LAI SUN DEVELOPMENT

LAI SUN DEVELOPMENT COMPANY LIMITED

(Stock code: 488)

Annual Report 2008-2009

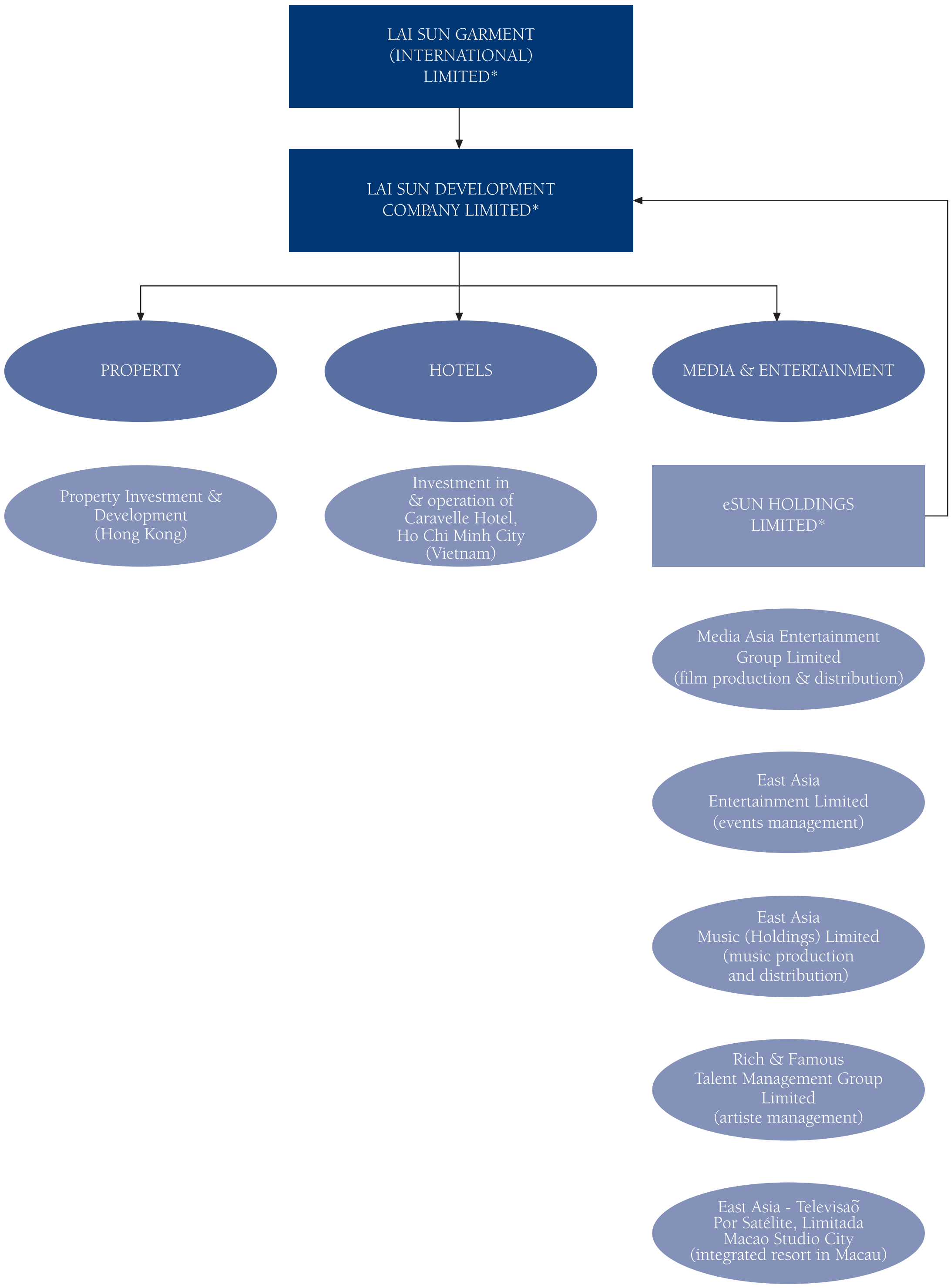
Contents

Lai Sun Development Company Limited
11/F Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong
Tel (852) 2741 0391 **Fax** (852) 2785 2775
Website http://www.laisun.com
E-mail advpr@laisun.com

Stock code on Hong Kong Stock Exchange: 488

Corporate Profile

Lai Sun Development Company Limited is a member of the Lai Sun Group which obtained its first listing on the Hong Kong stock exchange in late 1972. The Company is well diversified and its principal activities include property development and investment in Hong Kong, hotel operation and management, media and entertainment business. The Company was listed on The Stock Exchange of Hong Kong Limited in March 1988 following a reorganisation 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 Ngok, Peter *(Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Tam Kin Man, Kraven
Cheung Wing Sum, Ambrose
Leung Churk Yin, Jeanny
Lam Kin Ming
U Po Chu
Lam Bing Kwan*
Leung Shu Yin, William*
Wan Yee Hwa, Edward*

* *Independent non-executive director*

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

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

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

Solicitors
Richards Butler
in association with Reed Smith LLP
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

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

Lo & Lo
Room 3501, 35th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Bankers
Bank of China (Hong Kong) Limited
Citibank, N.A.
China Construction Bank Corporation
Hong Kong Branch
Chong Hing Bank Limited
Hang Seng Bank Limited
Oversea-Chinese Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
The Bank of East Asia Limited
The Hongkong and Shanghai
Banking Corporation Limited

Chairman's Statement

Chairman LAM Kin Ngok, Peter

OVERVIEW OF FINAL RESULTS

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

During the year under review, the Group recorded a fair value loss on investment properties of HK$145,748,000 (2008: a gain of HK$721,604,000) as a result of the adverse economic conditions from the global financial turmoil since the fourth quarter of 2008. During this year, the Group did not record any gain on disposal whereas in the previous year, the Group recorded a gain on disposal of HK$699,036,000 for the disposal of a 26.57% interest in Diamond String Limited, which owns the former The Ritz-Carlton Hong Kong property. During this year, the Group recorded a reversal of provision for tax indemnity of approximately HK$11,936,000 (2008: a provision of HK$464,632,000). Such provision was made in the financial year of 2008 in respect of certain tax indemnity granted by the Group to Lai

Chairman's Statement

Fung Holdings Limited ("Lai Fung") in November 1997 at the time of effecting the separate listing of Lai Fung on The Stock Exchange of Hong Kong Limited (Details of such tax indemnity and provision are set out in Note 35(c) to the financial statements of the Group). Mainly as a result of the above exceptional items, the Group recorded a profit from operating activities of HK$11,333,000 during the year ended 31 July 2009, versus a profit from operating activities of HK$1,240,831,000 in the previous year.

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

As a result of decreases in interest rate, finance costs of the Group decreased to HK$58,479,000 (2008: HK$104,078,000).

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

Shareholders' equity as at 31 July 2009 amounted to HK$7,093,474,000, down from HK$7,326,935,000 as at 31 July 2008. Net asset value per share as at 31 July 2009 was HK$0.501, as compared to HK$0.517 as at 31 July 2008.

DIVIDENDS

The directors do not recommand the payment of an ordinary dividend for the year ended 31 July 2009 (2008: Nil).

Chairman's Statement

BUSINESS REVIEW

Investment Properties

The Group wholly owns three major investment properties for rental purposes, i.e. Causeway Bay Plaza 2, Cheung Sha Wan Plaza and Lai Sun Commercial Centre. For the year ended 31 July 2009, aggregate gross rental income from investment properties contributed to the Group's turnover of approximately HK$340,980,000 (2008: HK$331,400,000), slightly up by approximately 2.9% from the previous year. As at 31 July 2009, overall occupancy of the Group's investment properties remained high at 96%.

Development Properties

3 Connaught Road Central Project (Redevelopment of the former The Ritz-Carlton Hong Kong site)

This joint redevelopment project is a 50:50 joint venture between the Group and a wholly-owned subsidiary of China Construction Bank Corporation ("CCB"). The buildable gross floor area for the redevelopment is approximately 225,000 square feet. The redeveloped office tower will become a landmark property in Central, Hong Kong. Part of the redeveloped property, upon its completion, will be used by CCB as offices of its Hong Kong operations. Total construction cost of the project is estimated to be about HK$1,100,000,000.

Demolition work of the former The Ritz-Carlton Hong Kong hotel property was completed in January 2009. Foundation work is in progress which is expected to complete in the first quarter of 2010, and above-ground construction work will start thereafter. The entire redevelopment work is now expected to be completed in early 2012.

Wood Road Project, Wanchai

This joint residential development project is a 50:50 joint venture between the Group and a unit of the AIG Global Real Estate Investment (Asia) LLC. The development has a planned total gross floor area of approximately 140,000 square feet and total development cost is estimated to be about HK$1,300,000,000.

Foundation work was started in November 2007 and had been completed in September 2008. Above-ground construction work is scheduled for completion by the second half of 2011. Pre-sale of the residential units is expected to commence in the first half of 2010.

Tai Po Road Project
(architectual rendering)

Macao Studio City
(architectual rendering)

Wood Road Project
(architectual rendering)

3 Connaught Road Central, Hong Kong
(architectual rendering)

Causeway Bay Plaza 2

Cheung Sha Wan Plaza

Lai Sun Commercial Centre

Chairman's Statement

Tai Po Road Project, Kowloon

The Group wholly owns this development project. The development project has a planned total gross floor area of about 60,000 square feet mainly for residential use and total development cost is now estimated to be about HK$500,000,000.

Foundation work started in mid-April 2008 and had been completed in September 2008. Superstructure work has been started thereafter and is scheduled for completion in the first half of 2010. Pre-sale of the residential units is planned to commence by the end of 2009.

Yau Tong Project, Kowloon

The Group completed the purchase of a site located at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong in September 2008. The consideration of purchase was HK$188,000,000. The Group wholly owns this development project.

The site covers an area of approximately 17,760 square feet. During the year, the Group applied to the government and completed lease modification of the site to non-industrial use and has paid relevant land premium. The Group intends to develop the site into a residential-cum-commercial property with a total gross floor area of about 106,000 square feet.

Foundation work will start in 2010 and the entire construction is scheduled for completion by 2012.

Hotel Operations

For the year ended 31 July 2009, hotel and restaurant operations contributed HK$284,335,000 (2008: HK$469,979,000) to the Group's turnover, down approximately 39.5% from the previous year. The decrease in turnover was due to the lack of contribution during the year ended 31 July 2009 from the hotel operations of the former The Ritz-Carlton Hong Kong which ceased operations since 1 February 2008. In substance, most of the hotel and restaurant turnover was derived from the Group's operation of Caravelle Hotel in Ho Chi Minh City, Vietnam. For the year ended 31 July 2009, Caravelle Hotel achieved an average occupancy of 48% (2008: 64%) and average daily room rate of US$192 (2008: US$205).

Chairman's Statement

eSun

eSun's principal businesses are media and entertainment and the development of the Macao Studio City project through its 40% effectively-owned jointly controlled entity.

For the year under review, the Group's share of eSun's losses (before taking into account the Group's further share of eSun's result arising from eSun's share of the results of the Group) included in the Group's share of results of associates was HK$118,542,000 (2008: HK$118,147,000). Since eSun holds a 36.72% equity interest in the Company, eSun is required to equity account for the results of the Group. As the Group also holds a 36.08% equity interest in eSun, the Group is required to further take up eSun's share of the Group's results. The effect of such recurring process leads to the Group taking up a further loss of HK$13,572,000 (2008: a profit of HK$143,808,000) and such amount is included in the Group's share of results of associates.

Taking into account the cross-holdings between the Group and eSun, the Group's share of eSun's losses included within the Group's share of results of associates for the year ended 31 July 2009 was HK$132,114,000 (2008: a share of profit of HK$25,661,000).

Macao Studio City

eSun's ambition remains to build Macao Studio City into one of Asia's leading integrated leisure resorts combining theatre/concert venues, live entertainment facilities, Studio Retail™ (a destination retail complex), Las Vegas-style gaming facilities and world-class hotels. The site of the project is strategically located "Where Cotai Begins™" next to the Lotus Bridge immigration checkpoint, linking the complex directly to Zhuhai's Hengqin Island.

Project progress

Progress on Macao Studio City stalled over the year under review, as a result of various factors including the difficult economic environment and differences of opinion between East Asia Satellite Television (Holdings) Limited ("EAST") and New Cotai LLC ("New Cotai") on various aspects of the project.

Chairman's Statement

EAST is the holding company of a 60% interest in Cyber One (as defined below), and is itself held as to 66.7% indirectly by eSun and as to 33.3% by CapitaLand Integrated Resorts Pte Ltd ("CapitaLand"), a wholly-owned subsidiary of CapitaLand Limited (one of the largest listed real estate companies in Asia). New Cotai is the US joint venture partner holding a 40% interest in Cyber One.

Cyber One Agents Limited ("Cyber One"), the jointly controlled joint venture company responsible for the project (owned as to 60% by EAST and 40% by New Cotai) has yet to receive approval from the Macau government in relation to its application for a land grant modification on land use and to increase the developable gross floor area of the site from the original gazetted area to approximately 6,000,000 square feet. In connection with that application, the Macau government has requested further particulars from the joint venture concerning plans for the project, in respect of which EAST and New Cotai have yet to formulate an agreed response.

Notwithstanding that Macau has suffered from significant economic volatility since the original project plan was developed in 2006/2007, EAST is confident that the Macao Studio City project is an attractive business venture with considerable potential for long-term returns. EAST firmly believes that Cyber One is ready and able to present up-to-date position relating to the project to the Macau government. By contrast, New Cotai has, for its own reasons, refused to approve or allow Cyber One to make any substantive response to the Macau government's request for further particulars, required in order to move the project forward.

On 29 October 2009, EAST commenced legal proceedings in the Hong Kong SAR against New Cotai and others, seeking, amongst other things, damages of approximately HK$689 million for breaches of the sale and purchase agreement dated 8 April 2006 pursuant to which New Cotai acquired its interest in Cyber One and, by way of derivative action on behalf of members of the Cyber One group, damages of approximately US$2.385 billion for inducing or procuring breaches of fiduciary duties owed to such members of the Cyber One group.

Chairman's Statement

The timing and outcome of all litigation is inherently uncertain and, in this case, is likely to be contested and/or may prompt claims or counterclaims on the part of New Cotai or others. eSun has given due consideration to these risks and has chosen to accept those risks because of their firm conviction in the strength of EAST's claims and strong belief that pursuit of a litigation strategy is a necessary step to protect the indirect interests of all of the eSun shareholders and, ultimately, to preserve the potential of the Macao Studio City project.

Cyber One has not appointed a general contractor and has not, to date, progressed the building works beyond foundations for the super-structure.

Cyber One will need to revisit its plans for the retail component of the project. As announced by eSun on 21 August 2009, the various arrangements with Taubman Centers, Inc. and its subsidiaries ("Taubman"), which would have seen Taubman take an equity stake in the retail component and take the lead in managing it, have now lapsed. eSun is aware that the retail element of the Macao Studio City will be one of the key components of the project and it is keen to explore, together with the other stakeholders and Taubman, whether it might be possible to revive or reconfigure the arrangements with Taubman in due course.

Financing

To date, the joint venture parties have contributed a total of US$200 million capital to the project (eSun's attributable share being US$80 million). However, Cyber One has yet to secure the necessary project finance for the development. The directors of eSun believe that this will be more readily achievable once consensus is reached between the joint venture partners or the current differences of views are resolved.

eSun continues to hold net proceeds of approximately HK$1,015 million from its rights issue of 2008, substantially all of which was, and is, intended for investment in the Macao Studio City project. Indeed, it is ultimately anticipated that, when the project does resume, there will be a requirement for further equity investment in excess of these proceeds.

