LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Annual Report 2006-2007

Contents

Lai Sun Garment (International) Limited
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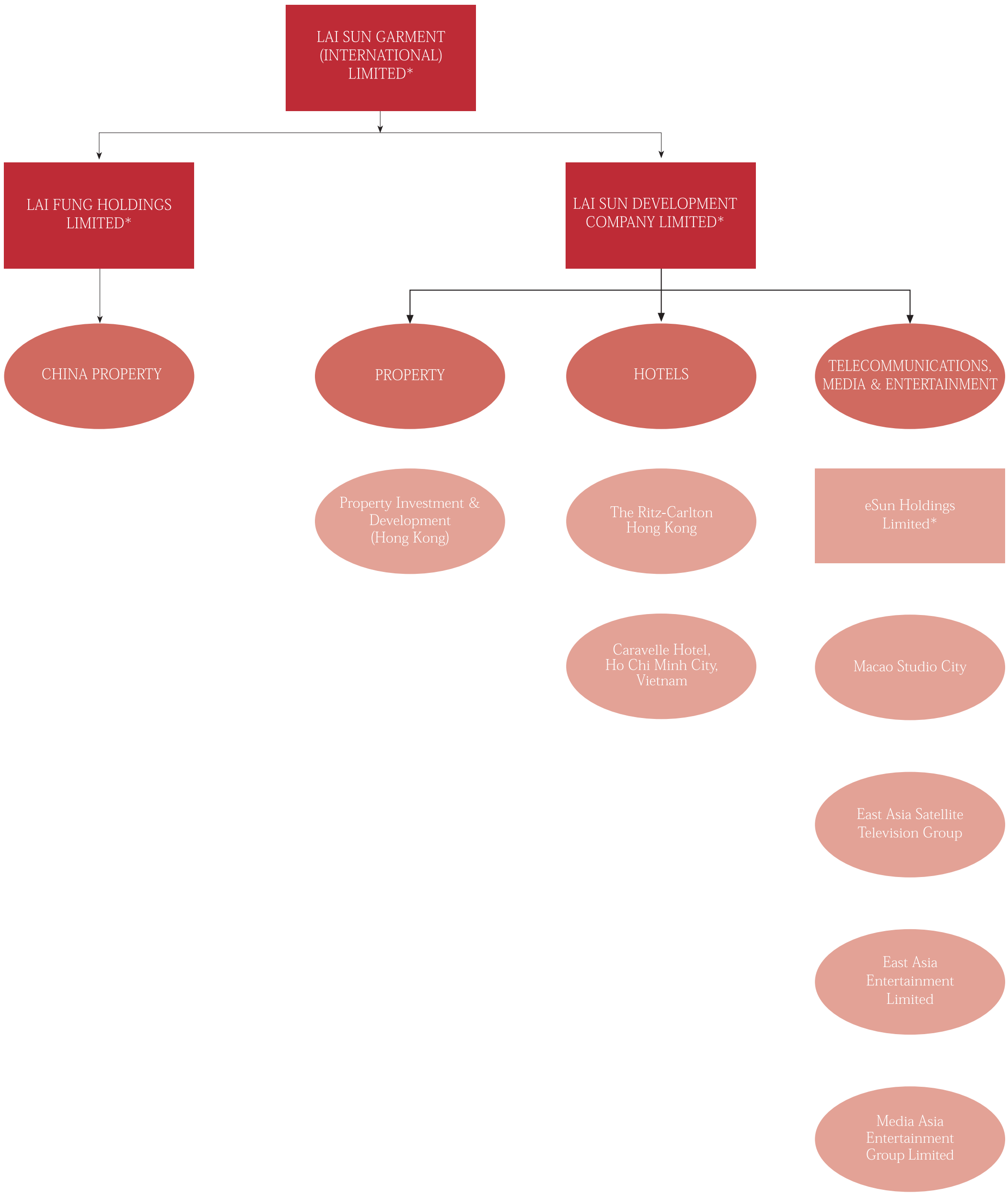
Stock code on Hong Kong Stock Exchange: 191

Corporate Profile

The Lai Sun Group was founded in 1947 as a garment manufacturer and obtained its first listing on the Hong Kong stock exchange in 1972. The Group has since evolved into a diversified conglomerate and its principal activities include property development, property investment, China property, hotels, telecommunications, and media and entertainment. Lai Sun Garment (International) Limited is principally the holding company of the Group and is listed on The Stock Exchange of Hong Kong Limited.



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

Corporate Information

Place of Incorporation
Hong Kong

Directors
Lam Kin Ming *(Chairman)*
Lam Kin Ngok, Peter *(Deputy Chairman)*
Shiu Kai Wah
Lam Kin Hong, Matthew
Tam Kin Man, Kraven
Lam Hau Yin, Lester
(also alternate director to Madam U Po Chu)
Leung Churk Yin, Jeanny
U Po Chu
Chiu Wai
Lai Yuen Fong
Lam Wai Kei, Vicky
(alternate director to Madam Lai Yuen Fong)
Wan Yee Hwa, Edward
Leung Shu Yin, William
Chow Bing Chiu

Secretary and Registered Office
Yeung Kam Hoi
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Qualified Accountant
Alan K. L. Tse

Share Registrar
Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Auditors
Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Solicitors
Allen & Overy
9th Floor, Three Exchange Square
Central
Hong Kong

Vincent T.K. Cheung, Yap & Co.
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Bankers
Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited

Chairman's Statement

Chairman LAM Kin Ming

OVERVIEW OF FINAL RESULTS

As a result of the disposal of the Group's shareholding in Crocodile Garments Limited ("CGL") in May 2006, and with the Group ceasing to engage in the now discontinued garment business, the Group recorded a turnover of HK$11,414,000 for the year ended 31 July 2007, compared to a turnover of HK$347,158,000 for the previous year (of which HK$25,278,000 was derived from continuing operations and HK$321,880,000 from discontinued operation).

For the year ended 31 July 2007, the Group recorded a consolidated profit attributable to equity holders of HK$275,304,000, compared to a consolidated net loss of HK$120,776,000 for the previous year (of which a net profit of HK$47,480,000 was attributable to continuing operations and a net loss of HK$168,256,000 was attributable to discontinued operation).

Shareholders' equity as at 31 July 2007 amounted to HK$3,374,688,000, up from HK$2,959,513,000 as at 31 July 2006. Net asset value per share as at 31 July 2007 was HK$2.09, as compared to HK$1.83 as at 31 July 2006.

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

Lai Fung Holdings Limited ("Lai Fung")

As at 31 July 2007, the Group held an effective 40.58% interest in Lai Fung.

For the year ended 31 July 2007, Lai Fung recorded a turnover of HK$792,420,000 and a consolidated profit attributable to equity holders of HK$470,351,000, representing an increase of approximately 12.7% and an increase of approximately 254.3%, respectively from the previous year.

During the year, Lai Fung derived a turnover of HK$221,073,000 from gross rental income from Shanghai Hong Kong Plaza and Guangzhou May Flower Plaza, up approximately 11.9% from the previous year. Lai Fung also derived a turnover of HK$571,347,000 from sale of development properties, up approximately 13.0% from the previous year. Substantially most of the turnover from sale of development properties during the year was attributable to the sale of residential units at Guangzhou Eastern Place Phase IV and sale of car-parking spaces at existing phases of Guangzhou Eastern Place and the remaining apartment units of Shanghai Regents Park Phase I.

Lai Sun Development Company Limited ("LSD")

As at 31 July 2007, the Group held an effective 11.18% interest in LSD.

For the year ended 31 July 2007, LSD recorded a total turnover of HK$908,906,000 and a consolidated profit attributable to equity holders of HK$1,495,091,000, representing an increase of approximately 14.5% and 191.5%, respectively from the previous year.

During the year, LSD derived a turnover of HK$299,886,000 from gross rental income from its investment properties portfolios and a turnover of HK$576,796,000 from its hotel operations, up approximately 13.0% and 16.0%, respectively from the previous year.

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

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

During the year, LSD's hotel operations achieved the following average occupancy and average daily room rate compared to the previous year:

		For the year ended 31 July			
		2007		2006	
	Effective ownership	Average occupancy (%)	Average daily room rate	Average occupancy (%)	Average daily room rate
The Ritz-Carlton Hong Kong	75% (2006: 65%)	**83**	**HK$2,743**	85	HK$2,411
Majestic Hotel, Kowloon, Hong Kong (from 1 August 2006 to 17 July 2007, date of completion of the disposal of LSD's interest)	50%	**91**	**HK$674**	93	HK$592
Caravelle Hotel, Ho Chi Minh City, Vietnam	26%	**64**	**US$163**	64	US$120

During the year, LSD derived a share of profits from associates of HK$1,041,340,000, up approximately 866.4% from the previous year. The substantial increase in share of profits from associates was due to the gain on completion in sale of a 60% effective interest in the Macao Studio City Project by eSun Holdings Limited ("eSun"), in which LSD has a 34.75% interest as at 31 July 2007, and disposal of a 50% effective interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong.

PROSPECTS

Lai Fung

Lai Fung will continue to focus on property development projects located in prime areas in core cities in China. It currently has a sizeable rental property portfolio with an aggregate gross floor area ("GFA") attributable to the Lai Fung Group of around 200,000 sq.m., and has properties under development and land bank with an aggregate GFA attributable to the Lai Fung Group of around 1 million sq.m. in Shanghai, Guangzhou and Zhongshan.

Guangzhou May Flower Plaza

Shanghai May Flower Plaza
(architectual rendering)

Crocodile Building
(architectual rendering)

Guangzhou Eastern Place Phase V
(architectual rendering)

Shanghai Northgate Plaza Phase II
(architectual rendering)

Guangzhou West Point
(architectual rendering)

Chairman's Statement

PROSPECTS (continued)

Lai Fung (continued)

For Lai Fung's investment properties, given the tremendous potential in rental rates in Shanghai and Guangzhou in the next few years due to strong consumer spending and demand for office space, Lai Fung will strive to improve the rental income from its investment properties through improvement of tenant mix and major renovations.

