LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED

(Stock code: 191)

Annual Report 2009-2010

Contents

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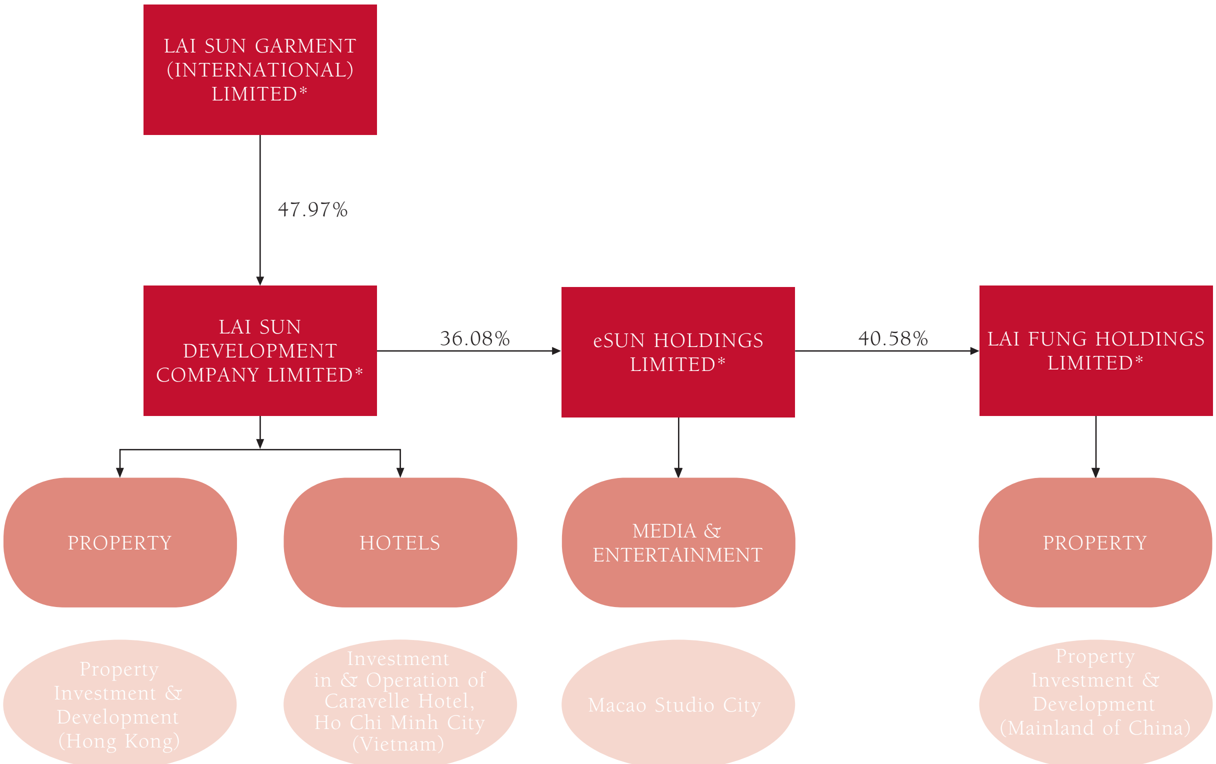
E-mail ir@laisun.com

*Stock code on Hong Kong Stock Exchange: **191***

Corporate Profile

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



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

Note:

The chart above represents the corporate structure of Lai Sun Group following the completion of the reorganisation exercise on 30 September 2010.

Corporate Information

Place of Incorporation
Hong Kong

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

* *Independent non-executive director*

Secretary and Registered Office
Goh Soon Khian
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

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

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

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

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

Chairman's Statement

Chairman **LAM Kin Ming**

OVERVIEW OF FINAL RESULTS

For the year ended 31 July 2010, the Group recorded a turnover of HK$36,554,000 (2009: HK$14,526,000) and a gross profit of HK$29,337,000 (2009: HK$12,806,000), representing an increase of approximately 151.6% and 129.1% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from industrial properties held for investment and the newly opened Crocodile Center retail portion. The increase in turnover and gross profit was mainly due to rental income derived from newly opened Crocodile Center retail portion.

During the year, the Group booked a fair value gain on investment properties of HK$321,772,000 (2009: a loss of HK$6,678,000). The substantial increase in fair value gain on investment properties was due to the completion of the Group's Crocodile Center retail portion. Mainly as a result of the substantial increase in fair value of investment properties, the Group recorded a profit from operating activities of HK$326,645,000 for the year ended 31 July 2010 (2009: HK$12,241,000), representing an increase of approximately 2,568.5% from the previous year.

Chairman's Statement

OVERVIEW OF FINAL RESULTS (continued)

Share of profits from associates was HK$190,823,000 (2009: HK$166,676,000), up by 14.5% from the previous year. The increase in share of profits from associates was mainly due to the reversal of provision for impairment in value of properties under development held by Lai Fung Holdings Limited ("Lai Fung") made in the Group's consolidated income statement at the Group level.

For the year ended 31 July 2010, the Group recorded a consolidated profit attributable to ordinary equity holders of HK$446,770,000 (2009: HK$168,384,000), representing an increase of approximately 165.3% from the previous year. Shareholders' equity as at 31 July 2010 amounted to HK$4,130,818,000, up by 13.6% from HK$3,635,847,000 as at 31 July 2009. Net asset value per share as at 31 July 2010 was HK$2.55, as compared to HK$2.25 as at 31 July 2009.

BUSINESS REVIEW

Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon

This joint office and commercial development project with Crocodile Garments Limited was completed in September 2009. Following the completion, the Group has retained the retail portion of this development with a gross floor area of approximately 100,000 square feet. Since completion, the Group has leased most of the retail portion to mainly restaurant operators as well as renowned retail brands. Most tenants opened for business by the end of 2009. As of 31 July 2010, the retail portion was 90% leased.

Lai Fung

During the year, the Group held an effective 40.58% interest in Lai Fung. Lai Fung is principally engaged in property development and investment in the Mainland of China ("China"). Lai Fung currently has property projects in Shanghai, Guangzhou and Zhongshan.

For the year ended 31 July 2010, Lai Fung recorded a turnover of HK$1,514,214,000 (2009: HK$937,380,000) and a gross profit of HK$775,445,000 (2009: HK$632,436,000), representing an increase of approximately 61.5% and 22.6% respectively from the previous year.

Chairman's Statement

BUSINESS REVIEW (continued)

Lai Fung (continued)

Out of the total turnover, rental income decreased by 11.5% to HK$193,306,000 (2009: HK$218,525,000), which was mainly due to closure and renovation of the shopping arcades and serviced apartments portions of Shanghai Hong Kong Plaza during most of the year. Owing to further contribution from the sales of residential units of Shanghai Regents Park Phase II during the year ended 31 July 2010 and recognition of income from sales of residential and office units of Guangzhou West Point, turnover from sales of properties increased by 83.8% to HK$1,320,908,000 (2009: HK$718,855,000). Sales of the units at Shanghai Regents Park Phase II achieved higher gross profit margin compared to sales of the units at Guangzhou West Point. Property development turnover recognised in the year was made up of sales of units at both Shanghai Regents Park Phase II and Guangzhou West Point, while property development turnover in the previous year was entirely made of sales of units at Shanghai Regents Park Phase II. As a result, overall gross profit margin was 51.2%, compared to 67.5% in the previous year.

During the year, Lai Fung recorded a provision for impairment loss on certain properties under development of HK$56,281,000 (2009: HK$60,680,000) and a fair value gain on its investment properties of HK$284,835,000 (2009: HK$143,127,000).

During the previous year ended 31 July 2009, Lai Fung recorded a gain of HK$256,311,000 on the termination of all cross currency swaps. As these cross currency swaps were fully terminated during the previous year, no such gain was recorded again during the year ended 31 July 2010.

During the year, Lai Fung recorded a profit from operating activities of HK$902,376,000 (2009: HK$886,631,000) and profit attributable to owners of HK$322,106,000 (2009: HK$406,888,000), representing an increase of approximately 1.8% and a decrease of approximately 20.8% from the previous year.

Emerald 28, Tai Po Road, Kowloon

The Oakhill, Wood Road, Wanchai

3 Connaught Road Central, Hong Kong

Shanghai Hong Kong Plaza

Crocodile Center, Hoi Yuen Road, Kowloon

Shanghai Regents Park Phase II

Guangzhou West Point

Chairman's Statement

BUSINESS REVIEW (continued)

Lai Sun Development Company Limited ("LSD")

As at 31 July 2010, the Group held an effective 11.25% (2009: 11.18%) interest in LSD. LSD is principally engaged in property development and investment in Hong Kong, as well as hotel and restaurant operations in the region.

For the year ended 31 July 2010, LSD recorded a turnover of HK$729,254,000 (2009: HK$649,742,000) and a gross profit of HK$474,981,000 (2009: HK$454,536,000), representing an increase of approximately 12.2% and 4.5% respectively from the previous year.

During the year, LSD booked a fair value gain on completed investment properties of HK$1,232,615,000 (2009: a loss of HK$145,748,000) as a result of the continued strength of the macro-economic conditions and rebound of the property markets. During the year, LSD recorded an additional provision for tax indemnity of approximately HK$17,495,000 (2009: a reversal of provision of HK$11,936,000). Taking into account of the above exceptional items, LSD recorded a profit from operating activities of HK$1,412,230,000 during the year ended 31 July 2010 (2009: HK$11,333,000).

During the year, LSD held a 36.08% interest in eSun Holdings Limited ("eSun"), which in turn held a 36.72% interest in LSD. LSD also holds a 50% interest in Diamond String Limited ("DSL"), which is the joint venture company between LSD and a wholly-owned subsidiary of China Construction Bank Corporation for the purpose of the redevelopment project at 3 Connaught Road Central, Hong Kong. During the year, LSD's share of profits from associates was HK$982,364,000, compared to share of losses from associates of HK$132,483,000 in the previous year. LSD's share of profits from associates was mainly made of:

(i) LSD's share of the fair value gain of DSL's investment property under development amounting to approximately HK$859,582,000 (net of the related deferred tax and goodwill) in the consolidated income statement during the year;

Chairman's Statement

BUSINESS REVIEW (continued)

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

(ii) LSD's share of eSun's losses (before taking into account LSD's further share of eSun's result arising from eSun's share of the results of LSD) included in the LSD's share of results of associates was approximately HK$168,700,000 (2009: a loss of HK$118,700,000); and

(iii) LSD's further share of profit of approximately HK$295,900,000 (2009: a loss of HK$13,500,000) due to the cross-holding structure between LSD and eSun existed during the year and such amount is included in LSD's share of results of associates.