Chairman's Statement

EAST

Although eSun and CapitaLand have been in consistent agreement on the development of Macao Studio City, it should be noted (as previously announced jointly by eSun and the Company on 9 January 2007 and disclosed in eSun's circular of 1 February 2007, each in the context of CapitaLand's acquisition of an interest in EAST) that, in the event that the land grant modification for the first phase of the project has not been published by the Macau government and the occupation permit for Macao Studio City (in effect, signifying completion of the first phase of the project) is not issued solely due to the failure of the Macau government to publish in its gazette the land grant modification for the first phase of the project, in each case, within 54 months of completion of CapitaLand's investment (i.e. by mid-September 2011), then CapitaLand would, subject to the terms and conditions in the sale and purchase agreement, have an option to put back its holding of shares in EAST to eSun. The consideration payable for the shares would be equal to the purchase price paid by CapitaLand for the shares (being approximately HK$659 million to date) and any further sums invested by it (being US$40 million to date as project funding contribution) (net of any returns or dividends received by CapitaLand).

PROSPECTS

The Hong Kong economy and property market experienced great volatility in the past year. In September 2008, the global financial turmoil negatively affected the local economy and property market sentiment. In order to avoid economic depression, central banks all over the world including China announced generous economic and liquidity stimulus packages. Since the second quarter of 2009, the property market in Hong Kong has shown signs of stabilisation.

Given the market development in the past year, the Group is cautiously optimistic about the Hong Kong property market. With continuous improvement of its operations and with the timely disposal of assets in the past few years, the Group has a healthy balance sheet with reasonable leverage. Under the current circumstances, the Group will maintain a prudent approach to manage and grow its businesses.

Chairman's Statement

Investment Properties

Following the crashes in global financial markets in the fourth quarter of 2008 and the subsequent downturn in most of the world's major economies, office and retail rental rates in Hong Kong have been under pressure due to the lower demand of office space and lower retail consumption. However, limited supply of office and commercial properties in prime locations in Hong Kong and the global economic stimulus measures mitigated the weak market sentiment. In addition, consumer spending by the Mainland tourists provided a strong cushion effect to the retail market. As a result, rentals for office and commercial properties in prime locations in Hong Kong have shown signs of stabilisation since the middle of 2009.

With current high occupancy in its investment properties, the Group has in the past economic cycle successfully strengthened its tenant and trade mix, which well prepares the Group to operate through difficult economic environment ahead. In the coming year, the Group will continue to take a defensive approach as regards its rental policies, with the objective of maintaining occupancy rates and rental cashflows from its investment properties.

Development Properties

Prices of residential properties in Hong Kong experienced sharp correction in the fourth quarter of 2008. Since the second quarter of 2009, low mortgage interest rate and encouraging performance of the local stock market triggered the turnaround of property market sentiment. Local homebuyers have regained confidence with improved affordability. Volume and property prices for primary and secondary transactions have grown steadily. The Hong Kong property market should continue to benefit from strong affordability, low interest rates and tight supply in the pipeline.

The Group currently holds a number of residential projects under development in Hong Kong. To capture the strong turnaround in the Hong Kong residential property market, the Group expects to start the pre-sale of residential units in its Wood Road, Wanchai project and Tai Po Road project in 2010.

Chairman's Statement

Given the shortage of supply in core city areas in Hong Kong, the Group is still cautiously optimistic on the Hong Kong residential properties in the longer term. The Group will monitor the local property market closely and will adopt a prudent and balanced approach towards its property development business.

Hotel Management

Following the disposal of all hotel assets in Hong Kong in the last two years, the Group only holds a hotel ownership stake in Caravelle Hotel Vietnam. In future, the Group through its hotel management arm, Furama Hotels and Resorts International Limited, will explore opportunities in managing new hotel or serviced apartments projects in the region.

eSun and Macao Studio City

eSun continues to believe that the Macao Studio City will eventually become one of the region's major entertainment destinations and will be an important platform for eSun to expand and monetarize its entertainment and media expertise. eSun remains firmly committed to the project and will continue to press for like-minded commitment from its project partners from time to time.

With regard to eSun's media and entertainment businesses, eSun will strive to (i) steadily increase the number of films produced per annum, with the aim of expanding market share as well as diversifying its earnings risks as a result of over reliance on a small number of films produced per annum; (ii) diversify its business in Hong Kong live entertainment and increase its effort to expand into the live entertainment market in the Mainland; (iii) expand into the Mainland by releasing more Mandarin music albums and by exploring new media distribution of its massive music library; and (iv) develop the lucrative TV drama business in the Mainland.

Liquidity and Financial Resources

As at 31 July 2009, the Group had consolidated net assets of approximately HK$7,093 million (as at 31 July 2008: HK$7,327 million).

The Group has diverse sources of financing comprising internal funds generated from the Group's business operations and loan facilities provided by banks.

Chairman's Statement

As at 31 July 2009, the Group had outstanding secured bank borrowings of approximately HK$2,147 million (as at 31 July 2008: HK$1,875 million secured bank and other borrowings). The debt to equity ratio as expressed in a percentage of the total outstanding borrowings to consolidated net assets was approximately 30%. As at 31 July 2009, the maturity profile of the bank borrowings of HK$2,147 million was spread over a period of less than 5 years with HK$613 million repayable within 1 year, HK$319 million repayable in the second year and HK$1,215 million repayable in the third to fifth years. As at 31 July 2009, all the Group's borrowings carried interest on a floating rate basis. Including in amount of HK$613 million repayable within one year is an outstanding loan amount of HK$489 million under a syndicated bank loan facility which is repayable in January 2010. During the year, the Group started discussion with the arranger bank on the refinancing of this loan facility. The arranger bank has already started the syndication process of the proposed loan facility and received positive feedback from various other participant banks. It is expected that the refinancing of this loan facility could be completed in November 2009.

As at 31 July 2009, certain investment properties with carrying amounts of approximately HK$5,185 million, certain property, plant and equipment with carrying amounts of approximately HK$259 million, prepaid land lease payments of approximately HK$28 million, certain properties under development of approximately HK$399 million and certain bank balances and time deposits with banks of approximately HK$78 million were pledged to banks to secure banking facilities granted to the Group. In addition, certain shares in subsidiaries held by the Group were also pledged to banks to secure loan facilities granted to the Group. The one share of an associate held by the Group was pledged to banks to secure a loan facility granted to this associate of the Group. Certain shares of an investee company held by the Group were pledged to banks to secure a loan facility granted to this investee company. The Group's secured bank borrowings were also secured by floating charges over certain assets held by the Group.

The Group's monetary assets and liabilities and transactions are principally denominated in Hong Kong dollars or United State dollars. All of the Group's borrowings are denominated in Hong Kong dollars or US dollars. Considering that Hong Kong dollars are pegged against US dollars, the Group believes that the corresponding exposure to exchange rate risk is nominal.

Chairman's Statement

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 1,000 (as at 31 July 2008:1,000) employees as at 31 July 2009. Pay rates of employees are maintained at competitive levels and salary adjustments or bonuses are made on a performance related basis. Other staff benefits include a share option scheme, mandatory provident fund scheme for all eligible employees, free hospitalisation insurance plan, subsidised medical care and subsidies for external educational and training programmes.

APPRECIATION

On behalf of the Board, I would like to thank all members of staff and management for their efforts in maintaining the momentum of growth in adverse market conditions. I would also like to thank our shareholders and business associates for their continuous support.

Lam Kin Ngok, Peter
Chairman

Hong Kong
6 November 2009

Report of Directors

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

PRINCIPAL ACTIVITIES

The Group focused on property development for sale, property investment, investment in and operation of hotels and restaurants and investment holding.

The principal activities of the Company for the year consisted of property investment and investment holding. Details of the principal activities of the subsidiaries are set out in note 20 to the financial statements.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 July 2009 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 42 to 120.

The directors do not recommend the payment of an ordinary dividend for the year ended 31 July 2009 (2008: Nil). No interim dividend was paid or declared in respect of the year ended 31 July 2009 (2008: Nil).

SHARE CAPITAL

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

DIRECTORS

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

Lam Kin Ngok, Peter *(Chairman)*
Lau Shu Yan, Julius *(Chief Executive Officer)*
Tam Kin Man, Kraven
Cheung Wing Sum, Ambrose
Leung Churk Yin, Jeanny
Lam Kin Ming
U Po Chu
Lam Bing Kwan*
Leung Shu Yin, William*
Wan Yee Hwa, Edward*
Cheung Sum, Sam (Resigned on 5 October 2009)

* *Independent non-executive director*

Report of Directors

DIRECTORS (continued)

In accordance with Article 102 of the Company's Articles of Association, Mr. Lam Kin Ngok, Peter retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. Details of the aforesaid director required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of this report.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming Annual Gentral 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 BUSINESS

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, whether direct or indirect, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

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

Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Ming held interests and/or directorships in Lai Sun Garment (International) Limited ("LSG"), Crocodile Garments Limited ("CGL") and Lai Fung Holdings Limited ("LFH").

Madam U Po Chu, Mr. Tam Kin Man, Kraven and Miss Leung Churk Yin, Jeanny held interests and/or directorships in LSG and LFH.

Mr. Lau Shu Yan, Julius held interests and/or directorship in LFH.

LSG is a substantial shareholder of the Company. LSG, CGL and LFH are engaged in property investment and property development in Hong Kong and the mainland of China respectively.

Mr. Lam Kin Ming held interests and/or directorships in companies engaged in the production of pop concerts and management of artistes.

Mr. Lam Kin Ngok, Peter held interests and/or directorships in companies engaged in the business of investment in and operation of restaurants in Hong Kong.

Report of Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

The directors do not consider the interests held by the abovementioned directors to be competing in practice with the relevant businesses of the Group in view of:

(1) the different locations and different uses of the properties owned by the above companies and those of the Group; and

(2) the different target customers of the restaurant operation and the concert production of the above companies and those of the Group.

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

Save as disclosed above, none of the directors or their respective associates were interested in, apart from the Group's business, any business which competes or is likely to compete, whether directly or indirectly, with the businesses of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Lam Kin Ngok, Peter, Chairman, aged 52, has been an executive director of the Company since June 1977. He is also the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Fung Holdings Limited, an executive director of eSun Holdings Limited ("eSun") and Crocodile Garments Limited and the chairman of Media Asia Entertainment Group Limited. eSun and LSG are substantial shareholders of the Company. Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business.

Mr. Lam is currently a director of the Real Estate Developers Association of Hong Kong. He is also Chairman of the Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association Limited, Vice Chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Mr. Lam is also a Trustee of the Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited.

Report of Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Executive Directors (continued)

Mr. Lam does not have a service contract with the Company but will be subject to retirement by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He is entitled to such emoluments and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. Mr. Lam is the son of Madam U Po Chu and is the younger brother of Mr. Lam Kin Ming. Save as aforesaid, Mr. Lam does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Lam holds interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of the this report. Save as disclosed above, there are no other matters relating to Mr. Lam that need to be brought to the attention of shareholders of the Company and there is no information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Mr. Lau Shu Yan, Julius, Chief Executive Officer, aged 53, joined the Company as an executive director in July 1991. He is also an executive director of Lai Fung Holdings Limited. Mr. Lau has over 20 years' experience in the property and securities industries holding senior management positions. Prior to joining the Lai Sun Group, he was a director of Jones Lang Wootton Limited and subsequently Jardine Fleming Broking Limited. Mr. Lau is a director and a member of the Executive Committee of Real Estate Developers Association of Hong Kong.

Mr. Tam Kin Man, Kraven, aged 61, joined the Lai Sun Group in 1989 and was appointed an executive director of the Company in November 2005. He is also an executive director of Lai Fung Holdings Limited and Lai Sun Garment (International) Limited ("LSG"). LSG is a substantial shareholder of the Company. He is currently a director of Furama Hotel Enterprises Limited and a number of subsidiaries of the Company. 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. Cheung Wing Sum, Ambrose, aged 58, was appointed an executive director of the Company in November 2005. He is a business executive with a legal and banking background. He has over 28 years experience in mergers and acquisitions, management and development of hotels, hospitality and property industries. He was previously a partner of Woo, Kwan, Lee & Lo and Philip KH Wong, Kennedy Y H Wong & Co, and an executive director of Sino Land Company Limited. Mr. Cheung is also an executive director of eSun Holdings Limited, a public company listed on the Main Board of The Stock Exchange of Hong Kong Limited and a substantial shareholder of the Company. Mr. Cheung is a Justice of the Peace and over the last 28 years he served on a number of public bodies and committees, which included the Legislative Council, the Urban Council and the Hong Kong Stadium Board of Governors. He is currently an elected member of the Shamshuipo District Council, the Chairman of Insurance Agents Registration Board and a member of the Hong Kong Institute of Certified Public Accountants Council, and of the Advisory Committee, School of Hotel and Tourism Management, The Chinese University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Executive Directors (continued)

Miss Leung Churk Yin, Jeanny, aged 44, was appointed an executive director of the Company in September 2007. She is also an executive director and the chief executive officer of eSun Holdings Limited ("eSun") and an executive director of both Lai Sun Garment (International) Limited ("LSG") and Lai Fung Holdings Limited. eSun and LSG are substantial shareholders of the Company. She is also an independent non-executive director of Top Form International Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Miss Leung has over 20 years of corporate finance experience in Hong Kong, the Mainland of China and Taiwan.

Non-Executive Directors

Mr. Lam Kin Ming, aged 72, has been a director of the Company since June 1959. He is also the chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman and chief executive officer of Crocodile Garments Limited and the deputy chairman of Lai Fung Holdings Limited. LSG is a substantial shareholder of the Company. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam has been involved in the management of garment business since 1958. He is the elder brother of Mr. Lam Kin Ngok, Peter.

Madam U Po Chu, aged 84, has been a director of the Company since December 1993. She is also a non-executive director of Lai Sun Garment (International) Limited ("LSG"), eSun Holdings Limited ("eSun") and an executive director of Lai Fung Holdings Limited. eSun and LSG are substantial shareholders of the Company. Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business since 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 became involved in property development and investment. Madam U is the mother of Mr. Lam Kin Ngok, Peter.

Mr. Lam Bing Kwan, aged 60, was appointed an independent non-executive director of the Company in July 2002. Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in the property development and investment in China, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of listed companies in Hong Kong for over 10 years and is currently a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited and an independent non-executive director of Lai Fung Holdings Limited and eForce Holdings Limited, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Leung Shu Yin, William, aged 60, was appointed an independent non-executive director of the Company in September 2004. 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 Garment (International) Limited, a substantial shareholder of the Company and another company listed in Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Directors (continued)

Non-Executive Directors (continued)

Mr. Wan Yee Hwa, Edward, aged 73, was appointed an independent non-executive director of the Company in June 2008. Mr. Wan 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 is an independent non-executive director of Lai Sun Garment (International) Limited ("LSG") and Crocodile Garments Limited. LSG is a substantial shareholder of the Company.

ARRANGEMENTS 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.

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.

Details of the Company's share option scheme are included in note 31 to the financial statements.

DIRECTORS' INTERESTS

As at 31 July 2009, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which would be required to be (i) notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO (the "Register"); or (iii) notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

(1) The Company

	Long positions in the shares of the Company						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interest	Capacity	Total	Percentage
Lam Kin Ngok, Peter	10,099,585	Nil	1,582,869,192 *(Note 1)*	Nil	Beneficial owner	1,592,968,777	11.25%
Lau Shu Yan, Julius	6,200,000	Nil	Nil	60,000,000 *(Note 3)*	Beneficial owner	66,200,000	0.47%
U Po Chu *(Note 2)*	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%

DIRECTORS' INTERESTS (continued)

(1) The Company (continued)

Notes:

1. Lai Sun Garment (International) Limited ("LSG") and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest of approximately 37.69% in the issued share capital of LSG.

