LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Annual Report 2007-2008

Contents

Lai Sun Garment (International) Limited
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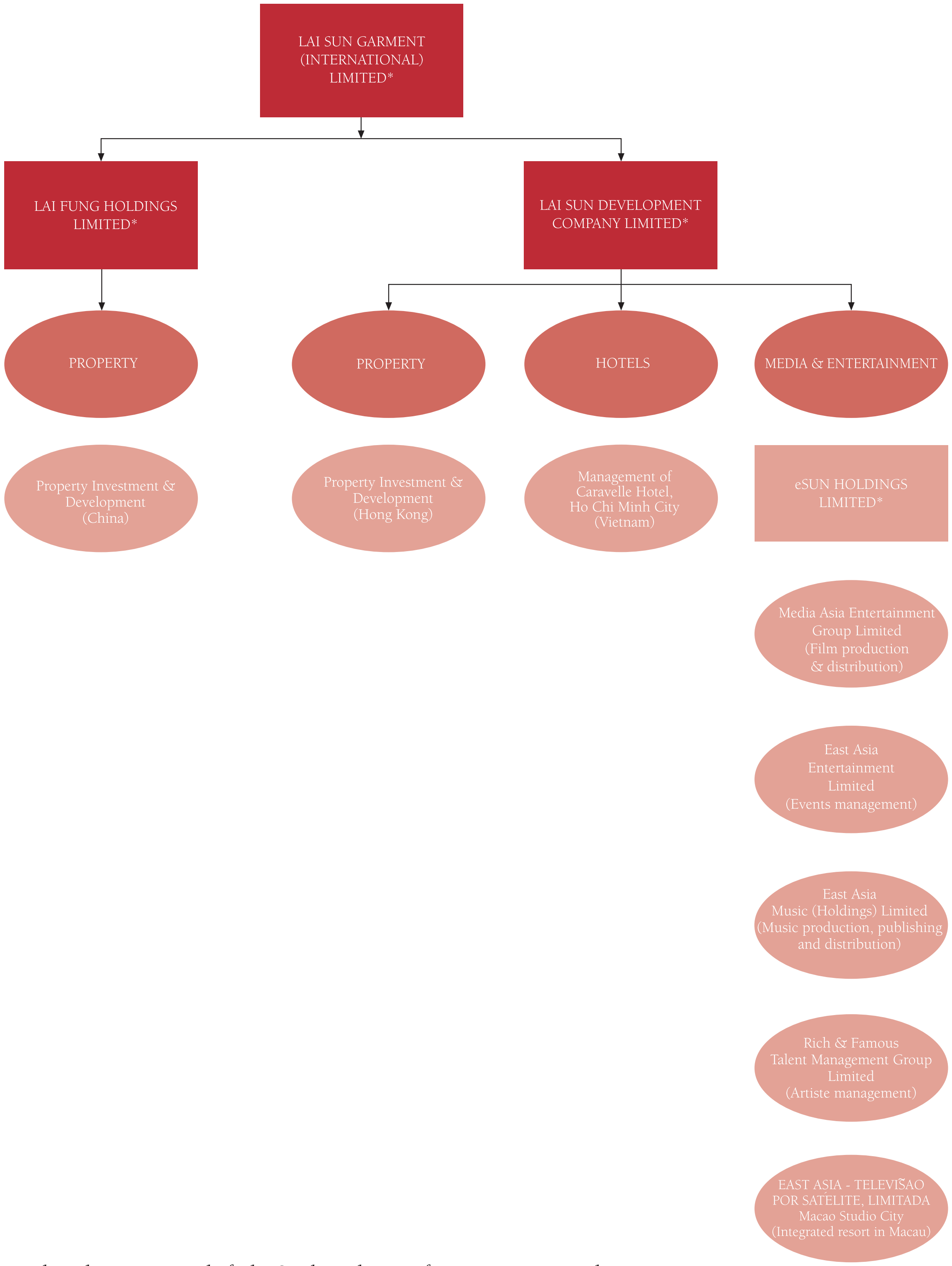
E-mail advpr@laisun.com

Stock code on Hong Kong Stock Exchange: 191

Corporate Profile

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



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

Corporate Information

Place of Incorporation
Hong Kong

Directors
Lam Kin Ming *(Chairman)*
Lam Kin Ngok, Peter *(Deputy Chairman)*
Shiu Kai Wah
Lam Kin Hong, Matthew
Tam Kin Man, Kraven
Lam Hau Yin, Lester
(also alternate director to Madam U Po Chu)
Leung Churk Yin, Jeanny
U Po Chu
Chiu Wai
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*

* *Independent non-executive director*

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

Qualified Accountant
Alan K. L. Tse

Share Registrar
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

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

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

Vincent T.K. Cheung, Yap & Co.
11th Floor
Central Building
1-3 Pedder Street
Central
Hong Kong

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

Chairman's Statement

Chairman LAM Kin Ming

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2008, the Group recorded a turnover of HK$14,303,000 (2007: HK$11,414,000) and a gross profit of HK$12,244,000 (2007: HK$9,453,000), representing an increase of approximately 25.3% and 29.5% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment.

During the year, the Group booked a fair value gain on investment properties of HK$43,889,000 (2007: HK$36,394,000). Such gain was partially offset by a provision of HK$20,212,000 with regard to a loan amounting to HK$55 million granted to an independent third party (the "Borrower"). The loan is under a revolving facility of HK$70 million granted by the Group with a maturity date of 28 July 2008. The loan is secured by, inter alia, (i) fixed and floating charges over the assets of the Borrower; (ii) fixed charge over the sole issued share of the Borrower; and (iii) the personal guarantee of the beneficial owner of the Borrower. The loan bears interest at a rate of 27% per annum. The principal activities of the Borrower are money lending, securities financing and investment holding. Taking into account the current acute economic and market conditions, the Group has, based on the information provided and representations made by the Borrower, assessed the adequacy of the underlying securities and considered the abovementioned provision for the year ended 31 July 2008 is sufficient. As a result, the Group's profit from operating activities decreased to HK$23,770,000 (2007: HK$40,575,000), down by approximately 41.4% from the previous year.

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

Share of profits from associates was HK$39,554,000 (2007: HK$259,013,000), down by 84.7% from the previous year. Our Group's share of profit and losses of associates of HK$39,554,000 is mainly attributable to the Group's share of profit from Lai Fung Holdings Limited ("Lai Fung") of approximately HK$39,624,000. The substantial decrease in the Group's share of profit from Lai Fung was mainly due to the decrease in Lai Fung's net profit for the year under review and a provision of HK$54,400,000 for impairment in value of properties under development held by Lai Fung made in the Group's consolidated income statement at the Group level and such provision is partially offset by other adjustments.

For the year ended 31 July 2008, the Group recorded a consolidated profit attributable to equity holders of HK$45,797,000 (2007: HK$275,304,000), representing a decrease of approximately 83.4% from the previous year. Shareholders' equity as at 31 July 2008 amounted to HK$3,455,942,000, up from HK$3,374,688,000 as at 31 July 2007. Net asset value per share as at 31 July 2008 was HK$2.14, as compared to HK$2.09 as at 31 July 2007.

Lai Fung

As at 31 July 2008, the Group held an effective 40.58% interest in Lai Fung.

For the year ended 31 July 2008, Lai Fung derived a turnover of HK$868,001,000 (2007: HK$792,420,000), up approximately 9.5% from the previous year. Out of the total turnover for the year ended 31 July 2008, Lai Fung recorded gross rental income of HK$254,160,000 (2007: HK$221,073,000), up 15.0% from the previous year. During the year, Lai Fung also recognised revenue generated from sales of property units amounting to HK$613,841,000, up 7.4% compared to the revenue recognised from sales of property units in the previous year.