As a result of decrease in interest rate, LSD's finance costs further decreased to HK$41,777,000 (2009: HK$58,479,000).

For the year ended 31 July 2010, LSD recorded a consolidated net profit attributable to ordinary equity holders of the Company of HK$2,064,562,000, compared to a consolidated net loss of HK$220,985,000 from the previous year.

Subsequent Event — Group Reorganisation

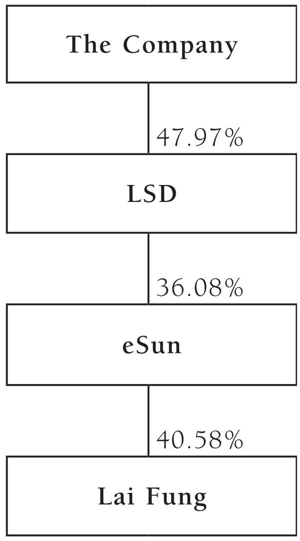
On 30 September 2010, the Company and eSun completed a group reorganisation ("Group Reorganisation"). Pursuant to the Group Reorganisation, the Company transferred its entire interest in Lai Fung (approximately 40.58% of the issued share capital of Lai Fung) to eSun; whereby eSun transferred its entire interest in LSD (approximately 36.72% of the issued share capital of LSD) to the Company.

Chairman's Statement

BUSINESS REVIEW (continued)

Subsequent Event — Group Reorganisation (continued)

Immediately following the completion of the Group Reorganisation, the group structure involving the Company, LSD, eSun and Lai Fung became:



As a result of the Group Reorganisation, the cross-holding structure between LSD and eSun that existed since 2004 was dismantled. Further, LSD became an associated company of the Company and the Company's interest in Lai Fung will be held indirectly through eSun.

The Group Reorganisation simplified the ownership structure of the group involving the Company, LSD, eSun and Lai Fung, and eliminated the circular effect of the accounting treatment of the cross-holdings between LSD and eSun. More importantly, the directors of the Company believe that the simplified shareholding structure provides greater clarity to shareholders and the market with regard to the core business of each of the companies.

Chairman's Statement

PROSPECTS

In 2010, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and China's continued effort to stimulate domestic economy. Strong liquidity and low interest environment have fostered favourable operating conditions for most business and property sectors in Hong Kong and China. Recently, both the Central Government of China and the Hong Kong Government have implemented control and regulatory measures to curb the property market. Under these macro-economic circumstances, the Group and its associate companies will manage their operations on a prudent basis, and will strive to position their businesses for future growth.

Crocodile Center

The Group targets to fully lease out this property as soon as practicable. This property will contribute further growth to the Group's rental income in this financial year.

Lai Fung

China has now become the second largest economy in the world. In the meantime, the current macro-economic development of China is still subject to complicated domestic and external environments. The global economic outlook is still uncertain. Within China's domestic economy, there are still many conflicts and challenges ahead to overcome. In the short term, the development of China's property market will continue to be influenced by government control measures and macro-economic policies.

In the medium and long term, ongoing urbanisation and demand for living improvement will foster healthy growth of the real estate market in China. Overall, Lai Fung is still cautiously optimistic about the China property market and believes that they are well positioned for growth in the coming years. Lai Fung's net gearing level was low by industry standard. In addition, Lai Fung will continue its construction schedules of its existing development projects to fuel growth in turnover and profits for future financial years. Furthermore, as encouraged by Lai Fung's success in revitalising the Shanghai Hong Kong Plaza property, Lai Fung will continue to grow its recurrent income base through upgrade of existing rental properties and addition of new venues through completion of commercial property portions of the new development projects. Lai Fung expects its rental income will increase substantially in the next few years. With the macro-economic condition as mentioned above, Lai Fung will monitor the market closely and evaluate new investment opportunities.

Chairman's Statement

PROSPECTS (continued)

LSD

Rentals for office and commercial properties in prime locations in Hong Kong have regained momentum since the middle of 2009. Strong liquidity and low interest environment has fostered favourable operating conditions for most retail, consumption and commercial sectors. Active business environment fosters demand in office space which in turn fuels the uptick of rental rates. Improved local consumption expenditure and strong retail spending by the Mainland visitors provides further impetus to the retail market. Strong retail performance has boosted rental demand for retail premises. In the coming year, LSD will target to maintain high occupancy rates and rental cashflows from its investment properties.

Since the middle of 2009, bullish sentiment in Hong Kong's residential property market has continued with surges in transaction prices and volume. Recently, the Hong Kong government has implemented various measures to improve the transparency and regulate practices of the Hong Kong residential property market. However, strong primary sales this year and recent satisfactory land auctions reinforced the confidence of both demand and supply side of the residential property market. The Hong Kong property market should continue to benefit from the economic rebound, low interest rate, high liquidity and tight supply in the pipeline.

LSD currently holds a number of residential projects under development in Hong Kong and managed to capture the strong sentiment in the Hong Kong residential property market by achieving satisfactory sales performance for its The Oakhill and Emerald 28 projects this year. In the coming year, LSD intends to sell the remaining units at The Oakhill and Emerald 28, in order to capture the continued rebound of Hong Kong's residential property market. Given the shortage in supply in core city areas in Hong Kong, LSD is still optimistic on the Hong Kong residential properties in the longer term.

LIQUIDITY AND FINANCIAL RESOURCES

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

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31 July 2010, total borrowings amounted to HK$588 million, comprising a secured bank loan of HK$361 million, a note payable of HK$195 million and a loan of HK$32 million payable to the late Mr. Lim Por Yen. As at 31 July 2010, there was an outstanding amount of accrued interests of HK$78 million in relation to the above-mentioned note and loan payable to the late Mr. Lim Por Yen. All of the Group's borrowings were maintained as floating rate debts.

The secured bank loan of HK$361 million is drawn under a new property term loan facility granted by a bank in March 2010 to refinance the former construction loan facility obtained by the Group for funding the construction costs of a property redevelopment project.

As at 31 July 2010, the maturity profile of the secured bank loan of HK$361 million was spread over a period of less than 5 years with HK$16 million repayable within 1 year, HK$32 million repayable in the second year and HK$313 million repayable in the third to fifth years. The note payable of HK$195 million and the loan of HK$32 million payable to the late Mr. Lim Por Yen have maturity dates on 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of the late Mr. Lim Por Yen that such note and loan payables are not repayable within one year from the end of the reporting period.

As at 31 July 2010, certain investment properties with carrying value of approximately HK$1,041 million and a share in a subsidiary were pledged to banks to secure banking facilities granted to the Group.

As at 31 July 2010, the Group had cash and bank balances amounting to approximately HK$317 million and unutilised banking facility of HK$60 million, which was considered adequate to cover the working capital requirement of the Group.

As at 31 July 2010, consolidated net assets of the Group amounted to HK$4,131 million. The debt to equity ratio as expressed in a percentage of total borrowings to consolidated net assets as at that date was approximately 14%.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES (continued)

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

EMPLOYEES AND REMUNERATION POLICIES

The Group employed a total of approximately 20 (2009:20) employees as at 31 July 2010. Pay rates of employees are maintained at competitive levels and salary adjustments or bonuses are made on a performance related basis. Other staff benefits included 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.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group at the end of the reporting period are set out in note 30 to the financial statements.

MANAGEMENT AND STAFF

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

Lam Kin Ming
Chairman

Hong Kong
5 November 2010

Report of the Directors

The directors of the Company present their report and the audited financial statements of the Company and the Group for the year ended 31 July 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 July 2010 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 38 to 95.

The Directors do not recommend the payment of an ordinary dividend for the year ended 31 July 2010 (2009: Nil). No interim dividend had been declared or paid by the Company for the year ended 31 July 2010 (2009: Nil).

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 27 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 July 2010, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$1,500.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to its five largest customers accounted for approximately 47% of the Group's total turnover, while the largest customer accounted for approximately 15% of the Group's total turnover. None of the Directors or any of their associates or any shareholders, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers.

During the year, the Group's purchases from its five largest suppliers accounted for approximately 48% of the Group's total purchases, while the largest supplier accounted for approximately 34% of the Group's total purchases. None of the Directors or any of their associates or any shareholders, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest suppliers.

Report of the Directors

DIRECTORS

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

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

Also alternate Director to Madam U Po Chu
* *Independent non-executive Directors*

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Dr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Mr. Lam Hau Yin, Lester, Madam U Po Chu, Miss Leung Churk Yin, Jeanny, Mr. Tam Kin Man, Kraven and Mr. Chiu Wai held interests and/or directorships in companies engaged in the businesses of property investment and development in Hong Kong and China.

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Lam Kin Ming, aged 73, is the Chairman of the Company. He has been a Director since October 1987 and has been involved in the management of garment business since 1958. He received an honorary doctoral degree from the International American University in 2009. Dr. Lam is also the chairman and chief executive officer of Crocodile Garments Limited and deputy chairman of Lai Fung Holdings Limited, and a non-executive director of Lai Sun Development Company Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Lam is the elder brother of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew.

Mr. Lam Kin Ngok, Peter, aged 53, is the Deputy Chairman of the Company. He has been a Director since October 1987. Mr. Lam is also the chairman of Lai Sun Development Company Limited and Lai Fung Holdings Limited, an executive director of eSun Holdings Limited and Crocodile Garments Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also the chairman of Media Asia Entertainment Group Limited, and a director of Wisdoman Limited (a substantial shareholder of the Company). Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business.