2. Madam U Po Chu is the widow of the late Mr. Lim Por Yen, whose estate includes an interest of 197,859,550 shares in the Company.

3. A share option scheme (the "Scheme") was adopted by the Company on 22 December 2006. The Scheme became effective on 29 December 2006 and will remain in force for a period of 10 years. Options granted to the above Director are set out below:

Name	Date of Grant (dd/mm/yyyy)	No. of Share Option	Option Period (dd/mm/yyyy)	Subscription Price per share
Lau Shu Yan, Julius	19/01/2007	15,000,000	19/01/2007 – 31/12/2010	HK$0.45
	19/01/2007	15,000,000	19/01/2007 – 31/12/2010	HK$0.55
	19/01/2007	15,000,000	19/01/2007 – 31/12/2010	HK$0.65
	19/01/2007	15,000,000	19/01/2007 – 31/12/2010	HK$0.75

During the year under review, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme. As at 31 July 2009, the total number of 60,000,000 share options outstanding under the Scheme represented approximately 0.42% of the Company's shares in issue at that date.

Report of Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation

eSun Holdings Limited ("eSun")

	Long positions in shares of eSun						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	2,794,443	Nil	Nil	3,779,013 *(Note)*	Beneficial owner	6,573,456	0.53%
Cheung Wing Sum, Ambrose	2,194,443	Nil	Nil	3,779,013 *(Note)*	Beneficial owner	5,973,456	0.48%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	3,803,430 *(Note)*	Beneficial owner	3,803,430	0.31%

Note:

An employee share option scheme was adopted by eSun on 23 December 2005 and became effective on 5 January 2006 and will remain in force for a period of 10 years. Options granted to the above directors as at 31 July 2009 are set out below:

		Number of share option				
Name	Date of Grant (dd/mm/yyyy)	At 1 August 2008	Lapsed during the year	At 31 July 2009	Option Period (dd/mm/yyyy)	Subscription Price per share
Lam Kin Ngok, Peter	24/02/2006	1,889,506	1,889,506	—	01/01/2008 – 31/12/2008	—
	24/02/2006	1,889,506	—	1,889,506	01/01/2009 – 31/12/2009	HK$4.43
	24/02/2006	1,889,507	—	1,889,507	01/01/2010 – 31/12/2010	HK$4.68
Cheung Wing Sum, Ambrose	24/02/2006	1,889,506	1,889,506	—	01/01/2008 – 31/12/2008	—
	24/02/2006	1,889,506	—	1,889,506	01/01/2009 – 31/12/2009	HK$4.43
	24/02/2006	1,889,507	—	1,889,507	01/01/2010 – 31/12/2010	HK$4.68
Leung Churk Yin, Jeanny	20/02/2008	1,267,810	1,267,810	—	01/05/2008 – 30/04/2009	—
	20/02/2008	1,267,810		1,267,810	01/01/2009 – 31/12/2009	HK$5.83
	20/02/2008	1,267,810	—	1,267,810	01/01/2010 – 31/12/2010	HK$6.18
	20/02/2008	1,267,810	—	1,267,810	01/01/2011 – 31/12/2011	HK$6.52

No share options of eSun were granted or exercised during the year.

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

Report of Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2009, the following persons, one of whom is a director 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

Name	Capacity	Nature	Number of Shares	Percentage
eSun Holdings Limited ("eSun")	Owner of controlled corporation	Corporate	5,200,000,000	36.72%
Lai Sun Garment (International) Limited ("LSG")	Beneficial owner	Corporate	1,582,869,192	11.18% *(Note 1)*
Lam Kin Ngok, Peter	Beneficial owner	Personal and Corporate	1,592,968,777	11.25% *(Note 1)*
Nice Cheer Investment Limited ("Nice Cheer")	Beneficial owner	Corporate	781,346,935	5.52%
Xing Feng Investments Limited ("Xing Feng")	Owner of controlled corporation	Corporate	781,346,935	5.52% *(Note 2)*
Chen Din Hwa	Owner of controlled corporation	Corporate	1,047,079,435	7.39% *(Note 3)*
Chen Yang Foo Oi	Interest of spouse	Family	1,047,079,435	7.39% *(Note 4)*
Paul G. Desmarais	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Nordex Inc ("Nordex")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Gelco Enterprises Limited ("Gelco")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Power Corporation of Canada ("Power C")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Power Financial Corporation ("Power F")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
IGM Financial Inc. ("IGM")	Owner of controlled corporation	Corporate	1,100,000,000	7.77% *(Note 5)*
Peter Cundill & Associates (Bermuda) Limited	Investment Manager	Corporate	903,108,000	6.38%

Report of Directors

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS (continued)

Notes:

1. LSG and its wholly-owned subsidiary beneficially owned 1,582,869,192 shares. Mr. Lam Kin Ngok, Peter was deemed to be interested in such shares by virtue of his personal and deemed interest in approximately 37.69% of the issued share capital of LSG.

2. Xing Feng was taken to be interested in 781,346,935 shares beneficially owned by Nice Cheer due to its corporate interest therein.

3. Mr. Chen Din Hwa was taken to be interested in 781,346,935 shares by virtue of his corporate interests in Nice Cheer. In addition, Mr. Chen was taken to be interested in the 265,732,500 shares owned by Absolute Gain Trading Limited by virtue of his controlling interest therein.

4. Madam Chen Yang Foo Oi was deemed to be interested in 1,047,079,435 shares by virtue of the interest in such shares of her spouse, Mr. Chen Din Hwa.

5. Mr. Paul G. Desmarais was taken to be interested in 1,100,000,000 shares by virtue of his corporate interest in Nordex.

   Nordex was deemed to be interested in 1,100,000,000 shares due to its corporate interest in Gelco.

   Gelco was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in Power C.

   Power C was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in Power F.

   Power F was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in IGM.

   IGM was deemed to be interested in 1,100,000,000 shares by virtue of its corporate interest in Mackenzie Inc., Mackenzie Financial Corporation and Mackenzie Cundill Investment Management Limited.

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

CONTROLLING SHAREHOLDER'S INTEREST 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.

CONTINUING CONNECTED TRANSACTIONS

(1) As reported in the annual report of the Company for the year ended 31 July 2008, on 4 January 2007, the Company entered into the offer letter with Crocodile Garments Limited ("CGL") for Unit 1001, 10th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong (the "Premises") for a term of 36 months from 1 October 2006 to 30 September 2009 at a monthly rental of HK$202,700 (exclusive of management fee, air-conditioning charges, rates and government rent).

On 16 October 2009, the Company announced that on 16 October 2009 the Company and CGL entered into the offer letter in respect of the Premises for a term of 24 months from 1 October 2009 to 30 September 2011 at a monthly rental of HK$172,295 (exclusive of management fee, air-conditioning charges, rates and government rent).

Mr. Lam Kin Ming ("Mr. Lam"), a non-executive director of the Company, has an interest of approximately 51.66% in CGL within the meaning of the Securities and Futures Ordinance. CGL is an associate of Mr. Lam and therefore a connected person of the Company within the meaning of the Listing Rules. Mr. Lam is also a director, chairman and chief executive officer of CGL. Accordingly, the above lease constitutes a continuing connected transaction for the Company.

(2) As reported in the annual report of the Company for the year ended 31 July 2008, on 28 October 2008 the Company entered into the offer letter with Big Honor Asia Limited ("Big Honor"), pursuant to which the Company agreed to lease to Big Honor the premises at Unit 1105, 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for a term of twenty-four months commencing from 1 July 2008 to 30 June 2010 at a monthly rental of HK$95,200 (exclusive of government rates, government rent, management fee and air-conditioning charges).

Big Honor is a company which is owned as to 50% by Mr. Lam Kin Ming, a non-executive director of the Company and as to the remaining 50% by his daughter. Big Honor is thus an associate of a connected person of the Company under the Listing Rules and the entering into of the offer letter between the Company and Big Honor constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Report of Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

(3) As reported in the annual report of the Company for the year ended 31 July 2008, on 5 October 2007, Gilroy Company Limited ("Gilroy"), a subsidiary of the Company, entered into the offer letter with Media Asia Group Limited ("Media Asia"), a subsidiary of eSun Holdings Limited ("eSun"), pursuant to which Gilroy agreed to lease to Media Asia the whole of 24th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of 3 years commencing from 1 October 2007 to 30 September 2010 at the monthly rental of HK$165,000 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

eSun holds a 36.72% interests in the Company. Media Asia is therefore an associate of a connected person of the Company under the Listing Rules. Accordingly, the entering into of the offer letter between Gilroy and Media Asia constitutes a continuing connected transaction for the Company.

(4) As reported in the annual report of the Company for the year ended 31 July 2008, on 28 October 2008, Gilroy entered into the offer letter with eSun, pursuant to which Gilroy agreed to lease to eSun Units 1403-1407 on the 14th Floor, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong for a term of one year commencing from 9 July 2008 to 8 July 2009 at the monthly rental of HK$147,219 (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings).

eSun is a connected person of the Company and the offer letter between Gilroy and eSun therefore constitutes a continuing connected transaction for the Company under the Listing Rules.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have provided a confirmation in respect of the continuing connection transactions in accordance with the Listing Rules.

Report of Directors

DETAILS OF PROPERTIES

The principal investment properties of the Group are as follows:

	Location	Group interest	Tenure	Use
1.	Cheung Sha Wan Plaza 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5955)	100%	The property is held for a term expiring on 30 June 2047	Office/ commercial/ carpark
2.	Causeway Bay Plaza 2, 463-483 Lockhart Road, Causeway Bay, Hong Kong (Section J and the Remaining Portions of Sections D, E, G, H, K, L, M and O, Subsection 4 of Section H and the Remaining Portion of Inland Lot No. 2833)	100%	The property is held for a term of 99 years commencing on 15 April 1929 and renewable for a further term of 99 years	Office/ commercial/ carpark
3.	Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5984)	100%	The property is held for a term of which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Office/ commercial/ carpark
4.	AIA Central (formerly known as AIG Tower) 1 Connaught Road Central, Hong Kong (Marine Lot No. 275, Section A and the Remaining Portion of Marine Lot No. 278)	10%	The property is held for a term of 999 years commencing from 9 September 1895 (for Marine Lot No. 275) and 999 years commencing from 12 October 1896 (for Marine Lot No. 278)	Office/ carpark

Report of Directors

DETAILS OF PROPERTIES (continued)

The principal properties under development of the Group as at the date of this report are as follows:

	Location	Group interest	Stage of construction	Expected completion date	Expected use	Gross floor area
1.	28 Tai Po Road, Kowloon, Hong Kong	100%	Superstructure work in progress	First half of 2010	Residential/ commercial	The total site area is approximately 7,150 sq.ft. The total gross floor area will be approximately 60,000 sq.ft.
2.	4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong	100%	Vacant site and lease modification completed	2012	Residential/ commercial	The total site area is approximately 17,760 sq.ft. The total gross floor area will be approximately 106,000 sq.ft.
3.	3 Connaught Road Central, Hong Kong	50%	Foundation work in progress	Early 2012	Office	The total site area is approximately 14,900 sq.ft. The total gross floor area will be approximately 225,000 sq.ft.
4.	28 Wood Road, Wanchai, Hong Kong	50%	Superstructure work in progress	Second half of 2011	Residential/ commercial	The total site area is approximately 13,300 sq.ft. The total gross floor area will be approximately 140,000 sq.ft.

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 15, 17 and 18, respectively, to the financial statements. Further details of the Group's investment properties and properties under development are set out above under the heading "Details of properties."

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				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**649,742**	826,506	908,906	793,807	788,799
PROFIT/(LOSS) BEFORE TAX	**(179,629)**	1,176,586	1,665,250	629,758	(373,750)
Tax	**(3,868)**	(96,318)	(118,410)	(80,656)	(197,446)
PROFIT/(LOSS) FOR THE YEAR	**(183,497)**	1,080,268	1,546,840	549,102	(571,196)
Attributable to:					
Ordinary equity holders of the Company	**(220,985)**	1,013,333	1,495,091	512,922	(705,962)
Minority interests	**37,488**	66,935	51,749	36,180	134,766
	(183,497)	1,080,268	1,546,840	549,102	(571,196)

Report of Directors

ASSETS AND LIABILITIES

	As at 31 July				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**379,091**	335,775	1,230,513	1,265,621	1,298,496
Prepaid land lease payments	**28,094**	29,121	30,148	31,176	14,550
Investment properties	**5,192,800**	5,336,000	4,614,600	4,124,700	3,808,700
Properties under development	**723,552**	451,558	106,942	61,197	1,462
Goodwill	**—**	—	152,700	4,005	6,294
Interests in associates	**2,659,637**	2,770,370	1,734,563	1,115,830	1,020,080
Available-for-sale investments	**441,419**	453,200	743,516	519,172	559,748
Held-to-maturity debt investments	**12,205**	—	—	—	—
Pledged bank balances and time deposits	**—**	94,121	95,138	95,652	62,341
Deposits paid	**—**	18,800	36,500	—	—
Current assets	**1,530,397**	1,408,178	1,097,946	518,160	601,465
TOTAL ASSETS	**10,967,195**	10,897,123	9,842,566	7,735,513	7,373,136
Current liabilities	**(858,887)**	(353,086)	(581,167)	(522,252)	(402,819)
Interest-bearing bank and other borrowings	**(1,533,829)**	(1,722,703)	(1,933,139)	(2,234,551)	(2,583,509)
Deferred tax	**(766,103)**	(785,523)	(727,972)	(625,100)	(551,756)
Provision for tax indemnity	**(452,696)**	(464,632)	—	—	—
Long term rental deposits received	**(40,576)**	(44,431)	(47,155)	(31,605)	(36,891)
TOTAL LIABILITIES	**(3,652,091)**	(3,370,375)	(3,289,433)	(3,413,508)	(3,574,975)
MINORITY INTERESTS	**(221,630)**	(199,813)	(333,151)	(384,881)	(366,090)
NET ASSETS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**7,093,474**	7,326,935	6,219,982	3,937,124	3,432,071

RESERVES

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

DISTRIBUTABLE RESERVES

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. During the year, purchases from the Group's five largest suppliers accounted for approximately 57% of the total purchases which included the acquisition of the property situated at No. 4 Shung Shun Street, Yau Tong, Kowloon, Hong Kong representing approximately 42% of the total purchases for the year.

None of the directors of the Company 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 suppliers.

DISCLOSRURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES ("CHAPTER 13")

Financial assistance and guarantees to affiliated companies (Paragraph 13.22 of Chapter 13)

As at 31 July 2009, the aggregate amount of financial assistance and guarantees given for facilities granted to affiliated companies has exceeded the assets ratio of 8% under the Listing Rules.

