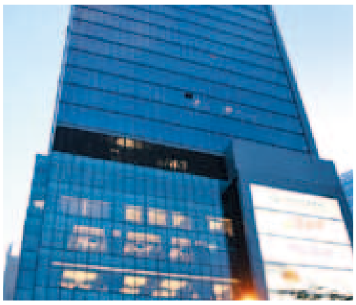
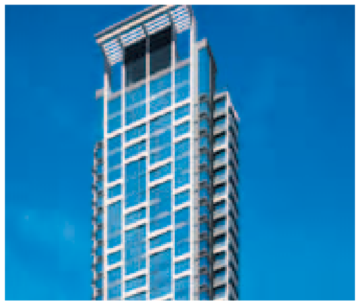
LAI SUN GARMENT

LAI SUN GARMENT (INTERNATIONAL) LIMITED
(Stock code: 191)

Annual Report 2010-2011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Corporate Information

Place of Incorporation

Hong Kong

Board of Directors

Executive 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 U Po Chu)
Lui Siu Tsuen, Richard

Non-executive Directors

U Po Chu
Wan Yee Hwa, Edward

Independent Non-executive Directors

Leung Shu Yin, William
Lam Bing Kwan
Chow Bing Chiu

Audit Committee

Leung Shu Yin, William *(Chairman)*
Chow Bing Chiu
Lam Bing Kwan
Wan Yee Hwa, Edward

Remuneration Committee

Lam Bing Kwan *(Chairman)*
Leung Shu Yin, William
Chow Bing Chiu
Wan Yee Hwa, Edward
Lui Siu Tsuen, Richard

Company Secretary

Kwok Siu Man

Authorised Representatives

Lam Kin Ming
Lam Kin Ngok, Peter

Registered Office

11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon
Hong Kong

Tel: (852) 2741 0391
Fax: (852) 2785 2775

Share Registrars

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

Independent Auditors

Ernst & Young
Certified Public Accountants

Solicitors

Vincent T.K. Cheung, Yap & Co.
Woo, Kwan, Lee & Lo

Principal Bankers

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

Shares Information

Place of Listing

The Main Board of The Stock Exchange of Hong Kong Limited

Stock Code / Board Lot

191 / 1,000 shares

Website

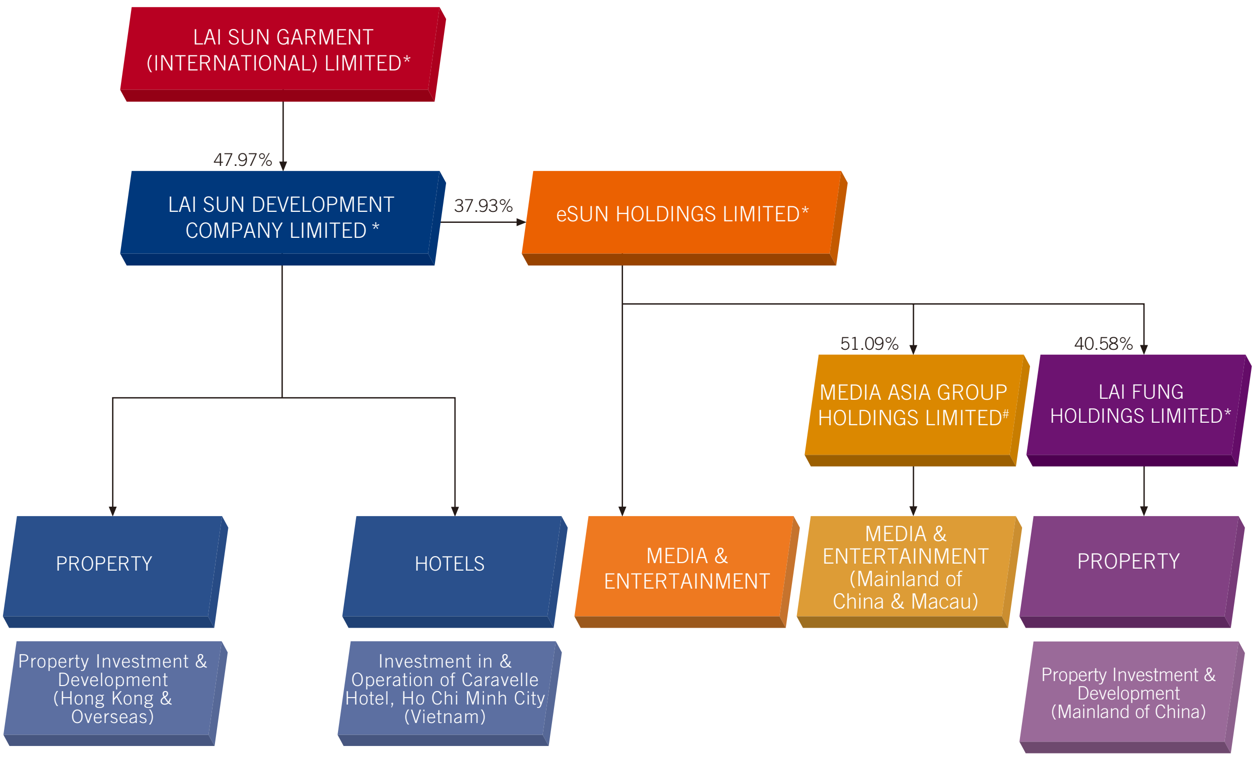
www.laisun.com

Investor Relations

ir@laisun.com

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, the Mainland of China or overseas, hotel operation and management as well as 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*

\# *– Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited*
– Formerly known as "Rojam Entertainment Holdings Limited"

Corporate structure as at 28 October 2011

Summary of Financial Information

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

Results

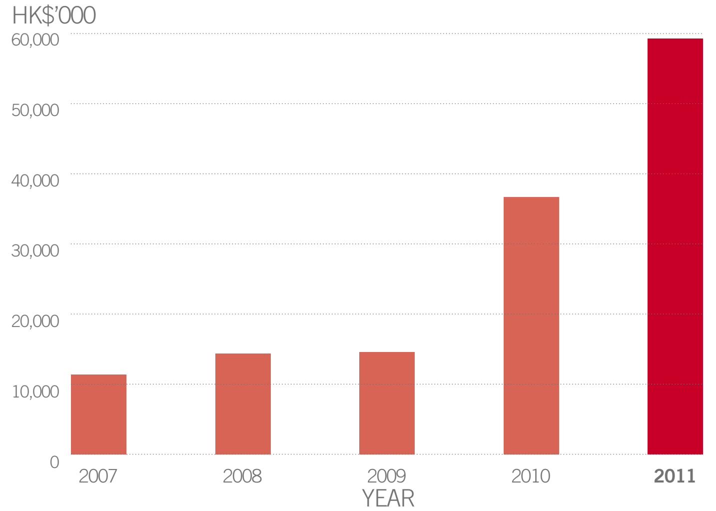
	Year ended 31 July				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
TURNOVER	**59,066**	36,554	14,526	14,303	11,414
PROFIT BEFORE TAX	**3,086,736**	501,659	167,247	48,841	281,673
Tax	**(47,464)**	(54,889)	1,137	(3,044)	(6,369)
PROFIT FOR THE YEAR Attributable to Ordinary Equity Holders of the Company	**3,039,272**	446,770	168,384	45,797	275,304

Assets and Liabilities

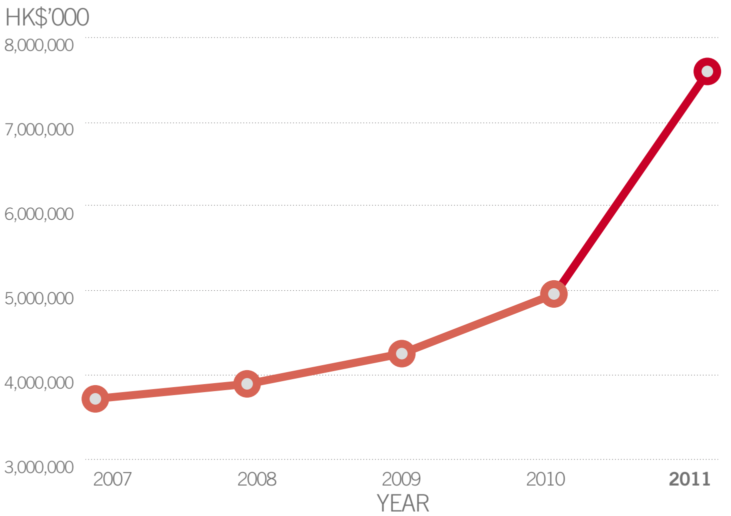
	As at 31 July				
	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Property, plant and equipment	**131**	316	667	1,481	2,974
Investment properties	**1,300,200**	1,046,600	194,800	200,800	156,100
Properties under development	**—**	—	454,061	273,503	183,529
Interests in associates	**5,814,172**	3,347,221	3,147,767	3,025,253	2,656,103
Available-for-sale equity investments	**—**	243,709	210,522	167,784	474,860
Promissory note receivable	**—**	—	—	167,000	167,000
Current assets	**464,509**	324,393	247,811	61,981	79,500
TOTAL ASSETS	**7,579,012**	4,962,239	4,255,628	3,897,802	3,720,066
Current liabilities	**(62,472)**	(82,537)	(295,028)	(45,486)	(23,062)
Interest-bearing bank and other borrowings	**(344,745)**	(376,745)	(31,745)	(113,745)	(59,745)
Note payable	**(195,000)**	(195,000)	(195,000)	(195,000)	(195,000)
Accrued interest payable	**(89,525)**	(78,188)	(66,851)	(55,370)	(41,037)
Deferred tax liabilities	**(133,505)**	(86,041)	(31,157)	(32,259)	(26,534)
Long term rental deposits received	**(14,561)**	(12,910)	—	—	—
TOTAL LIABILITIES	**(839,808)**	(831,421)	(619,781)	(441,860)	(345,378)
NET ASSETS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**6,739,204**	4,130,818	3,635,847	3,455,942	3,374,688