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

Mr. Lam is interested, or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance, a total of 609,636,069 shares in the Company, representing approximately 37.69% of the issued share capital of the Company. He also holds interest in the listed securities of the associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of this report. Mr. Lam does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of Articles of Association of the Company, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Lam Kin Hong, Matthew, aged 42, was appointed a Director in March 2001. He is a legal adviser of the Company and is also an executive director of Crocodile Garments Limited, and executive deputy chairman of Lai Fung Holdings Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. He is a member of the Law Society of Hong Kong and the Law Society of England and Wales. Mr. Lam has considerable experience in the property development and corporate finance fields in Hong Kong and China. Mr. Lam is the younger brother of Dr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Mr. Shiu Kai Wah, aged 78, has been a Director since December 1990. He has over 30 years' experience in the management of the garment business.

Mr. Tam Kin Man, Kraven, aged 62, was appointed a Director in May 2006. He first joined the Lai Sun Group in 1989 and is currently an executive director of Lai Sun Development Company Limited and Lai Fung Holdings Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also a director of Furama Hotel Enterprises Limited. Mr. Tam is a fellow member of the Real Estate Institute of Canada and has 30 years' experience in property development, investment and management. He also has over 18 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Mr. Lam Hau Yin, Lester, aged 29, was appointed a Director in May 2006. He is also the alternate director to Madam U Po Chu, a non-executive director of the Company. He joined Lai Sun Development Company Limited as a vice president in January 2004 and is currently an executive director and chief executive officer of Lai Fung Holdings Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, USA. He has attained working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products and entertainment. Mr. Lam is a son of Mr. Lam Kin Ngok, Peter.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Miss Leung Churk Yin, Jeanny, aged 45, was appointed a Director with effect from 1 September 2007. She is also an executive director and the chief executive officer of eSun Holdings Limited and an executive director of both Lai Sun Development Company Limited and Lai Fung Holdings Limited. She is also an independent non-executive director of Top Form International Limited. 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, China and Taiwan.

Miss Leung holds interest in the listed securities of the associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of this report. Miss Leung does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Miss Leung does not have a service contract with the Company. She will be subject to retirement from office by rotation once every three years since her last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. She will receive such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of her emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive Directors

Madam U Po Chu, aged 85, has been a Director since December 1990. She is also a non-executive director of Lai Sun Development Company Limited and eSun Holdings Limited, an executive director of Lai Fung Holdings Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. She is also a director of Wisdoman Limited (a substantial shareholder of the Company). Madam U has over 55 years' experience in the garment manufacturing business and had been involved in the printing business in the mid-1960's. In the early 1970's, she started to expand the business to fabric bleaching and dyeing and became involved in property development and investment in the late 1980's. She is the mother of Mr. Lam Kin Ngok, Peter.

Madam U is interested or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance, a total of 489,119,375 shares in the Company, representing approximately 30.24% of the issued share capital of the Company. She also holds interest in the listed securities of the associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of this report. She does not have a service contract with the Company and will be subject to retirement from office by rotation once every three years since her last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. She will receive such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of her emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Mr. Chiu Wai, aged 79, has been a Director since October 1987. Mr. Chiu has over 45 years' experience in production management.

Mr. Chiu is interested, within the meaning of Part XV of the Securities and Futures Ordinance, 199,600 shares in the Company, representing approximately 0.01% of the issued share capital of the Company. He also holds interest in the listed securities of the associated corporation of the Company within the meaning of Part XV of the Securities and Futures Ordinance as disclosed under the "Directors' Interests" section of this report. Mr. Chiu does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Chiu does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive Directors

Mr. Wan Yee Hwa, Edward, aged 74, was appointed an independent non-executive Director in March 2002. Mr. Wan is also an independent non-executive director of Lai Sun Development Company Limited and Crocodile Garments Limited. All of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Mr. Leung Shu Yin, William, aged 61, was appointed an independent non-executive Director in July 2002. Mr. Leung is a certified public accountant, a member of the Hong Kong Securities Institute and a Fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is practising as a practising director of two certified public accountants' firms in Hong Kong and is also an independent non-executive director of Lai Sun Development Company Limited and Mainland Headwear Holdings Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Chow Bing Chiu, aged 59, was appointed an independent non-executive Director in September 2004. He is also an independent non-executive director of Crocodile Garments Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. Mr. Chow is also a China-Appointed Attesting Officer.

Mr. Chow does not have any interest in the listed securities of the Company and any of the associated corporations within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Chow does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Chow does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election in 2007 and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus to be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 102 of the Articles of Association of the Company, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS

As at 31 July 2010, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(a) The Company

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

Note:

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

Report of the Directors

DIRECTORS' INTERESTS (continued)

(b) Associated Corporations

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

	Long positions in the shares of LSD						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	10,099,585	Nil	6,792,869,192 *(Note)*	Nil	Beneficial owner/ Owner of controlled corporation	6,802,968,777	48.04%
U Po Chu	633,400	Nil	Nil	Nil	Beneficial owner	633,400	0.004%
Chiu Wai	195,500	Nil	Nil	Nil	Beneficial owner	195,500	0.001%

Note:

The Company and its wholly-owned subsidiary beneficially owned 1,592,869,192 shares in LSD representing approximately 11.25% in the issued share capital of LSD. Pursuant to the Shares Swap Agreement dated 26 July 2010, the Company has agreed to accept the transfer of eSun Holdings Limited's indirect interest in 5,200,000,000 shares in the issued share capital of LSD, thereby increasing the Company's interest in LSD from 1,592,869,192 shares (approximately 11.25%) to 6,792,869,192 shares (approximately 47.97%).

As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in 6,792,869,192 shares in LSD by virtue of his approximate 37.69% interest in the issued share capital of the Company.

(ii) eSun Holdings Limited ("eSun")

	Long positions in the 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	447,604,186 *(Note 1)*	1,889,507 *(Note 2)*	Beneficial owner/ Owner of controlled corporation	452,288,136	36.45%
Lam Hau Yin, Lester	2,794,443	Nil	Nil	1,889,507 *(Note 2)*	Beneficial owner	4,683,950	0.38%
Leung Churk Yin, Jeanny	Nil	Nil	Nil	2,535,620 *(Note 2)*	Beneficial owner	2,535,620	0.20%

DIRECTORS' INTERESTS (continued)

(b) Associated Corporations (continued)

(ii) eSun Holdings Limited ("eSun") (continued)

Notes:

(1) The Company and its wholly-owned subsidiary beneficially owned 1,592,869,192 shares in LSD representing approximately 11.25% in the issued share capital of LSD. Pursuant to the Shares Swap Agreement dated 26 July 2010, the Company has agreed to accept the transfer of eSun's indirect interest in 5,200,000,000 shares in the issued share capital of LSD, thereby increasing the Company's interest in LSD from 1,592,869,192 shares (approximately 11.25%) to 6,792,869,192 shares (approximately 47.97%). As LSD is interested in 447,604,186 shares (approximately 36.08%) in the issued share capital of eSun, the Company was deemed to be interested in such shares by virtue of its interest in approximately 47.97% of the issued share capital of LSD (upon Completion (as defined in the circular of the Company dated 30 August 2010)).

As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in 36.08% in the issued share capital of eSun by virtue of his interest in the issued share capital of the Company and LSD.

(2) A share option scheme was adopted by eSun on 23 December 2005 and became effective on 5 January 2006. It will remain in force for 10 years from its effective date. Details of the share options outstanding as at 31 July 2010 are set out below:

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Share Option Outstanding	Option Exercisable Period (dd/mm/yyyy)	Subscription Price per Share
Lam Kin Ngok, Peter	24/02/2006	1,889,507	01/01/2010 to 31/12/2010	HK$4.68
Lam Hau Yin, Lester	24/02/2006	1,889,507	01/01/2010 to 31/12/2010	HK$4.68
Leung Churk Yin, Jeanny	20/02/2008	1,267,810	01/01/2010 to 31/12/2010	HK$6.18
	20/02/2008	1,267,810	01/01/2011 to 31/12/2011	HK$6.52
		2,535,620		

(iii) Lai Fung Holdings Limited ("Lai Fung")

	Long positions in the shares of Lai Fung						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ngok, Peter	Nil	Nil	3,265,688,037 *(Note 1)*	Nil	Owner of controlled corporation	3,265,688,037	40.58%
Tam Kin Man, Kraven	Nil	Nil	Nil	10,000,000 *(Note 2)*	Beneficial owner	10,000,000	0.12%

Report of the Directors

DIRECTORS' INTERESTS (continued)

(b) Associated Corporations (continued)

(iii) Lai Fung Holdings Limited ("Lai Fung") (continued)

Notes:

(1) As the Lai Fung Transaction (as defined in the circular of the Company dated 30 August 2010) has not been completed as at 31 July 2010, the Company and its wholly-owned subsidiary still beneficially owned 3,265,688,037 (approximately 40.58%) shares in Lai Fung. On the other hand, as the Company was deemed to be interested in 36.08% of the issued share capital of eSun (please refer to Note (1) in paragraph 2(b)(ii) and of this appendix), and eSun has agreed to accept the transfer of the Company's direct and indirect interests in 3,265,688,037 (approximately 40.58%) shares in Lai Fung pursuant to the Shares Swap Agreement dated 26 July 2010, the Company was also deemed to be interested in 40.58% in Lai Fung by virtue of the Company's deemed interest in LSD and eSun (upon Completion (as defined in the circular of the Company dated 30 August 2010)).

As such, Mr. Lam Kin Ngok, Peter was deemed to be interested in 40.58% in the issued share capital of Lai Fung by virtue of his approximate 37.69% interest in the issued share capital of the Company.

(2) A share option scheme was adopted by Lai Fung on 21 August 2003 and will remain in force for 10 years from its effective date. Details of the share options outstanding as at 31 July 2010 are set out below:

Name of Director	Date of Grant (dd/mm/yyyy)	No. of Share Option Outstanding	Option Exercisable Period (dd/mm/yyyy)	Subscription Price per Share
Tam Kin Man, Kraven	09/01/2007	10,000,000	01/01/2010 to 31/12/2010	HK$0.75
		10,000,000		

Save as disclosed above, as at 31 July 2010, none of the Directors nor chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, the underlying shares and debentures of the Company or any associated corporations, which were required to be notified to the Company and the Stock Exchange or were required to be entered in the Register as aforesaid.