During the year, Lai Fung recorded profit from operating activities of HK$761,532,000 (2007: HK$585,752,000) and consolidated profit attributable to equity holders of HK$206,005,000 (2007: HK$470,351,000), representing an increase of approximately 30.0% and a decrease of approximately 56.2%, respectively from the previous year. Lai Fung's increase in profit from operating activities was mainly attributable to higher turnover, higher gross profit margin and higher revaluation gain on investment properties of Lai Fung, despite an exchange loss of HK$160,102,000 (2007: HK$31,079,000) arising from the cross currency swap on the US$200,000,000 senior notes issued in April 2007. The decrease in profit attributable to equity holders of Lai Fung was mainly due to higher finance costs which

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

Lai Fung (continued)

included full-year interest expenses on the US$200,000,000 senior notes issued in April 2007 and higher provision for corporate income tax and land appreciation tax as a result of sales of Regents Park Phase II in Shanghai. In addition, the deferred tax for the year ended 31 July 2008 also increased as a result of increase in value of Lai Fung's investment properties while there were certain write-back of provisions on deferred tax as a result of adjustment in the corporate income tax rate in China for the year ended 31 July 2007.

Lai Sun Development Company Limited ("LSD")

As at 31 July 2008, the Group held an effective 11.18% interest in LSD.

For the year ended 31 July 2008, LSD recorded a turnover of HK$826,506,000 (2007: HK$908,906,000) and a consolidated profit attributable to equity holders of the Company of HK$1,013,333,000 (2007: HK$1,495,091,000), representing a decrease of approximately 9.1% and 32.2% respectively from the previous year.

During the year, LSD derived a turnover of HK$331,370,000 from gross rental income from investment properties (2007: HK$299,886,000) and a turnover of HK$469,979,000 from its hotel operations (2007: HK$576,796,000), representing an increase of 10.5% and a decrease of 18.5% respectively from the previous year. The decrease in turnover was largely due to the cessation of the hotel operations of The Ritz-Carlton Hong Kong since 1 February 2008.

As partially boosted by a fair value gain on investment properties of HK$721,604,000 (2007: HK$468,758,000), and a gain on disposal of HK$699,036,000 from the disposal of an aggregate of a 26.57% interest in Diamond String Limited, which owns the property of The Ritz-Carlton Hong Kong, LSD's profit from operating activities increased to HK$1,240,831,000 (2007: HK$774,748,000), an increase of approximately 60.2% from the previous year.

Compared to the previous year, LSD had a substantially lower share of profits from associates of HK$19,736,000 (2007: HK$1,041,340,000), due to the fact that the share of profits from associates recorded by LSD in the previous year included non-recurrent gains on disposal by LSD's associated company, eSun Holdings Limited, of its 60% effective interest in Macao Studio City project, and gain on disposal by LSD's 50% owned associated company, Fortune Sign Venture Inc., of its entire interest in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong.

Shanghai Hong Kong Plaza

Guangzhou Jinshazhou Project *(architectual rendering)*

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

Shanghai Regents Park

Wood Road, Wanchai residential project
(architectual rendering)

Tai Po Road residential project
(architectual rendering)

Guangzhou West Point *(architectual rendering)*

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

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

Construction of this joint office and commercial development project with Crocodile Garments Limited continued with good progress. This project is now scheduled for completion by mid-2009. Upon completion, the Group will retain the retail portion of this redeveloped property with a gross floor area of approximately 100,000 square feet.

PROSPECTS

In the last few months, the US financial crisis materialises, resulting in a meltdown of global financial markets. Credit crunch, crash in financial markets and the worry of global economic recession are affecting every single economy in the world. Hong Kong and the mainland of China will inevitably experience the slowdown in its economy. Under current circumstances, the Group and its associated companies will maintain a prudent approach to manage their businesses.

Lai Fung

In order to cope with the risks and uncertainties associated with the current economic environment, Lai Fung will continue its prudent approach in acquisition strategy and in managing its business in China. In the next few months, Lai Fung will focus on the sale of Regents Park Phase II in Shanghai and pre-sale of West Point in Guangzhou. Lai Fung will closely monitor the market conditions and adjust the sales and marketing strategy accordingly. Lai Fung will also focus on the construction progress of its existing projects and the renovation work of its major investment property, Shanghai Hong Kong Plaza. Overall, Lai Fung is still cautiously optimistic about China's real estate market in the medium-to-long term.

Chairman's Statement

PROSPECTS (continued)

LSD

With most of the world's economy going into recession in the coming year, retail and office rental rates in Hong Kong will be under pressure. With close to full occupancy in its investment properties at the moment, LSD has in the past economic cycle successfully strengthened its tenant and trade mix, and believes to be well prepared to operate through difficult economy sentiment ahead.

In anticipation of a possible sharp downturn in the Hong Kong's economy, negative market sentiment has been hammering the prices of residential properties in Hong Kong in the past two months. LSD currently holds a few residential projects under development in Hong Kong. As two of LSD's development properties, Wood Road, Wanchai residential project and Tai Po Road residential project, are both in early development phase, LSD's development and realisation plan are not severely affected by the market at the moment. Given the shortage in supply in core city areas in Hong Kong, LSD is still cautiously optimistic on the Hong Kong residential properties in the longer term. In the near term, LSD will adopt a more prudent approach in acquiring new development projects in future.

79 Hoi Yuen Road, Kwun Tong, Hong Kong

This redevelopment project is expected to be completed by mid-2009 and the Group will retain the retail portion of this redeveloped property with a gross floor area of about 100,000 square feet. Upon its completion, the project will augment the Group's recurring rental income base. The Group will start pre-leasing the retail spaces of this project in the coming year.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 July 2008, total borrowings (comprising a secured bank loan of HK$82 million, a note payable of HK$195 million and a loan of HK$32 million payable to the late Mr. Lim Por Yen) amounted to a total of HK$309 million. As at the same date, consolidated net assets of the Group amounted to HK$3,456 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 8.9%. The Group's borrowings were maintained as floating rate debts.

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

As at 31 July 2008, certain investment properties with carrying value of approximately HK$196 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$274 million and share in a subsidiary held by the Group were pledged to a bank to secure a construction loan facility for financing the redevelopment of that property.

As at 31 July 2008, the Group had cash and bank balances amounting to approximately HK$23 million and unutilised banking facility of HK$339 million (including HK$279 million unutilised banking facility for financing the construction costs of a property redevelopment project), which was considered adequate to cover the working capital requirement of the Group.

The 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 20 (2007: 40) employees as at 31 July 2008. Pay rates of employees are maintained at competitive levels and salary adjustments are made on a performance related basis. Other staff benefits included a share option scheme, a mandatory provident fund scheme for all eligible employees, a free hospitalisation insurance plan, subsidised 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 31 to the financial statements.

MANAGEMENT AND STAFF

On behalf of my fellow directors, I wish to thank all members of staff and management for their unfailing dedication and contribution. I would also like to thank our shareholders and business associates for their continuing and valuable support.

Lam Kin Ming
Chairman

Hong Kong
7 November 2008

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 2008.

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 2008 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 91.

The directors do not recommend the payment of a dividend for the year ended 31 July 2008 (2007: Nil). No interim dividend had been declared or paid by the Company for the year ended 31 July 2008 (2007: Nil).

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 July 2008, 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$140,000.

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 14% of the Group's total turnover. None of the directors or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers.