Summary of Financial Information

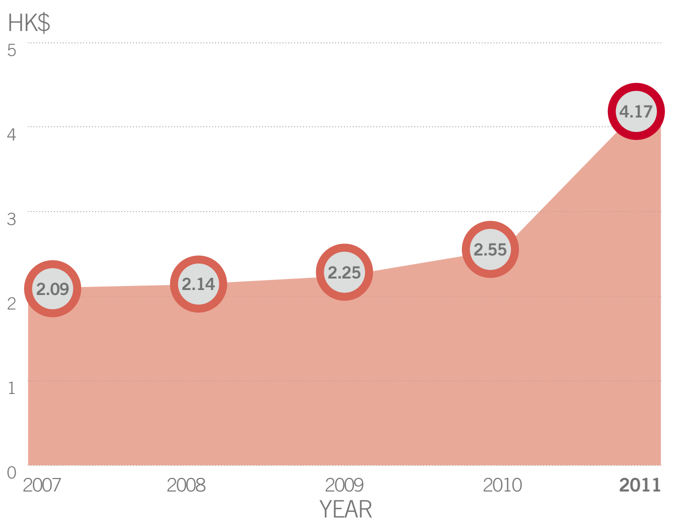
Turnover



Total Assets



Net Asset Value per share

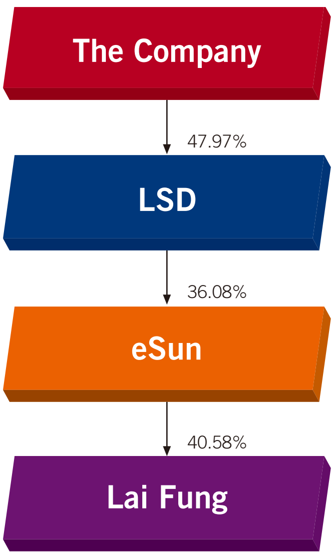


LAM Kin Ming
Chairman

Group Reorganisation

On 30 September 2010, the Company and eSun Holdings Limited ("eSun") completed a group reorganisation (the "Group Reorganisation"). Pursuant to the Group Reorganisation, the Company transferred its entire shareholding interest in Lai Fung Holdings Limited ("Lai Fung") (approximately 40.58% of the issued share capital of Lai Fung) to eSun whereby eSun transferred its entire shareholding interest in Lai Sun Development Company Limited ("LSD") (approximately 36.72% of the issued share capital of LSD) to the Company. In order to account for the difference between the agreed value of the Lai Fung shares and the LSD shares being swapped, eSun further agreed to pay to the Company an additional cash balance of approximately HK$178.4 million.

Immediately following the completion of the Group Reorganisation, the group structure involving the Company, LSD, eSun and Lai Fung has become as follows:



As a result of the Group Reorganisation, the cross-shareholding structure between LSD and eSun that existed since 2004 was dismantled. Further, LSD has become an associate of the Company and the Company's shareholding interest in Lai Fung is now 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-shareholdings 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 businesses of each of the above companies.

Overview of Final Results

For the year ended 31 July 2011, the Company and its subsidiaries (collectively the "Group") recorded a turnover of HK$59,066,000 (2010: HK$36,554,000) and a gross profit of HK$47,475,000 (2010: HK$29,337,000), representing an increase of approximately 61.6% and 61.8% respectively from the previous year. The Group derived its turnover and gross profit mainly from rental and related income from the industrial properties held for investment and the retail portion of the Crocodile Center which was opened at the end of 2009. The substantial increase in turnover and gross profit was mainly due to the rental income contributed from the retail portion of the Crocodile Center.

^ Crocodile Center, Hoi Yuen Road, Kowloon

During the year, the Group booked a fair value gain on investment properties of HK$263,754,000 (2010: HK$321,772,000) and recorded a profit from operating activities of HK$272,955,000 (2010: HK$326,645,000).

For the year ended 31 July 2011, the Group recorded a share of profits of associates of HK$555,495,000 (2010: HK$190,823,000). Prior to the Group Reorganisation, the Group held a 40.58% shareholding interest in Lai Fung and a 11.25% shareholding interest in LSD. Following the Group Reorganisation, the Group now holds a 47.97% shareholding interest in LSD while the Group's shareholding interest in Lai Fung is held through eSun. As a result of the Group Reorganisation, Lai Fung ceased to be an associate of the Company and LSD became an associate of the Company. Accordingly, the Group's share of profits of associates during the year was mainly attributable to (i) the share of profits of Lai Fung during the period from 1 August 2010 to 30 September 2010 (being the date of the completion of the Group Reorganisation), and (ii) the share of profits of LSD during the period from 1 October 2010 to 31 July 2011. Lai Fung contributed approximately HK$11,300,000 to the Group's share of profits of associates from 1 August 2010 to 30 September 2010 whereas LSD contributed approximately HK$542,800,000 to the Group's share of profits of associates from 1 October 2010 to 31 July 2011. The amount contributed by LSD was mainly attributable to the fair value gain on LSD's interests in investment properties. The Group's share of profits of associates in the year of 2010 was mainly attributable to its share of profits of Lai Fung.

During the year, finance costs were HK$18,028,000 (2010: HK$15,809,000). Further, as a result of the completion of the Group Reorganisation, the Group booked a one-off gain of HK$2,276,314,000. Due to the reasons stated above, the Group recorded a consolidated profit attributable to ordinary equity holders of the Company for the year of HK$3,039,272,000 (2010: HK$446,770,000).

Shareholders' equity as at 31 July 2011 amounted to HK$6,739,204,000, up by 63.1% from HK$4,130,818,000 as at 31 July 2010. Net asset value per share as at 31 July 2011 was HK$4.17, as compared to HK$2.55 as at 31 July 2010.

Dividend

The Directors of the Company have resolved not to recommend the payment of a final dividend for the financial year ended 31 July 2011 (2010: Nil).

Prospects

In 2011, Hong Kong's economy and property market continues to benefit from the global low interest rate environment and strong retail spending from Mainland visitors. This has resulted in very favourable operating conditions for most businesses in the property sectors in Hong Kong and China as property prices remained robust. The continued economic growth, a low interest rate environment, ample liquid funds and a tight market supply of residential units have extended the bullish sentiment towards Hong Kong's residential properties since early 2010. As pre-cautionary measures against the rising risks of inflation and the development of a property bubble, the Hong Kong Government and the Hong Kong Monetary Authority in November 2010 introduced a series of tightening measures, including the levy of a special stamp duty on short-term property transactions and the direction to mortgage lenders to lower the loan-to-value ratio for mortgage loans to ease property speculation. Between November 2010 and early 2011, the market experienced a short-term consolidation, evidenced by a sharp drop in the transaction volume. Starting from early 2011, the market gradually stabilised as transaction volume and prices of residential properties edged up modestly. The recovery has reinforced market sentiment and re-opened the window for the primary sale of residential projects. The low interest rate environment and a tight supply of new residential units in urban areas are expected to contribute towards a steady development of the residential market in Hong Kong. Under these macro-economic circumstances, the Group and its associate companies will continue to manage their operations on a prudent basis, and will strive to position their businesses for long term capital growth.

Crocodile Center in Kwun Tong

The Group retained the retail portion comprising 9 floors with a total gross floor area of approximately 100,000 square feet of this development for investment purposes. The retail portion owned by the Group is 100% leased. This property is expected to continue to contribute further to the Group's rental income in future years.

^ Tai Hang Road Project

^ 3 Connaught Road Central

LSD

Investment Properties

Rent levels for office and commercial properties in prime locations in Hong Kong have remained strong in 2010 and 2011. The operating conditions for most retail, consumption and commercial sectors in Hong Kong have performed favorably given the strong retail spending from Mainland visitors. The demand for high quality commercial properties in traditional commercial districts is strong given the lack of new supply coming on stream and this has resulted in an uptick of rental rates. Improved local consumption expenditure and strong retail spending by the Mainland visitors provide further impetus to the retail property market. In the coming year, the LSD group will continue to upgrade its commercial investment properties as well as tenant mix so that it can continue to maintain high occupancy rates and strong rental cashflow.

Development Properties

The LSD group currently owns a number of residential projects under development in Hong Kong. In 2010, the LSD group has managed to capture the strong growth in the Hong Kong residential property market by achieving satisfactory sales performances for The Oakhill and Emerald 28 projects that it owns 50% and 100% respectively. In 2011, the LSD group intends to sell the remaining units at The Oakhill and Emerald 28 and start the preparation work for the pre-sale of the residential development project in Yau Tong.

^ Emerald 28, Tai Po Road, Kowloon

^ Yau Tong Project

^ The Oakhill, Wood Road, Wanchai

^ Swimming pool of The Oakhill

^ Club house of Emerald 28

Liquidity and Financial Resources

The Group's sources of funding comprise internal funds generated from the Group's business operations and loan facilities provided by banks and others.

As at 31 July 2011, the Group had secured bank facilities (excluding amounts repaid and cancelled pursuant to the respective terms of the facilities) of approximately HK$405 million.

As at 31 July 2011, total borrowings amounted to HK$572 million, comprising a secured bank loan of HK$345 million, a note payable of HK$195 million and a loan of HK$32 million payable to the late Mr. Lim Por Yen ("Mr. Lim"). As at 31 July 2011, there was an outstanding amount of accrued interests of HK$90 million in relation to the above-mentioned note and loan payable to the late Mr. Lim. All of the Group's borrowings were maintained as floating rate debts.

As at 31 July 2011, the maturity profile of the secured bank loan of HK$345 million was spread over a period of less than 2 years with HK$32 million repayable within 1 year and HK$313 million repayable in the second year. The note payable of HK$195 million and the loan of HK$32 million payable to Mr. Lim have maturity dates on 30 April 2006 and 30 November 2005, respectively. The Group has received confirmation from the executor of the estate of Mr. Lim that such note and loan payables are not repayable within one year from the end of the reporting period.