For Lai Fung's development properties, Lai Fung has accelerated its property development schedule and expects the completion volume to increase significantly in the next few years.

LSD and eSun

LSD will continue to improve its tenant mix in its investment properties so as to strengthen its rental income base.

LSD will continue to build up its portfolio of development properties as it invested in two new development projects, Wanchai Wood Road Project and Tai Po Road Project. LSD is also actively looking for new development projects which offer good investment returns.

Pursuant to a sale and purchase agreement dated 7 November 2007, LSD, together with the other three existing minority shareholders of Diamond String Limited ("Diamond String", the company which holds the property of The Ritz-Carlton Hong Kong), agreed to sell a total of a 40% interest in Diamond String to CCB International Group Holdings Limited ("CCB International"), a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"), for a total consideration of approximately HK$1,369 million (subject to adjustment). Out of the aforesaid 40% interest, LSD will sell a 16.57% interest in Diamond String and will receive a sale consideration of approximately HK$567 million (subject to adjustment). The transaction price is determined based on HK$15,800 per square foot in respect of the buildable GFA of the site. The transaction is expected to be completed in December 2007.

Chairman's Statement

PROSPECTS (continued)

LSD and eSun (continued)

Upon completion, LSD and CCB International will hold a 60% and a 40% interest in Diamond String respectively. Both parties, through Diamond String, will invest in the redevelopment of the site of The Ritz-Carlton Hong Kong into a Grade-A office tower. The buildable GFA for the redevelopment is approximately 225,000 square feet. The preliminary estimated development cost plus interest expenses is approximately HK$800 million. The Ritz-Carlton Hong Kong will cease operation by the end of January 2008. The redevelopment is expected to be completed in 2011.

The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations.

eSun's Macao Studio City project will dramatically transform its businesses. Given its mega-scale and its unique positioning in Macau - a new integrated leisure, entertainment, convention and retail centre in Asia, we expect Macao Studio City will stand as the major entertainment destination for visitors from Greater China and other parts of the world. It will become an important platform for the eSun Group to expand and monetarize its entertainment and media expertise. Upon completion of Macao Studio City project, the eSun Group will become an operator of integrated leisure and entertainment venues as well as a provider of media and entertainment contents and services. On the media and entertainment businesses, the eSun Group will continue to consolidate its position in the media and entertainment industry.

Foundation work of Macao Studio City commenced in April of 2007 and is expected to be completed by December 2007. Construction of the superstructure is expected to commence by the end of 2007 or early 2008. First phase of the project is scheduled to open in 2009.

79 Hoi Yuen Road, Kwun Tong, Hong Kong

On completion of this joint redevelopment with CGL, the Group will retain the retail portion of this redeveloped property with a GFA of about 100,000 square feet. This redevelopment is expected to be completed by the end of 2009 and by then will augment the Group´s recurring rental income base.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations, interest income generated from the promissory note, dividend income from investment in a listed associate and bank and other borrowings.

As at 31 July 2007, total borrowings (comprising a secured bank loan of HK$28 million, note payable of HK$195 million and a loan of HK$32 million payable to the late Mr. Lim Por Yen) amounted to HK$255 million. As at that date, consolidated net assets of the Group amounted to HK$3,375 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 7.6%. The Group's borrowings were maintained as floating rate debts.

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

As at 31 July 2007, certain investment properties with carrying value of approximately HK$152 million were pledged to a bank to secure banking facilities granted to the Group. In addition, the Group's properties under development with carrying cost of HK$184 million and certain share in a subsidiary held by the Group were pledged to a bank to secure a construction loan facility for financing the redevelopment of that property.

As at 31 July 2007, the Group had cash and bank balances amounted to approximately HK$18 million and unutilised banking facility of HK$393 million (including HK$333 million unutilised banking facility for financing the construction costs of property redevelopment project), which was considered adequate to cover the working capital requirement of the Group.

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

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 40 (2006: 50) employees as at the balance sheet date. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a mandatory provident fund scheme for all eligible employees, a free hospitalization insurance plan, subsidized medical care and subsidies for external educational and training programmes.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the balance sheet date are set out in note 35 to the financial statements.

MANAGEMENT AND STAFF

My colleagues on the Board and I would like to record our appreciation and thanks to all members of management and staff for their efforts and contribution during the year. We also wish to express our gratitude to our shareholders and business associates for their valuable support.

Lam Kin Ming
Chairman

Hong Kong
9 November 2007

Report of the Directors

The directors of the Company present their report and the audited financial statements of the Company and the Group for the year ended 31 July 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 July 2007 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 31 to 95.

The Directors do not recommend the payment of a dividend for the year ended 31 July 2007 (2006: Nil). No interim dividend had been declared or paid by the Company for the year ended 31 July 2007 (2006: Nil).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

PROPERTIES UNDER DEVELOPMENT

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

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 30 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 July 2007, the Company did not have any reserves for distribution in accordance with the provisions of Section 79B of the Companies Ordinance.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$124,000.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to its five largest customers accounted for approximately 39% of the Group's total turnover, while the largest customer accounted for approximately 15% of the Group's total turnover. None of the Directors or any of their associates or any shareholders, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers.

During the year, the Group's purchases from its five largest suppliers accounted for approximately 66% of the Group's total purchases, while the largest supplier accounted for approximately 19% of the Group's total purchases. Included in the Group's five largest suppliers is a supplier company in which certain Directors of the Company have beneficial interest and the Group's purchases from this supplier during the year accounted for approximately 13% of the Group's total purchases.

DIRECTORS

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

Lam Kin Ming *(Chairman)*	
Lam Kin Ngok, Peter *(Deputy Chairman)*	
Shiu Kai Wah	
Lam Kin Hong, Matthew	
Tam Kin Man, Kraven	
Lam Hau Yin, Lester^	(appointed as alternate director to Madam U Po Chu on 2 August 2006)
Leung Churk Yin, Jeanny	(appointed on 1 September 2007)
U Po Chu	
Chiu Wai	
Lai Yuen Fong	
Lam Wai Kei, Vicky#	
Wan Yee Hwa, Edward*	
Leung Shu Yin, William*	
Chow Bing Chiu*	
Lee Po On	(resigned on 22 January 2007)

^ *Also alternate director to Madam U Po Chu*

Alternate director to Madam Lai Yuen Fong

* *Independent non-executive directors*

Report of the Directors

DIRECTORS (continued)

Ms. Leung Churk Yin, Jeanny was appointed an executive Director on 1 September 2007. In accordance with Article 93 of the Company's Articles of Association, Ms. Leung retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election at the said meeting.

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter, Madam U Po Chu, Mr. Chiu Wai and Mr. Chow Bing Chiu retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details required under Rule 13.51(2) of the aforesaid Directors have been included in the "Biographical Details of Directors and Senior Management" section of this report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 5 to the financial statements, no Director had a material interest, whether direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lam Kin Ming, aged 70, is the Chairman of the Company. He has been a Director since October 1987 and has been involved in the management of garment business since 1958. Mr. Lam is also the chairman and chief executive officer of Crocodile Garments Limited and deputy chairman of Lai Fung Holdings Limited, and a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited. Mr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter.

Mr. Lam Kin Ngok, Peter, aged 50, is the Deputy Chairman of the Company. He has been a Director since October 1987. Mr. Lam is also the chairman of Lai Sun Development Company Limited and Lai Fung Holdings Limited and an executive director of eSun Holdings Limited and Crocodile Garments Limited, and a director of Wisdoman Limited (a substantial shareholder of the Company). Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He is currently the Chairman of the Hong Kong Chamber of Films, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association, a member of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. He is also a member of the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council and a Trustee of the Better Hong Kong Foundation. Mr. Lam is a director of Real Estate Developers Association of Hong Kong, an ex-committee member of the Federation of Hong Kong Hotel Owners and a council member of the Anglo-Hong Kong Trust. Mr. Lam is interested, or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, 609,636,069 shares in the Company, representing approximately 37.69% of the issued share capital of the Company. Mr. Lam is the younger brother of Mr. Lam Kin Ming. Mr. Lam does not have a service contract with the Company. He will be subject to retirement by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Mr. Shiu Kai Wah, aged 75, has been a Director since December 1990. He has over 30 years' experience in the management of the garment business.

Mr. Lam Kin Hong, Matthew, aged 39, was appointed a Director in March 2001. He is a legal adviser of the Company and is also an executive director of Crocodile Garments Limited, and executive deputy chairman of Lai Fung Holdings Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in the property development and corporate finance fields in Hong Kong and China. He is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Tam Kin Man, Kraven, aged 59, was appointed a Director in May 2006. He first joined the Lai Sun Group in 1989 and is currently an executive director of Lai Sun Development Company Limited and Lai Fung Holdings Limited, and a director of Furama Hotel Enterprises Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has 30 years' experience in property development, investment and management. He also has over 17 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Mr. Lam Hau Yin, Lester, aged 26, was appointed a Director in May 2006. He is also the alternate director to Madam U Po Chu, a non-executive Director of the Company. He joined Lai Sun Development Company Limited as a vice president in January 2004 and is currently an executive director and chief executive officer of Lai Fung Holdings Limited. He holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, USA. He has attained working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products and entertainment. Mr. Lam is a son of Mr. Lam Kin Ngok, Peter.