During the year, the Group's purchases from its five largest suppliers accounted for approximately 46% of the Group's total purchases, while the largest supplier accounted for approximately 13% of the Group's total purchases. Included in the Group's five largest suppliers is a supplier company in which certain directors of the Company have indirect interest through their shareholdings in Lai Sun Development Company Limited and the Group's purchases from this supplier during the year accounted for approximately 12% of the Group's total purchases.

DIRECTORS

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

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

† *Also alternate director to Madam U Po Chu*
# *Alternate director to Madam Lai Yuen Fong*
* *Independent non-executive director*

Report of the Directors

DIRECTORS (continued)

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ming, Madam Lai Yuen Fong, Mr. Wan Yee Hwa, Edward and Mr. Leung Shu Yin, William retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election at the said meeting.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, Miss Lam Wai Kei, Vicky (alternate director to 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 China.

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lam Kin Ming, aged 71, 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 interested, or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, 5,008,263 shares in the Company, representing approximately 0.31% of the issued share capital of the Company. Mr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter. 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 in 2005 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Lam Kin Ngok, Peter, aged 51, is the Deputy Chairman of the Company. He has been a director since October 1987. Mr. Lam is also the chairman of Lai Sun Development Company Limited and Lai Fung Holdings Limited, an executive director of eSun Holdings Limited and Crocodile Garments Limited, the chairman of Media Asia Entertainment Group Limited, and a director of Wisdoman Limited (a substantial shareholder of the Company). Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He is currently 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 Hong Kong-Vietnam Chamber of Commerce Limited and the Real Estate Developers Association of Hong Kong. Mr. Lam is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. Mr. Lam is the younger brother of Mr. Lam Kin Ming.

Mr. Shiu Kai Wah, aged 76, has been a director since December 1990. He has over 30 years' experience in the management of the garment business.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Lam Kin Hong, Matthew, aged 40, 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.

Mr. Tam Kin Man, Kraven, aged 60, was appointed a director in May 2006. He first joined the Lai Sun Group in 1989 and is currently an executive director of Lai Sun Development Company Limited and Lai Fung Holdings Limited, and a director of Furama Hotel Enterprises Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has 30 years' experience in property development, investment and management. He also has over 18 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Mr. Lam Hau Yin, Lester, aged 27, 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.

Miss Leung Churk Yin, Jeanny, aged 43, was appointed a director with effect from 1 September 2007. She is also an executive director and the chief executive officer of eSun Holdings Limited and an executive director of both Lai Sun Development Company Limited and Lai Fung Holdings Limited. She is also an independent non-executive director of Top Form International Limited. Miss Leung has over 20 years of corporate finance experience in Hong Kong, China and Taiwan.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive Directors

Madam U Po Chu, aged 83, has been a director since December 1990. She is also a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited, an executive director of Lai Fung Holdings Limited and a director of Wisdoman Limited (a substantial shareholder of the Company). Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing, and in the late 1980's also became involved in property development and investment. She is the mother of Mr. Lam Kin Ngok, Peter.

Mr. Chiu Wai, aged 77, has been a director since October 1987. Mr. Chiu has over 45 years' experience in production management.

Madam Lai Yuen Fong, aged 94, has been a director since May 1992. 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. Madam Lai is the mother of Mr. Lam Kin Ming. She 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 in 2005 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 are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Miss Lam Wai Kei, Vicky, aged 36, 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. Miss Lam is a daughter of Mr. Lam Kin Ming.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive Directors (continued)

Mr. Wan Yee Hwa, Edward, aged 72, was appointed an independent non-executive director in March 2002. Mr. Wan is also an independent non-executive director of Lai Sun Development Company Limited and Crocodile Garments Limited. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961. 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. Wan does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Wan does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2005 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Leung Shu Yin, William, aged 59, was appointed an independent non-executive director in July 2002. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a Fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of two Certified Public Accountants' firms in Hong Kong and is also an independent non-executive director of Lai Sun Development Company Limited and several companies listed in Hong Kong. Mr. Leung is also an executive director of another company listed in Hong Kong. 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. Leung does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Leung does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2005 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Chow Bing Chiu, aged 57, 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.

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 acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

As at 31 July 2008, 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)*	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	Nil	30,000,000 *(Note 2)*	Beneficial owner	30,000,000	0.37%

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. During the year under review, 10,000,000 share options granted to the following director lapsed under the share option scheme of Lai Fung. Details of the share options outstanding as at 31 July 2008 are set out below:

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Share Options Outstanding	Option Exercisable Period (dd/mm/yyyy)	Subscription Price per Share
Tam Kin Man, Kraven	09/01/2007	10,000,000	01/01/2008 – 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
		30,000,000		

Save as disclosed above, as at 31 July 2008, 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.

SHARE OPTION SCHEME

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

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2008, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company

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

Note:

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

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2008.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

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

Report of the Directors

DETAILS OF PROPERTIES

The investment properties of the Group are as follows:

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

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

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

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

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

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

Results

	Year ended 31 July				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**14,303**	11,414	347,158	481,725	858,755
PROFIT/(LOSS) BEFORE TAX	**48,841**	281,673	(41,898)	395,320	115,280
Tax	**(3,044)**	(6,369)	(20,012)	(19,948)	(11,448)
PROFIT/(LOSS) FOR THE YEAR	**45,797**	275,304	(61,910)	375,372	103,832
Attributable to:					
Equity holders of the Company	**45,797**	275,304	(120,776)	318,041	82,246
Minority interests	**—**	—	58,866	57,331	21,586
	45,797	275,304	(61,910)	375,372	103,832

Assets, Liabilities and Minority Interests

	As at 31 July				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**1,481**	2,974	4,276	31,708	21,241
Investment properties	**200,800**	156,100	119,100	250,600	265,680
Properties under development	**273,503**	183,529	138,494	233,250	178,150
Goodwill	**—**	—	—	71,907	71,907
Interests in associates	**3,025,253**	2,656,103	2,268,218	2,177,085	1,535,567
Available-for-sale equity investments	**167,784**	474,860	466,946	188,361	—
Loan and interest receivable	**—**	—	40,730	—	—
Promissory note receivable	**167,000**	167,000	167,000	—	—
Deferred tax assets	**—**	—	—	—	13,398
Current assets	**61,981**	79,500	40,851	533,408	400,439
TOTAL ASSETS	**3,897,802**	3,720,066	3,245,615	3,486,319	2,486,382
Current liabilities	**(45,486)**	(23,062)	(15,879)	(174,817)	(356,123)
Interest-bearing bank and other borrowings	**(113,745)**	(59,745)	(31,745)	(100,902)	(38,800)
Note payable	**(195,000)**	(195,000)	(195,000)	(195,000)	(195,000)
Accrued interest payable	**(55,370)**	(41,037)	(23,313)	(6,148)	—
Deferred tax liabilities	**(32,259)**	(26,534)	(20,165)	(20,379)	(12,443)
TOTAL LIABILITIES	**(441,860)**	(345,378)	(286,102)	(497,246)	(602,366)
MINORITY INTERESTS	**—**	—	—	(201,745)	(144,320)
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**3,455,942**	3,374,688	2,959,513	2,787,328	1,739,696

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2008, 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 from the date of the last Annual Report of the Company to the date of this Annual Report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 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
7 November 2008

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 deviation from code provision A.4.1.

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

(2) DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2008.