As at 31 July 2011, certain investment properties with carrying value of approximately HK$1,292 million and a share in a subsidiary were pledged to banks to secure banking facilities granted to the Group.

As at 31 July 2011, the Group had cash and bank balances amounting to approximately HK$452 million and unutilised banking facility of HK$60 million, which together were considered adequate to cover the working capital requirement of the Group.

As at 31 July 2011, consolidated net assets of the Group amounted to HK$6,739 million. The debt to equity ratio expressed as a percentage of total borrowings to consolidated net assets as at that date was approximately 8%.

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 (2010: 20) employees as at 31 July 2011. 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 as 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
28 October 2011

Property Portfolio

Details of the investment properties of the Group are as follows:

Location	Group's Interest	Tenure	Use
1. 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
2. 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
3. 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
4. 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
5. Shop on Ground Floor together with the shop front thereof, Shop 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
6. 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

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time.

(1) Corporate Governance Practices

The Company has complied with all the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules on the Stock Exchange throughout the year ended 31 July 2011 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 (including the independent non-executive directors) of the Company is appointed for a specific term. However, all directors of the Company (the "Directors") are subject to the retirement provisions of 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 by shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the board of Directors (the "Board") as an additional Director (including non-executive Director) will hold office only until the next annual general meeting of the Company (the "AGM") and will then be eligible for re-election. Further, each of Directors appointed to fill a causal vacancy will be subject to election by shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

(2) Recommended Best Practices

The Company and its subsidiaries (the "Group") have implemented some of the recommended best practices contained in the CG Code so as to enhance the corporate governance standard within the Group as follows:

(a) the Company has arranged for an appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis; and

(b) the Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies and/or chambers so that they can continuously update and further improve their relevant knowledge and skills.

(3) Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiries of all (except one) the Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the year ended 31 July 2011. The Company had not got Mr. Chiu Wai's confirmation before he passed away on 2 October 2011.

(4) Board of Directors

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

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

(4.2) The Directors who served the Board during the year under review and up to the date of this Annual Report are named as follows:-

Executive 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 U Po Chu)*	
Lui Siu Tsuen, Richard	*(appointed on 1 January 2011)*

Non-executive Directors ("NEDs")

U Po Chu	
Wan Yee Hwa, Edward	*(an INED until re-designated as NED on 1 February 2011)*
Leung Churk Yin, Jeanny	*(an executive Director until re-designated as a NED on 1 January 2011 and resigned on 1 September 2011)*
Chiu Wai	*(passed away on 2 October 2011)*

Independent Non-executive Directors ("INEDs")

Leung Shu Yin, William	
Lam Bing Kwan	*(appointed on 1 February 2011)*
Chow Bing Chiu	

Dr. 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 Dr. Lam Kin Ngok, Peter. The brief biographical particulars of the abovementioned Directors and save as disclosed herein, the relationships among them are set out in the "Biographical Details of Directors" section of this Annual Report on pages 20 to 24. Other than that, there is no financial, business, family and other material relationship among other members of the Board.

(4.3) The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(4) Board of Directors (continued)

(4.3) (continued)

Mr. Leung Shu Yin, William ("Mr. Leung"), an INED, has declared in his annual confirmation of independence for 2010-2011 that he has been acting as the liquidator of True Kin Development Limited ("True Kin"), a private limited company incorporated in Hong Kong, which has proceeded to the final stage of a members' voluntary winding up at the fee around HK$30,000. Madam U Po Chu, a NED, was also a director and a shareholder (23.52% interest) of True Kin. In view of the nature of the service provided by the certified public accountants' firm of which Mr. Leung is a director and other material facts relating to this case, the Board considers that it should not affect the independence of Mr. Leung in the exercise of his duties as an INED.

Mr. Leung and Mr. Wan Yee Hwa, Edward ("Mr. Wan") will retire at the forthcoming AGM and, being eligible, offer themselves for re-election. Mr. Leung has served on the Board as an INED for more than 9 years since 25 July 2002 while Mr. Wan has also served on the Board for more than 9 years (from 15 March 2002 to 31 January 2011 as an INED and then as a NED since 1 February 2011). Being long-serving Directors, they have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Leung and Mr. Wan would impair their independent judgment. The Board is satisfied that Mr. Leung will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Leung as an INED at the forthcoming AGM is in the best interest of the Company and its shareholders as a whole.

(5) Chairman and Chief Executive Officer

The CG Code provides that the roles of chairman and the chief executive officer should be separated and should 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.

(6) Non-executive Directors

As explained in Paragraph (1) above, none of the existing NEDs (including the INEDs) was appointed for a specific term.

(7) Nomination of Directors

The Company has not established a nomination committee. Potential new directors will be recruited based on their knowledge 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. The executive Directors followed this process in the appointment of Mr. Lui Siu Tsuen, Richard as an additional executive Director, and Mr. Lam Bing Kwan as an additional INED during the year.

(8) Remuneration Committee

(8.1) The Board established a Remuneration Committee on 18 November 2005, which comprises three INEDs, namely Messrs. Lam Bing Kwan (appointed the Chairman with effect from 1 February 2011), Leung Shu Yin, William (who held chairmanship until 31 January 2011) and Chow Bing Chiu and a NED Mr. Wan Yee Hwa, Edward and an executive Director Mr. Lui Siu Tsuen, Richard (appointed as a member in place of Miss Leung Churk Yin, Jeanny who resigned as a member, both effective from 1 March 2011) during the year and up to the date of this Annual Report.

(8) Remuneration Committee (continued)

(8.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or other executive Director(s), 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.

(8.3) The Remuneration Committee held a meeting during the year under review to discuss remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the engagement of an INED to the Board and the re-designation of an INED as a NED on an occasion by way of circular resolutions.

(9) Audit Committee

(9.1) The Board established an Audit Committee on 23 March 2000, comprising three INEDs, namely Messrs. Leung Shu Yin, William (appointed the Chairman with effect from 1 February 2011), Chow Bing Chiu and Lam Bing Kwan (appointed as a member on 1 February 2011) and a NED Mr. Wan Yee Hwa, Edward (who held chairmanship until 31 January 2011) during the year and up to the date of this Annual Report.

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 as well as the effectiveness of the audit process.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. It reviewed the final results of the Company for the year ended 31 July 2010 and the interim results of the Company for the six months ended 31 January 2011, and other matters related to the financial and accounting policies and practices of the Company.

(10) Independent Auditors' Remuneration

For the year under review, the fees in respect of audit and non-audit services provided to the Group by the independent auditors of the Company, Ernst & Young, amounted to HK$1,190,000 and HK$398,000 respectively. The non-audit services mainly consist of advisory, review and other reporting services.

(11) 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 Group, in accordance with accounting principles generally accepted in Hong Kong.

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

(12) Attendance Record at Meetings

The attendance record of each Director at the Board meetings, Audit Committee meetings and Remuneration Committee meeting during the year is set out in the following table:

Meetings held during the year ended 31 July 2011

Directors	Board	Audit Committee	Remuneration Committee
Numbers of Meetings held	6	2	1
	Numbers of meetings attended/ Numbers of meetings held		
Executive Directors			
Lam Kin Ming	0/6	—	—
Lam Kin Ngok, Peter	6/6	—	—
Shiu Kai Wah	0/6	—	—
Lam Kin Hong, Matthew	5/6	—	—
Tam Kin Man, Kraven	6/6	—	—
Lam Hau Yin, Lester *(also Alternate Director to U Po Chu)*	5/6	—	—
Lui Siu Tsuen, Richard *(Note 1)*	4/4	—	1/1
NEDs			
U Po Chu	5/6	—	—
Chiu Wai *(Note 2)*	0/6	—	—
Wan Yee Hwa, Edward *(Note 3)*	6/6	2/2	1/1
Leung Churk Yin, Jeanny *(Note 4)*	6/6	—	—
INEDs			
Leung Shu Yin, William *(Note 5)*	6/6	2/2	1/1
Lam Bing Kwan *(Note 6)*	3/3	1/1	1/1
Chow Bing Chiu	5/6	1/2	1/1

Notes:

(1) Mr. Lui Siu Tsuen, Richard was appointed an executive Director on 1 January 2011 and a member of the Remuneration Committee on 1 March 2011.

(2) Mr. Chiu Wai passed away on 2 October 2011.

(3) Mr. Wan Yee Hwa, Edward was an INED until re-designated as a NED on 1 February 2011.

(4) Miss Leung Churk Yin, Jeanny was an executive Director until re-designated as a NED on 1 January 2011 and resigned as a NED on 1 September 2011.

(5) Mr. Leung Shu Yin, William was appointed the Chairman of the Audit Committee on 1 February 2011.

(6) Mr. Lam Bing Kwan was appointed an INED, the Chairman of the Remuneration Committee and a member of the Audit Committee on 1 February 2011.

(13) Internal Controls

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

(14) Communication with Shareholders

The Company has established a number of channels to communicate with shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.laisun.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and extraordinary general meetings provide a forum for shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars serve the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

(15) Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2853 6609 during normal business hours, by fax at (852) 2853 6624 or by e-mail at ir@laisun.com.

Executive Directors

Each of the executive directors of the Company (the "Executive Directors") named below (except Mr. Lam Kin Hong, Matthew and Mr. Shiu Kai Wah) holds directorships in a number or certain of the subsidiaries of the Company and all of them hold directorships in all or certain of the Company's listed affiliates, namely Lai Sun Development Company Limited ("LSD"), eSun Holdings Limited ("eSun"), Lai Fung Holdings Limited ("Lai Fung") and Media Asia Group Holdings Limited ("MAGH", formerly known as "Rojam Entertainment Holdings Limited"). The issued shares of LSD, eSun and Lai Fung are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and MAGH's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. While Wisdoman Limited is the substantial shareholder of the Company, the Company is the controlling shareholder of LSD which is the controlling shareholder of eSun. Further, eSun is the controlling shareholder of Lai Fung and the ultimate holding company of MAGH.