Ms. Leung Churk Yin, Jeanny, aged 42, was appointed a Director with effect from 1 September 2007. She is also an executive director and the chief executive officer of eSun Holdings Limited and an executive director of both Lai Sun Development Company Limited and Lai Fung Holdings Limited. She is also a non-executive director of Top Form International Limited. Ms. Leung has over 20 years of corporate finance experience in Hong Kong, the Mainland of China and Taiwan and was one of the founders and the managing director of Access Capital Limited. Before joining Access Capital Limited, a licensed corporation to carry out certain regulated activities under the Securities and Futures Ordinance, she worked at Yuanta Securities (Hong Kong) Company Limited, JP Morgan Securities (Asia) Limited, Standard Chartered (Asia) Limited and The Stock Exchange of Hong Kong Limited. She does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Ms. Leung does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Ms. Leung does not have a service contract with the Company. She will be subject to retirement from office by rotation once every three years since her last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. She will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 93 of the Articles of Association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors

Madam U Po Chu, aged 82, has been a Director since December 1990. She is also a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited, an executive director of Lai Fung Holdings Limited and a director of Wisdoman Limited (a substantial shareholder of the Company). Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing, and in the late 1980's also became involved in property development and investment. Since 1980's, Madam U began investing in the catering industry in Hong Kong for several occasions. Madam U is interested, or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, 489,119,375 shares in the Company, representing approximately 30.24% of the issued share capital of the Company. She is the mother of Mr. Lam Kin Ngok, Peter. Madam U does not have a service contract with the Company. She will be subject to retirement by rotation once every three years since her last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. She will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Mr. Chiu Wai, aged 76, has been a Director since October 1987. Mr. Chiu has over 45 years' experience in production management. He does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Chiu does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Chiu does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Madam Lai Yuen Fong, aged 93, has been a Director since May 1992. Madam Lai is the mother of Mr. Lam Kin Ming.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-Executive Directors (continued)

Miss Lam Wai Kei, Vicky, aged 35, was appointed the alternate Director to Madam Lai Yuen Fong in September 2001. She graduated from the University of Southern California in the United States with Bachelor's degrees in Business Administration and Architecture in 1996. She is a member of the American Institute of Architects and Urban Land Institute. Prior to joining the Lai Sun Group in August 2000, she worked as an architect and project manager with Skidmore, Owings and Merrill Co. Ltd., an architects firm in New York which participated in various substantial projects such as the New York Stock Exchange, John Kennedy Airport and Times Square Tower. Miss Lam is a daughter of Mr. Lam Kin Ming.

Mr. Wan Yee Hwa, Edward, aged 71, was appointed an independent non-executive Director in March 2002. Mr. Wan is also an independent non-executive director of Crocodile Garments Limited. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Mr. Leung Shu Yin, William, aged 58, was appointed an independent non-executive Director in July 2002. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a Fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of several Certified Public Accountants' firms in Hong Kong and is also an independent non-executive director of Lai Sun Development Company Limited and several companies listed in Hong Kong. Mr. Leung is also an executive director of another company listed in Hong Kong.

Mr. Chow Bing Chiu, aged 56, was appointed an independent non-executive Director in September 2004. He is also an independent non-executive director of Crocodile Garments Limited. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. Mr. Chow is also a China-appointed Attesting Officer. He does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Chow does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Chow does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

As at 31 July 2007, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

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

Note:

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

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation

Lai Fung Holdings Limited ("Lai Fung")

	Long Positions in the Shares of Lai Fung						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 *(Note 1)*	—	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	—	40,000,000 *(Note 2)*	Beneficial owner	40,000,000	0.50%

Notes:

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

2. A share option scheme was adopted by Lai Fung on 21 August 2003 and will remain in force for 10 years from the date of adoption. Details of share options granted to the following Director and outstanding as at 31 July 2007 are set out below:

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Share Options	Option Period (dd/mm/yyyy – dd/mm/yyyy)	Subscription Price per Share
Tam Kin Man, Kraven	09/01/2007	10,000,000	01/01/2007 – 31/12/2007	HK$0.45
	09/01/2007	10,000,000	01/01/2008 – 31/12/2008	HK$0.55
	09/01/2007	10,000,000	01/01/2009 – 31/12/2009	HK$0.65
	09/01/2007	10,000,000	01/01/2010 – 31/12/2010	HK$0.75
		40,000,000		

Save as disclosed above, as at 31 July 2007, none of the directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation, which were required to be notified to the Company and the Stock Exchange or were required to be entered in the Register as aforesaid.

Report of the Directors

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 22 December 2006 for the purpose of providing incentive or rewards to Participants as defined in the Share Option Scheme.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2007, the following persons, some of whom are Directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long Positions in the Shares of the Company

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

Note:

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

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2007.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

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

Report of the Directors

DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

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

The Group's property under development is its interest in a redevelopment of a property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong pursuant to an agreement entered into between the Group and Crocodile Garments Limited on 28 February 2006, details of which are set out in note 17 to the financial statements. As at the date of this report, foundation work of this project is in progress. The redevelopment is expected to be completed by the end of 2009.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July				
	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
TURNOVER	**11,414**	347,158	481,725	858,755	1,295,241
PROFIT/(LOSS) BEFORE TAX	**281,673**	(41,898)	395,320	115,280	(42,222)
Tax	**(6,369)**	(20,012)	(19,948)	(11,448)	(19,970)
PROFIT/(LOSS) FOR THE YEAR	**275,304**	(61,910)	375,372	103,832	(62,192)
Attributable to:					
Equity holders of the Company	**275,304**	(120,776)	318,041	82,246	(35,705)
Minority interests	**—**	58,866	57,331	21,586	(26,487)
	275,304	(61,910)	375,372	103,832	(62,192)

Assets, Liabilities and Minority Interests

	As at 31 July				
	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000
Property, plant and equipment	**2,974**	4,276	31,708	21,241	31,465
Investment properties	**156,100**	119,100	250,600	265,680	246,900
Properties under development	**183,529**	138,494	233,250	178,150	176,397
Goodwill	**—**	—	71,907	71,907	89,887
Interests in associates	**2,656,103**	2,268,218	2,177,085	1,535,567	1,487,397
Available-for-sale equity investments	**474,860**	466,946	188,361	—	—
Loan and interest receivables	**—**	40,730	—	—	—
Promissory note receivable	**167,000**	167,000	—	—	—
Deferred tax assets	**—**	—	—	13,398	10,043
Current assets	**79,500**	40,851	533,408	400,439	489,998
TOTAL ASSETS	**3,720,066**	3,245,615	3,486,319	2,486,382	2,532,087
Current liabilities	**(23,062)**	(15,879)	(174,817)	(356,123)	(502,819)
Interest-bearing bank and other borrowings	**(59,745)**	(31,745)	(100,902)	(38,800)	—
Note payable	**(195,000)**	(195,000)	(195,000)	(195,000)	(210,000)
Accrued interest payable	**(41,037)**	(23,313)	(6,148)	—	—
Long term deposits received	**—**	—	—	—	(6,875)
Deferred tax liabilities	**(26,534)**	(20,165)	(20,379)	(12,443)	(10,467)
TOTAL LIABILITIES	**(345,378)**	(286,102)	(497,246)	(602,366)	(730,161)
MINORITY INTERESTS	**—**	—	(201,745)	(144,320)	(122,484)
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**3,374,688**	2,959,513	2,787,328	1,739,696	1,679,442

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2007, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules during the year ended 31 July 2007.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 25 to 28 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITORS

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

On behalf of the Board

Lam Kin Ming
Chairman

Hong Kong
9 November 2007

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect on 1 January 2005.

(1) CORPORATE GOVERNANCE PRACTICES

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

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

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2007.

(3) BOARD OF DIRECTORS

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

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

(3.2) The Board comprises seven executive Directors, namely, Mr. Lam Kin Ming (Chairman), Mr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Ms. Leung Churk Yin, Jeanny (who was appointed Director with effect from 1 September 2007); three non-executive Directors, namely, Madam U Po Chu, Mr. Chiu Wai and Madam Lai Yuen Fong (alternate Director: Miss Lam Wai Kei, Vicky) and three independent non-executive Directors, namely, Mr. Wan Yee Hwa, Edward, Mr. Leung Shu Yin, William and Mr. Chow Bing Chiu.

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.3) The Board met four times during the financial year ended 31 July 2007. The attendance record of individual Directors at these board meetings is set out in the following table:

Directors	Board Meetings Held	Board Meetings Attended
Executive Directors #		
Lam Kin Ming *(Chairman)*	4	4
Lam Kin Ngok, Peter *(Deputy Chairman)*	4	0
Shiu Kai Wah	4	2
Lee Po On (resigned on 22 January 2007)	2	2
Lam Kin Hong, Matthew	4	3
Tam Kin Man, Kraven	4	4
Lam Hau Yin, Lester	4	2
Non-executive Directors		
U Po Chu (alternate: Lam Hau Yin, Lester)	4	2
Chiu Wai	4	0
Lai Yuen Fong (alternate: Lam Wai Kei, Vicky)	4	2
Independent Non-executive Directors		
Wan Yee Hwa, Edward	4	4
Leung Shu Yin, William	4	4
Chow Bing Chiu	4	4

\# *Ms. Leung Churk Yin, Jeanny was appointed a Director with effect from 1 September 2007.*

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

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

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

Corporate Governance Report

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

(5) NON-EXECUTIVE DIRECTORS

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

(6) REMUNERATION OF DIRECTORS

(6.1) The Board established on 18 November 2005 a Remuneration Committee, which currently comprises three independent non-executive Directors, namely, Messrs. Leung Shu Yin, William (Chairman), Wan Yee Hwa, Edward and Chow Bing Chiu, and an executive director, Ms. Leung Churk Yin, Jeanny (who was appointed on 9 November 2007).

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

(6.3) The Remuneration Committee held two meetings during the year under review to discuss remuneration-related matters including reviewing the terms and conditions of a share option scheme of the Company adopted at a general meeting held on 22 December 2006. Messrs. Leung Shu Yin, William, Wan Yee Hwa, Edward and Chow Bing Chiu attended all the meetings and Mr. Lee Po On (who ceased to be a member on 22 January 2007) attended one of the meetings.