SHARE OPTION SCHEME

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

Details of the Share Option Scheme are set out in Note 28 to the Financial Statements.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2010, the following persons, some of whom are directors or chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of interests	Number of Shares	Percentage
Lam Kin Ngok, Peter *(Note 1)*	Beneficial owner	Personal and corporate	609,636,069 *(Note 2)*	37.69%
U Po Chu *(Note 1)*	Beneficial owner	Personal and corporate	489,119,375 *(Note 2)*	30.24%
Wisdoman Limited	Beneficial owner	Corporate	484,991,750 *(Note 2)*	29.99%
Yu Cheuk Yi	Beneficial owner	Personal	166,000,000 *(Note 3)*	10.26%
Yu Siu Yuk	Beneficial owner	Personal	166,000,000 *(Note 3)*	10.26%

Note:

(1) Mr. Lam Kin Ngok, Peter and Madam U Po Chu, directors of the Company, are also directors of Wisdoman Limited.

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

(3) Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 166,000,000 shares which were held jointly by them.

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 2010.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

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

Report of the Directors

DETAILS OF PROPERTIES

The investment properties of the Group are as follows:

Location	Group's Interest	Tenure	Use
Por Yen Building 478 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong	100%	New Kowloon Inland Lot No. 2081 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial/ car park
Units A, B, C and D on 3rd Floor Por Mee Factory Building 500 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong	100%	New Kowloon Inland Lot No. 2091 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial
6th Floor and Carparks Nos. 10, 22 and 27 on Ground Floor Forda Industrial Building 16 Wang Chau Road Yuen Long, New Territories Hong Kong	100%	Yuen Long Town Lot No. 221 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial/ car park
Unit B on 5th Floor Victorious Factory Building 33A-37A Tseuk Luk Street and 16-20 Sam Chuk Street San Po Kong, Kowloon Hong Kong	100%	New Kowloon Inland Lot No. 4435 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Industrial
Shop on Ground Floor together with the shop front thereof, Shops Nos. 1, 2, 3a, 3b, 3c, 6, 7 and 8 and the Arcade on 1st Floor, 2nd, 3rd, 5th to 9th Floors and the Retail External Walls, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	100%	Kwun Tong Inland Lot. 692 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Commercial
The Car Park (including all louvers and entrances thereof), Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	50%	Kwun Tong Inland Lot. 692 is held for a term which expired on 27 June 1997 and had been extended upon expiry until 30 June 2047	Car Park

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

Details of movements in the property, plant and equipment, investment properties and properties under development of the Company and the Group during the year are set out in Notes 14, 15 and 16 to the Financial Statements respectively. Further details of the Group's investment properties 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 non-controlling 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				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TURNOVER	**36,554**	14,526	14,303	11,414	347,158
PROFIT/(LOSS) BEFORE TAX	**501,659**	167,247	48,841	281,673	(41,898)
Tax	**(54,889)**	1,137	(3,044)	(6,369)	(20,012)
PROFIT/(LOSS) FOR THE YEAR	**446,770**	168,384	45,797	275,304	(61,910)
Attributable to:					
Ordinary equity holders of the Company	**446,770**	168,384	45,797	275,304	(120,776)
Non-controlling interests	**—**	—	—	—	58,866
	446,770	168,384	45,797	275,304	(61,910)

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION (continued)

Assets and Liabilities

	As at 31 July				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**316**	667	1,481	2,974	4,276
Investment properties	**1,046,600**	194,800	200,800	156,100	119,100
Properties under development	**—**	454,061	273,503	183,529	138,494
Interests in associates	**3,347,221**	3,147,767	3,025,253	2,656,103	2,268,218
Available-for-sale equity investments	**243,709**	210,522	167,784	474,860	466,946
Loan and interest receivables	**—**	—	—	—	40,730
Promissory note receivable	**—**	—	167,000	167,000	167,000
Current assets	**324,393**	247,811	61,981	79,500	40,851
TOTAL ASSETS	**4,962,239**	4,255,628	3,897,802	3,720,066	3,245,615
Current liabilities	**(82,537)**	(295,028)	(45,486)	(23,062)	(15,879)
Interest-bearing bank and other borrowings	**(376,745)**	(31,745)	(113,745)	(59,745)	(31,745)
Note payable	**(195,000)**	(195,000)	(195,000)	(195,000)	(195,000)
Accrued interest payable	**(78,188)**	(66,851)	(55,370)	(41,037)	(23,313)
Deferred tax liabilities	**(86,041)**	(31,157)	(32,259)	(26,534)	(20,165)
Long term rental deposits received	**(12,910)**	—	—	—	—
TOTAL LIABILITIES	**(831,421)**	(619,781)	(441,860)	(345,378)	(286,102)
NET ASSETS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**4,130,818**	3,635,847	3,455,942	3,374,688	2,959,513

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PUBLIC FLOAT

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

Report of the Directors

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 32 to 35 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITORS

Ernst & Young retire at the forthcoming 2010 Annual General Meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said meeting.

On behalf of the Board

Lam Kin Ming
Chairman

Hong Kong
5 November 2010

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

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

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

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2010.

(3) BOARD OF DIRECTORS

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

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

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

(3) BOARD OF DIRECTORS (continued)

(3.3) The Board met four times during the financial year ended 31 July 2010. The attendance record of individual Directors at these board meetings is set out in the following table:

Directors	Board Meetings Held	Board Meetings Attended
Executive Directors		
Lam Kin Ming *(Chairman)*	4	2
Lam Kin Ngok, Peter *(Deputy Chairman)*	4	3
Shiu Kai Wah	4	0
Lam Kin Hong, Matthew	4	3
Tam Kin Man, Kraven	4	4
Lam Hau Yin, Lester	4	2
Leung Churk Yin, Jeanny	4	4
Non-executive Directors		
U Po Chu (alternate: Lam Hau Yin, Lester)	4	2
Chiu Wai	4	0
Independent non-executive Directors		
Wan Yee Hwa, Edward	4	4
Leung Shu Yin, William	4	4
Chow Bing Chiu	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 is the son of Madam U Po Chu and the father of Mr. Lam Hau Yin, Lester. Mr. Lam Kin Hong, Matthew is the younger brother of Dr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

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

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Corporate Governance Report

(5) NON-EXECUTIVE DIRECTORS

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

(6) REMUNERATION COMMITTEE

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

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

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

(7) NOMINATION OF DIRECTORS

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

(8) AUDITORS' REMUNERATION

The auditors of the Company, Ernst & Young, received audit fees amounting to HK$670,000 for the year under review. Ernst & Young also received fees amounting to HK$1,314,000 for providing non-audit services (mainly issuance of certain letters of comfort and tax advisory service in relation to the Group Reorganisation and other taxation services) to the Company and its subsidiaries during the year.

Corporate Governance Report

(9) AUDIT COMMITTEE

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

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

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

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

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

(10) FINANCIAL REPORTING

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

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

(11) INTERNAL CONTROLS

During the year, BDO Financial Services Limited has been engaged to perform internal audit functions and to assist the Board in reviewing the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group and will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the financial statements of Lai Sun Garment (International) Limited (the "Company") set out on pages 38 to 95, which comprise the consolidated and company statements of financial position as at 31 July 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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.

Independent Auditors' Report

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

5 November 2010

Consolidated Income Statement

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
TURNOVER	6	**36,554**	14,526
Cost of sales		**(7,217)**	(1,720)
Gross profit		**29,337**	12,806
Other revenue and gain	6	**7,135**	9,048
Selling and marketing expenses		**(3,628)**	—
Administrative expenses		**(27,971)**	(23,894)
Other operating income, net		**—**	20,959
Fair value gains/(losses) on investment properties	15	**321,772**	(6,678)
PROFIT FROM OPERATING ACTIVITIES	7	**326,645**	12,241
Finance costs	8	**(15,809)**	(11,670)
Share of profits and losses of associates		**190,823**	166,676
PROFIT BEFORE TAX		**501,659**	167,247
Tax	11	**(54,889)**	1,137
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12	**446,770**	168,384
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK27.62 cents**	HK10.41 cents
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 July 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**446,770**	168,384
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale equity investments	**31,960**	42,738
Share of exchange fluctuation reserve of an associate	**30,211**	(20,651)
Share of asset revaluation reserve of an associate	**(11,995)**	(8,859)
Share of hedging reserve of an associate	**—**	(2,321)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**50,176**	10,907
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**496,946**	179,291

Consolidated Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**316**	667
Investment properties	15	**1,046,600**	194,800
Properties under development	16	**—**	454,061
Interests in associates	18	**3,347,221**	3,147,767
Available-for-sale equity investments	19	**243,709**	210,522
Total non-current assets		**4,637,846**	4,007,817
CURRENT ASSETS			
Promissory note receivable	20	**—**	167,000
Debtors, deposits paid and other receivables	21	**6,262**	5,154
Tax recoverable		**682**	—
Cash and cash equivalents	22	**317,449**	75,657
Total current assets		**324,393**	247,811
CURRENT LIABILITIES			
Creditors, deposits received and accruals	23	**66,537**	47,824
Tax payable		**—**	204
Interest-bearing bank borrowings	24	**16,000**	247,000
Total current liabilities		**82,537**	295,028
NET CURRENT ASSETS/(LIABILITIES)		**241,856**	(47,217)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,879,702**	3,960,600
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**(376,745)**	(31,745)
Note payable	25	**(195,000)**	(195,000)
Accrued interest payable	25	**(78,188)**	(66,851)
Deferred tax liabilities	26	**(86,041)**	(31,157)
Long term rental deposits received		**(12,910)**	—
Total non-current liabilities		**(748,884)**	(324,753)
		4,130,818	3,635,847

Consolidated Statement of Financial Position

31 July 2010

	Notes	**2010 HK$'000**	2009 HK$'000
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	27	**16,174**	16,174
Share premium account		**1,908,840**	1,908,840
Asset revaluation reserve		**62,624**	74,619
Share option reserve		**682**	1,438
Investment revaluation reserve		**41,458**	9,498
Capital reserve		**146,670**	148,694
Exchange fluctuation reserve		**509,844**	479,633
Retained earnings		**1,444,526**	996,951
		4,130,818	3,635,847