Dr. Lam Kin Ming, aged 74, is the Chairman of the Company and is a member of the Executive Committee of the Company. He has been an Executive Director since October 1987 and has been involved in the management of garment business since 1958. He is also the deputy chairman of Lai Fung, a non-executive director of LSD and the chairman and chief executive officer of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. Dr. Lam was a non-executive director of eSun from October 1996 up to 25 September 2009. Apart from the aforesaid, Dr. Lam does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. He received an honorary doctoral degree from the International American University in 2009.

Dr. Lam is the elder brother of Dr. Lam Kin Ngok, Peter (the Deputy Chairman of the Company), and Mr. Lam Kin Hong, Matthew (an Executive Director of the Company), and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Company). Apart from the aforesaid, Dr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Dr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association of the Company (the "Articles"), he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming annual general meeting of the Company ("AGM") and will also be eligible for re-election at future AGMs. He presently receives an annual remuneration of HK$810,000 and an annual director's fee of HK$48,000 and will receive such other 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 practice.

As at the date of this Annual Report, Dr. Lam is interested or deemed to be interested within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong ("SFO") a total of 5,008,263 shares in the Company, representing approximately 0.31% of the issued share capital of the Company. Save as aforesaid, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Executive Directors (continued)

Dr. Lam Kin Ngok, Peter, aged 54, is the Deputy Chairman of the Company and a member of the Executive Committee of the Company. He has been an Executive Director since October 1987 and is a director of Wisdoman Limited. Dr. Lam is also the chairman of LSD and Lai Fung as well as an executive director of eSun and Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. Further, he was appointed an executive director and the chairman of MAGH on 16 June 2011. Dr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business.

Currently, Dr. Lam is a director of The Real Estate Developers Association of Hong Kong. He is also chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Dr. 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. He was conferred an Honorary Doctorate of the Academy by The Hong Kong Academy for Performing Arts in June 2011.

Dr. Lam is the son of Madam U Po Chu (a non-executive director of the Company), the younger brother of Dr. Lam Kin Ming (the Chairman of the Company), the elder brother of Mr. Lam Kin Hong, Matthew (an Executive Director of the Company) and the father of Mr. Lam Hau Yin, Lester (an Executive Director of the Company). Apart from the aforesaid, Dr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Lam Kin Hong, Matthew, aged 43, was appointed an Executive Director in March 2001 and is a member of the Executive Committee and a legal adviser of the Company. He is also the executive deputy chairman of Lai Fung and an executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Reed Smith 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 (the Chairman of the Company) and Dr. Lam Kin Ngok, Peter (the Deputy Chairman of the Company) and an uncle of Mr. Lam Hau Yin, Lester (an Executive Director of the Company). Apart from the aforesaid, Mr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Shiu Kai Wah, aged 79, has been an Executive Director since December 1990. He has over 30 years' experience in the management of the garment business.

Mr. Tam Kin Man, Kraven, aged 63, was appointed an Executive Director in May 2006. He first joined the Lai Sun Group in 1989 and is currently an executive director of LSD and Lai Fung. 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 over 30 years' experience in property development, investment and management. He also has over 20 years' experience in the hospitality business including hotels, restaurants and clubs in Asia and North America.

Mr. Lam Hau Yin, Lester, aged 30, was appointed an Executive Director in May 2006 and is a member of the Executive Committee of the Company. He is also the alternate director to Madam U Po Chu, a non-executive director of the Company. He joined LSD as a vice president in January 2004 and is currently an executive director and the chief executive officer of Lai Fung. He holds a Bachelor of Science in Business Administration degree from Northeastern University, Boston, the United States of America. He has acquired working experience since 1999 in various companies engaged in securities investment, hotel operations, environmental products, entertainment and property development and investment.

Executive Directors (continued)

Mr. Lam is a son of Dr. Lam Kin Ngok, Peter (the Deputy Chairman of the Company), a grandson of Madam U Po Chu and a nephew of both Dr. Lam Kin Ming (the Chairman of the Company) and Mr. Lam Kin Hong, Matthew (an Executive Director of the Company). Apart from the aforesaid, Mr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Lui Siu Tsuen, Richard, aged 55, was appointed an Executive Director of the Company on 1 January 2011 and is a member of the Remuneration Committee of the Company. He is also the chief executive officer and an executive director of eSun and an executive director of LSD and Lai Fung. Further, he was appointed an executive director of MAGH on 16 June 2011.

Mr. Lui is currently an independent non-executive director of Prosperity Investment Holdings Limited and 21 Holdings Limited, both listed on the Main Board of the Stock Exchange. Prior to joining eSun, Mr. Lui was a director of Hanny Holdings Limited and Rosedale Hotel Holdings Limited (formerly known as "Wing On Travel (Holdings) Limited"), both listed on the Main Board of the Stock Exchange. He was also a director of PSC Corporation Ltd., a company listed on Singapore Exchange Limited, and a director of MRI Holdings Limited, a company previously listed on the Australian Securities Exchange. Apart from the aforesaid, Mr. Lui does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lui has over 25 years of experience in property investment, corporate finance and media and entertainment business. He is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants in the United Kingdom and an associate of The Institute of Chartered Accountants in England and Wales. He holds a Master of Business Administration degree from The University of Adelaide in Australia.

Mr. Lui does not have a service contract with the Company. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. Mr. Lui presently does not receive any emoluments from the Company but may receive such other remuneration and discretionary bonus as determined by the Board with reference to the performance of the Company, his duties and responsibilities and prevailing market practice.

Save as his directorships disclosed above, Mr. Lui does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lui does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Non-executive Directors

Madam U Po Chu, aged 86, has been a Director since December 1990. She is also a non-executive director of LSD and eSun, an executive director of Lai Fung and a director of Wisdoman Limited. 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. She started to expand the business to fabric bleaching and dyeing in the early 1970's and became involved in property development and investment in the late 1980's.

She is the mother of Dr. Lam Kin Ngok, Peter (the Deputy Chairman of the Company) and the grandmother of Mr. Lam Hau Yin, Lester (an Executive Director of the Company). Apart from the aforesaid, Madam U does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Non-executive Directors (continued)

Mr. Wan Yee Hwa, Edward, aged 75, was appointed an independent non-executive Director in March 2002 and is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Wan is also an independent non-executive director of LSD and an executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. Mr. Wan does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. 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. Wan does not have a service contract with the Company. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will be eligible for re-election at future AGMs, He presently receives an annual director's fee of HK$96,000 and will receive such other 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 practice.

Save as his directorships disclosed above, Mr. Wan does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Wan does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Independent non-executive Directors

Mr. Leung Shu Yin, William, aged 62, was appointed an independent non-executive Director in July 2002 and is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Leung is also an independent non-executive director of LSD, Crocodile Garments Limited and Mainland Headwear Holdings Limited. He was an executive director of Bel Global Resources Holdings Limited from October 2007 to 28 April 2009. All of the aforesaid companies are listed on the Main Board of the Stock Exchange. Apart from the aforesaid, Mr. Leung does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. He is a certified public accountant, a member of the Hong Kong Securities Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is practising as a practising director of two certified public accountants' firms in Hong Kong.

Mr. Leung does not have a service contract with the Company. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will be eligible for re-election at future AGMs. He presently receives an annual director's fee of HK$96,000 and will receive such other 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 practice. Mr. Leung has been acting as the liquidator of True Kin Development Limited ("True Kin"), a private limited company incorporated in Hong Kong and owned as to 23.52% by Madam U Po Chu, a non-executive Director of the Company at the fee of around HK$30,000. True Kin has proceeded to the final stage of a members' voluntary winding up. In view of the nature of the service provided by the certified public accountants' firm of which Mr. Leung is a director and other material facts relating to this case, the Board considers that it should not affect the independence of Mr. Leung in the exercise of his duties as an independent non-executive director.

Save as his directorships disclosed above, Mr. Leung does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Leung does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Independent non-executive Directors (continued)

Mr. Lam Bing Kwan, aged 62, was appointed an Independent Non-executive Director in February 2011 and is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Lam is also an independent non-executive director of LSD, Lai Fung and eForce Holdings Limited, and a non-executive director of Sino-i Technology Limited and Nan Hai Corporation Limited. All of the aforesaid companies are listed on the Main Board of the Stock Exchange. Apart from the aforesaid, Mr. Lam does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lam graduated from the University of Oregon in the United States of America with a Bachelor of Business Administration degree in 1974. He has substantial experience in property development and investment in China, having been closely involved in this industry since the mid-1980's. Mr. Lam has served on the boards of listed companies in Hong Kong for over 10 years.

Mr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles, he will be subject to retirement from office as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. He presently receives an annual director's fee of HK$96,000 and 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.

Save as his directorships disclosed above, Mr. Lam does not have any relationship with any other Directors, senior management, substantial or controlling shareholders of the Company. As at the date of this Annual Report, Mr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Mr. Chow Bing Chiu, aged 60, was appointed an independent non-executive Director in September 2004 and is a member of both the Audit Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Crocodile Garments Limited, a company listed on the Main Board of the Stock Exchange. 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.

Former Non-executive Director

Miss Leung Churk Yin, Jeanny, aged 46, was appointed an Executive Director with effect from 1 September 2007 and was re-designated as a non-executive director of the Company on 1 January 2011. She was also an executive director and the chief executive officer of eSun from 1 September 2007 to 31 December 2010 and was re-designated as a non-executive director of eSun on 1 January 2011. On 1 September 2011, Miss Leung resigned as a non-executive director of both the Company and eSun. She was also an executive director of both LSD and Lai Fung from 1 September 2007 to 31 December 2010. On 1 January 2011, Miss Leung resigned as an executive director of LSD and Lai Fung. All of the aforesaid companies are listed on the Main Board of the Stock Exchange. Miss Leung has over 20 years of corporate finance experience in Hong Kong, Mainland of China and Taiwan.