(3) BOARD OF DIRECTORS

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

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

(3.2) The Board comprises seven executive directors, namely Mr. Lam Kin Ming (Chairman), Mr. Lam Kin Ngok, Peter (Deputy Chairman), Mr. Shiu Kai Wah, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven, Mr. Lam Hau Yin, Lester (also alternate to Madam U Po Chu) and Miss Leung Churk Yin, Jeanny (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 2008. 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	3
Lam Kin Ngok, Peter *(Deputy Chairman)*	4	1
Shiu Kai Wah	4	2
Lam Kin Hong, Matthew	4	2
Tam Kin Man, Kraven	4	4
Lam Hau Yin, Lester	4	3
Leung Churk Yin, Jeanny*	4	4
Non-executive directors		
U Po Chu (alternate: Lam Hau Yin, Lester)	4	3
Chiu Wai	4	0
Lai Yuen Fong (alternate: Lam Wai Kei, Vicky)	4	4
Independent non-executive directors		
Wan Yee Hwa, Edward	4	4
Leung Shu Yin, William	4	4
Chow Bing Chiu	4	4

* *appointed during the year*

(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.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

(5) NON-EXECUTIVE DIRECTORS

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

(6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 18 November 2005, which currently comprises three independent non-executive directors, namely Messrs. Leung Shu Yin, William (Chairman), Wan Yee Hwa, Edward and Chow Bing Chiu, and an executive director, Miss Leung Churk Yin, Jeanny (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, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

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

(7) NOMINATION OF DIRECTORS

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

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK$680,000 for the year under review. Ernst & Young also received fees amounting to HK$219,500 for providing non-audit services (mainly taxation services) to the Company and its subsidiaries during the year.

Corporate Governance Report

(9) AUDIT COMMITTEE

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

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company 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

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 91, which comprise the consolidated and company balance sheets as at 31 July 2008, 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 2008 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

7 November 2008

Consolidated Income Statement

Year ended 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
TURNOVER	6	**14,303**	11,414
Cost of sales		**(2,059)**	(1,961)
Gross profit		**12,244**	9,453
Other revenue and gain	6	**11,030**	21,146
Administrative expenses		**(23,181)**	(30,477)
Other operating income/(expenses)		**(20,212)**	4,059
Fair value gain on investment properties	15	**43,889**	36,394
PROFIT FROM OPERATING ACTIVITIES	7	**23,770**	40,575
Finance costs	8	**(14,483)**	(17,915)
Share of profits and losses of associates		**39,554**	259,013
PROFIT BEFORE TAX		**48,841**	281,673
Tax	11	**(3,044)**	(6,369)
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**45,797**	275,304
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK2.83 cents**	HK17.02 cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,481**	2,974
Investment properties	15	**200,800**	156,100
Properties under development	16	**273,503**	183,529
Interests in associates	18	**3,025,253**	2,656,103
Available-for-sale equity investments	19	**167,784**	474,860
Promissory note receivable	20	**167,000**	167,000
Total non-current assets		**3,835,821**	3,640,566
CURRENT ASSETS			
Debtors, deposits and other receivables	21	**5,476**	7,047
Loan and interest receivables	22	**33,840**	54,052
Cash and cash equivalents	23	**22,665**	18,401
Total current assets		**61,981**	79,500
CURRENT LIABILITIES			
Creditors, deposits received and accruals	24	**44,817**	22,831
Tax payable		**669**	231
Total current liabilities		**45,486**	23,062
NET CURRENT ASSETS		**16,495**	56,438
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,852,316**	3,697,004
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**(113,745)**	(59,745)
Note payable	26	**(195,000)**	(195,000)
Accrued interest payable	26	**(55,370)**	(41,037)
Deferred tax liabilities	27	**(32,259)**	(26,534)
Total non-current liabilities		**(396,374)**	(322,316)
		3,455,942	3,374,688

Consolidated Balance Sheet

31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	28	**16,174**	16,174
Share premium account		**1,908,840**	1,908,840
Asset revaluation reserve		**83,478**	55,494
Share option reserve		**1,440**	747
Hedging reserve		**2,321**	(16,954)
Investment revaluation reserve		**(33,240)**	273,836
Capital reserve		**148,694**	148,694
Exchange fluctuation reserve		**500,284**	206,084
Retained earnings		**827,951**	781,773
		3,455,942	3,374,688

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2008

	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Asset revaluation reserve	Share option reserve	Hedging reserve	Investment revaluation reserve	Capital reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 August 2006	16,174	1,908,840	55,494	—	—	265,331	148,694	58,511	506,469	2,959,513
Changes in fair value of available-for-sale equity investments	—	—	—	—	—	7,914	—	—	—	7,914
Share of reserve movements of an associate	—	—	—	747	(16,954)	591	—	147,573	—	131,957
Total income and expense recognised directly in equity	—	—	—	747	(16,954)	8,505	—	147,573	—	139,871
Profit for the year	—	—	—	—	—	—	—	—	275,304	275,304
Total income and expense for the year	—	—	—	747	(16,954)	8,505	—	147,573	275,304	415,175
At 31 July 2007 and 1 August 2007	16,174	1,908,840	55,494	747	(16,954)	273,836	148,694	206,084	781,773	3,374,688
Changes in fair value of available-for-sale equity investments	—	—	—	—	—	(307,076)	—	—	—	(307,076)
Share of reserve movements of an associate	—	—	27,984	693	19,275	—	—	294,200	381	342,533
Total income and expense recognised directly in equity	—	—	27,984	693	19,275	(307,076)	—	294,200	381	35,457
Profit for the year	—	—	—	—	—	—	—	—	45,797	45,797
Total income and expense for the year	—	—	27,984	693	19,275	(307,076)	—	294,200	46,178	81,254
At 31 July 2008	**16,174**	**1,908,840**	**83,478**	**1,440**	**2,321**	**(33,240)**	**148,694**	**500,284**	**827,951**	**3,455,942**

Consolidated Cash Flow Statement

Year ended 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**48,841**	281,673
Adjustments for:			
Fair value gain on investment properties		**(43,889)**	(36,394)
Interest income from bank deposits	6	**(216)**	(1,686)
Other interest income	6	**(10,741)**	(19,456)
Depreciation	7	**1,493**	1,812
Gain on disposal of items of property, plant and equipment	7	**—**	(220)
Provision for impairment/(reversal of provision for impairment) of loan and interest receivables	7	**20,212**	(4,059)
Finance costs	8	**14,483**	17,915
Share of profits and losses of associates		**(39,554)**	(259,013)
		(9,371)	(19,428)
Increase in amounts due from associates		**(148)**	(185)
Increase in amounts due to associates		**22**	5
Decrease/(increase) in debtors, deposits and other receivables		**588**	(181)
(Decrease)/increase in creditors, deposits received and accruals		**(121)**	7,096
Cash used in operations		**(9,030)**	(12,693)
Hong Kong profits tax refunded		**3,119**	—
Net cash outflow from operating activities		**(5,911)**	(12,693)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loan principal		**—**	(11,700)
Dividend received from an associate		**13,063**	3,265
Interest received		**11,682**	23,651
Additions to investment properties		**(811)**	(606)
Proceeds from disposal of items of property, plant and equipment		**—**	220
Purchases of items of property, plant and equipment		**—**	(510)
Additions to properties under development		**(65,485)**	(44,570)
Net cash outflow from investing activities		**(41,551)**	(30,250)

Consolidated Cash Flow Statement

Year ended 31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank refinancing charges paid		**(646)**	(1,259)
Interest paid on bank loans		**(1,628)**	(89)
New bank borrowings		**54,000**	43,000
Repayment of bank and other borrowings		**—**	(15,000)
Net cash inflow from financing activities		**51,726**	26,652
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,264**	(16,291)
Cash and cash equivalents at beginning of year		**18,401**	34,692
CASH AND CASH EQUIVALENTS AT END OF YEAR		**22,665**	18,401
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	23		
Cash and bank balances		**22,665**	8,401
Non-pledged time deposits with original maturity of less than three months when acquired		**—**	10,000
		22,665	18,401