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2010

	Attributable to ordinary equity holders of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 August 2008	16,174	1,908,840	83,478	1,440	2,321	(33,240)	148,694	500,284	827,951	3,455,942
Total comprehensive income/ (expenses) for the year	—	—	(8,859)	—	(2,321)	42,738	—	(20,651)	168,384	179,291
Share of reserve movements of an associate	—	—	—	(2)	—	—	—	—	616	614
At 31 July 2009 and 1 August 2009	16,174	1,908,840	74,619	1,438	—	9,498	148,694	479,633	996,951	3,635,847
Total comprehensive income/ (expenses) for the year	—	—	(11,995)	—	—	31,960	—	30,211	446,770	496,946
Share of reserve movements of an associate	—	—	—	(756)	—	—	(2,024)	—	805	(1,975)
At 31 July 2010	16,174	1,908,840	62,624	682	—	41,458	146,670	509,844	1,444,526	4,130,818

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**501,659**	167,247
Adjustments for:			
Fair value losses/(gains) on investment properties		**(321,772)**	6,678
Interest income from bank deposits	6	**(39)**	(37)
Other interest income	6	**(7,096)**	(8,648)
Depreciation	7	**484**	839
Provision for doubtful debts	7	**—**	201
Reversal of provision for impairment of loan and interest receivables	7	**—**	(21,160)
Finance costs	8	**15,809**	11,670
Share of profits and losses of associates		**(190,823)**	(166,676)
		(1,778)	(9,886)
Decrease/(increase) in amounts due from associates		**110**	(118)
Decrease in debtors, deposits paid and other receivables		**(419)**	(137)
Increase/(decrease) in creditors, deposits received and accruals		**16,098**	(129)
Cash generated from/(used in) operations		**14,011**	(10,270)
Hong Kong profits tax paid		**(891)**	(430)
Net cash inflow/(outflow) from operating activities		**13,120**	(10,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Settlement of promissory note receivable		**167,000**	—
Recovery of loan receivable		**—**	55,000
Dividend received from an associate		**16,328**	13,063
Interest received		**7,135**	8,685
Additions to investment properties		**(1,347)**	(678)
Purchases of items of property, plant and equipment		**(133)**	(25)
Additions to properties under development		**(67,955)**	(174,446)
Acquisition of additional interests in available-for-sale equity investments		**(1,227)**	—
Net cash inflow/(outflow) from investing activities		**119,801**	(98,401)

Consolidated Statement of Cash Flows

Year ended 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank financing charges paid		**(1,477)**	(519)
Interest paid on bank loans		**(3,652)**	(2,388)
New bank borrowings		**431,000**	165,000
Repayment of bank borrowings		**(317,000)**	—
Net cash inflow from financing activities		**108,871**	162,093
NET INCREASE IN CASH AND CASH EQUIVALENTS		**241,792**	52,992
Cash and cash equivalents at beginning of year		**75,657**	22,665
CASH AND CASH EQUIVALENTS AT END OF YEAR		**317,449**	75,657
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	22		
Cash and bank balances		**16,430**	5,657
Time deposits with original maturity of less than three months when acquired		**301,019**	70,000
		317,449	75,657

Statement of Financial Position

31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**218**	667
Investment properties	15	**246,600**	194,800
Interests in subsidiaries	17	**279,887**	317,936
Interests in associates	18	**378,590**	376,471
Available-for-sale equity investments	19	**219,367**	190,692
Total non-current assets		**1,124,662**	1,080,566
CURRENT ASSETS			
Promissory note receivable	20	**—**	167,000
Debtors, deposits paid and other receivables	21	**4,514**	4,891
Tax recoverable		**682**	—
Cash and cash equivalents	22	**285,770**	74,070
Total current assets		**290,966**	245,961
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**19,157**	15,804
Tax payable		**—**	204
Interest-bearing bank borrowing	24	**—**	15,000
Total current liabilities		**19,157**	31,008
NET CURRENT ASSETS		**271,809**	214,953
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,396,471**	1,295,519
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing	24	**(31,745)**	(31,745)
Note payable	25	**(195,000)**	(195,000)
Accrued interest payable	25	**(78,188)**	(66,851)
Deferred tax liabilities	26	**(39,625)**	(31,157)
Total non-current liabilities		**(344,558)**	(324,753)
		1,051,913	970,766
EQUITY			
Issued capital	27	**16,174**	16,174
Reserves	29(b)	**1,035,739**	954,592
		1,051,913	970,766

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Notes to Financial Statements

31 July 2010

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July 2010. 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.

2.2 IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs, which are applicable to the Group, for the first time for the current year's financial statements:

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

2.2 IMPACT OF NEW AND REVISED HKFRSs (continued)

The adoption of the new and revised HKFRSs, except for HKAS 1 (Revised) "Presentation of Financial Statements", HKFRS 7 (Amendments) "Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments" and HKFRS 8 "Operating Segments" as described below, has had no material impact on the reported results or financial position of the Group.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces a number of terminology changes (including revised titles for the financial statements) and changes in format and content of the financial statements. The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity (i.e. comprehensive income). All non-owner changes in equity are required to be presented in (i) a single statement of comprehensive income or (ii) two statements (a separate income statement displaying items of income and expenses recognised as profit or loss and a second statement beginning with net profit or loss as shown in the income statement and displaying components of other comprehensive income). The Group has elected to present in two statements. Comparative amounts have been re-presented to conform to the new presentation.

HKFRS 7 (Amendments) Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments

The HKFRS 7 (Amendments) requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The adoption of this amendment has no effect on the financial position or results of operations of the Group. It does, however, result in additional disclosures of fair value hierarchy which is presented in note 35 to the financial statements.

HKFRS 8 Operating Segments

HKFRS 8, which replaces HKAS 14 "Segment Reporting" specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard has no effect on the financial position or results of operations of the Group. It does, however, result in certain changes in the presentation and disclosure of the financial statements, including change in basis of measurement of segment profit or loss and new disclosure of information about major customers.

Notes to Financial Statements

31 July 2010

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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:

Improvements to HKFRSs 2009 [1]	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 as part of Improvements to HKFRSs 2009
Improvements to HKFRSs 2010 [2]	
HKFRS 9 [3]	Financial Instruments
HKAS 24 (Revised) [4]	Related Party Disclosures

1 Effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 January 2011

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Associates

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

The Group's interests in associates are stated in the consolidated statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

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

Impairment of non-financial assets

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

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

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

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Jointly controlled assets

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

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

Properties under development

Properties under development are stated at lower of cost and net realisable value. Cost comprises the prepaid land lease payments together with any other direct costs attributable to the development of the properties. Borrowing cost, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property. Net realisable value is determined by the directors based on prevailing market prices on an individual property basis less estimated costs of completion and costs to be incurred in selling the property.

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. These include properties that are being constructed or developed for future use as investment properties. 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 end of the reporting period, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably determined at that time.

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

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

Notes to Financial Statements

31 July 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Investments and other financial assets

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

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

Loans and receivables

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

Available-for-sale equity investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 end of the reporting period.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

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

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

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

Available-for-sale equity investments

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense and included in the income statement for the period, except that income tax relating to a transaction or event which is recognised in the same or a different period outside the income statement, is recognised, either in other comprehensive income or directly in equity as appropriate.

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 end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

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

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 the end of each reporting period 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 end of the reporting period.

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

Revenue recognition

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes Model. 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 dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Paid leave carried forward

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

Employment Ordinance long service payments

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

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

Retirement benefits

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars (i.e. the currency of the primary economic environment in which the entity in the Group operates), 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 end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Impairment of assets

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

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

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

The carrying amounts of investment properties at fair values as at 31 July 2010 was HK$1,046,600,000 (2009: HK$194,800,000) (note 15).

(ii) ***Impairment of assets***

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

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4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their operations and services:

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured by means of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that fair value gains/(losses) on investment properties, interest income, finance costs and share of profits and losses of associates are excluded from such measurement.

Segment assets mainly exclude interests in associates, available-for-sale equity investments, tax recoverable and cash and cash equivalents.

Segment liabilities mainly exclude interest-bearing bank and other borrowings, tax payable, note payable, accrued interest payable and deferred tax liabilities.

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

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4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and results

The following table presents revenue and profit/(loss) for the Group's reportable segments:

	Property development		Property investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**—**	—	**36,554**	14,526	**36,554**	14,526
Segment results	**—**	(316)	**25,709**	12,605	**25,709**	12,289
Interest income and unallocated other revenue and gain					**7,135**	9,048
Fair value gains/(losses) on investment properties	**—**	—	**321,772**	(6,678)	**321,772**	(6,678)
Reversal of provision for impairment of loan and interest receivables					**—**	21,160
Unallocated expenses					**(27,971)**	(23,578)
Profit from operating activities					**326,645**	12,241
Finance costs					**(15,809)**	(11,670)
Share of profits and losses of associates	**—**	—	**6,842**	—	**6,842**	—
Share of profits and losses of associates — unallocated					**183,981**	166,676
Profit before tax					**501,659**	167,247
Tax					**(54,889)**	1,137
Profit for the year					**446,770**	168,384

Notes to Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following table presents the total assets and liabilities for the Group's reportable segments:

	Property development		Property investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**—**	454,324	**1,047,439**	195,067	**1,047,439**	649,391
Interest in associates	**—**	—	**17,068**	—	**17,068**	—
Interests in associates — unallocated					**3,330,153**	3,147,767
Unallocated assets					**567,579**	458,470
Total assets					**4,962,239**	4,255,628
Segment liabilities	**38,870**	32,099	**17,255**	3,878	**56,125**	35,977
Unallocated liabilities					**775,296**	583,804
Total liabilities					**831,421**	619,781

Other segment information

	Property development		Property investment		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation — unallocated					**484**	839
Provision for doubtful debts	**—**	—	**—**	201	**—**	201
Capital expenditure	**73,257**	177,674	**2,113**	678	**75,370**	178,352
Capital expenditure — unallocated					**133**	25
					75,503	178,377

Information about major customer

For the year ended 31 July 2010, revenue of approximately HK$5,498,000 (2009: HK$2,089,000 from another customer) was derived from a single customer of property investment segment which contributed more than 10% of the Group's revenue for the year.