Note:

Dr. Lam Kin Ming and Messrs. Lui Siu Tsuen, Richard, Wan Yee Hwa, Edward, Leung Shu Yin, William and Lam Bing Kwan (the "Retiring Directors") will retire as directors at the forthcoming AGM. Being eligible, they offer themselves for re-election thereat. For the purpose of each of the Retiring Director's re-election thereat in accordance with the Articles, 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 Rules Governing the Listing of Securities on the Stock Exchange.

The directors of the Company (the "Directors") present their report and the audited financial statements of the Company and the Group for the year ended 31 July 2011.

Principal Activities

During the year under review, the principal activities of the Company and the Group have not changed and consisted of property development, property investment and investment holding.

Results and Dividends

The consolidated profit of the Company for the year ended 31 July 2011 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 39 to 93.

No interim dividend was paid or declared by the Company for the year ended 31 July 2011 (2010: Nil).

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2011 (2010: Nil).

Directors

The Directors who were in office during the year and those as at the date of this Annual Report are named as follows:

Executive 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 U Po Chu)*	
Lui Siu Tsuen, Richard	*(appointed on 1 January 2011)*

Non-executive Directors

U Po Chu	
Wan Yee Hwa, Edward	*(an independent non-executive Director until re-designated as a non-executive Director on 1 February 2011)*
Leung Churk Yin, Jeanny	*(an Executive Director until re-designated as a non-executive Director on 1 January 2011 and resigned on 1 September 2011)*

Independent Non-executive Directors

Leung Shu Yin, William	
Lam Bing Kwan	*(appointed on 1 February 2011)*
Chow Bing Chiu	

The Company is deeply saddened by the passing away of Mr. Chiu Wai, a non-executive Director of the Company, on 2 October 2011, whose invaluable guidance to the Company will long be remembered.

In accordance with Article 93 of the Company's Articles of Association (the "Articles"), Messrs. Lui Siu Tsuen, Richard (appointed an executive Director by the Board on 1 January 2011) and Mr. Lam Bing Kwan (appointed independent non-executive Director by the Board on 1 February 2011) will retire at the forthcoming Annual General Meeting (the "AGM") of the Company. Being eligible, they offer themselves for re-election.

Directors (continued)

In accordance with Article 102 of the Articles, Dr. Lam Kin Ming, Mr. Wan Yee Hwa, Edward and Mr. Leung Shu Yin, William will retire by rotation at the forthcoming AGM. Being eligible, they offer themselves for re-election.

Details of the aforesaid Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out in the "Biographical Details of Directors" and "Directors' Interests" sections of this Annual Report and this Report respectively.

All retiring Directors have confirmed that there is no other information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company.

Biographical Details of Directors

Brief biographical particulars of the Directors are set out on pages 20 to 24 of this Annual Report. Their other particulars are contained elsewhere in this Report.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired 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 directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Interests in Competing Businesses

During the year and/or up to the date of this Annual 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, Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Mr. Tam Kin Man, Kraven, Mr. Lam Hau Yin, Lester, Mr. Lui Siu Tsuen, Richard, Madam U Po Chu and Miss Leung Churk Yin, Jeanny (up to 31 August 2011 as she resigned as a director with effect from 1 September 2011) (together the "Interested Directors") held shareholding interests and/or directorships in companies or other interests in entities engaged in the businesses of property investment and development in Hong Kong, the Mainland of China or overseas.

However, the board of directors of the Company (the "Board") is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors is fully aware of, and has been discharging, his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

Arrangement for Directors to Acquire Shares or Debentures

Save as disclosed in the "Share Option Scheme" section of this Report and in note 28 to the financial statements, 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.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 22 December 2006 for the purpose of providing incentives to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Employees (as defined in the Share Option Scheme) of the Company. No share options have been granted by the Company under the Share Option Scheme since its adoption.

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

Directors' Interests

The Directors and chief executive of the Company who held office on 31 July 2011 and their respective associates (as defined in the Listing Rules) were interested, or were deemed to be interested in the following interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (the "Register"); or (c) as otherwise notified to the Company and the Stock Exchange, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company (the "Code") or (d) as known by the Directors.

(a) The Company

Long positions in the ordinary shares of HK$0.01 each (the "Shares") of the Company							
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interest	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Beneficial owner	130,544,319	Nil	484,991,750 *(Note 1)*	Nil	615,536,069	38.06%
Lam Kin Ming	Beneficial owner	5,008,263	Nil	Nil	Nil	5,008,263	0.31%
U Po Chu	Beneficial owner	4,127,625	Nil	484,991,750 *(Note 1)*	Nil	489,119,375	30.24%
Lam Hau Yin, Lester	Beneficial owner	60,623,968	Nil	Nil	Nil	60,623,968	3.75%
Chiu Wai *(Note 2)*	Beneficial owner	199,600	Nil	Nil	Nil	199,600	0.01%

Notes:

(1) Both Dr. 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; and

(2) Mr. Chiu Wai passed away on 2 October 2011.

Directors' Interests (continued)

(b) Associated Corporations

(i) Lai Sun Development Company Limited ("LSD") — an associate of the Company

Long positions in the ordinary shares of HK$0.01 each in LSD							
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interest	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Beneficial owner/owner of controlled corporations	10,099,585	Nil	6,792,869,192 *(Note 1)*	Nil	6,802,968,777	48.04%
U Po Chu	Beneficial owner	633,400	Nil	Nil	Nil	633,400	0.004%
Chiu Wai *(Note 2)*	Beneficial owner	195,500	Nil	Nil	Nil	195,500	0.001%

Notes:

(1) The Company and two of its wholly-owned subsidiaries, namely Joy Mind Limited and Zimba International Limited, beneficially owned in aggregate 6,792,869,192 shares in LSD, representing approximately 47.97% of the issued share capital of LSD. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 6,792,869,192 shares in LSD (representing approximately 47.97% of LSD's issued share capital) by virtue of, in aggregate, his approximate 38.06% personal and deemed interests in the issued share capital of the Company; and

(2) Mr. Chiu Wai passed away on 2 October 2011.

(ii) eSun Holdings Limited ("eSun") — an associate of LSD

Long positions in the ordinary shares of HK$0.50 each in eSun							
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Beneficial owner/owner of controlled corporations	2,794,443	Nil	447,604,186 *(Note 1)*	Nil *(Notes 2)*	450,398,629	36.23%
Lam Hau Yin, Lester	Beneficial owner	2,794,443	Nil	Nil	Nil *(Note 2)*	2,794,443	0.22%
Leung Churk Yin, Jeanny	Beneficial owner	Nil	Nil	Nil	1,267,810 *(Note 2)*	1,267,810	0.10%

Directors' Interests (continued)

(b) Associated Corporations (continued)

(ii) eSun Holdings Limited ("eSun") — an associate of LSD (continued)

Notes:

(1) *The Company was interested in 6,792,869,192 shares in LSD, representing approximately 47.97% of the issued share capital of LSD. Transtrend Holdings Limited, a wholly-owned subsidiary of LSD, was interested in 447,604,186 in eSun, representing approximately 36.00% of the issued share capital of eSun. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 447,604,186 shares in eSun (representing approximately 36.00% of eSun's issued share capital) by virtue of, in aggregate, his approximately 38.06% and 48.04% personal and deemed interests in the issued share capital of the Company and LSD respectively; and*

(2) *A share option comprising a total of 1,889,507 underlying shares in eSun granted to each of Dr. Lam Kin Ngok, Peter and Mr. Lam Hau Yin, Lester at an exercise price of HK$4.68 per share and a share option comprising a total of 1,267,810 underlying shares in eSun granted to Miss Leung Churk Yin, Jeanny, former Director of the Company at an exercise price of HK$6.18 per share lapsed on 1 January 2011. Details of the share options outstanding as at the 31 July 2011 are set out below:*

Name of Director	Date of Grant *(dd/mm/yyyy)*	No. of Underlying Shares Comprised in Option Outstanding	Exercisable Period *(dd/mm/yyyy)*	Subscription Price per Share
Leung Churk Yin, Jeanny	20/02/2008	1,267,810*	01/01/2011 to 31/12/2011	HK$6.52
		1,267,810*		

* ***Lapsed on 1 September 2011 upon Miss Leung's resignation on the same date.***

(iii) Lai Fung Holdings Limited ("Lai Fung") — an associate of eSun

Long positions in the ordinary shares of HK$0.10 each in Lai Fung							
Name of Director	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Approximate % of Total Interests to Total Issued Shares
Lam Kin Ngok, Peter	Owner of Controlled corporations	Nil	Nil	3,265,688,037 *(Note 1)*	Nil	3,265,688,037	40.58%

Notes:

(1) *These interests in Lai Fung were the shares beneficially owned by Merit Worth Limited (1,869,206,362 shares) and Silver Glory Securities Limited (1,396,481,675 shares), the latter two companies being wholly-owned subsidiaries of eSun, representing approximately 40.58% of the issued share capital of Lai Fung. eSun is owned as to approximately 36.00% by LSD which in turn is owned as to approximately 47.97% by the Company. As such, Dr. Lam Kin Ngok, Peter was deemed to be interested in the same 3,265,688,037 shares in Lai Fung (representing approximately 40.58% of Lai Fung's issued share capital) by virtue of, in aggregate, his approximate 36.23% personal and deemed interests in eSun; and*

(2) *A share option comprising a total of 10,000,000 underlying shares in Lai Fung granted to Mr. Tam Kin Man, Kraven, a director of the Company, at an exercise price of HK$0.75 per share lapsed on 1 January 2011.*

Directors' Interests (continued)

(b) Associated Corporations (continued)

(iv) Media Asia Group Holdings Limited ("MAGH") (formerly known as "Rojam Entertainment Holdings Limited") — a subsidiary of eSun