(7) NOMINATION OF DIRECTORS

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

Corporate Governance Report

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK$600,000 for the year under review. Ernst & Young also received fees amounting to HK$118,500 for providing non-audit services (mainly taxation services) to the Company and its subsidiaries during the year.

(9) AUDIT COMMITTEE

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

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

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

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

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

(10) FINANCIAL REPORTING

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

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

(11) INTERNAL CONTROLS

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

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of Lai Sun Garment (International) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Lai Sun Garment (International) Limited set out on pages 31 to 95, which comprise the consolidated and company balance sheets as at 31 July 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
9 November 2007

Consolidated Income Statement

Year ended 31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
TURNOVER	6		
Continuing operations		**11,414**	25,278
Discontinued operation		**—**	321,880
		11,414	347,158
Cost of sales		**(1,961)**	(137,012)
Gross profit		**9,453**	210,146
Other revenue and gain	6	**21,146**	43,779
Selling and distribution costs		**—**	(164,872)
Administrative expenses		**(30,477)**	(96,013)
Other operating income/(expenses), net		**4,059**	(7,700)
Fair value gain on investment properties	16	**36,394**	175,899
Loss on disposal of Crocodile Garments Limited ("CGL")	13, 33(a)	**—**	(179,284)
Gain on disposal of other subsidiaries, net	33(a)	**—**	95,668
PROFIT FROM OPERATING ACTIVITIES	7	**40,575**	77,623
Finance costs	8	**(17,915)**	(23,888)
Loss on deemed disposal of interest in an associate	20	**—**	(254,369)
Excess over the cost of acquisition of additional interest in an associate	20	**—**	147,013
Share of profits and losses of associates		**259,013**	11,723
PROFIT/(LOSS) BEFORE TAX			
Continuing operations		**281,673**	134,209
Discontinued operation (including the loss on disposal of CGL)	13	**—**	(176,107)
		281,673	(41,898)
Tax	11		
Continuing operations		**(6,369)**	(36,912)
Discontinued operation	13	**—**	16,900
		(6,369)	(20,012)

Consolidated Income Statement

Year ended 31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
PROFIT/(LOSS) FOR THE YEAR			
Continuing operations		**275,304**	97,297
Discontinued operation			
(including the loss on disposal of CGL)	13	**—**	(159,207)
		275,304	(61,910)
Attributable to:			
Equity holders of the Company			
Continuing operations		**275,304**	47,480
Discontinued operation			
(including the loss on disposal of CGL)	13	**—**	(168,256)
		275,304	(120,776)
Minority interests		**—**	58,866
		275,304	(61,910)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic			
– For profit/(loss) for the year		**HK 17.02 cents**	HK (7.47) cents
– For profit from continuing operations		**HK 17.02 cents**	HK 2.94 cents
Diluted			
– For profit/(loss) for the year		**N/A**	N/A
– For profit from continuing operations		**N/A**	N/A

Consolidated Balance Sheet

31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,974**	4,276
Investment properties	16	**156,100**	119,100
Properties under development	17	**183,529**	138,494
Goodwill	19	**—**	—
Interests in associates	20	**2,656,103**	2,268,218
Available-for-sale equity investments	21	**474,860**	466,946
Loan and interest receivables	22	**—**	40,730
Promissory note receivable	23	**167,000**	167,000
Total non-current assets		**3,640,566**	3,204,764
CURRENT ASSETS			
Debtors, deposits and other receivables	24	**7,047**	6,159
Loan and interest receivables	22	**54,052**	—
Cash and cash equivalents	25	**18,401**	34,692
Total current assets		**79,500**	40,851
CURRENT LIABILITIES			
Creditors, deposits received and accruals	26	**22,831**	15,648
Tax payable		**231**	231
Total current liabilities		**23,062**	15,879
NET CURRENT ASSETS		**56,438**	24,972
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,697,004**	3,229,736
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**(59,745)**	(31,745)
Note payable	28	**(195,000)**	(195,000)
Accrued interest payable	28	**(41,037)**	(23,313)
Deferred tax liabilities	29	**(26,534)**	(20,165)
Total non-current liabilities		**(322,316)**	(270,223)
		3,374,688	2,959,513

Consolidated Balance Sheet

31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	30	**16,174**	16,174
Share premium account		**1,908,840**	1,908,840
Asset revaluation reserve		**55,494**	55,494
Share option reserve		**747**	—
Hedging reserve		**(16,954)**	—
Investment revaluation reserve		**273,836**	265,331
Capital reserve		**148,694**	148,694
Exchange fluctuation reserve		**206,084**	58,511
Retained earnings		**781,773**	506,469
		3,374,688	2,959,513

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2007

	Attributable to equity holders of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 August 2005	808,712	1,116,302	55,799	–	–	(12,663)	148,694	43,544	626,940	2,787,328	201,745	2,989,073
Exchange realignments of subsidiaries	–	–	–	–	–	–	–	4,644	–	4,644	106	4,750
Changes in fair value of available-for-sale equity investments	–	–	–	–	–	278,585	–	–	–	278,585	–	278,585
Share of reserve movements of an associate	–	–	–	–	–	(591)	–	28,185	–	27,594	–	27,594
Total income and expense recognised directly in equity	–	–	–	–	–	277,994	–	32,829	–	310,823	106	310,929
Profit/(loss) for the year	–	–	–	–	–	–	–	–	(120,776)	(120,776)	58,866	(61,910)
Disposal of subsidiaries (note 33(a))	–	–	–	–	–	–	–	–	–	–	(271,634)	(271,634)
Release and transfer upon disposal of subsidiaries	–	–	(305)	–	–	–	–	(12,023)	305	(12,023)	–	(12,023)
Release upon deemed disposal of interest in an associate	–	–	–	–	–	–	–	(5,839)	–	(5,839)	–	(5,839)
Total recognised income and expense for the year	–	–	(305)	–	–	277,994	–	14,967	(120,471)	172,185	(212,662)	(40,477)
Capital reduction (note 30)	(792,538)	792,538	–	–	–	–	–	–	–	–	–	–
Contribution from minority equity holders	–	–	–	–	–	–	–	–	–	–	10,917	10,917
At 31 July 2006 and 1 August 2006	16,174	1,908,840	55,494	–	–	265,331	148,694	58,511	506,469	2,959,513	–	2,959,513
Changes in fair value of available-for-sale equity investments	–	–	–	–	–	7,914	–	–	–	7,914	–	7,914
Share of reserve movements of an associate	–	–	–	747	(16,954)	591	–	147,573	–	131,957	–	131,957
Total income and expense recognised directly in equity	–	–	–	747	(16,954)	8,505	–	147,573	–	139,871	–	139,871
Profit for the year	–	–	–	–	–	–	–	–	275,304	275,304	–	275,304
Total recognised income and expense for the year	–	–	–	747	(16,954)	8,505	–	147,573	275,304	415,175	–	415,175
At 31 July 2007	**16,174**	**1,908,840**	**55,494**	**747**	**(16,954)**	**273,836**	**148,694**	**206,084**	**781,773**	**3,374,688**	**–**	**3,374,688**

Consolidated Cash Flow Statement

Year ended 31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**281,673**	134,209
Discontinued operation (including the loss on disposal of CGL)	13	**—**	(176,107)
Adjustments for:			
Fair value gain on investment properties		**(36,394)**	(175,899)
Depreciation	7	**1,812**	11,964
Dividend income from equity investments at fair value through profit or loss	6	**—**	(965)
Interest income from bank deposits	6	**(1,686)**	(5,555)
Other interest income	6	**(19,456)**	(13,011)
Loss/(gain) on disposal of items of property, plant and equipment	7	**(220)**	14
Impairment/(reversal of impairment) of loan and interest receivables	7	**(4,059)**	7,700
Write-back of provision for slow-moving inventories	7	**—**	(3,695)
Gain on disposal of equity investments at fair value through profit or loss	6	**—**	(1,018)
Loss on disposal of CGL		**—**	179,284
Gain on disposal of other subsidiaries, net		**—**	(95,668)
Finance costs	8	**17,915**	23,888
Loss on deemed disposal of interest in an associate		**—**	254,369
Excess over the cost of acquisition of additional interest in an associate		**—**	(147,013)
Share of profits and losses of associates		**(259,013)**	(11,723)
		(19,428)	(19,226)
Decrease/(increase) in amounts due from associates		**(185)**	150
Increase/(decrease) in amounts due to associates		**5**	(24)
Increase in inventories		**—**	(7,392)
Increase in debtors, deposits and other receivables		**(181)**	(13,206)
Increase in creditors, deposits received and accruals		**7,096**	1,124
Cash used in operations		**(12,693)**	(38,574)
Hong Kong profits tax paid		**—**	(340)
Net cash outflow from operating activities		**(12,693)**	(38,914)

Consolidated Cash Flow Statement

Year ended 31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loan principal		**(11,700)**	(43,300)
Dividend received from equity investments at fair value through profit or loss		**—**	965
Dividend received from an associate		**3,265**	—
Interest received		**23,651**	11,130
Additions to investment properties		**(606)**	(274,264)
Proceeds from disposal of equity investments at fair value through profit or loss		**—**	27,672
Proceeds from disposal of subsidiaries	33(a)	**—**	81,098
Acquisition of additional interest in an associate		**—**	(14,804)
Proceeds from disposal of items of property, plant and equipment		**220**	17
Purchases of items of property, plant and equipment		**(510)**	(11,645)
Additions to properties under development		**(44,570)**	(156,588)
Net cash outflow from investing activities		**(30,250)**	(379,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank financing charges paid		**(1,259)**	—
Decrease in trust receipt loans		**—**	(6,684)
Interest paid on bank loans and overdrafts		**(89)**	(6,723)
New bank borrowings		**43,000**	171,829
Repayment of bank and other borrowings		**(15,000)**	(103,407)
Contribution from minority equity holders		**—**	10,917
Net cash inflow from financing activities		**26,652**	65,932
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,291)**	(352,701)
Cash and cash equivalents at beginning of year		**34,692**	383,932
Effect of foreign exchange rate changes, net		**—**	3,461
CASH AND CASH EQUIVALENTS AT END OF YEAR		**18,401**	34,692
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**8,401**	34,692
Non-pledged time deposits with original maturity of less than three months when acquired	25	**10,000**	—
		18,401	34,692