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5. RELATED PARTY TRANSACTIONS

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

	Notes	Group 2010 HK$'000	2009 HK$'000
Rental expense and building management fee paid and payable to a related company	(i)	**565**	576
Interest expense on note payable to and other borrowing granted by a former director of the Company, the late Mr. Lim Por Yen	(ii)	**11,337**	11,481
Interest income received and receivable from an associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iii)	**6,886**	8,456
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(iv)	**1,420**	8,520

Notes:

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

(ii) Interest expense was charged at the best lending rate quoted by a designated bank in Hong Kong in respect of the note payable (note 25) and other borrowing (note 24(c)).

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

(iv) Pursuant to the Development Agreement, in consideration of CGL pledging the Property (as defined in note 16) as security for the construction finance of a joint development project of the Group and CGL, details of which are set out in note 16 to the financial statements, the Group agreed to make quarterly payments of HK$2,130,000 to CGL for the period from the date of delivery of vacant possession of the Property for development to the date of practical completion of construction. The project was practically completed on 30 September 2009. Dr. Lam Kin Ming, a director of the Company, has an interest of approximately 51.39% in CGL within the meaning of the Securities and Futures Ordinance.

The Development Agreement constituted a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The other related party transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

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5. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Group 2010 HK$'000	Group 2009 HK$'000
Short term employee benefits	**6,486**	6,701
Post-employment benefits	**24**	24
Total compensation paid to key management personnel	**6,510**	6,725

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

6. TURNOVER, OTHER REVENUE AND GAIN

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

	Group 2010 HK$'000	Group 2009 HK$'000
Turnover		
Rental income	**28,971**	13,062
Property management fee income	**7,583**	1,464
	36,554	14,526
Other revenue and gain		
Interest income from bank deposits	**39**	37
Other interest income	**7,096**	8,648
Others	**—**	363
	7,135	9,048

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7. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2010	2009
	HK$'000	HK$'000
Auditors' remuneration	**670**	630
Depreciation	**484**	839
Minimum lease payments under operating leases in respect of land and buildings	**659**	680
Employee benefits scheme (including directors' remuneration (note 9)):		
Wages and salaries	**12,557**	12,283
Pension scheme contributions	**160**	165
	12,717	12,448
Provision for doubtful debts#	**—**	201
Reversal of provision for impairment of loan and interest receivables#	**—**	(21,160)
Rental and property management fee income	**(36,554)**	(14,526)
Less: Outgoings	**7,217**	1,720
	(29,337)	(12,806)

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

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8. FINANCE COSTS

	Group 2010 HK$'000	2009 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**4,335**	2,345
Other borrowings and note payable wholly repayable within five years	**11,337**	11,481
Total interest expenses	**15,672**	13,826
Bank financing charges	**734**	728
	16,406	14,554
Less: Amount capitalised in properties under development (note 16)	**(597)**	(2,884)
	15,809	11,670

9. DIRECTORS' REMUNERATION

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

	Group 2010 HK$'000	2009 HK$'000
Fees	**576**	608
Other emoluments:		
Salaries, allowances and benefits in kind	**5,910**	6,093
Pension scheme contributions	**24**	24
	5,934	6,117
	6,510	6,725

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9. DIRECTORS' REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2010				
Executive and non-executive directors:				
Lam Kin Ming	48	811	—	859
Lam Kin Ngok, Peter	48	520	12	580
Lam Hau Yin, Lester (also alternate to U Po Chu)	—	—	—	—
Tam Kin Man, Kraven	—	—	—	—
Shiu Kai Wah	48	595	—	643
Lam Kin Hong, Matthew	48	384	12	444
U Po Chu	48	3,600	—	3,648
Chiu Wai	48	—	—	48
Leung Churk Yin, Jeanny	—	—	—	—
Independent non-executive directors:				
Wan Yee Hwa, Edward	96	—	—	96
Leung Shu Yin, William	96	—	—	96
Chow Bing Chiu	96	—	—	96
	576	5,910	24	6,510

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9. DIRECTORS' REMUNERATION (continued)

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

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

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

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,232**	1,232
Pension scheme contributions	**12**	12
	1,244	1,244

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

	Number of employees	
	2010	2009
HK$500,001 — HK$1,000,000	**2**	2

11. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2010	2009
	HK$'000	HK$'000
Current tax		
Charge for the year	**—**	134
Under/(over) provision in prior years	**5**	(169)
	5	(35)
Deferred tax (note 26)	**54,884**	(1,102)
Tax charge/(credit) for the year	**54,889**	(1,137)

Notes to Financial Statements

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11. TAX (continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before tax	**501,659**	167,247
Tax at the statutory rate of 16.5% (2009: 16.5%)	**82,774**	27,596
Adjustments in respect of current tax of previous periods	**5**	(169)
Profits and losses attributable to associates	**(31,486)**	(27,502)
Income not subject to tax	**(6)**	(3,497)
Expenses not deductible for tax	**3,262**	2,370
Tax losses not recognised	**340**	65
Tax charge/(credit) for the year	**54,889**	(1,137)

12. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity holders of the Company for the year ended 31 July 2010 includes a profit of HK$52,472,000 (2009: HK$38,343,000) which has been dealt with in the financial statements of the Company (note 29(b)).

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

The calculation of basic earnings per share is based on profit for the year attributable to ordinary equity holders of the Company of HK$446,770,000 (2009: HK$168,384,000) and the weighted average number of 1,617,423,423 (2009: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 July 2010 and 2009 have not been disclosed as no diluting event existed during both years.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:				
At 1 August 2008	7,582	5,604	16,951	30,137
Additions	25	—	—	25
Write off	—	(2,400)	—	(2,400)
At 31 July 2009 and 1 August 2009	7,607	3,204	16,951	27,762
Additions	133	—	—	133
Write off	(2)	—	—	(2)
At 31 July 2010	**7,738**	**3,204**	**16,951**	**27,893**
Accumulated depreciation:				
At 1 August 2008	6,363	5,342	16,951	28,656
Depreciation provided during the year	741	98	—	839
Write off	—	(2,400)	—	(2,400)
At 31 July 2009 and 1 August 2009	7,104	3,040	16,951	27,095
Depreciation provided during the year	386	98	—	484
Write off	(2)	—	—	(2)
At 31 July 2010	**7,488**	**3,138**	**16,951**	**27,577**
Net book value:				
At 31 July 2010	**250**	**66**	**—**	**316**
At 31 July 2009	503	164	—	667

Notes to Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Motor vessels HK$'000	Total HK$'000
Cost:				
At 1 August 2008	7,582	5,604	16,951	30,137
Additions	25	—	—	25
Write off	—	(2,400)	—	(2,400)
At 31 July 2009 and 1 August 2009	7,607	3,204	16,951	27,762
Additions	19	—	—	19
Write off	(2)	—	—	(2)
At 31 July 2010	**7,624**	**3,204**	**16,951**	**27,779**
Accumulated depreciation:				
At 1 August 2008	6,363	5,342	16,951	28,656
Depreciation provided during the year	741	98	—	839
Write off	—	(2,400)	—	(2,400)
At 31 July 2009 and 1 August 2009	7,104	3,040	16,951	27,095
Depreciation provided during the year	370	98	—	468
Write off	(2)	—	—	(2)
At 31 July 2010	**7,472**	**3,138**	**16,951**	**27,561**
Net book value:				
At 31 July 2010	**152**	**66**	**—**	**218**
At 31 July 2009	503	164	—	667

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15. INVESTMENT PROPERTIES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at beginning of year	**194,800**	200,800	**194,800**	200,800
Transfer from properties under development, at cost (note 16)	**527,915**	—	**—**	—
Additions, at cost	**2,113**	678	**483**	678
Fair value gains/(losses)	**321,772**	(6,678)	**51,317**	(6,678)
Carrying amount at end of year	**1,046,600**	194,800	**246,600**	194,800

The investment properties on 31 July 2010 were revalued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$1,046,600,000 (2009: HK$194,800,000) on an open market, existing use basis.

The Group's and the Company's investment properties as at 31 July 2010 are situated in Hong Kong and are held under medium term leases.

Certain investment properties of the Group and the Company are leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

At 31 July 2010, certain investment properties of the Group and of the Company with an aggregate carrying amount of HK$1,040,700,000 (2009: HK$190,300,000) were pledged to banks to secure banking facilities granted to the Group.

Further details of the Group's investment properties are included on page 28.

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year, at cost	**454,061**	273,503
Additions during the year	**82,076**	177,674
Interest and bank financing charges capitalised (note 8)	**597**	2,884
Transfer to investment properties (note 15)	**(527,915)**	—
Transfer to interests in associates	**(8,819)**	—
At end of year, at cost	**—**	454,061

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16. PROPERTIES UNDER DEVELOPMENT (continued)

Joint development of a property with CGL

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

Pursuant to the Development Agreement:

(i) CGL is responsible for payment to the relevant government authority of the land premium of HK$274,070,000 (the "Land Premium") in respect of a lease modification that was granted by the relevant government authority and accepted by CGL on 14 January 2006. The Land Premium was fully paid by CGL;

(ii) Unipress needs to pay CGL a sum of HK$137,035,000 representing 50% of the Land Premium;

(iii) CGL grants to Unipress the exclusive right to develop the Property;

(iv) Unipress is responsible for the demolishing of the existing building and constructing the New Building in accordance with the development plan of the Property as agreed by Unipress and CGL and shall bear all development and construction costs and project management fee in connection with the construction and completion of the New Building;

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

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

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

During the year, the construction of this joint development project was completed. The relevant costs attributable to the Retail Portion and the Group's 50% beneficial interest in the car park spaces were transferred to investment properties and interests in associates, respectively.