Long position in the ordinary shares of HK$0.01 each in MAGH						
Name of Director	Capacity	Corporate Interests	No. of underlying shares held	Deemed interest pursuant to Section 317 of the SFO	Total no. of issued shares and underlying shares (including other interests, deemed interest pursuant to Section 317 of the SFO)	Approximate % of total interest to total issued shares
Lam Kin Ngok, Peter	Owner of controlled corporations	5,150,425,500 *(Note 1)*	15,695,000,000 *(Note 2)*	12,003,929,486 *(Note 3)*	32,849,354,986	324.91%

Notes:

(1) *These interests in MAGH represented the shares beneficially owned by Perfect Sky Holdings Limited ("Perfect Sky"), a wholly-owned subsidiary of eSun, representing approximately 50.94% of the issued share capital of MAGH. eSun is owned as to approximately 36.00% by LSD which in turn is owned as to approximately 47.97% by the Company. As the Company is approximately 8.07% owned by Dr. Lam Kin Ngok, Peter and approximately 29.99% owned by Wisdoman Limited which is in turn 50% beneficially owned by Dr. Lam Kin Ngok, Peter, he was deemed to be interested in the said 5,150,425,500 shares in MAGH.*

(2) *By virtue of Dr. Lam Kin Ngok, Peter's interests through the controlled corporations described in Note (1) above, he was also deemed to be interested in the 10,195,000,000 underlying shares comprised in the first completion convertible notes issued to Perfect Sky by MAGH on 9 June 2011 (the "First Completion Date") and the 5,500,000,000 underlying shares comprised in the second completion convertible notes to be issued to Perfect Sky by MAGH on the first anniversary of the First Completion Date.*

(3) *These shares (issued and underlying) are held by the concert parties of Perfect Sky. Dr. Lam Kin Ngok, Peter was deemed to be interested in these shares by virtue of the fact that Perfect Sky was deemed to have an interest in these shares pursuant to Section 317 of the SFO.*

Save as disclosed above, as at 31 July 2011, none of the Directors and chief executive of the Company and their respective associates were interested or were deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which were required to be notified under the SFO, as recorded in the Register as aforesaid or as otherwise notified under the Code or known by the Directors.

Interests of Substantial Shareholders and Other Persons

As at 31 July 2011, so far as it was known by or otherwise notified by any director or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) who had 5% or more interests 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 or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares of the Company				
Name	Capacity	Nature of Interests	Number of Shares	Approximate % of Shares in Issue
Substantial Shareholders				
Lam Kin Ngok, Peter *(Note 1)*	Beneficial owner	Personal and corporate	615,536,069 *(Note 2)*	38.06%
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 *(Notes 1 & 2)*	29.99%
Third Avenue Management LLC	Investment Manager	Corporate	172,026,000 *(Note 3)*	10.64%
Other Persons				
Third Avenue Management LLC, on behalf of the Third Avenue Value Fund	Beneficial owner	Corporate	160,000,000 *(Note 3)*	9.89%
Yu Cheuk Yi	Beneficial owner	Personal	121,693,000 *(Note 4)*	7.52%
Yu Siu Yuk	Beneficial Owner	Personal	121,693,000 *(Note 4)*	7.52%
Hsu Feng	Owner of Controlled Corporation	Corporate	80,992,000 *(Note 5)*	5.00%
Tong Albert	Owner of Controlled Corporation	Corporate	80,992,000 *(Note 6)*	5.00%
Tong Chi Kar, Charles	Owner of Controlled Corporation	Corporate	80,992,000 *(Note 7)*	5.00%
Tomson Group Limited	Owner of Controlled Corporation	Corporate	80,992,000 *(Note 8)*	5.00%

Interests of Substantial Shareholders and Other Persons (continued)

Notes:

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

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

(3) *Third Avenue Management LLC held 172,026,000 Shares of the Company, of which Third Avenue Management LLC, on behalf of the Third Avenue Value Fund held 160,000,000 Shares of the Company.*

(4) *Mr. Yu Cheuk Yi and Ms. Yu Siu Yuk were both taken to be interested in the same 121,693,000 Shares of the Company, which were held jointly by them.*

(5) *Ms. Hsu Feng was taken to be interested in 80,992,000 Shares of the Company due to her beneficial shareholding interests in Tomson Group Limited.*

(6) *Mr. Tong Albert was taken to be interested in 80,992,000 Shares of the Company due to his beneficial shareholding interests in Tomson Group Limited.*

(7) *Mr. Tong Chi Kar, Charles was taken to be interested in 80,992,000 Shares of the Company due to his beneficial shareholding interests in Tomson Group Limited.*

(8) *These interests in the Company represented the Shares beneficially owned by Humphreys Estate (Strawberry Houses) Limited which in turn is wholly owned by Tomson Financial Investment Limited ("Tomson Financial") while Tomson Financial is wholly owned by Tomson Investment Limited which is in turn wholly owned by Tomson Group Limited.*

Save as disclosed above, the Directors are not aware of any other corporation or person (other than a Director or the chief executive of the Company) who, as at 31 July 2011, had the Voting Entitlements or 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements respectively. Further details of the Group's investment properties are set out in the "Property Portfolio" section of this Annual Report.

Share Capital

Details of the movement in 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 Group and the Company 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 2011, the Company did not have any reserves available for distribution in accordance with the provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK$250,000.

Summary of Financial Information

A summary of the results, assets and liabilities of the Group for the last five financial years is set out in the Summary of Financial Information on pages 4 and 5 of this Annual Report.

Major Customers and Suppliers

During the year, the Group's sales to its five largest customers accounted for approximately 49% of the Group's total turnover, while the largest customer accounted for approximately 16% 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.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 July 2011, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such Shares.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued Shares was held by the public (i.e. prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this Annual Report.

Corporate Governance

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 19 of this Annual Report.

Independence of Independent Non-executive Directors

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

Mr. Leung Shu Yin, William, an independent non-executive Director of the Company, has declared in his annual confirmation of independence that he has been acting as the liquidator of True Kin Development Limited ("True Kin"), a private limited company incorporated in Hong Kong, which has proceeded to the final stage of a members' voluntary winding up. Madam U Po Chu, a non-executive Director and a substantial shareholder of the Company, is also a director and a shareholder (23.52% interest) of True Kin. In view of the nature of the service provided by the certified public accountants' firm of which Mr. Leung is a director and other material facts relating to this case, the Company still considers that it should not affect the independence of Mr. Leung in the exercise of his duties an independent non-executive Director of the Company.

Independent Auditors

Ernst & Young, the independent auditors of the Company, will retire at the forthcoming 2011 AGM and a resolution for their reappointment as independent auditors of the Company for the ensuing year will be put to forthcoming AGM for shareholders' approval.

On behalf of the Board

Lam Hau Yin, Lester
Executive Director

Hong Kong
28 October 2011

Key Dates

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	For Financial Year 2010/2011
Annual results announcement	28 October 2011
Latest time and date for lodging transfer documents with share registrars to ascertain entitlement to attending and voting at the 2011 Annual general meeting ("AGM")	4:30 p.m. on 16 December 2011
AGM	21 December 2011
	For Financial Year 2011/2012
Interim results announcement	on or before 31 March 2012
Annual results announcement	on or before 31 October 2012

Annual Report

To ensure that all shareholders have equal and timely access to important corporate information, the Company makes extensive use of its website to deliver up-to-date information. This 2010-2011 Annual Report is printed in both English and Chinese and is available on the Company's website at www.laisun.com.

AGM

The AGM will be held on 21 December 2011. Details of the AGM are set out in the notice of the AGM which constitutes part of this Annual Report. Notice of the AGM and the proxy form are also available on the Company's website.

Financial Section

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

We have audited the consolidated financial statements of Lai Sun Garment (International) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 93, which comprise the consolidated and company statements of financial position as at 31 July 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated income statement, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2011, 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

28 October 2011

Consolidated Income Statement

Year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
TURNOVER	6	**59,066**	36,554
Cost of sales		**(11,591)**	(7,217)
Gross profit		**47,475**	29,337
Other revenue and gain	6	**1,275**	7,135
Selling and marketing expenses		**(1,574)**	(3,628)
Administrative expenses		**(33,459)**	(27,971)
Other operating expenses		**(4,516)**	—
Fair value gains on investment properties	15	**263,754**	321,772
PROFIT FROM OPERATING ACTIVITIES	7	**272,955**	326,645
Finance costs	8	**(18,028)**	(15,809)
Gains on Shares Swap Transactions	18	**2,276,314**	—
Share of profits and losses of associates		**555,495**	190,823
PROFIT BEFORE TAX		**3,086,736**	501,659
Tax	11	**(47,464)**	(54,889)
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**3,039,272**	446,770
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK$1.88**	HK$0.28
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 July 2011

	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**3,039,272**	446,770
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Changes in fair value of available-for-sale equity investment	**62,121**	31,960
Share of investment revaluation reserve of an associate	**81,475**	—
Share of exchange fluctuation reserve of associates	**76,586**	30,211
Share of asset revaluation reserve of an associate	**3,786**	(11,995)
Release of share of exchange fluctuation reserve upon disposal of an associate	**(542,299)**	—
Release of investment revaluation reserve and exchange fluctuation reserve to the income statement upon an available-for-sale equity investment being treated as if it were disposed of and re-acquired	**(110,547)**	—
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR	**(428,878)**	50,176
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**2,610,394**	496,946