Report of Directors

DISCLOSRURE PURSUANT TO CHAPTER 13 OF THE LISTING RULES ("CHAPTER 13") (continued)

In compliance with paragraph 13.22 of Chapter 13, the proforma combined balance sheet of the affiliated companies at 31 July 2009 is disclosed as follows:

	HK$'000
Property, plant and equipment	230,749
Goodwill	35,202
Film rights	109,511
Film products	68,362
Music catalogs	117,551
Interest in jointly controlled entities	1,067,400
Interests in associates	2,625,633
Available-for-sale investments	65,006
Deposits, prepayments and other receivables	109,768
Deferred tax assets	3,720
Properties under development	2,035,298
Amounts due from shareholders	31,028
Net current assets	1,123,776
Total assets less current liabilities	7,623,004
Promissory notes	(31,789)
Long term borrowings	(383,672)
Deferred income	(42,217)
Amounts due to shareholders	(1,913,300)
	(2,370,978)
	5,252,026
CAPITAL AND RESERVES	
Issued capital	629,562
Share premium account	4,227,678
Contributed surplus	891,289
Investment revaluation reserve	166,335
Share option reserve	31,859
Exchange fluctuation reserve	(14,208)
Accumulated losses	(1,019,590)
	4,912,925
Minority interests	339,101
	5,252,026

Report of Directors

DONATIONS

During the year, the Group made charitable contributions totaling approximately HK$6,655,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 36 to 39 of the Annual Report 2008-2009.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITORS

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

On behalf of the Board

Lam Kin Ngok, Peter
Chairman

Hong Kong
6 November 2009

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the deviation from code provision A.4.1 and E.1.2:

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 is appointed for a specific term. However, all directors of the Company are subject to retirement provisions in the Articles of Association of the Company which provide that the directors for 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.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. Due to other commitments which must be attended to by the Chairman, the Chairman was not present at the annual general meeting of the Company held on 23 December 2008.

(2) CODE FOR 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2009.

(3) BOARD OF DIRECTORS

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

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

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.2) The Board currently comprises five executive Directors, namely Mr. Lam Kin Ngok, Peter (Chairman), Mr. Lau Shu Yan, Julius (Chief Executive Officer), Mr. Tam Kin Man, Kraven, Mr. Cheung Wing Sum, Ambrose and Miss Leung Churk Yin, Jeanny; two non-executive Directors, namely Mr. Lam Kin Ming and Madam U Po Chu, and three independent non-executive Directors, namely Mr. Lam Bing Kwan, Mr. Leung Shu Yin, William and Mr. Wan Yee Hwa, Edward.

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

Directors	**Board Meetings**	
	Held	**Attended**
Executive directors		
Lam Kin Ngok, Peter *(Chairman)*	4	4
Lau Shu Yan, Julius *(Chief Executive Officer)*	4	4
Tam Kin Man, Kraven	4	4
Cheung Wing Sum, Ambrose	4	4
Leung Churk Yin, Jeanny	4	4
Cheung Sum, Sam (*resigned on 5 October 2009*)	4	4
Non-executive directors		
Lam Kin Ming	4	1
U Po Chu	4	1
Independent non-executive directors		
Lam Bing Kwan	4	3
Leung Shu Yin, William	4	4
Wan Yee Hwa, Edward	4	4

(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 Ngok, Peter, an executive director, is the son of Madam U Po Chu, and the younger brother of Mr. Lam Kin Ming, the latter two being non-executive directors.

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

Corporate Governance Report

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

During the year under review, Mr. Lam Kin Ngok, Peter was the Chairman of the Company while Mr. Lau Shu Yan, Julius was the Chief Executive Officer 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), Lam Bing Kwan and Wan Yee Hwa, Edward, and an executive director, Miss Leung Churk Yin, Jeanny.

(6.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fee, salaries, allowances, bonuses, share options, benefits in kind and pension right, 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 and all three independent non-executive directors except the executive director 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$2,451,000 for the year under review. Ernst & Young also received fees amounting to HK$545,000 for providing non-audit 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 31 March 2000. During the year under review, the Audit Committee comprises three independent non-executive Directors, namely Messrs. Wan Yee Hwa, Edward (Chairman), Lam Bing Kwan and Leung Shu Yin, William.

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

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

(9.2) The Audit Committee held two meetings during the year under review and Mr. Wan Yee Hwa, Edward, Mr. Lam Bing Kwan and Mr. Leung Shu Yin, William attended both 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 report of the independent auditors' report contained in this annual report.

(11) INTERNAL CONTROLS

During the year, the Board has engaged BDO Financial Services Limited 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 covers 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 Development Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Lai Sun Development Company Limited set out on pages 42 to 120, which comprise the consolidated and company balance sheets as at 31 July 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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 2009 and of the Group's loss 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.

Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
6 November 2009

Consolidated Income Statement

Year ended 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
TURNOVER	6	**649,742**	826,506
Cost of sales		**(195,206)**	(261,621)
Gross profit		**454,536**	564,885
Other revenue	6	**22,858**	125,012
Administrative expenses		**(273,312)**	(307,594)
Other operating expenses, net		**(58,937)**	(97,480)
Fair value gain/(loss) on investment properties	17	**(145,748)**	721,604
Gain on disposal of subsidiaries	7	**—**	699,036
Reversal of provision/(provision) for tax indemnity	35(c)	**11,936**	(464,632)
PROFIT FROM OPERATING ACTIVITIES	8	**11,333**	1,240,831
Finance costs	9	**(58,479)**	(104,078)
Share of profits and losses of associates		**(132,483)**	19,736
Discount on acquisition of additional interests in an associate		**—**	22,761
Loss on deemed disposal of interest in an associate		**—**	(2,664)
PROFIT/(LOSS) BEFORE TAX		**(179,629)**	1,176,586
Tax	12	**(3,868)**	(96,318)
PROFIT/(LOSS) FOR THE YEAR		**(183,497)**	1,080,268
Attributable to:			
Ordinary equity holders of the Company	13	**(220,985)**	1,013,333
Minority interests		**37,488**	66,935
		(183,497)	1,080,268
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic		**HK(1.56) cents**	HK 7.16 cents
Diluted		**N/A**	HK 7.16 cents

Consolidated Balance Sheet

31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**379,091**	335,775
Prepaid land lease payments	16	**28,094**	29,121
Investment properties	17	**5,192,800**	5,336,000
Properties under development	18	**723,552**	451,558
Goodwill	19	**—**	—
Interests in associates	21	**2,659,637**	2,770,370
Available-for-sale financial assets	22	**441,419**	453,200
Held-to-maturity debt investments	23	**12,205**	—
Pledged bank balances and time deposits	24	**—**	94,121
Deposits paid	27(a)	**—**	18,800
Total non-current assets		**9,436,798**	9,488,945
CURRENT ASSETS			
Completed properties for sale	25	**2,350**	2,350
Equity investments at fair value through profit or loss	26	**38,332**	49,842
Inventories		**5,050**	4,429
Debtors and deposits paid	27(a)	**86,714**	96,209
Held-to-maturity debt investments	23	**241,145**	—
Pledged bank balances and time deposits	24	**77,547**	—
Cash and cash equivalents	24	**1,079,259**	1,255,348
Total current assets		**1,530,397**	1,408,178
CURRENT LIABILITIES			
Creditors, deposits received and accruals	27(b)	**206,417**	176,828
Tax payable		**39,221**	24,083
Bank borrowings	28	**613,249**	152,175
Total current liabilities		**858,887**	353,086
NET CURRENT ASSETS		**671,510**	1,055,092
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,108,308**	10,544,037
NON-CURRENT LIABILITIES			
Bank borrowings	28	**(1,533,829)**	(1,722,703)
Deferred tax	29	**(766,103)**	(785,523)
Provision for tax indemnity	35(c)	**(452,696)**	(464,632)
Long term rental deposits received		**(40,576)**	(44,431)
Total non-current liabilities		**(2,793,204)**	(3,017,289)
		7,315,104	7,526,748

Consolidated Balance Sheet

31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	30	**141,620**	141,620
Share premium account	30	**6,974,701**	6,974,701
Investment revaluation reserve		**450,378**	464,780
Share option reserve		**19,019**	16,694
Capital redemption reserve		**1,200,000**	1,200,000
General reserve	30	**504,136**	504,136
Special capital reserve	30	**46,885**	46,885
Exchange fluctuation reserve		**41,579**	41,978
Accumulated losses		**(2,284,844)**	(2,063,859)
		7,093,474	7,326,935
Minority interests		**221,630**	199,813
		7,315,104	7,526,748

Lam Kin Ngok, Peter
Director

Lau Shu Yan, Julius
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2009

	Attributable to ordinary equity holders of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Special capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 31 July 2007 and 1 August 2007	141,620	6,974,701	377,226	13,778	1,200,000	479,201	–	38,828	(3,005,372)	6,219,982	333,151	6,553,133
Exchange realignments:												
Subsidiaries	–	–	–	–	–	–	–	1,310	–	1,310	–	1,310
Associates	–	–	–	–	–	–	–	2,126	–	2,126	–	2,126
Changes in fair values of available-for-sale financial assets	–	–	76,772	–	–	–	–	–	–	76,772	–	76,772
Share of reserve movements of associates	–	–	11,178	2,916	–	–	–	–	–	14,094	–	14,094
Total income and expense recognised directly in equity	–	–	87,950	2,916	–	–	–	3,436	–	94,302	–	94,302
Release upon deemed disposal of interest in an associate	–	–	(396)	–	–	–	–	(286)	–	(682)	–	(682)
Profit for the year	–	–	–	–	–	–	–	–	1,013,333	1,013,333	66,935	1,080,268
Total recognised income and expense for the year	–	–	87,554	2,916	–	–	–	3,150	1,013,333	1,106,953	66,935	1,173,888
Transfer of reserves (Note 30):												
– From accumulated losses to special capital reserve	–	–	–	–	–	–	71,820	–	(71,820)	–	–	–
– From special capital reserve to general reserve	–	–	–	–	–	24,935	(24,935)	–	–	–	–	–
Acquisition of additional interests of a subsidiary from a minority shareholder	–	–	–	–	–	–	–	–	–	–	(14,685)	(14,685)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(185,588)	(185,588)
At 31 July 2008 - page 46	141,620	6,974,701	464,780	16,694	1,200,000	504,136	46,885	41,978	(2,063,859)	7,326,935	199,813	7,526,748

Consolidated Statement of Changes in Equity

Year ended 31 July 2009

	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	Investment revaluation reserve	Share option reserve	Capital redemption reserve	General reserve	Special capital reserve	Exchange fluctuation reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 July 2008 and 1 August 2008 - page 45	141,620	6,974,701	464,780	16,694	1,200,000	504,136	46,885	41,978	(2,063,859)	7,326,935	199,813	7,526,748
Exchange realignments:												
Subsidiaries	–	–	–	–	–	–	–	(305)	–	(305)	–	(305)
Associates	–	–	–	–	–	–	–	(94)	–	(94)	–	(94)
Changes in fair value of an available-for-sale financial asset	–	–	(12,494)	–	–	–	–	–	–	(12,494)	–	(12,494)
Share of reserve movements of associates	–	–	(1,908)	2,325	–	–	–	–	–	417	–	417
Total income and expense recognised directly in equity	–	–	(14,402)	2,325	–	–	–	(399)	–	(12,476)	–	(12,476)
Profit/(loss) for the year	–	–	–	–	–	–	–	–	(220,985)	(220,985)	37,488	(183,497)
Total recognised income and expense for the year	–	–	(14,402)	2,325	–	–	–	(399)	(220,985)	(233,461)	37,488	(195,973)
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	(21,671)	(21,671)
Capital contribution from minority shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	6,000	6,000
At 31 July 2009	141,620	6,974,701	450,378	19,019	1,200,000	504,136	46,885	41,579	(2,284,844)	7,093,474	221,630	7,315,104

Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(179,629)**	1,176,586
Adjustments for:			
Finance costs	9	**58,479**	104,078
Gain on disposal of properties under development	8	**—**	(439)
Gain on disposal of an available-for-sale financial asset	6	**—**	(82,124)
Share of profits and losses of associates		**132,483**	(19,736)
Loss on deemed disposal of interest in an associate		**—**	2,664
Loss on disposal of investment properties	8	**—**	2,920
Fair value loss/(gain) on investment properties		**145,748**	(721,604)
Discount on acquisition of additional interest in an associate		**—**	(22,761)
Depreciation	8	**26,008**	38,277
Amortisation of prepaid land lease payments	8	**1,027**	1,027
Gain on disposal of items of property, plant and equipment	8	**—**	(446)
Gain on disposal of subsidiaries	7	**—**	(699,036)
Impairment of goodwill	8	**—**	1,716
Decrease in fair value of equity investments at fair value through profit or loss	8	**30,229**	54,012
Loss on disposal of equity investments at fair value through profit or loss	8	**1,563**	90
(Reversal of provision)/provision for tax indemnity		**(11,936)**	464,632
Interest income	6	**(14,191)**	(33,179)
Return of capital from an unlisted available-for-sale equity investment	6	**(424)**	—
Dividend income from unlisted available-for-sale equity investments	6	**(1,247)**	(611)
		188,110	266,066
Decrease/(increase) in inventories		**(621)**	1,369
Decrease in debtors and deposits		**9,152**	23,908
Increase in creditors, deposits received and accruals		**22,626**	17,399
Cash generated from operations		**219,267**	308,742

Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash generated from operations		**219,267**	308,742
Interest received		**11,868**	33,179
Interest paid on bank and other borrowings		**(55,292)**	(107,096)
Hong Kong profits tax refunded/(paid)		**3,505**	(16,391)
Overseas taxes paid		**(11,655)**	(16,070)
Net cash inflow from operating activities		**167,693**	202,364
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(69,324)**	(26,469)
Additions to investment properties		**(2,548)**	(4,796)
Additions to properties under development		**(249,814)**	(309,063)
Deposits paid for acquisition of properties under development		**—**	(18,800)
Acquisition of equity investments at fair value through profit or loss		**(29,943)**	(105,049)
Acquisition of further interests of an associate		**—**	(414,994)
Acquisition of held-to-maturity debt investments		**(252,816)**	—
Acquisition of further interests of a subsidiary from minority shareholders		**—**	(55,800)
Proceeds from disposal of items of property, plant and equipment		**—**	13,469
Proceeds from disposal of investment properties		**—**	2,080
Proceeds from disposal of property under development		**—**	659
Proceeds from disposal of equity investments at fair value through profit or loss		**7,836**	4,959
Proceeds from disposal of available-for-sale financial assets		**—**	100,610
Disposal of a subsidiary	33	**—**	822,488
Advances to associates		**(17,494)**	(71,686)
Repayment from/(to) investee companies		**—**	348,602
Return of capital from an unlisted available-for-sale equity investment		**424**	—
Dividends received from unlisted available-for-sale equity investments		**1,247**	611
Interest received from held-to-maturity debt investments		**783**	—
Interest received from non-pledged time deposit with maturity of more than three months		**293**	—
Dividends received from associates		**—**	31,000
Decrease in pledged bank balances and time deposits		**16,574**	1,017
Increase in non-pledged time deposit with maturity of more than three months		**(60,000)**	—
Net cash inflow/(outflow) from investing activities		**(654,782)**	318,838

Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**500,000**	151,500
Capital contribution from minority shareholders of a subsidiary		**6,000**	—
Repayment of bank and other borrowings		**(227,800)**	(381,931)
Bank refinancing charges		**(5,224)**	(1,791)
Dividend paid to a minority shareholder of a subsidiary		**(21,671)**	—
Net cash inflow/(outflow) from financing activities		**251,305**	(232,222)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(235,784)**	288,980
Cash and cash equivalents at beginning of year		**1,255,348**	965,086
Effect of foreign exchange rate changes, net		**(305)**	1,282
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,019,259**	1,255,348
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**80,135**	146,655
Non-pledged time deposits		**999,124**	1,108,693
		1,079,259	1,255,348
Non-pledged time deposit with maturity of more than three months		**(60,000)**	—
		1,019,259	1,255,348