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17. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**486**	486
Amounts due from subsidiaries	**1,035,735**	1,073,789
Amounts due to subsidiaries	**(261,236)**	(261,241)
	774,499	812,548
Provision for impairment	**(495,098)**	(495,098)
	279,401	317,450
	279,887	317,936

The balances with subsidiaries as at 31 July 2010 were unsecured, non-interest-bearing and have no fixed terms of repayment.

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

Particulars of the principal subsidiaries as at 31 July 2010 were as follows:

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

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

As at 31 July 2010, the entire interest in Unipress was pledged to a bank to secure the banking facilities as referred to in note 24(a).

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18. INTERESTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Shares listed in Hong Kong, at cost	**—**	—	**376,436**	376,436
Share of net assets	**3,336,237**	3,147,732	**—**	—
	3,336,237	3,147,732	**376,436**	376,436
Amounts due from associates	**11,940**	2,991	**3,110**	2,991
Amounts due to associates	**—**	(2,000)	**—**	(2,000)
	3,348,177	3,148,723	**379,546**	377,427
Provision for impairment	**(956)**	(956)	**(956)**	(956)
	3,347,221	3,147,767	**378,590**	376,471
Market value of listed shares at the end of the reporting period	**881,736**	849,079	**504,686**	485,994

Balances with associates were unsecured, interest-free and have no fixed terms of repayment, except for an amount due from an associate of HK$3,110,000 (2009: HK$2,991,000) as at 31 July 2010 which bears interest at the prevailing market rate.

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

Particulars of the principal associate as at 31 July 2010 were as follows:

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

Note:

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

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18. INTERESTS IN ASSOCIATES (continued)

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

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

	2010	2009
	HK$'000	HK$'000
Assets	**12,947,504**	12,810,178
Liabilities	**4,930,993**	5,163,012
Revenues	**1,515,483**	937,693
Profit attributable to owners of the company	**335,778**	406,730

19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments in Hong Kong, at fair value	**243,709**	210,522	**219,367**	190,692

Available-for-sale equity investments at 31 July 2010 represented 11.25% (2009: 11.18%) and 10.12% (2009: 10.12%) equity investments in ordinary shares of Lai Sun Development Company Limited ("LSD") held by the Group and the Company, respectively. In February 2010, the Group further acquired 10,000,000 shares of LSD, which represented an 0.07% equity interest in LSD, on the stock market. Particulars of LSD at the end of the reporting period are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation**	**Percentage of ownership interest attributable to the Group**
Lai Sun Development Company Limited	Ordinary shares of HK$0.01 each	Hong Kong	11.25

During the year, the fair value gain on the available-for-sale equity investments of the Group and the Company recognised directly in equity amounted to HK$31,960,000 (2009: HK$42,738,000) and HK$28,675,000 (2009: HK$38,712,000), respectively.

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

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20. PROMISSORY NOTE RECEIVABLE

Promissory note, being part of the consideration arising from the disposal of Assetop Asia Limited, a former subsidiary of the Company to Lai Fung (as detailed in note 30(a)), was unsecured, interest-bearing at the Hong Kong dollar prime rate quoted by a designated bank in Hong Kong with a maturity date of 29 May 2010. The promissory note was fully settled in cash by Lai Fung during the year.

21. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES

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

An ageing analysis of the debtors, based on payment due date, as at the end of the reporting period is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Debtors:				
Not yet due or less than 90 days past due	**636**	237	**168**	237
91 to 180 days past due	**83**	27	**51**	27
181 to 365 days past due	**22**	3	**22**	3
	741	267	**241**	267
Deposits paid and other receivables	**5,521**	4,887	**4,273**	4,624
	6,262	5,154	**4,514**	4,891

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 August	**201**	—	**201**	—
Impairment losses recognised	**—**	201	**—**	201
At 31 July	**201**	201	**201**	201

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21. DEBTORS, DEPOSITS PAID AND OTHER RECEIVABLES (continued)

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

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**16,430**	5,657	**8,770**	4,070
Time deposits	**301,019**	70,000	**277,000**	70,000
Cash and cash equivalents	**317,449**	75,657	**285,770**	74,070

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

23. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

An ageing analysis of the creditors, based on payment due date, as at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Creditors not yet due or less than 90 days past due	**32,579**	18,457
Deposits received and accruals	**33,958**	29,367
	66,537	47,824

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

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24. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current					
Bank loan, secured	(a),(b)	**16,000**	247,000	**—**	15,000
Non-current					
Bank loan, secured	(a)	**345,000**	—	**—**	—
Other borrowing, unsecured	(c)	**31,745**	31,745	**31,745**	31,745
		376,745	31,745	**31,745**	31,745
		392,745	278,745	**31,745**	46,745

Notes:

(a) The secured bank loan of the Group as at 31 July 2010 represented a bank loan of HK$361,000,000 under a term loan facility ("New Term Loan Facility") granted by a bank in March 2010 to refinance the Loan Facility (as defined in note (b) below). The New Term Loan Facility was secured, inter alia, by a fixed charge over an investment property of the Group, floating charge over certain assets held by the Group and a share of a subsidiary held by the Group.

As at 31 July 2010, the maturity profile of the secured bank loan was spread over a period of less than 5 years with HK$16,000,000 repayable within 1 year, HK$32,000,000 repayable in the second year and HK$313,000,000 repayable in the third to fifth years.

(b) Included in secured bank loans of the Group as at 31 July 2009 was a bank loan of HK$232,000,000 borrowed under an agreement for a HK$361 million term loan facility (the "Loan Facility") which was entered into by a wholly-owned subsidiary of CGL (the "CGL Subsidiary") with a bank in Hong Kong on 8 February 2007. The Loan Facility was for financing in full the estimated construction costs of the New Building (as referred to in note 16) and was secured by, inter alia, a building mortgage on the Property. Pursuant to an undertaking entered into between Unipress and the bank on 8 February 2007 (the "Undertaking"), Unipress had undertaken to pay to the bank as the principal obligor each amount due and payable under the Loan Facility. In addition, the Company had entered into a guarantee with the bank on 8 February 2007 pursuant to which the Company had guaranteed to the bank the due and prompt payment by the CGL Subsidiary and Unipress of the amounts payable by CGL Subsidiary and Unipress under the Loan Facility. The entire interest in Unipress was pledged to the bank.

Pursuant to the terms of the Loan Facility, the outstanding loan principal under the Loan Facility was repayable in full in December 2009. In December 2009, the bank agreed to extend the repayment date of the Loan Facility to March 2010 in order to allow sufficient time for finalisation of the relevant loan facility documents of the New Term Loan Facility. In March 2010, the documentation of the New Term Loan Facility was concluded and the Loan Facility was refinanced by the abovementioned New Term Loan Facility.

(c) Other borrowing as at 31 July 2010 was a loan of HK$31,745,000 (2009: HK$31,745,000) due to the late Mr. Lim Por Yen. Mr. Lim Por Yen, who passed away on 18 February 2005, was a former executive director and shareholder of the Company. A loan facility of HK$100 million was granted by him in prior years, which bore interest at the best lending rate quoted by a designated bank in Hong Kong and was originally due for repayment on 30 November 2005. On 31 July 2010, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the outstanding amount or the related interest would be made within one year from 31 July 2010.

25. NOTE PAYABLE AND ACCRUED INTEREST PAYABLE

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

On 31 July 2010, the executor of Mr. Lim Por Yen's estate, at the request of the Group, confirmed to the Group that no demand for settlement of the Loan Note or the related interest would be made within one year from 31 July 2010.

Accrued interest payable represented accrued interests on the loan payable to the late Mr. Lim Por Yen (note 24(c)) and the Loan Note.

26. DEFERRED TAX LIABILITIES

Deferred tax has been calculated at a rate of 16.5% (2009: 16.5%) on cumulative temporary differences at the end of the reporting period. Movements in deferred tax liabilities during the year are as follows:

Group

	Revaluation of investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 August 2008	32,259	—	—	32,259
Deferred tax credited to the consolidated income statement during the year — note 11	(1,102)	—	—	(1,102)
At 31 July 2009 and 1 August 2009	31,157	—	—	31,157
Deferred tax (credited)/charged to the consolidated income statement during the year — note 11	53,093	2,769	(978)	54,884
At 31 July 2010	**84,250**	**2,769**	**(978)**	**86,041**

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26. DEFERRED TAX LIABILITIES (continued)

Company

	Revaluation of investment properties HK$'000
At 1 August 2008	32,259
Deferred tax credited to the income statement during the year	(1,102)
At 31 July 2009 and 1 August 2009	31,157
Deferred tax charged to the income statement during the year	8,468
At 31 July 2010	**39,625**

27. SHARE CAPITAL

	2010 **HK$'000**	2009 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (2009: 4,000,000,000 ordinary shares of HK$0.01 each)	**40,000**	40,000
Issued and fully paid:		
1,617,423,423 ordinary shares of HK$0.01 each (2009: 1,617,423,423 ordinary shares of HK$0.01 each)	**16,174**	16,174

28. SHARE OPTION SCHEME

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

28. SHARE OPTION SCHEME (continued)

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

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

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

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

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

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

During the period from the date of the adoption of the Share Option Scheme on 22 December 2006 to 31 July 2010, no share options had been granted under the Share Option Scheme.

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29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 42 of the financial statements.

(b) Company

	Share premium account HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2008	1,908,840	55,494	(30,109)	(1,056,688)	877,537
Changes in fair values of available-for-sale equity investments (note 19)	—	—	38,712	—	38,712
Profit for the year (note 12)	—	—	—	38,343	38,343
At 31 July 2009 and 1 August 2009	1,908,840	55,494	8,603	(1,018,345)	954,592
Changes in fair values of available-for-sale equity investments (note 19)	—	—	28,675	—	28,675
Profit for the year (note 12)	—	—	—	52,472	52,472
At 31 July 2010	**1,908,840**	**55,494**	**37,278**	**(965,873)**	**1,035,739**

30. CONTINGENT LIABILITIES

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

(b) Other than the contingent liabilities disclosed as above, contingent liabilities in respect of the guarantee given to a bank in connection with the bank loan as referred to note 24(a) not provided for in the financial statements of the Company at the end of the reporting period amounted to HK$361,000,000 (2009: HK$232,000,000), being the outstanding principal payable as at the end of the reporting period.