Consolidated Statement of Financial Position

31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**131**	316
Investment properties	15	**1,300,200**	1,046,600
Interests in associates	18	**5,814,172**	3,347,221
Available-for-sale equity investment	19	**—**	243,709
Total non-current assets		**7,114,503**	4,637,846
CURRENT ASSETS			
Debtors, deposits paid and other receivables	20	**8,724**	6,262
Tax recoverable		**—**	682
Equity investments at fair value through profit or loss	21	**3,480**	—
Cash and cash equivalents	22	**452,305**	317,449
Total current assets		**464,509**	324,393
CURRENT LIABILITIES			
Creditors, deposits received and accruals	23	**30,472**	66,537
Interest-bearing bank borrowing	24	**32,000**	16,000
Total current liabilities		**62,472**	82,537
NET CURRENT ASSETS		**402,037**	241,856
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,516,540**	4,879,702
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**(344,745)**	(376,745)
Note payable	25	**(195,000)**	(195,000)
Accrued interest payable	25	**(89,525)**	(78,188)
Deferred tax liabilities	26	**(133,505)**	(86,041)
Long term rental deposits received		**(14,561)**	(12,910)
Total non-current liabilities		**(777,336)**	(748,884)
		6,739,204	4,130,818

Consolidated Statement of Financial Position

31 July 2011

	Notes	2011 HK$'000	2010 HK$'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		**55,494**	62,624
Share option reserve		**174**	682
Investment revaluation reserve		**81,475**	41,458
Capital reserve		**—**	146,670
Exchange fluctuation reserve		**37,163**	509,844
Other reserve		**1,249**	—
Retained earnings		**4,638,635**	1,444,526
		6,739,204	4,130,818

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2011

	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	Investment revaluation reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 August 2009	16,174	1,908,840	74,619	1,438	9,498	148,694	479,633	—	996,951	3,635,847
Profit for the year	—	—	—	—	—	—	—	—	446,770	446,770
Other comprehensive income/(expenses) for the year:										
Changes in fair value of available-for-sale equity investment	—	—	—	—	31,960	—	—	—	—	31,960
Share of exchange fluctuation reserve of an associate	—	—	—	—	—	—	30,211	—	—	30,211
Share of asset revaluation reserve of an associate	—	—	(11,995)	—	—	—	—	—	—	(11,995)
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 and 1 August 2010	16,174	1,908,840	62,624	682	41,458	146,670	509,844	—	1,444,526	4,130,818
Profit for the year	—	—	—	—	—	—	—	—	3,039,272	3,039,272
Other comprehensive income/(expenses) for the year:										
Changes in fair value of available-for-sale equity investment	—	—	—	—	62,121	—	—	—	—	62,121
Share of investment revaluation reserve of an associate	—	—	—	—	81,475	—	—	—	—	81,475
Share of exchange fluctuation reserve of associates	—	—	—	—	—	—	76,586	—	—	76,586
Share of asset revaluation reserve of an associate	—	—	3,786	—	—	—	—	—	—	3,786
Release of share of exchange fluctuation reserve upon disposal of an associate	—	—	—	—	—	—	(542,299)	—	—	(542,299)
Release of investment revaluation reserve and exchange fluctuation reserve to income statement upon an available-for-sale equity investment being treated as if it were disposed of and re-acquired	—	—	—	—	(103,579)	—	(6,968)	—	—	(110,547)
Total comprehensive income/(expenses) for the year	—	—	3,786	—	40,017	—	(472,681)	—	3,039,272	2,610,394
Share of reserve movements of an associate	—	—	—	174	—	—	—	1,249	(3,431)	(2,008)
Transfer of reserves to retained earnings upon disposal of an associate	—	—	(10,916)	(682)	—	2,511	—	—	9,087	—
Transfer of reserve to retained earnings upon an available-for-sale equity investment being treated as if it were disposed of and re-acquired	—	—	—	—	—	(149,181)	—	—	149,181	—
At 31 July 2011	**16,174**	**1,908,840**	**55,494**	**174**	**81,475**	**—**	**37,163**	**1,249**	**4,638,635**	**6,739,204**

Consolidated Statement of Cash Flows

Year ended 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,086,736**	501,659
Adjustments for:			
Fair value gains on investment properties		**(263,754)**	(321,772)
Fair value loss on equity investments at fair value through profit or loss	7	**4,516**	—
Interest income from bank deposits	6	**(311)**	(39)
Other interest income	6	**(879)**	(7,096)
Depreciation	7	**215**	484
Gains on Shares Swap Transactions	18	**(2,276,314)**	—
Expenses paid in connection with Shares Swap Transactions		**7,515**	—
Finance costs	8	**18,028**	15,809
Share of profits and losses of associates		**(555,495)**	(190,823)
		20,257	(1,778)
Decrease/(increase) in amounts due from associates		**(671)**	110
Increase in debtors, deposits paid and other receivables		**(2,823)**	(419)
Increase/(decrease) in creditors, deposits received and accruals		**(223)**	16,098
Cash generated from operations		**16,540**	14,011
Hong Kong profits tax refund/(paid)		**682**	(891)
Net cash flows from operating activities		**17,222**	13,120
CASH FLOWS FROM INVESTING ACTIVITIES			
Settlement of promissory note receivable		**—**	167,000
Cash consideration received from Shares Swap Transactions		**178,353**	—
Expenses paid in connection with Shares Swap Transactions		**(11,130)**	—
Dividend received from an associate		**—**	16,328
Interest received		**1,190**	7,135
Additions to investment properties		**(1,367)**	(1,347)
Purchases of items of property, plant and equipment		**(30)**	(133)
Settlement of construction costs for investment properties/properties under development		**(18,473)**	(67,955)
Acquisition of equity investments at fair value through profit or loss		**(7,996)**	—
Acquisition of additional interests in available-for-sale equity investments		**—**	(1,227)
Net cash flows from investing activities		**140,547**	119,801

Consolidated Statement of Cash Flows

Year ended 31 July 2011

	Note	**2011 HK$'000**	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank financing charges paid		**(195)**	(1,477)
Interest paid on bank loans		**(6,718)**	(3,652)
New bank borrowings		**—**	431,000
Repayment of bank borrowings		**(16,000)**	(317,000)
Net cash flows from/(used in) financing activities		**(22,913)**	108,871
NET INCREASE IN CASH AND CASH EQUIVALENTS		**134,856**	241,792
Cash and cash equivalents at beginning of year		**317,449**	75,657
CASH AND CASH EQUIVALENTS AT END OF YEAR		**452,305**	317,449
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	22		
Cash and bank balances		**13,614**	16,430
Time deposits with original maturity of less than three months when acquired		**438,691**	301,019
		452,305	317,449

Statement of Financial Position

31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**43**	218
Investment properties	15	**320,200**	246,600
Interests in subsidiaries	17	**3,823,026**	279,887
Interests in associates	18	**184,313**	378,590
Available-for-sale equity investment	19	**—**	219,367
Total non-current assets		**4,327,582**	1,124,662
CURRENT ASSETS			
Debtors, deposits paid and other receivables	20	**5,007**	4,514
Tax recoverable		**—**	682
Equity investments at fair value through profit or loss	21	**3,480**	—
Cash and cash equivalents	22	**421,795**	285,770
Total current assets		**430,282**	290,966
CURRENT LIABILITIES			
Creditors, deposits received and accruals		**15,867**	19,157
Total current liabilities		**15,867**	19,157
NET CURRENT ASSETS		**414,415**	271,809
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,741,997**	1,396,471
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing	24	**(31,745)**	(31,745)
Note payable	25	**(195,000)**	(195,000)
Accrued interest payable	25	**(89,525)**	(78,188)
Deferred tax liabilities	26	**(51,669)**	(39,625)
Total non-current liabilities		**(367,939)**	(344,558)
		4,374,058	1,051,913
EQUITY			
Issued capital	27	**16,174**	16,174
Reserves	29(b)	**4,357,884**	1,035,739
		4,374,058	1,051,913

Lam Kin Ming
Director

Lam Kin Ngok, Peter
Director

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, equity investments at fair value through profit or loss and an available-for-sale equity investment, 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

Basis of Consolidation from 1 August 2009

The consolidated financial statements include the financial statements of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to the income statement or retained profits, as appropriate.

Basis of Consolidation Prior to 1 August 2009

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of the net asset value of such investment as at the date at which control was lost. The carrying amount of such investment at 1 August 2009 has not been restated.

2.2 Impact of New 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 2009	
Improvements to HKFRSs 2010[1]	
HK Interpretation 4 Amendments	Amendments to HK Interpretation 4 Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

1 *The amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 27 are included in these improvements, which became effective or early adopted in the current financial period.*

The adoption of these new and revised HKFRSs has had no material impact on the reported results or financial position of the Group.

2.3 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 2010[1]	
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[5]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[5]
HKFRS 7 Amendments	Financial Instruments: Disclosures — Transfers of Financial Assets[6]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]

1 *The amendments to HKAS 34 and HKFRS 7 included in these improvements are effective for annual periods beginning on or after 1 January 2011*
2 *Effective for annual periods beginning on or after 1 January 2011*
3 *Effective for annual periods beginning on or after 1 July 2012*
4 *Effective for annual periods beginning on or after 1 January 2012*
5 *Effective for annual periods beginning on or after 1 January 2013*
6 *Effective for annual periods beginning on or after 1 July 2011*

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The adoption of the amendments to HKAS 12 may have a material impact on deferred tax recognised for investment properties that are measured using the fair value model. The Group is in the process of assessing the impact from application of these amendments.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact 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 or a jointly-controlled entity, 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 investments 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

The requirements of HKAS 39 "Financial Instruments: Recognition and Measurement" are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date that when it ceases to have significant influence over an associate and shall account for the investment in accordance with HKAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in HKAS 31 "Interests in Joint Ventures". On the loss of significant influence, the Group shall measure at fair value any investment the Group retains in the former associate. The Group shall recognise in the income statement any difference between (i) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and (ii) the carrying amount of the investment at the date when significant influence is lost.

When an investment ceases to be an associate and is accounted for in accordance with HKAS 39, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial measurement recognition as a financial asset in accordance with HKAS 39.

