
		599,794	—
Satisfied by:			
Cash		206,794	—
Promissory Note	23	167,000	—
Ordinary shares issued by Lai Fung	20	226,000	—
		599,794	—

Note:

	2006 HK$'000	2005 HK$'000
Gain on disposal of other subsidiaries, net	171,335	—
Less: Unrealised profit arising from the Assetop Disposal to Lai Fung eliminated against the interests in associates	(75,667)	—
Realised gain on disposal of subsidiaries, net	95,668	—

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Disposal of subsidiaries (continued)

Included in the net gain on disposal of other subsidiaries of HK$171,335,000 was gain on the Assetop Disposal of HK$167,664,000. Since the Company owned 45.13% equity interest in Lai Fung prior to the completion of the Assetop Disposal on 30th May, 2006, the gain on the Assetop Disposal of HK$167,664,000 would be eliminated by HK$75,667,000 (being 45.13% of HK$167,664,000) to HK$91,997,0000.

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2006	2005
	HK$'000	HK$'000
Cash consideration received	**206,794**	—
Cash and cash equivalents disposed of	**(125,696)**	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**81,098**	—

The subsidiaries disposed of during the year contributed turnover of HK$337,431,000 (2005: HK$416,715,000) and profit for the year attributable to equity holders of the Company of HK$84,092,000 (2005: HK$129,646,000) to the consolidated income statement for the year.

(b) Major non-cash transaction

As detailed in note 20 to the financial statements, during the year, the Group had disposed of its entire equity and loan interests in Assetop to Lai Fung at a consideration of HK$393,000,000. The consideration was settled by the allotment and issue of 565,000,000 new ordinary shares of Lai Fung to the Group at a price of HK$0.40 per share and (ii) the issue of the Promissory Note of HK$167,000,000 to the Group by Lai Fung. The transaction did not result in any cash flows to the Group during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, note payable, cash and bank balances, financial assets at fair value through profit or loss and short-term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as debtors, deposits and other receivables and creditors, deposits received and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit 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) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow 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 is exposed to both cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

Bank and other borrowings, note payable, cash and bank balances, and short term time deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are charged to the income statement as incurred.

(ii) Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

(iii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of certain investment operations in Mainland China, the Group's balance sheet can be affected by movements in the RMB/HK$ exchange rate.

A portion of the Group's revenue is predominately in RMB. As RMB is pegged to a basket of foreign currencies, the Group does not expect any significant movements in exchange rates.

The Group has minimal transactional currency exposure, which arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure the wholesale sales of products are made to customers with an appropriate credit history. Sales to retails customers are made in cash or via credit cards.

36. CONTINGENT LIABILITIES

Other than disclosed in note 20 to the financial statements, neither the Group nor the Company had any significant contingent liabilities (2005: Nil).

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,216**	11,694	**6,216**	6,385
In the second to fifth years, inclusive	**1,466**	12,472	**1,466**	3,447
After five years	**—**	644	**—**	—
	7,682	24,810	**7,682**	9,832

(b) As lessee

The Group leases its office premises under operating lease arrangements. Leases for properties are negotiated for terms of 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		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**538**	72,985	**538**	50
In the second to fifth years, inclusive	**224**	65,670	**224**	—
	762	138,655	**762**	50

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38. CAPITAL COMMITMENTS

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments in respect of development costs attributable to properties under development:				
Contracted, but not provided for	**7,000**	161,735	—	73
Authorised, but not contracted for	**354,000**	94,470	—	—
	361,000	256,205	—	73

39. PLEDGE OF ASSETS

Details of the Group's banking facilities, which are secured by assets of the Group, are included in notes 16 and 20 to the financial statements.

40. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 10th November, 2006.