Balance Sheet

31 July 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**8,437**	14,181
Investment properties	17	**3,441,300**	3,564,400
Interests in subsidiaries	20	**2,839,264**	2,536,002
Interests in associates	21	**391,900**	391,900
Available-for-sale financial assets	22	**101**	101
Held-to-maturity debt investments	23	**12,205**	—
Pledged bank balances and time deposits	24	**—**	94,121
Total non-current assets		**6,693,207**	6,600,705
CURRENT ASSETS			
Debtors and deposits paid	27	**40,500**	54,764
Held-to-maturity debt investments	23	**241,145**	—
Pledged bank balances and time deposits	24	**77,547**	—
Cash and cash equivalents	24	**870,010**	1,097,471
Total current assets		**1,229,202**	1,152,235
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**91,385**	75,309
Tax payable		**28,414**	22,508
Bank borrowings	28	**578,500**	120,000
Total current liabilities		**698,299**	217,817
NET CURRENT ASSETS		**530,903**	934,418
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,224,110**	7,535,123
NON-CURRENT LIABILITIES			
Bank borrowings	28	**(1,296,100)**	(1,474,600)
Deferred tax	29	**(530,783)**	(549,404)
Provision for tax indemnity	35(c)	**(452,696)**	(464,632)
Long term rental deposits received		**(29,290)**	(31,514)
Total non-current liabilities		**(2,308,869)**	(2,520,150)
		4,915,241	5,014,973
EQUITY			
Issued capital	30	**141,620**	141,620
Reserves	32(b)	**4,773,621**	4,873,353
		4,915,241	5,014,973

Lam Kin Ngok, Peter
Director

Lau Shu Yan, Julius
Director

Notes to Financial Statements

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1. CORPORATE INFORMATION

Lai Sun Development Company 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 Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- property development for sale
- property investment
- investment in and the operation of hotels and restaurants
- investment holding

Details of the principal activities of the principal subsidiaries and associates are set out in notes 20 and 21 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, equity investments at fair value through profit or loss and certain available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consolidation and book value of the share of the net assets acquired is recognised as goodwill.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that the adoption of HKAS 1 (Revised), HKFRS 7 Amendments and HKFRS 8 may result in new or amended disclosures in the financial statements. In addition, the application of the amendment to HKAS 40 "Investment Property", which is contained in HKFRSs (Amendments) "Improvements to HKFRSs" issued in 2008, may affect the accounting for property under development for future use as an investment property. The amendment to HKAS 40 brings such property within the scope of HKAS 40 which, therefore, shall be accounted for under the fair value model in accordance with the Group's accounting policy. Such property is currently accounted for at cost less impairment in accordance with HKAS 16 "Property, Plant and Equipment". The amendment is to be applied prospectively and is effective for the Group's financial period beginning on or after 1 August 2009. In respect of other amendments, new standards and new interpretations, the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any 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 interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

There is crossholding between the Group and eSun Holdings Limited ("eSun"), an associate of the Group. Therefore, the Group's share of results of eSun for the year also includes the results of the Group which are shared by eSun when eSun equity accounts for the Group's results.

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.

Excess over the cost of acquisition of additional interest in subsidiaries and associates

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

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, 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 an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Notes to Financial Statements

31 July 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

Hotel properties	Over the remaining lease terms
Leasehold buildings	Over the remaining lease terms
Leasehold improvements	20%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	10% - 25%
Computers	10% - 25%
Motor vessels	25%

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

Residual values, useful lives and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Leases

Leases 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.

Properties under development

Properties under development are stated at cost less any accumulated impairment losses. Cost comprises the prepaid land lease payments or cost of land together with any other direct costs attributable to the development of the properties and other related expenses capitalised during the development period.

Once the constructions or developments of these properties are completed, these properties are reclassified to the appropriate assets categories.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Cost is determined by apportionment of the total land and building costs attributable to unsold properties. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis.

Notes to Financial Statements

31 July 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

The Group's financial assets in the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are classified as held-to-maturity debt investments, financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

Held-to-maturity debt investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Group has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 financial assets

Available-for-sale financial assets are those non-derivative financial assets and advances to investees that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

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. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

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.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments 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 receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. 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)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

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

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including bank borrowings)

Financial liabilities including creditors, amounts due to subsidiaries, amounts due to associates and bank 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.

Notes to Financial Statements

31 July 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost for food, beverages, cutlery, linen and supplies used in hotel and restaurant operations is determined on the first-in, first-out basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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.

Notes to Financial Statements

31 July 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) from the sale of completed properties developed for sale, upon the establishment of a binding contract in respect of the sale of properties, and the issue of an occupation permit by the government of the Hong Kong Special Administrative Region or a certificate of compliance by the relevant government authorities, whichever is later;

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

(c) service income from hotel and restaurant operations and the provision of other related services, in the period in which such services are rendered;

(d) 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 asset; and

(e) 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.

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes Model. 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.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefits

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") 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 Schemes 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 Schemes, 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.

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

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Impairment of assets

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

Income tax

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

Provision for tax indemnity

Provision for tax indemnity is recognised when a present obligation (legal or constructive) has arisen as a result of tax liability arising from disposal of certain property interests in the People's Republic of China (the "PRC") pursuant to certain indemnity deeds entered into by the Group and it is probable that such tax liability will be required to settle. Significant management judgement is required to determine (i) the estimated sale proceeds and outgoings; and (ii) the development plan and status of individual property development project. Further details are included in note 35(c) to the financial statements.

Notes to Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Estimation of fair value of investment properties and available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) independent valuations; (ii) current prices in an active market for properties of a different nature, condition or location by reference to available market information; (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (iv) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The carrying amount at fair value of investment properties as at 31 July 2009 was HK$5,192,800,000 (2008: HK$5,336,000,000) and the available-for-sale financial assets as at 31 July 2009 was HK$425,261,000 (2008: HK$437,042,000).

Impairment test of assets and goodwill

The Group determines whether an asset or goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill, which is included in interests in associates at 31 July 2009 was HK$129,488,000 (2008: HK$129,488,000).

4. SEGMENT INFORMATION

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

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

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

(b) the property investment segment engages in the leasing of and sale of investment properties;

(c) the hotel and restaurant operations segment engages in the operation of hotels and restaurants; and

(d) the "others" segment comprises the Group's property management and consultancy services business, which provides property management, security and consultancy services to residential, office, industrial, commercial properties, hotel and restaurants.

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

Intersegment sales and transfers are transacted with reference to the prevailing market prices.

Notes to Financial Statements

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4. SEGMENT INFORMATION (continued)

(a) Business segments

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

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**—**	659	**340,980**	333,450	**284,335**	469,979	**24,427**	22,418	**—**	—	**649,742**	826,506
Intersegment sales	**—**	—	**9,967**	8,259	**—**	—	**24,861**	32,235	**(34,828)**	(40,494)	**—**	—
Other revenue	**1,276**	607	**613**	523	**22**	634	**—**	7	**—**	—	**1,911**	1,771
Total	**1,276**	1,266	**351,560**	342,232	**284,357**	470,613	**49,288**	54,660	**(34,828)**	(40,494)	**651,653**	828,277
Segment results	**(482)**	178	**113,943**	973,709	**63,706**	825,767	**8,197**	4,244	**—**	—	**185,364**	1,803,898
Interest income and unallocated gains											**20,947**	123,241
Unallocated expenses											**(206,914)**	(221,676)
Reversal of provision/(provision) for tax indemnity											**11,936**	(464,632)
Profit from operating activities											**11,333**	1,240,831
Finance costs											**(58,479)**	(104,078)
Share of profits and losses of associates	**(27)**	162	**(344)**	(309)	**(12)**	(2,185)	**—**	—	**—**	—	**(383)**	(2,332)
Share of profits and losses of associates - unallocated											**(132,100)**	22,068
Discount on acquisition of additional interests in an associate											**—**	22,761
Loss on deemed disposal of interest in an associate											**—**	(2,664)
Profit/(loss) before tax											**(179,629)**	1,176,586
Tax											**(3,868)**	(96,318)
Profit/(loss) for the year											**(183,497)**	1,080,268

Notes to Financial Statements

31 July 2009

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property development and sales		Property investment		Hotel and restaurant operations		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities:										
Segment assets	731,903	478,952	5,213,345	5,354,020	504,351	458,285	46,278	40,363	6,495,877	6,331,620
Interests in associates	235,465	218,171	524,881	525,229	—	—	—	—	760,346	743,400
Interests in associates – unallocated									1,899,291	2,026,970
Unallocated assets									1,811,681	1,795,133
Total assets									10,967,195	10,897,123
Segment liabilities	11,784	6,599	89,342	89,315	41,617	29,183	13,201	10,104	155,944	135,201
Bank borrowings									2,147,078	1,874,878
Other unallocated liabilities									1,349,069	1,360,296
Total liabilities									3,652,091	3,370,375
Other segment information:										
Amortisation of prepaid land lease payments	—	—	—	—	1,027	1,027	—	—	1,027	1,027
Depreciation	—	—	28	28	14,343	27,802	271	213	14,642	28,043
Depreciation - unallocated									11,366	10,234
									26,008	38,277
Impairment of goodwill	—	—	—	—	—	1,716	—	—	—	1,716
Gain on disposal of subsidiaries	—	—	—	—	—	(699,036)	—	—	—	(699,036)
Fair value (gain)/loss on investment properties	—	—	145,748	(721,604)	—	—	—	—	145,748	(721,604)
Capital expenditure	253,291	363,416	2,548	4,796	15,335	24,498	281	798	271,455	393,508
Capital expenditure – unallocated									53,708	1,173
									325,163	394,681

Notes to Financial Statements

31 July 2009

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

	Hong Kong		Vietnam		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**395,175**	556,263	**254,567**	270,243	**649,742**	826,506
Other revenue	**1,911**	1,771	**—**	—	**1,911**	1,771
Total	**397,086**	558,034	**254,567**	270,243	**651,653**	828,277
Other segment information:						
Segment assets	**6,015,701**	5,885,493	**480,176**	446,127	**6,495,877**	6,331,620
Capital expenditure	**319,146**	380,145	**6,017**	14,536	**325,163**	394,681

5. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Rental income and building management fee from related companies	(i)	**6,694**	6,444
Rental income and building management fee from eSun and its subsidiaries (collectively the "eSun Group")	(ii)	**7,100**	5,751

Notes:

(i) The rental income and building management fee received from related companies, of which certain directors of the Company are also the directors of these related companies, were based on terms stated in the respective lease agreements or contracts.

(ii) The rental income and building management fee received from the eSun Group were based on terms stated in the respective lease agreements.

Pursuant to the respective lease agreements, the rental income received from related parties as included in the above related party transactions constituted continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The details of certain of these continuing connected transactions, which were subject to the reporting requirements set out in Chapter 14A of the Listing Rules, were disclosed on pages 27 to 28 of the Report of the Directors.

(b) Compensation of key management personnel of the Group

	Group	
	2009	2008
	HK$'000	HK$'000
Short term employee benefits	**18,567**	18,984
Post-employment benefits	**321**	294
Total compensation paid to key management personnel	**18,888**	19,278

Notes to Financial Statements

31 July 2009

6. TURNOVER AND OTHER REVENUE

Turnover comprises the proceeds from sale of properties, rental income, and income from hotel, restaurants and other operations. Revenue from the following activities has been included in turnover.

An analysis of the Group's turnover and other revenue are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Turnover		
Property rentals	**340,980**	331,370
Hotel, restaurant and other operations	**308,762**	492,397
Sales of property	**—**	2,739
	649,742	826,506
Other revenue		
Interest income from bank deposits	**11,546**	26,512
Interest income from held-to-maturity debt investments	**1,317**	—
Other interest income	**1,328**	6,667
Dividend income from unlisted available-for-sale equity investments	**1,247**	611
Return of capital from an unlisted available-for-sale equity investment	**424**	—
Gain on disposal of an available-for-sale financial asset	**—**	82,124
Others	**6,996**	9,098
	22,858	125,012

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7. GAIN ON DISPOSAL OF SUBSIDIARIES

On 7 November 2007, the Company and Surearn Profits Limited ("Surearn"), a wholly-owned subsidiary of the Group, entered into an agreement with CCB International Group Holdings Limited ("CCB International") pursuant to which Surearn agreed to dispose of 16.57% interest in Diamond String Limited ("Diamond String") and the Company agreed to assign the related shareholder loan with interest accrued thereon owed by Diamond String to the Company to CCB International for a consideration of approximately HK$567 million, subject to adjustment with reference to the net asset value of Diamond String as at 31 March 2008. The major asset of Diamond String is then the hotel property of The Ritz-Carlton Hong Kong situated at 3 Connaught Road Central, Hong Kong ("Property"). The transaction was completed on 17 December 2007.

On 30 January 2008, the Company and Surearn entered into another agreement with CCB International, pursuant to which Surearn agreed to sell a further 10% interest in Diamond String and the Company agreed to assign the related shareholder loan with interest accrued thereon owed by Diamond String to the Company to CCB International for a total consideration of approximately HK$417 million, subject to adjustment with reference to the net asset value of Diamond String as at 31 March 2008. After taking into account of the net asset value of Diamond String as at 31 March 2008, the considerations for the disposals of 16.57% and 10% interest in Diamond String are revised to approximately to HK$575.5 million and HK$422.3 million, respectively. The aggregate gain on disposal of 16.57% and 10% interests in Diamond String was approximately HK$699 million.

The disposal of the 10% interest in Diamond String constituted a major and connected transaction for the Company and was subject to, inter alia, independent shareholders' approval requirements of the Company under the Listing Rules. A resolution approving the disposal transaction was duly passed at an extraordinary general meeting of the Company held on 18 March 2008.

The disposal of the 10% interest in Diamond String was completed on 31 March 2008. Upon completion of the transaction, the Group and CCB International each holds 50% interest in Diamond String. Diamond String ceased to be a subsidiary of the Group and resulted in the deconsolidation of the assets and liabilities of Diamond String from the Group's consolidated financial statements. The remaining 50% interest in Diamond String retained by the Group after the completion of the transaction is equity accounted for as the Group's interest in an associate in the Group's consolidated financial statements.

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8. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Depreciation#	15	**26,008**	38,277
Amortisation of prepaid land lease payments*	16	**1,027**	1,027
Staff costs (including directors' remuneration - note 10):			
Wages and salaries		**126,612**	173,947
Pension scheme contributions		**3,443**	4,894
		130,055	178,841
Auditors' remuneration		**2,451**	2,863
Impairment of goodwill*	19	**—**	1,716
Gain on disposal of items of property, plant and equipment*		**—**	(446)
Gain on disposal of properties under development		**—**	(439)
Loss on disposal of investment properties		**—**	2,920
Fair value loss on equity investments at fair value through profit or loss*		**30,229**	54,012
Loss on disposal of equity investments at fair value through profit or loss*		**1,563**	90
Minimum lease payments under operating leases in respect of leasehold buildings		**5,563**	5,911
Rental income		**(340,980)**	(331,370)
Less: Outgoings		**53,567**	51,962
Net rental income		**(287,413)**	(279,408)
Foreign exchange (gains)/losses, net		**(1,577)**	797

Depreciation charge of HK$18,064,000 (2008: HK$29,912,000) for property, plant and equipment is included in "other operating expenses, net" on the face of the consolidated income statement.