Balance Sheet

31 July 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**2,974**	4,276
Investment properties	16	**156,100**	119,100
Interests in subsidiaries	18	**311,835**	286,899
Interests in associates	20	**376,227**	376,047
Available-for-sale equity investments	21	**430,132**	422,963
Promissory note receivable	23	**167,000**	167,000
Total non-current assets		**1,444,268**	1,376,285
CURRENT ASSETS			
Debtors, deposits and other receivables		**6,269**	6,104
Cash and cash equivalents	25	**17,904**	34,489
Total current assets		**24,173**	40,593
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**16,058**	14,950
Tax payable		**231**	231
Total current liabilities		**16,289**	15,181
NET CURRENT ASSETS		**7,884**	25,412
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,452,152**	1,401,697
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	27	**(31,745)**	(31,745)
Note payable	28	**(195,000)**	(195,000)
Accrued interest payable	28	**(41,037)**	(23,313)
Deferred tax liabilities	29	**(26,534)**	(20,165)
Total non-current liabilities		**(294,316)**	(270,223)
		1,157,836	1,131,474
EQUITY			
Issued capital	30	**16,174**	16,174
Reserves	32(b)	**1,141,662**	1,115,300
		1,157,836	1,131,474

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Notes to Financial Statements

31 July 2007

1. CORPORATE INFORMATION

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

During the year, the principal activities of the Group consisted of property development, property investment and investment holding. Upon the disposal of all the shares of Crocodile Garments Limited ("CGL"), a former subsidiary of the Group, which was principally engaged in manufacture and trading of garments and property investment, in May 2006, the Group ceased the business of manufacture and trading of garments, further details of which are set out in note 13 to the financial statements.

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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and available-for-sale equity investments, which have been measured at fair values. 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 31 July 2007. 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.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs, applicable to these financial statements, for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 8	Scope of HKFRS 2

Notes to Financial Statements

31 July 2007

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 July 2007 or 31 July 2006.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to require financial guarantee contracts issued that are not considered insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 August 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 "Leases". However, the adoption of this interpretation has had no material impact on these financial statements.

(d) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 "Share-based Payment" to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation has had no impact on the financial position of the Group.

Notes to Financial Statements

31 July 2007

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

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

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

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

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32 "Financial Instruments: Disclosures and Presentations".

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

HKAS 23 (Revised), HK(IFRIC)-Int 10 and HK(IFRIC)-Int 11 shall be applied for annual periods beginning on 1 January 2009, 1 November 2006 and 1 March 2007, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements

31 July 2007

2.4 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; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Notes to Financial Statements

31 July 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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".

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 non-financial assets other than goodwill

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.

Notes to Financial Statements

31 July 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

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 in those expense categories consistent with the function of the impaired asset, 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.

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 and certain financial assets 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 of the Group;

(c) the party is a jointly-controlled entity of the Group;

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

(e) the party is a 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

31 July 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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.

Notes to Financial Statements

31 July 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled assets

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

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Investments and other financial assets

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

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

Loans and receivables

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

Notes to Financial Statements

31 July 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets 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 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.

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.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including creditors and accruals, note payable and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Derecognition of financial liabilities

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments 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.

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 liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Revenue recognition

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

(a) rental and property management fee income, in the period in which the properties are let out and on the straight-line basis over the lease terms;

(b) 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;

(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 capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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31 July 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black-Scholes Model, further details of which are given in note 31 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

Paid leave carried forward

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

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.

Notes to Financial Statements

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the 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.

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 and associates which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to Financial Statements

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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:

(i) Impairment of assets

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

(ii) 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.

The carrying amounts of net deferred tax liabilities as at 31 July 2007 was HK$26,534,000. (2006: HK$20,165,000) (note 29).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

(i) Estimation of fair value of investment properties, recoverable amounts of properties under development and available-for-sale equity investments

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 a variety of sources, including (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.

The carrying amounts of investment properties as at 31 July 2007 was HK$156,100,000 (2006: HK$119,100,000) (note 16) and the available-for-sale equity investments, at fair value, as at 31 July 2007 was HK$474,860,000 (2006: HK$466,946,000) (note 21).

(ii) 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.

The carrying amount of properties under development as at 31 July 2007 was HK$183,529,000 (2006:HK$138,494,000) (note 17).

(iii) Impairment of assets

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

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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 the Group's property management services business.

(b) Discontinued operation – the garment operation segment engaged 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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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 31 July 2007 and 2006:

Group

	Continuing operations								Discontinued operation			
	Property development		Property investment		Others		Subtotal		Garment operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**—**	—	**11,414**	15,464	**—**	9,814	**11,414**	25,278	**—**	321,880	**11,414**	347,158
Other revenue and gain	**—**	—	**—**	—	**—**	—	**—**	—	**—**	20,457	**—**	20,457
Total	**—**	—	**11,414**	15,464	**—**	9,814	**11,414**	25,278	**—**	342,337	**11,414**	367,615
Segment results	**(8)**	92,846	**45,847**	189,312	**—**	617	**45,839**	282,775	**—**	(180,041)*	**45,839**	102,734
Interest income and unallocated other revenue and gain							**21,146**	16,683	**—**	6,639	**21,146**	23,322
Unallocated expense							**(26,410)**	(48,433)	**—**	—	**(26,410)**	(48,433)
Profit/(loss) from operating activities							**40,575**	251,025	**—**	(173,402)	**40,575**	77,623
Finance costs							**(17,915)**	(21,183)	**—**	(2,705)	**(17,915)**	(23,888)
Loss on deemed disposal of interest in an associate							**—**	(254,369)	**—**	—	**—**	(254,369)
Excess over the cost of acquisition of additional interest in an associate							**—**	147,013	**—**	—	**—**	147,013
Share of profits and losses of associates							**259,013**	11,723	**—**	—	**259,013**	11,723
Profit/(loss) before tax							**281,673**	134,209	**—**	(176,107)	**281,673**	(41,898)
Tax							**(6,369)**	(36,912)	**—**	16,900	**(6,369)**	(20,012)
Profit/(loss) for the year							**275,304**	97,297	**—**	(159,207)	**275,304**	(61,910)

Notes to Financial Statements

31 July 2007

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Continuing operations								Discontinued operation			
	Property development		Property investment		Others		Subtotal		Garment operation		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	**184,308**	138,494	**156,492**	119,562	**—**	—	**340,800**	258,056	**—**	—	**340,800**	258,056
Interests in associates											**2,656,103**	2,268,218
Unallocated assets											**723,163**	719,341
Total assets											**3,720,066**	3,245,615
Segment liabilities	**6,787**	710	**3,778**	3,272	**—**	—	**10,565**	3,982	**—**	—	**10,565**	3,982
Unallocated liabilities											**334,813**	282,120
Total liabilities											**345,378**	286,102
Other segment information:												
Depreciation	**—**	—	**—**	—	**—**	—	**—**	—	**—**	10,255	**—**	10,255
Unallocated amounts											**1,812**	1,709
											1,812	11,964
Capital expenditure	**44,570**	156,588	**606**	274,264	**—**	1,435	**45,176**	432,287	**—**	10,210	**45,176**	442,497
Unallocated amounts											**510**	—
											45,686	442,497
Fair value gain on investment properties	**—**	—	**(36,394)**	(175,899)	**—**	—	**(36,394)**	(175,899)	**—**	—	**(36,394)**	(175,899)
Write-back of provision for slow-moving inventories	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(3,695)	**—**	(3,695)
Loss on disposal of CGL	**—**	—	**—**	—	**—**	—	**—**	—	**—**	179,284	**—**	179,284
Gain on disposal of other subsidiaries, net	**—**	(91,997)	**—**	—	**—**	(3,671)	**—**	(95,668)	**—**	—	**—**	(95,668)

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

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 July 2007 and 2006.

Group

	Hong Kong		Mainland China		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**11,414**	212,608	**—**	134,550	**11,414**	347,158
Attributable to a discontinued operation	**—**	(197,144)	**—**	(124,736)	**—**	(321,880)
Revenue from continuing operations	**11,414**	15,464	**—**	9,814	**11,414**	25,278
Other segment information:						
Segment assets	**340,800**	258,056	**—**	—	**340,800**	258,056
Capital expenditure	**45,686**	420,909	**—**	21,588	**45,686**	442,497

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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:

		Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Rental expenses and building management fees paid and payable to:			
Lai Sun Textiles Company Limited	(i)	**—**	1,766
Related companies	(ii)	**844**	3,160
Interest expense on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(iii)	**17,724**	17,164
Interest expense on other borrowing granted by a director of the Company, Mr. Lam Kin Ngok, Peter	(iv)	**—**	3,728
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(v)	**13,053**	2,306
Consideration paid and payable to CGL for pledging a property as security for the construction finance	(vi)	**8,520**	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 are also the directors of the Company, based on the terms stated in the respective lease agreements.

(iii) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the other borrowing (note 27(b)) and note payable (note 28).

(iv) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the other borrowing which was fully repaid during the year ended 31 July 2006.

5. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

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

(vi) In consideration of CGL for pledging the Property (as defined in note 17) as a security for the construction finance of a joint development project of the Group and CGL, details of which are set out in note 17 to the financial statements, the Group agreed to make quarterly payments of HK$ 2,130,000 to CGL for the period from the date of delivery of vacant possession of the Property for development to the date of issuance of a certificate of practical completion of construction.