31. PLEDGE OF ASSETS

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

Notes to Financial Statements

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32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years (2009: one to three years). The terms of the leases generally also require the tenants to pay security deposits. Certain leases include contingent rentals calculated with reference to turnover of the tenants.

At the end of the reporting period, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with the tenants falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**41,871**	7,987	**7,509**	7,987
In the second to fifth years, inclusive	**48,682**	3,116	**3,726**	3,116
	90,553	11,103	**11,235**	11,103

(b) As lessee

The Group leases its office premises under operating lease arrangements. Leases for properties are negotiated for terms of two years (2009: two years).

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group and Company	
	2010	2009
	HK$'000	HK$'000
Within one year	**220**	92
In the second to fifth years, inclusive	**92**	—
	312	92

33. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Group 2010 HK$'000	2009 HK$'000
Capital commitments in respect of development costs attributable to properties under development:		
Contracted, but not provided for	—	45,024
Authorised, but not contracted for	—	31,697
	—	76,721

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 — Group

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amounts due from associates	10,984	—	10,984
Available-for-sale equity investments	—	243,709	243,709
Debtors and other receivables	3,406	—	3,406
Cash and cash equivalents	317,449	—	317,449
	331,839	243,709	575,548

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Creditors and accruals	57,137
Interest-bearing bank and other borrowings	392,745
Note payable	195,000
Accrued interest payable	78,188
	723,070

Notes to Financial Statements

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34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2009 — Group

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Amounts due from associates	2,035	—	2,035
Available-for-sale equity investments	—	210,522	210,522
Debtors and other receivables	3,518	—	3,518
Promissory note receivable	167,000	—	167,000
Cash and cash equivalents	75,657	—	75,657
	248,210	210,522	458,732

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amounts due to associates	2,000
Creditors and accruals	41,477
Interest-bearing bank and other borrowings	278,745
Note payable	195,000
Accrued interest payable	66,851
	584,073

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Company

Financial assets

	2010 Loans and receivables HK$'000	2010 Available-for-sale financial assets HK$'000	2010 Total HK$'000	2009 Loans and receivables HK$'000	2009 Available-for-sale financial assets HK$'000	2009 Total HK$'000
Amounts due from subsidiaries	540,637	—	540,637	578,691	—	578,691
Amounts due from associates	2,154	—	2,154	2,035	—	2,035
Available-for-sale equity investments	—	219,367	219,367	—	190,692	190,692
Debtors and other receivables	2,897	—	2,897	3,255	—	3,255
Promissory note receivable	—	—	—	167,000	—	167,000
Cash and cash equivalents	285,770	—	285,770	74,070	—	74,070
	831,458	219,367	1,050,825	825,051	190,692	1,015,743

Financial liabilities

	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	261,236	261,241
Amounts due to associates	—	2,000
Creditors and accruals	13,782	9,378
Interest-bearing bank and other borrowings	31,745	46,745
Note payable	195,000	195,000
Accrued interest payable	78,188	66,851
	579,951	581,215

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

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35. FAIR VALUE HIERARCHY

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs for the asset and liability that are not based on observable market data (unobservable inputs)

As at 31 July 2010, the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value as at 31 July 2010

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale equity investments (note 19)	243,709	—	—	243,709

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk. The management of the Company meets 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 determine policies for managing each of these risks and they are summarised as follows:

(i) Interest rate risks

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

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Interest rate risks (continued)

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

	Group			Company	
	Decrease in interest rate (in percentage)	Increase in profit before tax HK$'000	Increase in equity HK$'000	Decrease in interest rate (in percentage)	Increase in equity HK$'000
2010	**0.5%**	**1,351**	**1,351**	**0.5%**	**295**
2009	0.5%	1,155	1,155	0.5%	3

(ii) Liquidity risk

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

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2010				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Creditors and accruals	57,137	—	—	—	57,137
Interest-bearing bank and other borrowings	1,589	20,709	387,719	—	410,017
Note payable	—	—	204,750	—	204,750
Accrued interest payable	—	—	78,188	—	78,188
	58,726	20,709	670,657	—	750,092

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity risk (continued)

	2009				
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to associates	—	—	—	2,000	2,000
Creditors and accruals	41,477	—	—	—	41,477
Interest-bearing bank and other borrowings	15,059	232,773#	33,332	—	281,164
Note payable	—	—	204,750	—	204,750
Accrued interest payable	—	—	66,851	—	66,851
	56,536	232,773	304,933	2,000	596,242

\# Included in interest-bearing bank and other borrowings was a bank loan borrowed under the Loan Facility which was refinanced by New Term Loan Facility with details set out in note 24(a).

Company

	2010			
	Less than 3 months HK$'000	**1 to 5 years HK$'000**	**No fixed repayment term HK$'000**	**Total HK$'000**
Amounts due to subsidiaries	**—**	**—**	**261,236**	**261,236**
Amounts due to associates	**—**	**—**	**—**	**—**
Creditors and accruals	**13,782**	**—**	**—**	**13,782**
Interest-bearing bank and other borrowings	**—**	**33,332**	**—**	**33,332**
Note payable	**—**	**204,750**	**—**	**204,750**
Accrued interest payable	**—**	**78,188**	**—**	**78,188**
	13,782	**316,270**	**261,236**	**591,288**

	2009			
	Less than 3 months HK$'000	1 to 5 years HK$'000	No fixed repayment term HK$'000	Total HK$'000
Amounts due to subsidiaries	—	—	261,241	261,241
Amounts due to associates	—	—	2,000	2,000
Creditors and accruals	9,378	—	—	9,378
Interest-bearing bank and other borrowings	15,059	33,332	—	48,391
Note payable	—	204,750	—	204,750
Accrued interest payable	—	66,851	—	66,851
	24,437	304,933	263,241	592,611

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk

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

(iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale equity investments (note 19) as at 31 July 2010. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Change in equity	**12,185**	10,526	**10,968**	9,535

(v) Capital management

The Group manages its capital structure to ensure that entities in the Group will be able to continue to operate as going concerns while maximising the return to stakeholders through the setting up and maintenance of an optimal debt and equity capital structure. The Group's overall strategy remains unchanged from that of the prior year.

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

The directors of the Company review the capital structure regularly. They will take into consideration the cost of capital and the risks associated with each class of capital prevailing in the market. Based on the recommendation of the directors, the Group will balance its overall capital structure through various types of equity fund raising exercises as well as maintenance of appropriate types and levels of debts.

Notes to Financial Statements

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Capital management (continued)

The Group monitors its capital structure through a gearing ratio of the sum of note payable and bank and other borrowings to total equity. The Group's policy is to maintain the gearing ratio at a moderate level which stands at 14% at 31 July 2010. Total equity represents equity attributable to ordinary equity holders of the Company. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Note payable	**195,000**	195,000
Interest-bearing bank and other borrowings	**392,745**	278,745
Total debts	**587,745**	473,745
Equity attributable to ordinary equity holders of the Company	**4,130,818**	3,635,847
Gearing ratio	**14%**	13%

37. EVENTS AFTER THE REPORTING PERIOD

On 26 July 2010, the Company entered into a conditional shares swap agreement with eSun Holdings Limited ("eSun") pursuant to which:

(a) The Company agreed to transfer or procure the transfer of, and eSun agreed to accept the transfer of, the Company's direct and indirect interests in 3,265,688,037 shares in the capital of Lai Fung (the "Lai Fung Transaction"), representing approximately 40.58% of the existing issued share capital of Lai Fung and the Company's entire shareholding interest in Lai Fung, for an aggregate consideration of approximately HK$3,883.2 million, to be settled by (i) the transfer to the Company of eSun's entire shareholding interest in the LSD; and (ii) as to the balance (approximately HK$178.4 million) by the payment of cash (HK$100 million to be paid on the date of completion of the Transactions (see definition below), and approximately HK$78.4 million to be paid, without interest, six months after the date of completion); and

(b) eSun agreed to procure the transfer of, and the Company agreed to accept the transfer of, eSun's indirect interest in 5,200,000,000 shares in the capital of LSD (the "LSD Transaction", together with the Lai Fung Transaction collectively referred to as "Transactions"), representing approximately 36.72% of the existing issued share capital of LSD and eSun's entire shareholding interest in LSD, for an aggregate consideration of approximately HK$3,704.8 million, to be settled by the transfer to eSun of the Company's entire shareholding interest in Lai Fung.

37. EVENTS AFTER THE REPORTING PERIOD (continued)

The Lai Fung Transaction constituted a very substantial disposal and connected transaction for the Company and the LSD Transaction constituted a very substantial acquisition and connected transaction for the Company under the Listing Rules.

Upon completion of the Transactions, Lai Fung will cease to be an associate of the Group and LSD will become a 47.97%-owned associate of the Group. Further details of the Transactions were set out in the joint announcement of the Company and eSun dated 26 July 2010 and the circular of the Company dated 30 August 2010. Resolutions for approving the shares swap agreement were duly passed at an extraordinary general meeting of the Company and a special general meeting of eSun on 20 September 2010. All the conditions precedent under the shares swap agreement were fulfilled and completion of the Transactions took place on 30 September 2010.

38. COMPARATIVE AMOUNTS

Certain comparative amounts were reclassified to conform with the current year's presentation.

39. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 5 November 2010.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 21 December 2010 at 11:15 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 July 2010;

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

3. To appoint Auditors and to authorise the Directors to fix their remuneration; and

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

   "**THAT**

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

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

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

Notice of Annual General Meeting

(d) for the purposes of this Resolution,

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

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

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

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

"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
Goh Soon Khian
Company Secretary

Hong Kong, 5 November 2010

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, Miss Leung Churk Yin, Jeanny, Madam U Po Chu, Mr. Chiu Wai and Mr. Chow Bing Chiu retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election pursuant to Article 102 of the Company's Articles of Association. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid Directors are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of the Annual Report 2009-2010 of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meeting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Notice of Annual General Meeting

Notes: (continued)

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

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

(i) the chairman of the meeting; or

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

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

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