Balance Sheet

31 July 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,481**	2,974
Investment properties	15	**200,800**	156,100
Interests in subsidiaries	17	**299,778**	311,835
Interests in associates	18	**376,353**	376,227
Available-for-sale equity investments	19	**151,980**	430,132
Promissory note receivable	20	**167,000**	167,000
Total non-current assets		**1,197,392**	1,444,268
CURRENT ASSETS			
Debtors, deposits and other receivables	21	**4,955**	6,269
Cash and cash equivalents	23	**22,429**	17,904
Total current assets		**27,384**	24,173
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**16,022**	16,058
Tax payable		**669**	231
Total current liabilities		**16,691**	16,289
NET CURRENT ASSETS		**10,693**	7,884
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,208,085**	1,452,152
NON-CURRENT LIABILITIES			
Interest-bearing other borrowings	25	**(31,745)**	(31,745)
Note payable	26	**(195,000)**	(195,000)
Accrued interest payable	26	**(55,370)**	(41,037)
Deferred tax liabilities	27	**(32,259)**	(26,534)
Total non-current liabilities		**(314,374)**	(294,316)
		893,711	1,157,836
EQUITY			
Issued capital	28	**16,174**	16,174
Reserves	30(b)	**877,537**	1,141,662
		893,711	1,157,836

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Notes to Financial Statements

31 July 2008

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and available-for-sale equity investments, which have been measured at fair 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 Group for the year ended 31 July 2008. 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, for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material impact on these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

Notes to Financial Statements

31 July 2008

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

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendment to HKAS 1 Presentation of Financial Statements – Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 36 to the financial statements.

(b) Amendments to HKAS 39 and HKFRS 7 Reclassification of Financial Assets

HKAS 39 and HKFRS 7 (Amendments) permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

(c) HKFRS 7 Financial Instruments: Disclosures

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(d) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 August 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

(e) HK(IFRIC)-Int 11 HKFRS 2 - Group and Treasury Share Transactions

The interpretation requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. The interpretation also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

Notes to Financial Statements

31 July 2008

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 that have been issued but are not yet effective, in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 Amendment	Share-based Payment[1]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 1 July 2009

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

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in a single statement, or in two linked statements. The Group is evaluating whether it will have one or more statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting treatment for attributing losses to the non-controlling interest as well as the loss of control of a subsidiary. The changes introduced by the revisions to HKAS 27 will be applied by the Group prospectively as required under the revised standards and will affect future acquisitions and transactions of the Group with minority interests.

HKAS 32 and HKAS 1 (Amendments) are relevant to entities that have issued financial instruments that are (a) puttable financial instruments, and (b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. As the Group currently has no such arrangements, the amendments are unlikely to have any financial impact on the Group.

HKFRS 2 (Amendments) restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Group has not entered into any share-based payment schemes with vesting conditions attached, the amendment is unlikely to have any financial impact on the Group.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by the revisions to HKFRS 3 will be applied by the Group prospectively as required under the revised standards and will affect future acquisitions and transactions of the Group.

Notes to Financial Statements

31 July 2008

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

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of HKAS 11 Construction Contracts or HKAS 18 Revenue and when revenue from the construction should be recognised.

An agreement for the construction of real estate meets the definition of a construction contract when the buyer is able to specify:

- the major structural elements of the design of the real estate before construction begins; and/or
- major structural changes once construction is in progress (whether it exercises that ability or not).

In contrast, if construction could take place independently of the agreement and buyers have only limited ability to influence the design of the real estate (e.g. to select a design from a range of options specified by the entity, or to specify only minor variations to the basic design), the agreement will be for the sale of goods or the rendering of services and within the scope of HKAS 18.

Notes to Financial Statements

31 July 2008

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

Where the agreement falls within the scope of HKAS 18, and the entity is responsible only for assembling materials supplied by others (i.e. it has no inventory risk for the construction materials), the agreement is an agreement for the rendering of services. In such circumstances, revenue is recognised by reference to the stage of completion of the transaction using the percentage of completion method. An agreement for the construction of real estate will be an agreement for the sale of goods under HKAS 18 if it involves the provision of services together with construction materials. Revenue can only be recognised when the entity has transferred to the buyer control and the significant risks and rewards of ownership of the goods. As the agreements for construction of real estate entered into by the Group are within the scope HKAS 18, the interpretation is unlikely to have any impact on the Group's results of operations and financial position.

HK(IFRIC)-Int 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with HKAS 39. As the Group currently has no hedging instruments, HK(IFRIC)-Int 16 is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

Notes to Financial Statements

31 July 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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 certain financial assets and investment properties is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

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

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

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

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

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

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

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

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at 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 2008

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

Properties under development

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

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

Investment properties

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

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

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

Notes to Financial Statements

31 July 2008

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

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

Loans and receivables

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

Available-for-sale equity investments

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

Fair value

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

Notes to Financial Statements

31 July 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Available-for-sale equity investments

If an available-for-sale investment 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Revenue recognition

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

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

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

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

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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 29 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

Paid leave carried forward

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance and defined contribution retirement schemes (the "Contribution Schemes") for those employees who are eligible to participate in the respective schemes during the year. The assets of the schemes are held separately from those of the Group in the respective independently administered funds. Contributions to the MPF Scheme and the Contribution Schemes are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the respective schemes. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, while under the Contribution Schemes, when an employee leaves the scheme prior to his/her interest in the Group's contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Impairment of assets

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

Estimation uncertainty

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

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

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

The carrying amounts of investment properties at fair values as at 31 July 2008 was HK$200,800,000 (2007: HK$156,100,000) (note 15).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

Total budgeted costs for properties under development comprise (a) prepaid land lease payments, (b) building costs, and (c) 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 (a) current offers from contractors and suppliers, (b) recent offers agreed with contractors and suppliers, and (c) professional estimation on construction and material costs.

The carrying amount of properties under development as at 31 July 2008 was HK$273,503,000 (2007: HK$183,529,000) (note 16).

(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.

(iv) Impairment of loan and interest receivables

The Group regularly conducts assessments on possible losses resulting from the inability of the borrower to settle the loan and interest receivables due to the Group. Taking into account the current acute economic and market conditions, the Group has, based on the information provided and representations made by the borrower, made a provision for impairment of HK$20,212,000 for the loan and interest receivables in the current year. If there is any change in the financial conditions in respect of the information provided and representations made by the borrower, the amount of provision for impairment made would be different from that provided for in the consolidated financial statements.

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4. SEGMENT INFORMATION

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

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

(a) the property development segment engages in property development;

(b) the property investment segment engages in the leasing of commercial premises.

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

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4. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2008 and 2007:

Group

	Property development		Property investment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**—**	—	**14,303**	11,414	**14,303**	11,414
Segment results	**(9)**	(8)	**56,133**	45,847	**56,124**	45,839
Interest income and unallocated other revenue and gain					**11,030**	21,146
Unallocated expenses					**(43,384)**	(26,410)
Profit from operating activities					**23,770**	40,575
Finance costs					**(14,483)**	(17,915)
Share of profits and losses of associates					**39,554**	259,013
Profit before tax					**48,841**	281,673
Tax					**(3,044)**	(6,369)
Profit for the year					**45,797**	275,304
Assets and liabilities:						
Segment assets	**274,024**	184,308	**201,056**	156,492	**475,080**	340,800
Interests in associates					**3,025,253**	2,656,103
Unallocated assets					**397,469**	723,163
Total assets					**3,897,802**	3,720,066
Segment liabilities	**28,917**	6,787	**4,183**	3,778	**33,100**	10,565
Unallocated liabilities					**408,760**	334,813
Total liabilities					**441,860**	345,378
Other segment information:						
Depreciation -unallocated amounts					**1,493**	1,812
Fair value gain on investment properties	**—**	—	**(43,889)**	(36,394)	**(43,889)**	(36,394)
Capital expenditure	**87,594**	44,570	**811**	606	**88,405**	45,176
Unallocated amounts					**—**	510
					88,405	45,686

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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	
		2008	2007
	Notes	**HK$'000**	HK$'000
Rental expenses and building management fees paid and payable to related companies	(i)	**688**	844
Interest expense on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(ii)	**14,333**	17,724
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iii)	**10,557**	13,053
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(iv)	**8,520**	8,520

Notes:

(i) Rental expenses and building management fees 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.