(b) Compensation of key management personnel of the Group

	Group	
	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**8,945**	14,081
Post-employment benefits	**25**	46
Total compensation paid to key management personnel	**8,970**	14,127

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6. TURNOVER, OTHER REVENUE AND GAIN

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

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover						
Rental income	**11,414**	15,464	**—**	—	**11,414**	15,464
Sale of garments and proceeds from transfer of textile quotas	**—**	—	**—**	321,880	**—**	321,880
Other operations	**—**	9,814	**—**	—	**—**	9,814
	11,414	25,278	**—**	321,880	**11,414**	347,158
Other revenue and gain						
Interest income from bank deposits	**1,686**	1,682	**—**	3,873	**1,686**	5,555
Other interest income	**19,456**	13,011	**—**	—	**19,456**	13,011
Royalty income	**—**	—	**—**	20,457	**—**	20,457
Gain on disposal of equity investments at fair value through profit or loss	**—**	1,018	**—**	—	**—**	1,018
Dividend income from equity investments at fair value through profit or loss	**—**	965	**—**	—	**—**	965
Others	**4**	7	**—**	2,766	**4**	2,773
	21,146	16,683	**—**	27,096	**21,146**	43,779

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7. PROFIT FROM OPERATING ACTIVITIES

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

	Continuing operations		Discontinued operation		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Auditors' remuneration	**600**	1,038	**—**	833	**600**	1,871
Depreciation	**1,812**	1,709	**—**	10,255	**1,812**	11,964
Minimum lease payments under operating leases in respect of land and buildings	**1,626**	1,010	**—**	67,802	**1,626**	68,812
Employee benefits scheme (including directors' remuneration (note 9)):						
Wages and salaries	**16,027**	20,760	**—**	60,869	**16,027**	81,629
Pension scheme contributions	**213**	263	**—**	1,788	**213**	2,051
	16,240	21,023	**—**	62,657	**16,240**	83,680
Loss/(gain) on disposal of items of property, plant and equipment (included in administrative expenses)	**(220)**	—	**—**	14	**(220)**	14
Impairment/(reversal of impairment) of loan and interest receivables (included in other operating income/ (expenses), net)	**(4,059)**	7,700	**—**	—	**(4,059)**	7,700
Write-back of provision for slow-moving inventories (included in cost of sales)	**—**	—	**—**	(3,695)	**—**	(3,695)
Gross rental income	**(11,414)**	(15,464)	**—**	—	**(11,414)**	(15,464)
Less: Outgoings	**1,961**	3,026	**—**	—	**1,961**	3,026
Net rental income	**(9,453)**	(12,438)	**—**	—	**(9,453)**	(12,438)

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8. FINANCE COSTS

	Group 2007 HK$'000	Group 2006 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**176**	2,996
Other borrowings and note payable wholly repayable within five years	**17,724**	20,892
Total interest expense	**17,900**	23,888
Bank financing charges	**480**	—
	18,380	23,888
Less: Amount capitalised in properties under development (note 17)	**(465)**	—
	17,915	23,888
Attributable to continuing operations	**17,915**	21,183
Attributable to a discontinued operation (note 13)	**—**	2,705
	17,915	23,888

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Fees	**528**	674
Other emoluments:		
Salaries, allowances and benefits in kind	**8,417**	13,407
Pension scheme contributions	**25**	46
	8,442	13,453
	8,970	14,127

Notes to Financial Statements

31 July 2007

9. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2007				
Executive and non-executive directors:				
Lam Kin Ngok, Peter	48	2,480	12	2,540
Lam Kin Ming	48	830	—	878
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	—	—	—
Tam Kin Man, Kraven	—	—	—	—
Shiu Kai Wah	48	795	—	843
Lam Kin Hong, Matthew	48	384	12	444
U Po Chu	48	3,640	—	3,688
Chiu Wai	48	—	—	48
Lai Yuen Fong	48	288	—	336
Lam Wai Kei, Vicky (alternate to Lai Yuen Fong)	—	—	—	—
Lee Po On (resigned on 22 January 2007)	24	—	1	25
Independent non-executive directors:				
Wan Yee Hwa, Edward	48	—	—	48
Chow Bing Chiu	60	—	—	60
Leung Shu Yin, William	60	—	—	60
	528	8,417	25	8,970

Notes to Financial Statements

31 July 2007

9. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'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 (alternate to Lai Yuen Fong)	—	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

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

Notes to Financial Statements

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2006: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2006: two) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**618**	6,988
Pension scheme contributions	**12**	10
	630	6,998

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

	Number of employees	
	2007	2006
HK$nil - HK$1,000,000	**1**	—
HK$1,000,001 - HK$1,500,000	—	1
HK$5,500,001 - HK$6,000,000	—	1
	1	2

Notes to Financial Statements

31 July 2007

11. TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong during the year (2006: Nil).

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.

	Group	
	2007	2006
	HK$'000	HK$'000
Provision for the year:		
Deferred tax (note 29)	**6,369**	30,060
Prior years' underprovision/(overprovision):		
Hong Kong	**—**	600
Mainland China	**—**	(10,648)
Tax charge for the year	**6,369**	20,012
Attributable to continuing operations	**6,369**	36,912
Attributable to a discontinued operation (note 13)	**—**	(16,900)
	6,369	20,012

Notes to Financial Statements

31 July 2007

11. TAX (continued)

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	
	2007	2006
	HK$'000	HK$'000
Profit/(loss) before tax	**281,673**	(41,898)
Tax at the statutory rate of 17.5% (2006: 17.5%)	**49,293**	(7,332)
Higher tax rate of other places	**—**	1,250
Adjustments in respect of current tax of previous periods	**—**	(10,048)
Profits and losses attributable to associates	**(45,327)**	(27,779)
Income not subject to tax	**(1,005)**	(18,596)
Expenses not deductible for tax	**3,375**	87,236
Utilisation of tax losses of previous periods	**—**	(7,227)
Tax losses not recognised	**33**	2,508
Tax charge at the Group's effective tax rate	**6,369**	20,012
Tax credit attributable to a discontinued operation (note 13)	**—**	16,900
Tax charge attributable to continuing operations	**6,369**	36,912

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

The Company's profit for the year ended 31 July 2007 dealt with in the financial statements of the Company was HK$19,193,000 (2006: loss of HK$160,008,000) (note 32(b)).

Notes to Financial Statements

31 July 2007

13. DISCONTINUED OPERATION

On 28 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 29 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 24 May 2006. The CGL Disposal was completed on 29 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 ended 31 July 2006 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.

The consolidated operating results associated with the garment operation for the year ended 31 July 2006 and loss on disposal of CGL are presented below:

	Notes	HK$'000
Turnover	6	321,880
Cost of sales		(134,961)
Other revenue and gain	6	27,096
Selling and distribution costs		(164,872)
Administrative expenses		(43,261)
Finance costs	8	(2,705)
Profit before tax and loss on disposal of CGL		3,177
Loss on disposal of CGL	33(a)	(179,284)
Loss before tax		(176,107)
Tax credit	11	16,900
Loss for the year (including the loss on disposal of CGL)		(159,207)

Notes to Financial Statements

31 July 2007

13. DISCONTINUED OPERATION (continued)

	HK$'000
Attributable to:	
Equity holders of the Company	(168,256)
Minority interests	9,049
	(159,207)

The net cash flows of the discontinued operation for the year ended 31 July 2006 are as follows:

	HK$'000
Operating activities	(3,510)
Investing activities	(6,336)
Financing activities	(8,799)
Net cash outflow	(18,645)

The calculation of loss per share from the discontinued operation (including loss on disposal of CGL) for the year ended 31 July 2006 is as follow:

Loss per share:	
Basic, discontinued operation (including loss on disposal of CGL)	HK10.40 cents
Diluted, discontinued operation (including loss on disposal of CGL)	N/A

The diluted loss per share from the discontinued operation (including loss on disposal of CGL) for the year ended 31 July 2006 has not been disclosed as no diluting event existed during that year.

The calculation of basic loss per share from the discontinued operation (including loss on disposal of CGL) for the year ended 31 July 2006 is based on:

	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
Weighted average number of ordinary shares in issue during that year used in the basic loss per share calculation	1,617,423,423

Notes to Financial Statements

31 July 2007

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 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/(loss) per share amounts for the years ended 31 July 2007 and 2006 have not been disclosed as no diluting event existed during both years.

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

	2007	2006
	HK$'000	HK$'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	**275,304**	47,480
From discontinued operation (including the loss on disposal of CGL) (note 13)	**—**	(168,256)
	275,304	(120,776)
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**	1,617,423,423

Notes to Financial Statements

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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 1 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 33(a))	(17,778)	(753)	(18,257)	(67,200)	(4,957)	(14,613)	—	(123,558)
Exchange realignments	—	—	21	23	5	11	—	60
At 31 July 2006 and 1 August 2006	—	—	—	7,465	11,231	—	16,951	35,647
Additions	—	—	—	117	393	—	—	510
Disposals	—	—	—	—	(1,020)	—	—	(1,020)
At 31 July 2007	**—**	**—**	**—**	**7,582**	**10,604**	**—**	**16,951**	**35,137**
Accumulated depreciation and impairment:								
At 1 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	—	—	(524)	(1,087)	—	(84)	—	(1,695)
Disposals of subsidiaries (note 33(a))	(10,817)	(753)	(16,650)	(53,944)	(2,395)	(11,891)	—	(96,450)
Exchange realignments	—	—	4	23	4	3	—	34
At 31 July 2006 and 1 August 2006	—	—	—	3,696	10,724	—	16,951	31,371
Depreciation provided during the year	—	—	—	1,441	371	—	—	1,812
Disposals	—	—	—	—	(1,020)	—	—	(1,020)
At 31 July 2007	**—**	**—**	**—**	**5,137**	**10,075**	**—**	**16,951**	**32,163**
Net book value:								
At 31 July 2007	**—**	**—**	**—**	**2,445**	**529**	**—**	**—**	**2,974**
At 31 July 2006	—	—	—	3,769	507	—	—	4,276

Notes to Financial Statements

31 July 2007

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 1 August 2005	6,776	11,231	16,951	34,958
Additions	689	—	—	689
At 31 July 2006 and 1 August 2006	7,465	11,231	16,951	35,647
Additions	117	393	—	510
Disposals	—	(1,020)	—	(1,020)
At 31 July 2007	**7,582**	**10,604**	**16,951**	**35,137**
Accumulated depreciation and impairment:				
At 1 August 2005	2,328	10,383	16,951	29,662
Depreciation provided during the year	1,368	341	—	1,709
At 31 July 2006 and 1 August 2006	3,696	10,724	16,951	31,371
Depreciation provided during the year	1,441	371	—	1,812
Disposals	—	(1,020)	—	(1,020)
At 31 July 2007	**5,137**	**10,075**	**16,951**	**32,163**
Net book value:				
At 31 July 2007	**2,445**	**529**	**—**	**2,974**
At 31 July 2006	3,769	507	—	4,276

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".