* *These items are included in "other operating expenses, net" on the face of the consolidated income statement.*

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9. FINANCE COSTS

	Group 2009 HK$'000	Group 2008 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**54,450**	102,898
Bank financing charges	**7,409**	6,964
	61,859	109,862
Less: Amount capitalised in properties under development (note 18)	**(3,380)**	(5,784)
	58,479	104,078

10. DIRECTORS' REMUNERATION

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

	Group 2009 HK$'000	Group 2008 HK$'000
Fees	**450**	382
Other emoluments:		
Salaries, allowances and benefits in kind	**18,117**	18,602
Pension scheme contributions	**321**	294
	18,438	18,896
	18,888	19,278

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10. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 HK$'000	2008 HK$'000
Lam Bing Kwan	150	90
Leung Shu Yin, William	150	90
Wan Yee Hwa, Edward#	150	19
Sir David Tang*	—	183
	450	382

* *Sir David Tang resigned as an independent non-executive director of the Company on 16 June 2008.*

\# *Wan Yee Hwa, Edward was appointed as an independent non-executive director of the Company on 16 June 2008.*

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

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
2009				
Executive directors:				
Lam Kin Ngok, Peter	10,547	—	12	10,559
Lau Shu Yan, Julius	3,300	—	165	3,465
Tam Kin Man, Kraven	2,760	—	138	2,898
Cheung Wing Sum, Ambrose	—	—	—	—
Cheung Sum, Sam	1,510	—	6	1,516
Leung Churk Yin, Jeanny	—	—	—	—
	18,117	—	321	18,438
Non-executive directors:				
Lam Kin Ming	—	—	—	—
U Po Chu	—	—	—	—
	—	—	—	—
	18,117	—	321	18,438

10. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
2008				
Executive directors:				
Lam Kin Ngok, Peter	10,826	—	12	10,838
Lau Shu Yan, Julius	3,595	—	153	3,748
Tam Kin Man, Kraven	2,545	—	123	2,668
Cheung Wing Sum, Ambrose	—	—	—	—
Cheung Sum, Sam	1,636	—	6	1,642
Leung Churk Yin, Jeanny	—	—	—	—
	18,602	—	294	18,896
Non-executive directors:				
Lam Kin Ming	—	—	—	—
U Po Chu	—	—	—	—
	—	—	—	—
	18,602	—	294	18,896

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

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11. EMPLOYEES' REMUNERATION

The five highest paid employees during the year included four (2008: four) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining one (2008: one) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,658**	1,641
Pension scheme contributions	**80**	79
	1,738	1,720

The above non-director, highest paid employees whose remuneration fell within the band of HK$1,500,001 to HK$2,000,000.

12. TAX

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Current tax		
Hong Kong	**10,483**	8,259
Overseas	**11,864**	13,928
	22,347	22,187
Deferred tax		
Current year (note 29)	**(19,420)**	99,102
Change in profits tax rate	**—**	(41,551)
	(19,420)	57,551
Prior years' under provision - Hong Kong	**941**	16,580
Tax charge for the year	**3,868**	96,318

12. TAX (continued)

A reconciliation of the tax charge applicable to profit/(loss) before tax using the statutory rate for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Profit/(loss) before tax	**(179,629)**	1,176,586
Share of profits and losses of associates	**132,483**	(19,736)
Profit/(loss) before tax attributable to the Company and its subsidiaries	**(47,146)**	1,156,850
Tax at the statutory tax rate of 16.5% (2008: 16.5%)	**(7,779)**	190,880
Higher tax rate for other countries	**1,781**	2,331
Adjustments in respect of current tax of previous periods	**941**	16,580
Income not subject to tax	**(5,405)**	(139,622)
Expenses not deductible for tax purposes	**8,128**	85,556
Tax losses utilised from previous periods	**(408)**	(539)
Tax losses not recognised	**6,610**	11,290
Reversal of recognised temporary differences	**—**	(28,607)
Effect of change in tax rate on opening deferred tax	**—**	(41,551)
Tax charge for the year	**3,868**	96,318

13. PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit/(loss) attributable to ordinary equity holders of the Company for the year ended 31 July 2009 includes a loss of HK$99,732,000 (2008: profit of HK$449,355,000) which has been dealt with in the financial statements of the Company (note 32(b)).

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

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$220,985,000 (2008: profit attributable to ordinary equity holders of the Company of HK$1,013,333,000) and the weighted average number of 14,162,042,000 (2008: 14,162,042,000) ordinary shares in issue during the year.

Diluted loss per share for the current year has not been presented as no diluting events existed during the year.

The calculation of diluted earnings per share for the year ended 31 July 2008 was based on the adjusted profit attributable to ordinary equity holders of the Company for the year ended 31 July 2008 of HK$1,013,324,000 and the weighted average number of 14,162,042,000 ordinary shares in issue during that year.

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

The calculation of adjusted profit attributable to ordinary equity holders of the Company for the year ended 31 July 2008 was based on the profit attributable to ordinary equity holders of the Company for the year of HK$1,013,333,000 less the dilution in the results of an associate, eSun, attributable to the Group of HK$9,000 arising from the deemed exercise of all eSun's share options with dilutive effect being outstanding during that year.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:								
At 1 August 2007	1,546,274	34,303	74,232	232,305	22,463	14,280	33,786	1,957,643
Additions	—	—	7,236	14,161	437	4,532	103	26,469
Disposals/write-off	—	—	(39,206)	(118,598)	(3,393)	(7,865)	—	(169,062)
Transfer to properties under development	(1,189,239)	—	—	—	—	—	—	(1,189,239)
At 31 July 2008 and 1 August 2008	357,035	34,303	42,262	127,868	19,507	10,947	33,889	625,811
Additions	—	46,732	12,154	9,165	833	316	124	69,324
Disposals/write-off	—	—	(5,181)	(2)	—	(101)	—	(5,284)
At 31 July 2009	357,035	81,035	49,235	137,031	20,340	11,162	34,013	689,851

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Hotel properties HK$'000	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Motor vessels HK$'000	Total HK$'000
Accumulated depreciation and impairment:									
At 1 August 2007		389,766	8,702	56,925	210,088	16,848	11,626	33,175	727,130
Depreciation provided for the year	8	19,366	683	7,070	7,173	2,362	1,374	249	38,277
Disposals/write-off		—	—	(36,764)	(109,103)	(3,409)	(6,763)	—	(156,039)
Transfer to properties under development		(319,332)	—	—	—	—	—	—	(319,332)
At 31 July 2008 and 1 August 2008		89,800	9,385	27,231	108,158	15,801	6,237	33,424	290,036
Depreciation provided for the year	8	8,209	1,309	6,803	5,525	2,576	1,334	252	26,008
Disposals/write-off		—	—	(5,181)	(2)	—	(101)	—	(5,284)
At 31 July 2009		98,009	10,694	28,853	113,681	18,377	7,470	33,676	310,760
Net carrying amount:									
At 31 July 2009		259,026	70,341	20,382	23,350	1,963	3,692	337	379,091
At 31 July 2008		267,235	24,918	15,031	19,710	3,706	4,710	465	335,775

At 31 July 2009, the Group's hotel properties with a total carrying amount of HK$259,026,000 (2008: HK$267,235,000) were pledged to banks to secure a banking facility granted to the Group (note 28).

The Group's hotel properties and leasehold buildings as at 31 July 2009 included above are held under the following lease terms:

	2009 HK$'000	2008 HK$'000
At cost:		
Medium-term leases		
Hong Kong	**81,035**	3,550
Elsewhere	**357,035**	357,035
Long leases		
Hong Kong	**—**	30,753
	438,070	391,338

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Computers HK$'000	Total HK$'000
Cost:					
At 1 August 2007	25,705	17,502	20,149	977	64,333
Additions	48	549	—	112	709
Disposals/write-off	—	(10)	(2,618)	(166)	(2,794)
At 31 July 2008 and 1 August 2008	25,753	18,041	17,531	923	62,248
Additions	1,250	1,717	833	143	3,943
Disposals/write-off	(7,189)	(7,389)	—	(29)	(14,607)
At 31 July 2009	**19,814**	**12,369**	**18,364**	**1,037**	**51,584**
Accumulated depreciation:					
At 1 August 2007	14,606	12,503	14,653	733	42,495
Depreciation provided for the year	4,388	1,605	2,233	139	8,365
Disposals/write-off	—	(10)	(2,617)	(166)	(2,793)
At 31 July 2008 and 1 August 2008	18,994	14,098	14,269	706	48,067
Depreciation provided for the year	3,619	1,735	2,442	148	7,944
Disposals/write-off	(7,189)	(5,646)	—	(29)	(12,864)
At 31 July 2009	**15,424**	**10,187**	**16,711**	**825**	**43,147**
Net carrying amount:					
At 31 July 2009	**4,390**	**2,182**	**1,653**	**212**	**8,437**
At 31 July 2008	6,759	3,943	3,262	217	14,181

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	HK$'000
Cost:		
At beginning and end of year	**35,960**	35,960
Accumulated amortisation:		
At beginning of year	**6,839**	5,812
Amortisation provided for the year - note 8	**1,027**	1,027
At end of year	**7,866**	6,839
Net carrying amount:		
At end of year	**28,094**	29,121

Leasehold land of the Group as at 31 July 2009 is held under a medium-term lease and is situated outside Hong Kong.

At 31 July 2009, the Group's prepaid land lease payments with a carrying amount of HK$28,094,000 (2008: HK$29,121,000) were pledged to banks to secure a banking facility granted to the Group (note 28).

17. INVESTMENT PROPERTIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**5,336,000**	4,614,600	**3,564,400**	3,118,200
Additions, at cost	**2,548**	4,796	**2,448**	4,579
Disposal	**—**	(5,000)	**—**	—
Gain/(loss) on revaluation	**(145,748)**	721,604	**(125,548)**	441,621
Carrying amount at end of year	**5,192,800**	5,336,000	**3,441,300**	3,564,400

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17. INVESTMENT PROPERTIES (continued)

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Long leases	**1,750,000**	1,770,000	**—**	—
Medium-term leases	**3,442,800**	3,566,000	**3,441,300**	3,564,400
	5,192,800	5,336,000	**3,441,300**	3,564,400

At 31 July 2009, the investment properties were stated at their aggregate open market value of HK$5,192,800,000 (2008: HK$5,336,000,000), based on their existing use with reference to a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors, on that date.

All investment properties of the Group and the Company were leased out under operating leases, further summary details of which are included in note 36(a) to the financial statements.

Certain investment properties of the Group and the Company with carrying amounts of HK$5,185,000,000 (2008: HK$5,328,000,000) and HK$3,435,000,000 (2008: HK$3,558,000,000), respectively, were pledged to banks to secure banking facilities granted to the Group (note 28).

18. PROPERTIES UNDER DEVELOPMENT

	Group	
	2009	2008
	HK$'000	HK$'000
At beginning of year, at cost	**451,558**	106,942
Transfer from property, plant and equipment	**—**	869,907
Additions	**268,614**	339,052
Interest and bank financing charges capitalised (note 9)	**3,380**	5,784
Disposals	**—**	(220)
Disposal of a subsidiary (note 33)	**—**	(869,907)
At end of year, at cost	**723,552**	451,558

18. PROPERTIES UNDER DEVELOPMENT (continued)

The Group's properties under development are situated in Hong Kong and are held under the following lease terms:

	Group 2009 HK$'000	Group 2008 HK$'000
Long leases	106,245	106,229
Medium-term leases	617,307	345,329
	723,552	451,558

As at 31 July 2009, the Group's properties under development with a total carrying amount of HK$399,120,000 (2008: HK$344,113,000) were pledged to a bank to secure a banking facility granted to the Group (note 28).

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19. GOODWILL

	Group HK$'000
Cost:	
At 1 August 2007	159,567
Arising from acquisition of minority interests of a subsidiary (Note a)	47,315
Release upon disposal of interests in a subsidiary (Note b)	(68,811)
Transfer to interests in associates (Note b)	(129,488)
At 31 July 2008, 1 August 2008 and 31 July 2009	**8,583**
Accumulated impairment:	
At 1 August 2007	6,867
Impairment provided for the year - note 8	1,716
At 31 July 2008, 1 August 2008 and 31 July 2009	**8,583**
Net carrying amount:	
At 31 July 2009	—
At 31 July 2008	—

Notes:

(a) The amounts represented goodwill arising from acquisition of further interests in Diamond String, a then subsidiary of the Group, from minority shareholders of Diamond String.

(b) The attributable amount of goodwill was released and included in the calculation of gain on disposal of a subsidiary upon the Group's disposal of 26.57% equity interest in Diamond String. The remaining amount of goodwill was transferred to interests in associates as Diamond String became an associate of the Group. The details of the disposal were set out in note 7 to the financial statements.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**167,421**	167,421
Amounts due from subsidiaries	**6,461,445**	6,123,822
Amounts due to subsidiaries	**(997,086)**	(1,005,147)
	5,464,359	5,118,675
Provision for impairment	**(2,792,516)**	(2,750,094)
	2,839,264	2,536,002

Balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment except for an amount due from a subsidiary of HK$484,589,000 (2008: HK$494,206,000) as at 31 July 2009 which bears interest at the prevailing market lending rate.

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

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20. INTERESTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Chains Caravelle Hotel Joint Venture Company Limited ("CCHJV")	Vietnam	US$23,175,577	*	—	26.01**	Hotel operations
Furama Hotel Enterprises Limited ("FHEL")	Hong Kong	HK$102,880,454	Ordinary	—	100.00	Investment holding
Furama Hotels and Resorts International Limited	British Virgin Islands/ Hong Kong	US$1,000,000	Ordinary	—	100.00	Provision of management services
Gilroy Company Limited	Hong Kong	HK$10,000	Ordinary	100.00	—	Property investment
Glynhill Hotels and Resorts (Vietnam) Pte. Ltd.	Singapore/ Vietnam	S$2	Ordinary	—	100.00	Provision of management and consultancy services to hotel owners
Goldmay Development Limited ("Goldmay")	Hong Kong	HK$2	Ordinary	100.00	—	Property development
Hong Kong Hill Limited	Hong Kong	HK$100	Ordinary	100.00	—	Property investment
Kolot Property Services Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property management
Lai Sun Real Estate Agency Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property management and real estate agency
Milirich Investment Limited	Hong Kong	HK$2	Ordinary	100.00	—	Property development

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20. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/registered and paid-up capital	Class of shares held	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Modern Charm Limited	Hong Kong	HK$10,000	Ordinary	—	70.00	Restaurant operation
Oriental Style Limited	Hong Kong	HK$1	Ordinary	—	100.00	Property development
Peakflow Profits Limited ("Peakflow")	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Royal Team Limited	Hong Kong	HK$1	Ordinary	—	100.00	Restaurant operation
Transformation International Limited#	British Virgin Islands/ Hong Kong	US$1	Ordinary	100.00	—	Investment holding
Transtrend Holdings Limited	Hong Kong	HK$20	Ordinary	—	100.00	Investment holding
Vutana Trading Investment (No. 2) Limited	British Virgin Islands/ Hong Kong	US$1	Ordinary	—	100.00	Investment holding
Winfield Properties Limited	Hong Kong	HK$2	Ordinary	100.00	—	Holding of various car parking spaces and operation of carparks

* *This subsidiary has registered rather than issued share capital.*

** *CCHJV is regarded as a subsidiary of the Group because the Group has control over its financial and operating policies.*

\# *Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network*

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20. INTERESTS IN SUBSIDIARIES (continued)

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

Shares of certain subsidiaries held by the Group were also pledged to banks to secure banking facilities granted to the Group (note 28).