(ii) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the other borrowing (note 25(b)) and note payable (note 26).

(iii) The interest income was charged on the promissory note receivable from Lai Fung, details of which are set out in note 20 to the financial statements.

(iv) In consideration of CGL pledging the Property (as defined in note 16) as security for the construction finance of a joint development project of the Group and CGL, details of which are set out in note 16 to the financial statements, the Group agreed to make quarterly payments of HK$2,130,000 to CGL for the period from the date of delivery of vacant possession of the Property for development to the date of issuance of a certificate of practical completion of construction. Mr. Lam Kin Ming, a director of the Company, is a major beneficial shareholder of CGL.

5. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Group	
	2008	2007
	HK$'000	HK$'000
Short term employee benefits	**6,610**	8,945
Post-employment benefits	**24**	25
Total compensation paid to key management personnel	**6,634**	8,970

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

6. TURNOVER, OTHER REVENUE AND GAIN

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

	Group	
	2008	2007
	HK$'000	HK$'000
Turnover		
Gross rental income	**12,725**	10,072
Property management fee income	**1,578**	1,342
	14,303	11,414
Other revenue and gain		
Interest income from bank deposits	**216**	1,686
Other interest income	**10,741**	19,456
Others	**73**	4
	11,030	21,146

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7. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2008	2007
	HK$'000	HK$'000
Auditors' remuneration	**680**	600
Depreciation	**1,493**	1,812
Minimum lease payments under operating leases in respect of land and buildings	**978**	1,626
Employee benefits scheme (including directors' remuneration (note 9)):		
Wages and salaries	**12,736**	16,027
Pension scheme contributions	**187**	213
	12,923	16,240
Gain on disposal of items of property, plant and equipment	**—**	(220)
Provision for impairment/(reversal of provision for impairment) of loan and interest receivables (included in other operating income/(expenses))	**20,212**	(4,059)
Gross rental and property management fee income	**(14,303)**	(11,414)
Less: Outgoings	**1,011**	1,033
	(13,292)	(10,381)

8. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**1,645**	176
Other borrowings and note payable wholly repayable within five years	**14,333**	17,724
Total interest expenses	**15,978**	17,900
Bank financing charges	**885**	480
	16,863	18,380
Less: Amount capitalised in properties under development (note 16)	**(2,380)**	(465)
	14,483	17,915

9. DIRECTORS' REMUNERATION

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

	Group	
	2008	2007
	HK$'000	HK$'000
Fees	**544**	528
Other emoluments:		
Salaries, allowances and benefits in kind	**6,066**	8,417
Pension scheme contributions	**24**	25
	6,090	8,442
	6,634	8,970

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9. DIRECTORS' REMUNERATION (continued)

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

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

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2007: four directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2007: one) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,256**	618
Pension scheme contributions	**12**	12
	1,268	630

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

	Number of employees	
	2008	2007
HK$500,001 - HK$1,000,000	2	1

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2008	2007
	HK$'000	HK$'000
Current tax		
Charge for the year	**669**	—
Overprovision in prior years	**(3,350)**	—
	(2,681)	—
Deferred tax		
Current year (note 27)	**7,241**	6,369
Change in profits tax rate (note 27)	**(1,516)**	—
	5,725	6,369
Tax charge for the year	**3,044**	6,369

11. TAX (continued)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Profit before tax	**48,841**	281,673
Tax at the statutory rate of 16.5% (2007: 17.5%)	**8,059**	49,293
Effect of change in tax rate on opening deferred tax	**(1,516)**	—
Adjustments in respect of current tax of previous periods	**(3,350)**	—
Profits and losses attributable to associates	**(6,526)**	(45,327)
Income not subject to tax	**(36)**	(1,005)
Expenses not deductible for tax	**6,708**	3,375
Utilisation of tax losses of previous periods	**(321)**	—
Tax losses not recognised	**26**	33
Tax charge for the year	**3,044**	6,369

12. PROFIT FOR THE YEAR OF THE COMPANY

The Company's profit for the year ended 31 July 2008 dealt with in the financial statements of the Company was HK$14,027,000 (2007: HK$19,193,000) (note 30(b)).

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

The calculation of basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of HK$45,797,000 (2007: HK$275,304,000) and the weighted average number of 1,617,423,423 (2007: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 July 2008 and 2007 have not been disclosed as no diluting event existed during both years.

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14. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:				
At 1 August 2006	7,465	11,231	16,951	35,647
Additions	117	393	—	510
Disposals	—	(1,020)	—	(1,020)
At 31 July 2007 and 1 August 2007	7,582	10,604	16,951	35,137
Write off	—	(5,000)	—	(5,000)
At 31 July 2008	**7,582**	**5,604**	**16,951**	**30,137**
Accumulated depreciation:				
At 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 and 1 August 2007	5,137	10,075	16,951	32,163
Depreciation provided during the year	1,226	267	—	1,493
Write off	—	(5,000)	—	(5,000)
At 31 July 2008	**6,363**	**5,342**	**16,951**	**28,656**
Net book value:				
At 31 July 2008	**1,219**	**262**	**—**	**1,481**
At 31 July 2007	2,445	529	—	2,974

15. INVESTMENT PROPERTIES

	Group and Company	
	2008	2007
	HK$'000	HK$'000
Carrying amount at beginning of year	**156,100**	119,100
Additions, at cost	**811**	606
Gain on revaluation	**43,889**	36,394
Carrying amount at end of year	**200,800**	156,100

The investment properties on 31 July 2008 were revalued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$200,800,000 (2007: HK$156,100,000) on an open market, existing use basis.

The Group's and the Company's investment properties as at 31 July 2008 are situated in Hong Kong and are held under medium term leases.

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

At 31 July 2008, certain investment properties of the Group and of the Company with an aggregate carrying amount of HK$195,900,000 (2007: HK$152,200,000) were pledged to a bank to secure banking facilities granted by the bank to the Group.

Further details of the Group's investment properties are included on page 22.

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**183,529**	138,494
Additions during the year	**87,594**	44,570
Interest and bank refinancing charges capitalised (note 8)	**2,380**	465
At end of year	**273,503**	183,529

The Group's properties under development as at 31 July 2008 are situated in Hong Kong and are held under long term leases. These properties are carried at cost.

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16. PROPERTIES UNDER DEVELOPMENT (continued)

Joint development of a property with CGL

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

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

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

16. PROPERTIES UNDER DEVELOPMENT (continued)

Joint development of a property with CGL (continued)

On completion of the construction of the New Building, according to the Development Agreement, the ownership of the New Building shall be allocated and distributed between Unipress and CGL in proportion of 1 to 1.4 in terms of the gross floor area. Assuming a total gross floor area of 240,000 square feet of the New Building 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.