16. INVESTMENT PROPERTIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**119,100**	250,600	**119,100**	89,600
Additions, at cost	**606**	274,264	**606**	194
Disposal of subsidiaries (note 33(a))	**—**	(581,663)	**—**	—
Gain on revaluation	**36,394**	175,899	**36,394**	29,306
Carrying amount at end of year	**156,100**	119,100	**156,100**	119,100

The investment properties on 31 July 2007 were revalued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$156,100,000 (2006: HK$119,100,000) on an open market, existing use basis.

The Group's and the Company's investment properties as at 31 July 2007 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 36(a) to the financial statements.

At 31 July 2007, certain investment properties of the Group and of the Company with an aggregate carrying amount of HK$152,200,000 (2006: HK$116,000,000) were pledged to a bank to secure banking facilities granted by the bank to the Group.

17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**138,494**	233,250
Additions during the year	**44,570**	156,588
Interest and bank financing charges capitalised (note 8)	**465**	—
Disposal of subsidiaries (note 33(a))	**—**	(252,607)
Recognition of prepaid land lease payments	**—**	3,300
Capitalisation of recognition of prepaid land lease payments	**—**	(3,300)
Exchange realignment	**—**	1,263
At end of year	**183,529**	138,494

Notes to Financial Statements

31 July 2007

17. PROPERTIES UNDER DEVELOPMENT (continued)

The Group's properties under development as at 31 July 2007 are situated in Hong Kong and are held under long term leases. These properties are carried at cost.

Joint development of a property with CGL

On 28 February 2006, the Company, Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of the Company, and CGL entered into a development agreement (the "Development Agreement") in connection with the redevelopment of a property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "Property") which was beneficially owned by CGL (hereinafter referred as the "Joint Development"). The redeveloped building (the "New Building") on the Property is 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 14 January 2006. The Land Premium has been fully paid by CGL as of 28 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 demolishing the existing building and constructing the New Building in accordance with the development plan of the Property as agreed by Unipress and CGL and shall bear all development and construction costs and project management fee in connection with the construction and completion of the New Building;

(v) If construction finance is required by Unipress for financing the development and construction costs, CGL has agreed to provide or procure such security over or in relation to the Property as may reasonably be required by the relevant lending institution(s) and the Company is expected to provide a corporate guarantee as security for such finance; and

(vi) In consideration of CGL agreeing to contribute the Property as security for the construction finance, Unipress shall make a quarterly payment of HK$2,130,000 to CGL during the period from delivery of vacant procession of the Property for development to the date of issuance of a certificate of practical completion of construction of the New Building.

Notes to Financial Statements

31 July 2007

17. PROPERTIES UNDER DEVELOPMENT (continued)

Joint development of a property with CGL (continued)

On completion of the construction of the New Building, according to the Development Agreement, the ownership of the New Building shall be allocated and distributed between Unipress and CGL in proportion of 1 to 1.4 in terms of the gross floor area. Assuming a total gross floor area of 240,000 square feet of the New Building 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 29 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 circular of the Company dated 29 April 2006 regarding details of the Joint Development was dispatched to the Company's Shareholders. The Joint Development became unconditional upon independent shareholders' approval of the Development Agreement at the Company's extraordinary general meeting held on 24 May 2006. Upon the Joint Development becoming unconditional and 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 for the year ended 31 July 2006 and the carrying value as at 31 July 2006 and 2007.

During the year ended 31 July 2007, a HK$361 million term loan facility was obtained from a bank in Hong Kong for financing in full the estimated construction costs of the New Building. The term loan facility is secured by, inter alia, the Property. Details of the loan arrangement are set out in note 27(a) to the financial statements.

Notes to Financial Statements

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18. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**486**	486
Amounts due from subsidiaries	**1,096,542**	1,076,344
Amounts due to subsidiaries	**(289,147)**	(289,165)
	807,395	787,179
Provision for impairment	**(496,046)**	(500,766)
	311,349	286,413
	311,835	286,899

The balances with subsidiaries are unsecured, non-interest-bearing and have no fixed terms of repayment except for an amount of HK$55,000,000 (2006: HK$43,300,000) as at 31 July 2007 due from a subsidiary which bears interest at a rate of 27% per annum. The carrying amounts of balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries as at 31 July 2007 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	Hong Kong	HK$2	100	—	Investment holding
Silver Glory Securities Limited	British Virgin Islands	US$1	100	—	Investment holding
Starfeel Hong Kong Limited	Hong Kong	HK$1	—	100	Investment holding
Unipress	Hong Kong	HK$1	—	100	Property development

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

As at 31 July 2007, the entire interest in Unipress was pledged to a bank to secure the banking facilities as referred to in note 27(a).

Notes to Financial Statements

31 July 2007

19. GOODWILL

	Group 2007 HK$'000	Group 2006 HK$'000
Carrying amount at beginning of year	—	71,907
Disposal of subsidiaries (note 33(a))	—	(71,907)
Carrying amount at end of year	—	—

20. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Shares listed in Hong Kong, at cost	—	—	376,436	376,436
Share of net assets	2,656,312	2,268,607	—	—
	2,656,312	2,268,607	376,436	376,436
Amounts due from associates	2,725	2,540	2,725	2,540
Amounts due to associates	(1,978)	(1,973)	(1,978)	(1,973)
	2,657,059	2,269,174	377,183	377,003
Provision for impairment	(956)	(956)	(956)	(956)
	2,656,103	2,268,218	376,227	376,047
Market value of listed shares at balance sheet date	1,518,545	1,094,005	869,181	626,184

Balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$2,725,000 (2006: HK$2,540,000) as at 31 July 2007 due from an associate which bears interest at the prevailing market rate. The carrying amounts of balances with associates approximate to their fair values.

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20. INTERESTS IN ASSOCIATES (continued)

Particulars of the principal associate as at 31 July 2007 are as follows:

Name	Particulars of issued shares held	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 28 February 2006, the Company, Rightop Asia Limited ("Rightop"), a wholly-owned subsidiary of the Company, Lai Fung and Goldthorpe Limited ("Goldthorpe"), a wholly-owned subsidiary of Lai Fung, entered into an agreement. Pursuant to the agreement, Rightop agreed to sell, and Goldthorpe agreed to purchase, the entire issued share capital of Assetop Asia Limited ("Assetop"), a former subsidiary of the Company, 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 Goldthorpe is a property under development in Shanghai, Mainland China (the "Shanghai Property"). The consideration satisfied by Goldthorpe 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 were set out in the Company's circular dated 3 May 2006.

Immediately after the Assetop Disposal on 30 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 was recognised immediately in the consolidated income statement for the year ended 31 July 2006.

20. INTERESTS IN ASSOCIATES (continued)

In addition, during the year ended 31 July 2006, certain subsidiaries of Assetop established in the People's Republic of China (the "PRC") were undergoing merger by absorption and completion of the merger was conditional upon approval of the relevant PRC government authorities. The parties had applied to the relevant authorities for such approval. The Company had agreed to indemnify Lai Fung and Goldthorpe against all losses incurred by Lai Fung and Goldthorpe as a result of the merger of the above mentioned subsidiaries not being completed or the resettlement costs of approximately RMB124 million, which had been incurred and paid in prior years in connection with the relocation of the original inhabitants and the demolition of the then building structure erected on the 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 29 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. During the year ended 31 July 2007, the aforementioned merger of the PRC subsidiaries of Assetop has been completed. 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 ended 31 July 2006, 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 was 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 19 May 2006 and the completion of Assetop Disposal, the Lai Fung Subscription became unconditional and was subsequently completed on 16 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 was recognised in the consolidated income statement for that year.

Thereafter, in June 2006, the Group additionally acquired 50 million issued ordinary shares of Lai Fung from the public at a consideration of HK$14,804,000, resulting in 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 for the year ended 31 July 2006.

Notes to Financial Statements

31 July 2007

20. INTERESTS IN ASSOCIATES (continued)

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

	31 July 2007 HK$'000	31 July 2006 HK$'000
Assets	**10,429,709**	8,007,993
Liabilities	**4,158,444**	2,500,422

	Year ended 31 July 2007 HK$'000	Year ended 31 July 2006 HK$'000
Revenues	**792,682**	703,352
Profit	**470,114**	132,615

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments in Hong Kong, at fair value	**474,860**	466,946	**430,132**	422,963

Available-for-sale equity investments at 31 July 2007 represented 11.18% (2006: 12.42%) and 10.12% (2006: 11.25%) equity investments in ordinary shares of Lai Sun Development Company Limited ("LSD") held by the Group and the Company, respectively. Particulars of LSD at the balance sheet date are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group
LSD	Ordinary shares of HK$0.01 each	Hong Kong	11.18

Notes to Financial Statements

31 July 2007

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (continued)

Pursuant to a placing agreement entered into between LSD and a placing agent dated 17 November 2006, a total of 1,416,000,000 new ordinary shares of LSD of HK$0.01 each were issued and allotted to certain institutional investors for cash at a subscription price of HK$0.36 per share (the "Placement"). The Placement was completed on 28 November 2006. Following the completion of the Placement by LSD, the Group's interest in LSD was diluted from 12.42% to 11.18%.