21. INTERESTS IN ASSOCIATES

		Group		Company	
	Note	**2009**	2008	**2009**	2008
		HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost		**—**	—	**907**	907
Share of net assets		**1,834,862**	1,845,689	**—**	—
Goodwill on acquisition	19(b)	**129,488**	129,488	**—**	—
		1,964,350	1,975,177	**907**	907
Amounts due from associates		**873,050**	976,152	**596,928**	596,751
Amounts due to associates		**(15,747)**	(15,681)	**(11,503)**	(11,503)
		2,821,653	2,935,648	**586,332**	586,155
Provision for impairment		**(162,016)**	(165,278)	**(194,432)**	(194,255)
		2,659,637	2,770,370	**391,900**	391,900
Market value of listed shares at the balance sheet date		**523,697**	760,927	**—**	—

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

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

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21. INTERESTS IN ASSOCIATES (continued)

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

Name	Business structure	Place of incorporation/ registration and operations	Class of shares held	Percentage of ownership interest attributable to the Group	Principal activities
Brilliant Pearl Limited ("Brilliant Pearl") #	Corporate	Hong Kong	Ordinary	50.00	Property development
Capital Artists Limited	Corporate	Hong Kong	Ordinary	36.08	Music production and distribution
Diamond String Limited	Corporate	Hong Kong	Ordinary	50.00	Property investment
East Asia Entertainment Limited	Corporate	Hong Kong	Ordinary	36.08	Entertainment activity production
East Asia Music (Holdings) Limited	Corporate	Hong Kong	Ordinary	36.08	Music production and distribution
East Asia-Televisão Por Satélite, Limitada	Corporate	Macau	Quota	14.43	Investment in and development of a piece of land in Macau
eSun Holdings Limited	Corporate	Bermuda/ Hong Kong	Ordinary	36.08	Investment holding
Lucky Result Limited #	Corporate	British Virgin Islands/ Hong Kong	Ordinary	50.00	Investment holding
Media Asia Entertainment Group Limited	Corporate	Bermuda/ Hong Kong	Ordinary	36.08	Investment holding
Rich & Famous Talent Management Group Limited	Corporate	Hong Kong	Ordinary	27.06	Provision of artists management service

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21. INTERESTS IN ASSOCIATES (continued)

The one share of an associate held by the Group was also pledged to banks to secure the banking facilities granted to the associate.

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.

The financial year end dates of the above associates are coterminous with that of the Group, except for Brilliant Pearl, Diamond String and the eSun Group which have their financial year end date falling on 31 December. The consolidated financial statements of the Group are prepared with reference to the audited financial statements or unaudited management accounts of the associates for the period ended 31 July except for the eSun Group which is based on the unaudited management accounts for the period ended 30 June. The consolidated financial statements of the Group are adjusted for material transactions of the eSun Group between 30 June and 31 July.

All the above associates have been accounted for using the equity method in these financial statements.

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

	2009	2008
	HK$'000	HK$'000
Assets	**8,625,523**	8,994,538
Liabilities	**3,373,497**	3,595,128
Turnover	**315,177**	327,707
Profit/(loss) attributable to the ordinary equity holders of the parent	**(400,190)**	278,662

The eSun Group

Included in the Group's interests in associates at 31 July 2009 is the Group's share of net assets of the eSun Group of HK$1,886,180,000 (2008: HK$2,017,971,000).

A cross holding position has been existing between eSun and the Company. As at 31 July 2009, the Group's interest in eSun was 36.08% (2008: 36.08%) and the eSun Group held 36.72% (2008: 36.72%) in the issued share capital of the Company.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments, at fair value				
Unlisted equity investments	**393,067**	405,561	**—**	—
Unlisted debt investments	**32,194**	31,481	**—**	—
	425,261	437,042	**—**	—
Unlisted equity investments, at cost	**196,732**	196,732	**3,101**	3,101
Provision for impairment	**(180,574)**	(180,574)	**(3,000)**	(3,000)
	16,158	16,158	**101**	101
	441,419	453,200	**101**	101

The fair values of the unlisted investments have been estimated using either the present value of the estimated future cash flows expected to be generated by the underlying property development projects, including cash flows from their operations and the proceeds from the ultimate disposal of the underlying projects with reference to the prevailing property market conditions in Hong Kong as at 31 July 2009, or with reference to the market value of the underlying properties held by the investee companies.

As at 31 July 2009, unlisted investments of the Group with a carrying amount of HK$16,158,000 (2008: HK$16,158,000) were stated at cost less impairment because the directors are of the opinion that the variability in the range of reasonable fair value estimate is so significant and the probabilities of the various estimates cannot be reasonably assessed and used in estimating fair value.

As at 31 July 2009, included in available-for-sale financial assets at fair value were equity and debt interests in Bayshore Development Limited ("Bayshore"), the principal activity of which is property investment, in an aggregate amount of HK$399,111,000 (2008: HK$410,892,000). The interests held had been pledged to banks to secure a syndicated loan facility granted to Bayshore.

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23. HELD-TO-MATURITY DEBT INVESTMENTS

Held-to-maturity debt investments comprise:

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Debt securities *(Note)*	**253,350**	—
Analysed for reporting purposes as:		
Current assets	**241,145**	—
Non-current assets	**12,205**	—
	253,350	—

Note:

Included in the held-to-maturity debt investments are approximately HK$244,796,000 and HK$8,554,000 which are listed in overseas and unlisted respectively. The weighted average interest rate on these held-to-maturity debt investments is approximately 3% per annum.

24. PLEDGED BANK BALANCES AND TIME DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**85,608**	155,938	**30,923**	22,872
Time deposits	**1,071,198**	1,193,531	**916,634**	1,168,720
	1,156,806	1,349,469	**947,557**	1,191,592
Less: Pledged balances for bank borrowings:				
Bank balances	**(5,473)**	(9,283)	**(5,473)**	(9,283)
Time deposits	**(72,074)**	(84,838)	**(72,074)**	(84,838)
Pledged bank balances and time deposits	**(77,547)**	(94,121)	**(77,547)**	(94,121)
Cash and cash equivalents	**1,079,259**	1,255,348	**870,010**	1,097,471

At the balance sheet date, cash and bank balances of the Group denominated in Vietnamese Dong ("VND") amounted to approximately HK$17,962,000 (2008: HK$10,068,000). The VND is not freely convertible into other currencies. However, under the Regulations on Foreign Exchange Control of the Socialist Republic of Vietnam, the Group is permitted to exchange VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are spread over varying periods of between one day and six months based on the estimated cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. COMPLETED PROPERTIES FOR SALE

The completed properties for sale are carried at the lower of cost and estimated sale proceeds less costs to be incurred for disposal as at the balance sheet date.

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26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**38,332**	49,842

The above equity instruments as at 31 July 2009 were classified as held for trading.

27. DEBTORS AND DEPOSITS PAID/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

(a) The Group maintains various credit policies for different business operations in accordance with business practices and market conditions in which the respective subsidiaries operate. Sales proceeds receivable from the sale of properties are settled in accordance with the terms of the respective contracts. 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. Hotel and restaurant charges are mainly settled by customers on cash basis except for those corporate clients who maintain credit accounts with the respective subsidiaries, the settlement of which is in accordance with the respective agreements.

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors:				
Less than 30 days past due	**5,307**	6,869	**1,309**	1,583
31 - 60 days past due	**1,215**	1,717	**567**	473
61 - 90 days past due	**459**	681	**287**	132
Over 90 days past due	**1,918**	3,344	**1,774**	3,294
	8,899	12,611	**3,937**	5,482
Other debtors and deposits paid	**77,815**	102,398	**36,563**	49,282
	86,714	115,009	**40,500**	54,764
Portion classified as non-current:				
Deposit paid for acquisition of properties under development	**—**	(18,800)	**—**	—
Current portion	**86,714**	96,209	**40,500**	54,764

27. DEBTORS AND DEPOSITS PAID/CREDITORS, DEPOSITS RECEIVED AND ACCRUALS (continued)

(a) (continued)

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 August	**1,201**	702	**1,201**	611
Impairment losses recognised	**1,398**	590	**1,236**	590
Amount written off as uncollectible	**(1,383)**	—	**(1,221)**	—
Disposal of a subsidiary	**—**	(91)	**—**	—
At 31 July	**1,216**	1,201	**1,216**	1,201

Included in the above provision for impairment of trade debtors is a provision for individually impaired trade debtors. The individually impaired trade debtors related to customers that were in default in settlements and no portion of the receivables is expected to be recovered after taking into account the rental deposit held by the Group.

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, and 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.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Trade creditors:		
Less than 30 days past due	**6,887**	6,702
31 - 60 days past due	**654**	28
61 - 90 days past due	**—**	19
Over 90 days past due	**—**	113
	7,541	6,862
Other creditors, deposits received and accruals	**198,876**	169,966
	206,417	176,828

The trade creditors are non-interest-bearing and are normally settled on 30-day terms.

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28. BANK BORROWINGS

	Effective annual interest rate (%)	Group 2009 HK$'000	Group 2008 HK$'000	Company 2009 HK$'000	Company 2008 HK$'000
Current					
Bank borrowings - secured	0.91 - 5.07	**613,249**	152,175	**578,500**	120,000
Non-current					
Bank borrowings - secured	0.91 - 5.07	**1,533,829**	1,722,703	**1,296,100**	1,474,600
		2,147,078	1,874,878	**1,874,600**	1,594,600
Analysed into:					
Bank borrowings repayable:					
Within one year		**613,249**	152,175	**578,500**	120,000
In the second year		**318,823**	1,509,349	**130,000**	1,474,600
In the third to fifth years, inclusive		**1,215,006**	213,354	**1,166,100**	—
		2,147,078	1,874,878	**1,874,600**	1,594,600

The Group's bank borrowings as at 31 July 2009 are secured, inter alia, by:

(i) fixed charges over the Group's hotel properties, certain investment properties, certain properties under development and prepaid land lease payments;

(ii) floating charges over certain assets held by the Group;

(iii) charges over certain bank balances and time deposits of the Group; and

(iv) shares of certain subsidiaries held by the Group.

29. DEFERRED TAX

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

Group

	Revaluation of investment properties HK$'000	Accelerated capital allowances HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 August 2007	(624,379)	(106,771)	4,334	(1,156)	(727,972)
Effect of change in tax rate	35,679	6,109	(237)	—	41,551
Deferred tax credited/(debited) to the consolidated income statement during the year - note 12	(118,635)	23,157	(3,624)	—	(99,102)
At 31 July 2008 and 1 August 2008	(707,335)	(77,505)	473	(1,156)	(785,523)
Deferred tax credited/(debited) to the consolidated income statement during the year - note 12	24,031	(4,700)	89	—	19,420
At 31 July 2009	**(683,304)**	**(82,205)**	**562**	**(1,156)**	**(766,103)**

The Group has tax losses arising in Hong Kong of approximately HK$1,311,843,000 (2008: HK$1,032,960,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as such losses are not probable to be utilised in the foreseeable future.

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29. DEFERRED TAX (continued)

Company

	Revaluation of investment properties HK$'000	Accelerated capital allowances HK$'000	Tax losses HK$'000	Total HK$'000
At 1 August 2007	(463,237)	(40,643)	3,061	(500,819)
Effect of change in tax rate	26,471	2,322	(175)	28,618
Deferred tax debited to the income statement during the year	(72,868)	(1,449)	(2,886)	(77,203)
At 31 July 2008 and 1 August 2008	(509,634)	(39,770)	—	(549,404)
Deferred tax credited/(debited) to the income statement during the year	20,715	(2,094)	—	18,621
At 31 July 2009	**(488,919)**	**(41,864)**	**—**	**(530,783)**

At 31 July 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability to additional tax should such amounts be remitted.

30. SHARE CAPITAL

	2009 Number of shares '000	2009 Nominal value HK$'000	2008 Number of shares '000	2008 Nominal value HK$'000
Authorised:				
Ordinary shares of HK$0.01 (2008: HK$0.01) each	**17,200,000**	**172,000**	16,000,000	160,000
Preference shares of HK$1.00 each	**1,200,000**	**1,200,000**	1,200,000	1,200,000
		1,372,000		1,360,000
Issued and fully paid:				
Ordinary shares of HK$0.01 (2008: HK$0.01) each	**14,162,042**	**141,620**	14,162,042	141,620

Pursuant to an ordinary resolution passed on 23 December 2008, the authorised ordinary share capital of the Company was increased from HK$160,000,000 to HK$172,000,000 by creation of an additional 1,200,000,000 ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 24 July 2006, and the subsequent Order of the High Court of Hong Kong granted on 17 October 2006, the Company effected a capital reduction (the "Capital Reduction") which took effect on 18 October 2006. The paid-up capital on each of its issued ordinary shares of HK$0.50 was cancelled to the extent of HK$0.49 per share, and the nominal value of all of the ordinary shares of the Company, both issued and unissued, was reduced from HK$0.50 per share to HK$0.01 per share. A total credit of HK$6,245,561,000 had arisen as a result of the Capital Reduction. An amount of HK$5,619,000,000 of the total credit was credited to the accumulated losses of the Company and the remaining amount of HK$626,561,000 was credited to the share premium account of the Company.

An undertaking in standard terms was given to the High Court by the Company in connection with the Capital Reduction. The undertaking is for the benefit of the Company's creditors as at the effective date of the Capital Reduction. Pursuant to the undertaking, any receipts by the Company on or after 1 August 2005 in respect of the Company's:

(1) 50% investment in Fortune Sign Venture Inc. ("Fortune Sign"), up to an aggregate amount of HK$1,556,000,000;

(2) 10% investment in Bayshore, up to an aggregate amount of HK$2,923,000,000;

(3) 100% investment in Furama Hotel Enterprises Limited, up to an aggregate amount of HK$1,140,000,000

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31 July 2009

30. SHARE CAPITAL (continued)

shall be credited to a special capital reserve in the accounting records of the Company. While any debt of or claim against the Company as at 18 October 2006 (the effective date of the Capital Reduction) remains outstanding, and the person entitled to the benefit thereof has not agreed otherwise, the special capital reserve shall not be treated as realised profits and (for so long as the Company remains a listed company) shall be treated as an undistributable reserve pursuant to Section 79C of the Hong Kong Companies Ordinance.

The undertaking is subject to the following provisos:

(i) the amount standing to the credit of the special capital reserve may be applied for the same purposes as a share premium account may be applied or may be reduced or extinguished by the aggregate of any increase in the Company's issued share capital or share premium account resulting from an issue of shares for cash or other new consideration upon a capitalisation of distributable reserves after 18 October 2006 and the Company shall be at liberty to transfer the amount of any such reduction to the general reserves of the Company and the same shall become available for distribution;

(ii) the aggregate limit in respect of the special capital reserve may be reduced after the disposal or other realisation of any of the assets the subject of the undertaking (as referred to at (1) to (3) above) by the amount of the individual limit for the asset in question less such amount (if any) as is credited to the special capital reserve as a result of such disposal or realisation; and

(iii) in the event that the amount standing to the credit of the special capital reserve exceeds the limit thereof, after any reduction of such limit pursuant to proviso (ii) above, the Company shall be at liberty to transfer the amount of such excess to the general reserve of the Company and the same shall become available for distribution.

In prior years, an aggregate amount of HK$551,021,000, which comprised (i) the reversal of provision for impairment of the Company's interest in Peakflow, which holds a 10% equity interest in Bayshore, to the extent of HK$292,693,000; and (ii) the recognition of dividend income from the Company's investment in Fortune Sign of HK$258,328,000, was transferred from accumulated losses to the special capital reserve of the Company.

After the effective date of the Capital Reduction, the Company entered into a placing agreement dated 17 November 2006 pursuant to which a total of 1,416,000,000 new ordinary shares of HK$0.01 each in the capital of the Company were allotted and issued for net cash proceeds of HK$504,136,000. With such increase in the Company's issued share capital and share premium account resulting from the placing of new shares for cash, an aggregate amount of HK$504,136,000 was then transferred from special capital reserve to general reserve (a distributable reserve) of the Company in prior years pursuant to the provisos of the undertaking given by the Company in connection with the Capital Reduction as stated above.

31. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives or 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 resource 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 employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group. The Share Option Scheme was adopted on 22 December 2006 and became effective on 29 December 2006 and, unless otherwise terminated or amended, will remain in force for 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 total number of shares in issue from time to 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 shall not exceed 10% of the total number of shares of the Company in issue as at the date of adopting the Share Option Scheme unless the Company seeks the approval of its shareholders in 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 to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Company's total number of shares in issue. Any further grant of share options representing in aggregate over 1% of the total number of the Company's shares in issue must be separately approved by the shareholders in general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall be subject to approval by the independent non-executive directors of the Company. Any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, representing in aggregate over 0.1% of the shares of the Company in issue or having an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, in the 12-month period up to and including the date of such grant must be approved by shareholders in general meeting of the Company.

The offer of a grant of share options shall be accepted within 28 days from the date of offer and acceptance shall be made with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant. The exercise period of the share options granted is determinable by the directors of the Company save that such period shall not be more than 10 years from the date of grant of the share options.

The exercise price of share options is determinable by the directors of the Company, but shall not be lower 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 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 five trading days immediately preceding the date of the grant; and (iii) the nominal value of the Company's share.

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31. SHARE OPTION SCHEME (continued)

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

The following share options were granted during the year ended 31 July 2007 and vested on the same day and were outstanding under the Share Option Scheme as at 31 July 2008 and 31 July 2009:

Name or category of participant	Number of share options granted in 2007 and outstanding as at 31 July 2008 and 31 July 2009	Date of grant of options	Exercise period of share options	Exercise price of share options* HK$ per share
Director				
Lau Shu Yan, Julius	15,000,000	19/01/2007	19/01/2007 - 31/12/2010	0.45
	15,000,000	19/01/2007	19/01/2007 - 31/12/2010	0.55
	15,000,000	19/01/2007	19/01/2007 - 31/12/2010	0.65
	15,000,000	19/01/2007	19/01/2007 - 31/12/2010	0.75
	60,000,000			

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other relevant changes in the Company's share capital.

During the year, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme. As at 31 July 2009, the total number of 60,000,000 share options outstanding under the Share Option Scheme represented approximately 0.42% of the Company's shares in issue at those dates.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 45 to 46 of the financial statements.

(b) Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	General reserve HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2007		6,974,701	6,572	1,200,000	479,201	—	(4,236,476)	4,423,998
Profit for the year		—	—	—	—	—	449,355	449,355
Transfer of reserves:								
- From accumulated loss to special capital reserve	30	—	—	—	—	71,820	(71,820)	—
- From special capital reserve to general reserve	30	—	—	—	24,935	(24,935)	—	—
At 31 July 2008 and 1 August 2008		6,974,701	6,572	1,200,000	504,136	46,885	(3,858,941)	4,873,353
Loss for the year		—	—	—	—	—	(99,732)	(99,732)
At 31 July 2009		**6,974,701**	**6,572**	**1,200,000**	**504,136**	**46,885**	**(3,958,673)**	**4,773,621**

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33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of a subsidiary during the year ended 31 July 2008

	Notes	HK$'000
Net assets disposed of:		
Properties under development	18	869,907
Debtors and deposits		3,999
Tax recoverable		5,114
Cash and cash equivalents		160,752
Creditors and accruals		(2,744)
Interest-bearing bank loans		(240,000)
Minority interests		(185,588)
		611,440
Reclassification to interests in associates		(396,047)
Release of goodwill		68,811
Gain on disposal	7	699,036
		983,240
Satisfied by:		
Cash		997,794
Less: expenses incurred in connection with the disposal of a subsidiary		(14,554)
		983,240

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary was as follows:

	HK$'000
Cash consideration received, net	983,240
Cash and cash equivalents disposed of	(160,752)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	822,488

The subsidiary disposed of during the prior year contributed turnover of HK$199,735,000 and profit of HK$64,853,000 to the consolidated income statement for that year.

34. CAPITAL COMMITMENTS

The Group had the following commitments in respect of purchase of property, plant and equipment not provided for in the financial statements at the balance sheet date:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments - contracted, but not provided for	**3,985**	828	**3,985**	828

35. CONTINGENT LIABILITIES

(a) Contingent liabilities not provided for in the financial statements at the balance sheet date were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**—**	—	**151,500**	151,500
Associates	**—**	121,496	**—**	121,496
	—	121,496	**151,500**	272,996

(b) In connection with the disposal (the "Transaction") of 100% interests in Majestic Hotel and Majestic Centre, Kowloon, Hong Kong by Taiwa Land Investment Company, Limited ("Taiwa"), an indirect 50% owned associate of the Group, Taiwa, the Company, and the other 50% beneficial shareholder of Taiwa (collectively the "Covenantors") entered into a tax deed (the "Tax Deed") with the purchaser of the Transaction, and Majestic Hotel Enterprises Holding Limited and Majestic Centre Holding Limited and their subsidiaries collectively (the "Properties Holding Companies") on 17 July 2007. Pursuant to the Tax Deed, the Covenantors severally agreed to indemnify the Properties Holding Companies against any taxation on profits levied by relevant tax authority in Hong Kong resulting from events happened prior to the completion of the Transaction for a maximum amount of HK$30,000,000. As such, the maximum liability of the Company under the Tax Deed is HK$15,000,000. The Tax Deed is valid for a period of 7 years from the date of its execution.

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35. CONTINGENT LIABILITIES (continued)

(c) Pursuant to an indemnity deed (the "Lai Fung Tax Indemnity Deed") dated 12 November 1997 entered into between the Company and Lai Fung Holdings Limited ("Lai Fung"), the Company has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("LAT") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31 October 1997 (the "Property Interests"). These tax indemnities given by the Company apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited (currently known as "Knight Frank Petty Limited"), independent chartered surveyors, as at 31 October 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31 October 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deed assumes that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by the Company do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18 November 1997.

After taking into account the Property Interests currently held by Lai Fung as at 31 July 2009 which are covered under the Lai Fung Tax Indemnity Deed and the prevailing tax rates and legislation governing PRC income tax and LAT, the total amount of tax indemnity given by the Company is estimated to be HK$1,341,829,000.

As at 31 July 2009, the directors of the Company, after taking into account the prevailing market situation and the latest development plan and status of the various individual property development projects as included in the Property Interests and the prevailing tax rates and legislation governing PRC income tax and LAT, considered it is probable that an estimated amount of HK$452,696,000 (2008: HK$464,632,000) of the abovementioned tax indemnity given by the Company would be crystallised. Therefore, a reversal of provision for the tax indemnity amount of HK$11,936,000 (2008: provision of HK$464,632,000) was recognised in the income statements of the Group and the Company for the year ended 31 July 2009.

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**206,150**	221,420	**149,901**	162,633
In the second to fifth years, inclusive	**126,383**	139,483	**91,741**	103,619
	332,533	360,903	**241,642**	266,252

(b) As lessee

The Group leases certain properties under an operating lease arrangement, with a lease of original term of twelve years with option to terminate the leases upon expiry of six years.

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**9,077**	9,750	**7,717**	9,067
In the second to fifth years, inclusive	**11,048**	14,255	**6,538**	14,255
	20,125	24,005	**14,255**	23,322

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37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2009 — **Group**

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Held-to-maturity debt investments HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	441,419	—	441,419
Held-to-maturity debt investments	—	—	—	253,350	253,350
Amounts due from associates	—	711,034	—	—	711,034
Trade and other debtors	—	35,433	—	—	35,433
Equity investments at fair value through profit or loss	38,332	—	—	—	38,332
Pledged bank balances and time deposits	—	77,547	—	—	77,547
Cash and cash equivalents	—	1,079,259	—	—	1,079,259
	38,332	1,903,273	441,419	253,350	2,636,374

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to associates	15,747
Trade and other creditors	106,554
Bank borrowings	2,147,078
	2,269,379

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2008

Financial assets

	Group			
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	—	—	453,200	453,200
Amounts due from associates	—	810,874	—	810,874
Trade and other debtors	—	25,470	—	25,470
Equity investments at fair value through profit or loss	49,842	—	—	49,842
Pledged bank balances and time deposits	—	94,121	—	94,121
Cash and cash equivalents	—	1,255,348	—	1,255,348
	49,842	2,185,813	453,200	2,688,855

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to associates	15,681
Trade and other creditors	96,447
Bank borrowings	1,874,878
	1,987,006

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37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company						
	2009				2008		
	Loans and receivables HK$'000	**Available-For-sale financial assets HK$'000**	**Held-to-maturity debt investments HK$'000**	**Total HK$'000**	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amounts due from subsidiaries	**3,668,929**	**—**	**—**	**3,668,929**	3,373,728	—	3,373,728
Amounts due from associates	**402,496**	**—**	**—**	**402,496**	402,496	—	402,496
Available-for-sale investments	**—**	**101**	**—**	**101**	—	101	101
Held-to-maturity debt investments	**—**	**—**	**253,350**	**253,350**	—	—	-
Trade and other debtors	**7,620**	**—**	**—**	**7,620**	9,251	—	9,251
Pledged deposits	**77,547**	**—**	**—**	**77,547**	94,121	—	94,121
Cash and cash equivalents	**870,010**	**—**	**—**	**870,010**	1,097,471	—	1,097,471
	5,026,602	**101**	**253,350**	**5,280,053**	4,977,067	101	4,977,168

Financial liabilities

	2009 Financial liabilities at amortised cost HK$'000	2008 Financial liabilities at amortised cost HK$'000
Amounts due to associates	**11,503**	11,503
Amounts due to subsidiaries	**997,086**	1,005,147
Trade and other creditors	**49,212**	33,213
Bank borrowings	**1,874,600**	1,594,600
	2,932,401	2,644,463

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise held-to-maturity debt investments, available-for-sale financial assets, equity investments at fair value through profit or loss, pledged bank balances and time deposits, cash and cash equivalents and bank borrowings. 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, foreign currency 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) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both fair value and cash flow interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's pledged bank balances and time deposits, cash and cash equivalents and bank 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 or loss (through the impact on floating rate pledged bank balances and time deposits, cash and cash equivalents and bank borrowings) and the Group's and the Company's equity.

	Group			Company	
	Increase in interest rate (in percentage)	Decrease in profit or increase in loss	Decrease in equity	Increase in interest rate (in percentage)	Decrease in equity
		HK$'000	HK$'000		HK$'000
2009	**0.5%**	**4,951**	**4,951**	**0.5%**	**4,635**
2008	0.5%	2,627	2,627	0.5%	2,015

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's revenue is predominately in HK$ or US$ and held-to-maturity debt investments and certain portion of the bank borrowings are denominated in US$. As HK$ is pegged against US$, the Group does not expect any significant movements in the exchange rate in the foreseeable future.

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

(iii) Credit risk

The Group maintains various credit policies for different business operations as described in note 27. In addition, trade debtors balances are being closely monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk on held-to-maturity debt investments is limited because most of the counter-parties are financial institutions and corporate with investment credit-ratings assigned by international credit-rating agencies.

The credit risk of the Group's financial assets, which comprise trade and other debtors, amounts due from associates, held-to-maturity debt investments, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(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 equity investments at fair value through profit or loss (note 26) as at 31 July 2009. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

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

	Increase in profit or decrease in loss and increase in equity	
	2009	2008
	HK$'000	HK$'000
Investments listed in:		
Hong Kong - Held-for-trading	**1,917**	2,492

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk

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

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

Group

	2009			
	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Amounts due to associates	**—**	**—**	**15,747**	**15,747**
Trade and other creditors	**106,554**	**—**	**—**	**106,554**
Bank borrowings	**70,373**	**569,170**	**1,559,247**	**2,198,790**
	176,927	**569,170**	**1,574,994**	**2,321,091**

	2008			
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to associates	—	—	15,681	15,681
Trade and other creditors	96,447	—	-	96,447
Bank borrowings	57,872	151,798	1,766,366	1,976,036
	154,319	151,798	1,782,047	2,088,164

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

Company

	2009			
	Less than 3 months HK$'000	**3 to 12 months HK$'000**	**1 to 5 years HK$'000**	**Total HK$'000**
Amounts due to subsidiaries	**—**	**—**	**997,086**	**997,086**
Amounts due to associates	**—**	**—**	**11,503**	**11,503**
Trade and other creditors	**49,212**	**—**	**—**	**49,212**
Bank borrowings	**51,810**	**548,743**	**1,316,731**	**1,917,284**
	101,022	**548,743**	**2,325,320**	**2,975,085**

	2008			
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	1,005,147	1,005,147
Amounts due to associates	—	—	11,503	11,503
Trade and other creditors	33,213	—	—	33,213
Bank borrowings	56,963	111,267	1,504,378	1,672,608
	90,176	111,267	2,521,028	2,722,471

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(vi) Capital management

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

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

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

The Group monitors its capital structure through a gearing ratio of total bank borrowings to total equity. The Group's policy is to maintain the gearing ratio at a moderate level which stands at 30% at 31 July 2009. Total equity represents equity attributable to ordinary equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Bank borrowings	**2,147,078**	1,874,878
Equity attributable to ordinary equity holders of the Company	**7,093,474**	7,326,935
Gearing ratio	**30%**	26%

Notes to Financial Statements

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39. POST BALANCE SHEET EVENT

On 21 September 2009, Diamond String, an associate of the Group, awarded an exclusive mandate to CCB International Finance Limited, a wholly-owned subsidiary of China Construction Bank Corporation for the arrangement and underwriting of a syndicated term loan facility ("Loan Facility") up to HK$1,530 million sought by Diamond String for the purposes of financing the re-development of the Property (as defined in note 7) into a grade A office tower.

In relation to the Loan Facility, the Company and CCB International, as equal beneficial shareholders of Diamond String, are required to provide, on a several basis and in proportion to their respective shareholdings in Diamond String, guarantees for all monies payable under the Loan Facility and undertakings to make good any cost over-runs on the redevelopment of the Property, during the tenor of the loan (collectively the "Corporate Guarantee").

In addition, the Company has sought the approval of its shareholders to authorise the Group to provide supplementary financial assistance to Diamond String of up to HK$70 million ("Supplementary Financial Assistance") to cater for any agreed upscaling of the re-development project in the future. The Corporate Guarantee to be given by the Company constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules (and any Supplemental Financial Assistance would, therefore, increase the size of such major transaction) and, accordingly, requires the approval of the Company's shareholders in general meeting. A resolution for approving the Corporate Guarantee and Supplementary Financial Assistance was duly passed at an extraordinary general meeting of the Company on 2 November 2009. Further details of the transactions are set out in the Company's circular dated 13 October 2009.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 6 November 2009.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 23 December 2009 at 9:30 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 2009;

2. To re-elect the retiring director 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 ordinary shares of the Company; or (iii) an issue of ordinary shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of ordinary shares in the Company under any option scheme or similar arrangement for the grant or issue of ordinary shares in the Company or rights to acquire ordinary shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

   (d) for the purposes of this Resolution:

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

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

   (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the 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

Notice of Annual General Meeting

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

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 6 November 2009

Notes:

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

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

3. Concerning item 2 of this Notice, Mr. Lam Kin Ngok, Peter retires by rotation at the forthcoming Annual General Meeting pursuant to Article 102 of the Company's Articles of Association and, being eligible, he offers himself for re-election. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid director are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of the Annual Report 2008–2009 of the Company. For the purpose of his re-election as a director of the Company at the forthcoming Annual General Meeting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

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

5. In compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), voting on resolutions in respect of the above matters in this Notice will be decided by way of a poll. In accordance with the Company's Articles of Association, unless a poll is required by the Listing Rules or any other applicable laws, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

   (i) the Chairman of the Meeting; or

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

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

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