At 31 July 2008, a HK$361 million term loan facility granted by a bank in Hong Kong for financing in full the estimated construction costs of the New Building was secured by, inter alia, the Property. Details of the loan arrangement are set out in note 25(a) to the financial statements.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**486**	486
Amounts due from subsidiaries	**1,104,726**	1,096,542
Amounts due to subsidiaries	**(289,176)**	(289,147)
	815,550	807,395
Provision for impairment	**(516,258)**	(496,046)
	299,292	311,349
	299,778	311,835

The balances with subsidiaries as at 31 July 2008 are unsecured, non-interest-bearing and have no fixed terms of repayment. At 31 July 2007, an amount due from a subsidiary to the extent of HK$55,000,000 bore an interest at a rate of 27% per annum. The remaining amounts due from subsidiaries were non-interest bearing. The carrying amounts of balances with subsidiaries approximate to their fair values.

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

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17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 July 2008 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Joy Mind Limited	Hong Kong	HK$2	100	—	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 Investments Limited	Hong Kong	HK$1	—	100	Property development

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

As at 31 July 2008, the entire interest in Unipress is pledged to a bank to secure the banking facilities as referred to in note 25(a).

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18. INTERESTS IN ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Shares listed in Hong Kong, at cost	**—**	—	**376,436**	376,436
Share of net assets	**3,025,336**	2,656,312	**—**	—
	3,025,336	2,656,312	**376,436**	376,436
Amounts due from associates	**2,873**	2,725	**2,873**	2,725
Amounts due to associates	**(2,000)**	(1,978)	**(2,000)**	(1,978)
	3,026,209	2,657,059	**377,309**	377,183
Provision for impairment	**(956)**	(956)	**(956)**	(956)
	3,025,253	2,656,103	**376,353**	376,227
Market value of listed shares at balance sheet date	**568,230**	1,518,545	**325,242**	869,181

Balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$2,873,000 (2007: HK$2,725,000) as at 31 July 2008 due from an associate which bears interest at the prevailing market rate. The carrying amounts of balances with associates approximate to their fair values.

Particulars of the principal associate as at 31 July 2008 are as follows:

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

Note:

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

The above table lists the associates 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.

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18. INTERESTS IN ASSOCIATES (continued)

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

	2008 HK$'000	2007 HK$'000
Assets	**12,365,880**	10,429,709
Liabilities	**5,046,262**	4,158,444
Revenues	**868,320**	792,682
Profit	**205,853**	470,114

19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group		Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Listed equity investments in Hong Kong, at fair value	**167,784**	474,860	**151,980**	430,132

Available-for-sale equity investments at 31 July 2008 represented 11.18% (2007: 11.18%) and 10.12% (2007: 10.12%) equity investments in ordinary shares of Lai Sun Development Company Limited ("LSD") held by the Group and the Company, respectively. Particulars of LSD at the balance sheet date are as follows:

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

During the year, the fair value loss on the available-for-sale equity investments of the Group and the Company recognised directly in equity amounted to HK$307,076,000 (2007: gain of HK$7,914,000) and HK$278,152,000 (2007: gain of HK$7,169,000), respectively.

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

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20. PROMISSORY NOTE RECEIVABLE

Promissory Note, being part of the consideration arising from the disposal of Assetop Asia Limited, a former subsidiary of the Company, 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.

21. 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 payment due date, at the balance sheet date is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Debtors:				
Less than 90 days past due	**239**	378	**239**	378
91 to 180 days past due	**1**	14	**1**	14
181 to 365 days past due	**16**	—	**16**	—
	256	392	**256**	392
Deposits and other receivables	**5,220**	6,655	**4,699**	5,877
	5,476	7,047	**4,955**	6,269

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

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22. LOAN AND INTEREST RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Loan principal	**55,000**	55,000
Interest receivable	**2,693**	2,693
	57,693	57,693
Provision for impairment	**(23,853)**	(3,641)
	33,840	54,052

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

	2008	2007
	HK$'000	HK$'000
At 1 August	**3,641**	7,700
Impairment losses recognised/(reversed) (note 7)	**20,212**	(4,059)
At 31 July	**23,853**	3,641

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

Taking into account the current acute economic and market conditions, the Group has, based on the information provided and representations made by the Borrower, made a provision for impairment of HK$20,212,000 for the carrying amount of the loan and interest receivables in the current year.

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23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**22,665**	8,401	**22,429**	7,904
Time deposits, unpledged	**—**	10,000	**—**	10,000
Cash and cash equivalents	**22,665**	18,401	**22,429**	17,904

Cash at banks earns interest at floating rates based on daily bank deposit 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 bank balances and pledged deposits are deposited with creditworthy banks with no history of default.

24. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

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

	Group	
	2008	2007
	HK$'000	HK$'000
Creditors aged within 90 days	**21,118**	3,803
Deposits received, other payables and accruals	**23,699**	19,028
	44,817	22,831

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

Notes to Financial Statements

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank loan, secured	(a)	**82,000**	28,000	**—**	—
Other borrowings, unsecured	(b)	**31,745**	31,745	**31,745**	31,745
		113,745	59,745	**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. Pursuant to an undertaking entered into between Unipress and the Bank on 8 February 2007 (the "Undertaking"), Unipress has undertaken to pay to the Bank as the principal obligor each amount due and payable under the Loan Facility. In addition, the Company has entered into a guarantee with the Bank on 8 February 2007 pursuant to which the Company has guaranteed to the Bank the due and prompt payment by the CGL Subsidiary and Unipress the amounts payable by CGL Subsidiary and Unipress under the Loan Facility.

The bank loan bears interest at prevailing market rate and the entire interest in Unipress was pledged to the bank loan. The outstanding loan principal under the Loan Facility will be repayable in full in the financial year ending 31 July 2010.

(b) Other borrowings as at 31 July 2008 was a loan of HK$31,745,000 (2007: 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 2008, 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 2008.

26. 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 was due on 30 April 2006.

On 31 July 2008, 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 2008.

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

The carrying amounts of the Group's note payable and accrued interest payable approximate to their fair values at the balance sheet date.

27. DEFERRED TAX

Deferred tax has been calculated at a rate of 16.5% (2007: 17.5%) on cumulative temporary differences at the balance sheet date. Movements in deferred tax liabilities during the year are as follows:

	Group and Company Revaluation of properties HK$'000
At 1 August 2006	20,165
Deferred tax charged to the income statement during the year (note 11)	6,369
At 31 July 2007 and 1 August 2007	26,534
Effect of change in tax rate (note 11)	(1,516)
Deferred tax charged to the income statement during the year (note 11)	7,241
At 31 July 2008	**32,259**

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28. SHARE CAPITAL

	2008 **HK$'000**	2007 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (2007: 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 (2007: 1,617,423,423 ordinary shares of HK$0.01 each)	**16,174**	16,174

29. SHARE OPTION SCHEME

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

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

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

29. SHARE OPTION SCHEME (continued)

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.

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 2008, no share options had been granted under the Share Option Scheme.