During the year, the fair value gain on the available-for-sale equity investments of the Group and the Company recognised directly in equity amounted to HK$7,914,000 (2006: HK$278,585,000) and HK$7,169,000 (2006: HK$252,344,000), respectively.

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

22. LOAN AND INTEREST RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Loan principal	**55,000**	43,300
Interest receivable	**2,693**	5,130
	57,693	48,430
Provision for impairment	**(3,641)**	(7,700)
	54,052	40,730
Portion due within one year, classified as current	**(54,052)**	—
Portion due over one year, classified as non-current	**—**	40,730

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) charges 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 28 July 2008. The carrying amount of the loan and interest receivables approximates to their fair values.

Notes to Financial Statements

31 July 2007

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 with a maturity date of 29 May 2010. The carrying amount of the Promissory Note approximates to its fair value.

24. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Debtors:		
Current to 90 days	**378**	394
91 to 180 days	**14**	41
181 to 365 days	**—**	27
	392	462
Deposits and other receivables	**6,655**	5,697
	7,047	6,159

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**8,401**	34,692	**7,904**	34,489
Time deposits, unpledged	**10,000**	—	**10,000**	—
Cash and cash equivalents	**18,401**	34,692	**17,904**	34,489

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.

26. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	Group	
	2007	2006
	HK$'000	HK$'000
Creditors aged within 90 days	**3,803**	258
Deposits received and accruals	**19,028**	15,390
	22,831	15,648

Creditors are non-interest-bearing and are settled pursuant to the terms of the relevant agreements.

Notes to Financial Statements

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
		2007	2006	**2007**	2006
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Secured bank loan	(a)	**28,000**	—	—	—
Other borrowing, unsecured	(b)	**31,745**	31,745	**31,745**	31,745
		59,745	31,745	**31,745**	31,745

Notes:

(a) On 8 February 2007, a wholly-owned subsidiary of CGL (the "CGL Subsidiary") entered into an agreement for a HK$361 million term loan facility (the "Loan Facility") with a bank in Hong Kong (the "Bank"). The Loan Facility is for financing in full the estimated construction costs of the New Building and is secured by, inter alia, the Property (as defined in note 17). Pursuant to an undertaking entered between Unipress and the Bank on 8 February 2007 (the "Undertaking"), Unipress undertook to pay to the Bank as the principal obligor each amount due and payable under the Loan Facility. In addition, the Company entered into a guarantee with the Bank on 8 February 2007 pursuant to which the Company guaranteed to the Bank the due and prompt payment by the CGL Subsidiary and Unipress the amounts payable by CGL Subsidiary and Unipress under the Loan Facility.

The bank loan bears interest at prevailing market rate. The outstanding loan principal under the Loan Facility is repayable in full in the financial year ending 31 July 2010.

(b) Other borrowings as at 31 July 2007 was a loan of HK$31,745,000 (2006: HK$31,745,000) due to the late Mr. Lim Por Yen. Mr. Lim Por Yen, who passed away on 18 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 30 November 2005. On 31 July 2007, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the outstanding amount or the related interest would be made within one year from 31 July 2007.

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

Notes to Financial Statements

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28. 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 30 April 2006.

On 31 July 2007, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the Loan Note or the related interest would be made within one year from 31 July 2007.

Accrued interest payable amount represented accrued interests on the loan payable to the late Mr. Lim Por Yen (note 27(b)) and the Loan Note.

29. DEFERRED TAX

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

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Losses available for offset against future taxable profits HK$'000	Total HK$'000
At 1 August 2005	404	20,829	(854)	20,379
Deferred tax charged/(credited) to the consolidated income statement during the year (note 11)	25	46,935	(16,900)	30,060
Disposal of subsidiaries (note 33(a))	(429)	(47,599)	17,754	(30,274)
At 31 July 2006 and 1 August 2006	—	20,165	—	20,165
Deferred tax charged to the consolidated income statement during the year (note 11)	—	6,369	—	6,369
At 31 July 2007	**—**	**26,534**	**—**	**26,534**

Notes to Financial Statements

31 July 2007

29. DEFERRED TAX (continued)

Company

	Revaluation of properties HK$'000
At 1 August 2005	15,002
Deferred tax charged to the income statement during the year	5,163
At 31 July 2006 and 1 August 2006	20,165
Deferred tax charged to the income statement during the year	6,369
At 31 July 2007	**26,534**

Deferred tax has been calculated at a rate of 17.5% (2006: 17.5%) on cumulative temporary differences at the balance sheet date.

30. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (2006: 4,000,000,000 ordinary shares of HK$0.01 each)	**40,000**	40,000
Issued and fully paid:		
1,617,423,423 ordinary shares of HK$0.01 each (2006: 1,617,423,423 ordinary shares of HK$0.01 each)	**16,174**	16,174

Pursuant to an extraordinary general meeting held on 26 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 during the year ended 31 July 2006.

31. SHARE OPTION SCHEME

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

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

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

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

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

Notes to Financial Statements

31 July 2007

31. SHARE OPTION SCHEME (continued)

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

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

During the period from the date of adoption of the Share Option Scheme on 22 December 2006 to 31 July 2007, no share option was granted or exercised or lapsed under the Share Option Scheme.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 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 1 August 2005	1,116,302	55,494	(11,470)	(929,900)	230,426
Changes in fair values of available-for-sale equity investments (note 21)	—	—	252,344	—	252,344
Loss for the year (note 12)	—	—	—	(160,008)	(160,008)
Capital reduction (note 30)	792,538	—	—	—	792,538
At 31 July 2006 and 1 August 2006	1,908,840	55,494	240,874	(1,089,908)	1,115,300
Changes in fair values of available-for-sale equity investments (note 21)	—	—	7,169	—	7,169
Profit for the year (note 12)	—	—	—	19,193	19,193
At 31 July 2007	**1,908,840**	**55,494**	**248,043**	**(1,070,715)**	**1,141,662**

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries during the year ended 31 July 2006

	Notes	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	29	(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:

Gain on disposal of other subsidiaries, net	171,335
Less: Unrealised profit arising from the Assetop Disposal eliminated against the Group's interest in Lai Fung	(75,667)
Realised gain on disposal of subsidiaries, net	95,668

Included in the net gain on disposal of other subsidiaries of HK$171,335,000 for the year ended 31 July 2006 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 30 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$91,997,000.

Notes to Financial Statements

31 July 2007

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

(a) Disposal of subsidiaries during the year ended 31 July 2006 (continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries during the year ended 31 July 2006 is as follows:

	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 ended 31 July 2006 contributed turnover of HK$337,431,000 and profit for the year attributable to equity holders of the Company of HK$84,092,000 to the consolidated income statement for that year.

(b) Major non-cash transaction

As detailed in note 20 to the financial statements, during the year ended 31 July 2006, the Group had disposed of its entire equity and loan interests in Assetop to Lai Fung for 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 that year.

34. 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 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.

Notes to Financial Statements

31 July 2007

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are interest rate risk, liquidity 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 fair value 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 available banking facilities. In addition, revolving loan facility has been put in place for contingency purposes.

(iii) Credit risk

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

Notes to Financial Statements

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35. CONTINGENT LIABILITIES

Group

Other than disclosed in note 20 to the financial statements, the Group did not have any significant contingent liabilities (2006: Nil).

Company

Contingent liabilities in respect of the guarantee provided by the Company under the Loan Facility as referred to note 27(a) not provided for in the financial statements of the Company at the balance sheet date amounted to HK$28,000,000 (2006: Nil), being the outstanding principal payable as at the balance sheet date.

36. 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 and Company	
	2007	2006
	HK$'000	HK$'000
Within one year	**10,314**	6,216
In the second to fifth years, inclusive	**7,832**	1,466
	18,146	7,682

(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 and Company	
	2007	2006
	HK$'000	HK$'000
Within one year	**224**	538
In the second to fifth years, inclusive	**—**	224
	224	762

37. CAPITAL COMMITMENTS

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

	Group	
	2007	2006
	HK$'000	HK$'000
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	**18,097**	7,000
Authorised, but not contracted for	**308,270**	354,000
	326,367	361,000

38. PLEDGE OF ASSETS

Details of the Group's banking facilities, which are secured by the assets of the Group, are included in notes 16, 17 and 18 to the financial statements.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 9 November 2007.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at The Chater Room I, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 21 December 2007 at 11:00 a.m. for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31 July 2007;

2. To re-elect retiring directors and to fix the directors' remuneration;

3. To appoint the auditors and to authorise the directors to fix their remuneration; and

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

(a) subject to paragraph (c) of this Resolution, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional ordinary shares in the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of ordinary shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company; or (iii) an issue of ordinary shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of ordinary shares in the Company under any option scheme or similar arrangement for the grant or issue of ordinary shares in the Company or rights to acquire ordinary shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purposes of this Resolution,

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

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

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

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 9 November 2007

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or its adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Annual General Meeting or at any of its adjourned meeting should they so wish.

3. Concerning item 2 of this Notice, Ms. Leung Churk Yin, Jeanny was appointed an executive director of the Company with effect from 1 September 2007. In accordance with Article 93 of the Company's Articles of Association, Ms. Leung retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election. In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter, Madam U Po Chu, Mr. Chiu Wai and Mr. Chow Bing Chiu retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Details of the above directors are set out in the "Biographical Details of Directors and Senior Management" section of the Annual Report 2006-2007 of the Company.

4. The Ordinary Resolution under item 4 relates to the granting of a general mandate to the directors of the Company to issue new shares of up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said resolution. The Company has no immediate plan to issue any new shares under the general mandate.

5. In accordance with the Company's Articles of Association, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

   (i) the chairman of the meeting; or

   (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

   (iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (iv) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.