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30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 34 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 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 19)	—	—	7,169	—	7,169
Profit for the year (note 12)	—	—	—	19,193	19,193
At 31 July 2007 and 1 August 2007	1,908,840	55,494	248,043	(1,070,715)	1,141,662
Changes in fair values of available-for-sale equity investments (note 19)	—	—	(278,152)	—	(278,152)
Profit for the year (note 12)	—	—	—	14,027	14,027
At 31 July 2008	**1,908,840**	**55,494**	**(30,109)**	**(1,056,688)**	**877,537**

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31. CONTINGENT LIABILITIES

(a) During the year ended 31 July 2006, the Company disposed of its entire interests in Assetop Asia Limited ("Assetop"), a then wholly-owned subsidiary of the Group, to Goldthorpe Limited ("Goldthorpe"), a wholly-owned subsidiary of Lai Fung. The principal asset held by Assetop is a property under development in Shanghai, the People's Republic of China (the "PRC"). Certain subsidiaries of Assetop in the PRC underwent merger by absorption and completion of the merger was conditional upon approval of the relevant PRC government authorities. During the year ended 31 July 2007, the aforementioned merger of the PRC subsidiaries of Assetop had been completed. The Company had agreed to indemnify Lai Fung and Goldthorpe against all losses incurred by Lai Fung and Goldthorpe for the resettlement costs of approximately RMB124 million, which had been incurred and paid in prior years in connection with the relocation of the original inhabitants and the demolition of the then building structure erected on the property under development (the "Resettlement Costs"), not being tax deductible, up to a maximum amount of HK$102,000,000, which was estimated based on the prevailing tax regulations. The Resettlement Costs are properly incurred for the project and are properly recorded in the books of the PRC subsidiaries of Assetop. The liability of the Company under this indemnity will terminate on 29 May 2012 (being six years after the completion of the Assetop disposal). Based on the prevailing rules and regulations, the directors of the Company consider such Resettlement Costs are tax deductible and thus no material liabilities are expected to crystallise under this indemnity.

(b) Other than the contingent liabilities disclosed as above, contingent liabilities in respect of the bank loan as referred to note 25(a) not provided for in the financial statements of the Company at the balance sheet date amounted to HK$82,000,000 (2007: HK$28,000,000), being the outstanding principal payable as at the balance sheet date.

32. PLEDGE OF ASSETS

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

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33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years (2007: 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	
	2008	2007
	HK$'000	HK$'000
Within one year	**12,285**	10,314
In the second to fifth years, inclusive	**4,665**	7,832
	16,950	18,146

(b) As lessee

The Group leases its office premises under operating lease arrangements. Leases for properties are negotiated for terms of two years (2007: 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	
	2008	2007
	HK$'000	HK$'000
Within one year	**282**	224
In the second to fifth years, inclusive	**118**	—
	400	224

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34. CAPITAL COMMITMENTS

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

	Group	
	2008	2007
	HK$'000	HK$'000
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	**214,170**	18,097
Authorised, but not contracted for	**31,706**	308,270
	245,876	326,367

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35. FINANCIAL INSTRUMENTS BY CATEGORY

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

2008 — **Group**

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amounts due from associates	1,917	—	1,917
Available-for-sale equity investments	—	167,784	167,784
Debtors and other receivables	3,936	—	3,936
Promissory note receivable	167,000	—	167,000
Loan and interest receivables	33,840	—	33,840
Cash and cash equivalents	22,665	—	22,665
	229,358	167,784	397,142

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to associates	2,000
Creditors and other payables	38,544
Interest-bearing bank and other borrowings	113,745
Note payable	195,000
Accrued interest payable	55,370
	404,659

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2007 — Group

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amounts due from associates	1,769	—	1,769
Available-for-sale equity investments	—	474,860	474,860
Debtors and other receivables	5,357	—	5,357
Promissory note receivable	167,000	—	167,000
Loan and interest receivables	54,052	—	54,052
Cash and cash equivalents	18,401	—	18,401
	246,579	474,860	721,439

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to associates	1,978
Creditors and other payables	16,952
Interest-bearing bank and other borrowings	59,745
Note payable	195,000
Accrued interest payable	41,037
	314,712

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35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	2008 Loans and receivables HK$'000	2008 Available-for-sale financial assets HK$'000	2008 Total HK$'000	2007 Loans and receivables HK$'000	2007 Available-for-sale financial assets HK$'000	2007 Total HK$'000
Amounts due from subsidiaries	588,468	—	588,468	600,496	—	600,496
Amounts due from associates	1,917	—	1,917	1,769	—	1,769
Available-for-sale investments	—	151,980	151,980	—	430,132	430,132
Debtors and other receivables	3,415	—	3,415	4,579	—	4,579
Promissory note receivable	167,000	—	167,000	167,000	—	167,000
Cash and cash equivalents	22,429	—	22,429	17,904	—	17,904
	783,229	151,980	935,209	791,748	430,132	1,221,880

Financial liabilities

	2008 Financial liabilities at amortised cost HK$'000	2007 Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	289,176	289,147
Amounts due to associates	2,000	1,978
Creditors and other payables	9,626	10,141
Interest-bearing other borrowings	31,745	31,745
Note payable	195,000	195,000
Accrued interest payable	55,370	41,037
	582,917	569,048

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Interest rate risks

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

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

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

	Group			Company	
	Decrease in interest rate (in percentage)	**Increase in profit** HK$'000	**Increase in equity** HK$'000	**Decrease in interest rate (in percentage)**	**Increase in equity** HK$'000
2008	0.5%	595	595	0.5%	187
2007	0.5%	347	347	0.5%	209

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity risk

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

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

Group

		2008	
	Less than 3 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to associates	—	2,000	2,000
Creditors and other payables	38,544	—	38,544
Interest-bearing bank and other borrowings	—	117,878	117,878
Note payable	—	205,238	205,238
Accrued interest payable	—	55,370	55,370
	38,544	380,486	419,030

		2007	
	Less than 3 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to associates	—	1,978	1,978
Creditors and other payables	16,952	—	16,952
Interest-bearing bank and other borrowings	—	65,293	65,293
Note payable	—	210,113	210,113
Accrued interest payable	—	41,037	41,037
	16,952	318,421	335,373

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity risk (continued)

Company

	2008		
	Less than 3 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Amounts due to subsidiaries	**—**	**289,176**	**289,176**
Amounts due to associates	**—**	**2,000**	**2,000**
Creditors	**9,626**	**—**	**9,626**
Interest-bearing bank and other borrowings	**—**	**33,412**	**33,412**
Note payable	**—**	**205,238**	**205,238**
Accrued interest payable	**—**	**55,370**	**55,370**
	9,626	**585,196**	**594,822**

	2007		
	Less than 3 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to subsidiaries	—	289,147	289,147
Amounts due to associates	—	1,978	1,978
Creditors	10,141	—	10,141
Interest-bearing bank and other borrowings	—	34,205	34,205
Note payable	—	210,113	210,113
Accrued interest payable	—	41,037	41,037
	10,141	576,480	586,621

(iii) Credit risk

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

Notes to Financial Statements

31 July 2008

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale equity investments (note 19) as at 31 July 2008. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the balance sheet date.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Change in equity	**8,389**	23,743	**7,599**	21,507

(v) Capital management

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

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Capital management (continued)

The Group monitors capital using a gearing ratio, which is total of note payable and bank and other borrowings divided by the total equity. The Group's policy is to maintain the gearing ratio at a moderate level which stands at 8.9% at 31 July 2008. Total equity includes mainly equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Note payable	**195,000**	195,000
Interest-bearing bank and other borrowings	**113,745**	59,745
Total debts	**308,745**	254,745
Equity attributable to equity holders of the Company	**3,455,942**	3,374,688
Gearing ratio	**8.9%**	7.6%

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 7 November 2008.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 23 December 2008 at 11:30 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 2008;

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

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

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

   "THAT

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

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

   (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of ordinary shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company; or (iii) an issue of ordinary shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of ordinary shares in the Company under any option scheme or similar arrangement for the grant or issue of ordinary shares in the Company or rights to acquire ordinary shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued ordinary share capital of the Company 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, 7 November 2008

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, Mr. Lam Kin Ming, Madam Lai Yuen Fong, Mr. Wan Yee Hwa, Edward and Mr. Leung Shu Yin, William retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election pursuant to Article 102 of the Company's Articles of Association. Details of the above directors are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of the Annual Report 2007-2008 of the Company.

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

(5) In 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.