2.4 Summary of Significant Accounting Policies (continued)

Associates (continued)

If the Group loses significant influence over an associate, the Group shall account for all amounts recognised in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by an associate would be reclassified to the income statement on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to the income statement (as a reclassification adjustment) when it loses significant influence over the associate. For example, if an associate has available-for-sale financial assets and the Group loses significant influence over the associate, the Group shall reclassify to the income statement the gain or loss previously recognised in other comprehensive income in relation to those assets. If the Group's ownership interest in an associate is reduced, but the investment continues to be an associate, the Group shall reclassify to the income statement only a proportionate amount of the gain or loss previously recognised in other comprehensive income.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

Business Combination and Goodwill

Business Combinations from 1 August 2009

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement where such treatment would be appropriate if that interest were disposed of.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the income statement as a gain on bargain purchase.

2.4 Summary of Significant Accounting Policies (continued)

Business Combination and Goodwill (continued)

Business Combinations from 1 August 2009 (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 July. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Business Combinations Prior to 1 August 2009 but after 1 August 2004

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 August 2009:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

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

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

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

Related Parties

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

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

(b) the party is an associate;

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

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

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

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

2.4 Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment and Depreciation

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

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

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.

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

Properties under Development

Properties under development are stated at 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 costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property. 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. 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.

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

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

2.4 Summary of Significant Accounting Policies (continued)

Leases

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

Initial Recognition and Measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value though profit or loss using the fair value option at designation.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

2.4 Summary of Significant Accounting Policies (continued)

Investments and Other Financial Assets (continued)

Available-for-Sale Financial Investments

Available-for-sale financial investments are non-derivative financial assets in listed equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

Fair Value of Financial Assets

The fair value of financial assets that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

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

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

Financial Assets Carried at Amortised Cost (continued)

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 Summary of Significant Accounting Policies (continued)

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include creditors, a note payable, accrued interest payable and interest-bearing bank and other borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

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.

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

2.4 Summary of Significant Accounting Policies (continued)

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by 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.

2.4 Summary of Significant Accounting Policies (continued)

Revenue Recognition

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

(a) 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.

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Employee Benefits (continued)

Employment Ordinance Long Service Payments

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

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

Retirement Benefits

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

Foreign Currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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 recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of an operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3. Significant Accounting Judgements and Estimates

Judgements

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

Impairment of Assets

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

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 amount of investment properties at fair value as at 31 July 2011 was HK$1,300,200,000 (2010: HK$1,046,600,000) (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.

4. Operating Segment Information

For management purposes, 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 investment properties.

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 a measure 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, equity investments at fair value through profit or loss and cash and cash equivalents.

Segment liabilities mainly exclude interest-bearing bank and other borrowings, a 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.

Segment Revenue and Results

The following table presents revenue and profit for the Group's reportable segments:

	Property development		Property investment		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Segment revenue:						
Sales to external customers	**—**	—	**59,066**	36,554	**59,066**	36,554
Segment results	**—**	—	**45,901**	25,709	**45,901**	25,709
Interest income and unallocated other revenue and gain					**1,275**	7,135
Fair value gains on investment properties	**—**	—	**263,754**	321,772	**263,754**	321,772
Unallocated expenses					**(37,975)**	(27,971)
Profit from operating activities					**272,955**	326,645
Finance costs					**(18,028)**	(15,809)
Gains on Shares Swap Transactions					**2,276,314**	—
Share of profits and losses of associates	**—**	—	**1,395**	6,842	**1,395**	6,842
Share of profits and losses associates — unallocated					**554,100**	183,981
Profit before tax					**3,086,736**	501,659
Tax					**(47,464)**	(54,889)
Profit for the year					**3,039,272**	446,770

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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Segment assets	**—**	—	**1,301,063**	1,047,439	**1,301,063**	1,047,439
Interests in associates	**—**	—	**19,134**	17,068	**19,134**	17,068
Interests in associates — unallocated					**5,795,038**	3,330,153
Unallocated assets					**463,777**	567,579
Total assets					**7,579,012**	4,962,239
Segment liabilities	**—**	38,870	**19,721**	17,255	**19,721**	56,125
Unallocated liabilities					**820,087**	775,296
Total liabilities					**839,808**	831,421

Other Segment Information

	Property development		Property investment		Consolidated	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Depreciation — unallocated					**215**	484
Capital expenditure	**—**	73,257	**1,367**	2,113	**1,367**	75,370
Capital expenditure — unallocated					**30**	133
					1,397	75,503

Information About a Major Customer

For the year ended 31 July 2011, revenue of approximately HK$9,185,000 (2010: HK$5,498,000) was derived from a single customer of the property investment segment which contributed more than 10% of the Group's revenue for the year.

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 2011 HK$'000	Group 2010 HK$'000
Rental expense and building management fee paid and payable to Lai Sun Development Company Limited ("LSD")	(i)	**565**	565
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**	11,337
Interest income received and receivable from an associate of the Group	(iii)	**601**	—
Interest income received and receivable from a former associate of the Group, Lai Fung Holdings Limited ("Lai Fung")	(iv)	**—**	6,886
Consideration paid and payable to Crocodile Garments Limited ("CGL") for pledging a property as security for the construction finance	(v)	**—**	1,420

Notes:

(i) *Rental expenses and building management fee were charged, based on terms stated in the respective lease agreements. Upon completion of the Shares Swap Transactions (defined and detailed in note 18) on 30 September 2010, LSD is a 47.97% owned associate of the Group. In prior year, LSD was a related company of the Group, of which certain directors of LSD are also directors of the Company.*

(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(b)).*

(iii) *Interest income was charged at the best lending rate quoted by a designated bank in Hong Kong.*

(iv) *Interest income was charged at the prevailing Hong Kong prime rate quoted by a designated bank in Hong Kong in respect of the promissory note receivable from Lai Fung. The promissory note was fully repaid in May 2010.*

(v) *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 practical completion of construction. The architect of the project issued a certificate certifying that the construction was practically completed on 30 September 2009. As at 31 July 2010, Dr. Lam Kin Ming, a director of the Company, had an interest of approximately 51.39% in CGL within the meaning of the Securities and Futures Ordinance.*

The Development Agreement (as defined in note 16) and the interest income received from the associate constituted a connected transaction and an exempted connected transaction respectively 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.

5. Related Party Transactions (continued)

(b) Compensation of key management personnel of the Group

	Group	
	2011 HK$'000	2010 HK$'000
Short term employee benefits	**6,504**	6,486
Post-employment benefits	**24**	24
Total compensation paid to key management personnel	**6,528**	6,510

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	
	2011 HK$'000	2010 HK$'000
Turnover		
Rental income	**48,387**	28,971
Property management fee income	**10,679**	7,583
	59,066	36,554
Other revenue and gain		
Interest income from bank deposits	**311**	39
Other interest income	**879**	7,096
Others	**85**	—
	1,275	7,135

7. Profit from Operating Activities

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

	Group	
	2011 HK$'000	2010 HK$'000
Auditors' remuneration	**1,190**	670
Depreciation	**215**	484
Minimum lease payments under operating leases in respect of land and buildings	**659**	659
Employee benefit scheme (including directors' remuneration (note 9)):		
Wages and salaries	**13,823**	12,557
Pension scheme contributions	**144**	160
	13,967	12,717
Fair value loss on equity investments at fair value through profit or loss #	**4,516**	—
Rental and property management fee income	**(59,066)**	(36,554)
Less: Outgoings	**11,591**	7,217
	(47,475)	(29,337)

This item is included in "other operating expenses" on the face of the consolidated income statement.

8. Finance Costs

	Group	
	2011 HK$'000	2010 HK$'000
Interests on:		
Bank loans wholly repayable within five years	**6,135**	4,335
Other borrowings and note payable wholly repayable within five years	**11,337**	11,337
Total interest expenses	**17,472**	15,672
Bank financing charges	**556**	734
	18,028	16,406
Less: Amount capitalised in properties under development (note 16)	**—**	(597)
	18,028	15,809

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	
	2011 HK$'000	2010 HK$'000
Fees	**624**	576
Other emoluments:		
Salaries, allowances and benefits in kind	**5,880**	5,910
Pension scheme contributions	**24**	24
	5,904	5,934
	6,528	6,510

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2011				
Executive and non-executive directors:				
Lam Kin Ming	**48**	**810**	**—**	**858**
Lam Kin Ngok, Peter	**48**	**491**	**12**	**551**
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**
Lui Siu Tsuen, Richard[1]	**—**	**—**	**—**	**—**
U Po Chu	**48**	**3,600**	**—**	**3,648**
Chiu Wai (deceased)[2]	**48**	**—**	**—**	**48**
Leung Churk Yin, Jeanny[3]	**—**	**—**	**—**	**—**
Wan Yee Hwa, Edward[4]	**48**	**—**	**—**	**48**
Independent non-executive directors:				
Chow Bing Chiu	**96**	**—**	**—**	**96**
Leung Shu Yin, William	**96**	**—**	**—**	**96**
Lam Bing Kwan[5]	**48**	**—**	**—**	**48**
Wan Yee Hwa, Edward[4]	**48**	**—**	**—**	**48**
	624	**5,880**	**24**	**6,528**

1 *Lui Siu Tsuen, Richard was appointed as an executive director of the Company on 1 January 2011.*

2 *Chiu Wai passed away on 2 October 2011.*

3 *Leung Churk Yin, Jeanny was re-designated as a non-executive director of the Company on 1 January 2011 and resigned as a non-executive director of the Company on 1 September 2011.*

4 *Wan Yee Hwa, Edward was re-designated as a non-executive director of the Company on 1 February 2011.*

5 *Lam Bing Kwan was appointed as an independent non-executive director on 1 February 2011.*

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
Chow Bing Chiu	96	—	—	96
Leung Shu Yin, William	96	—	—	96
	576	5,910	24	6,510

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

10. Five Highest Paid Employees

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**1,330**	1,232
Pension scheme contributions	**12**	12
	1,342	1,244

10. Five Highest Paid Employees (continued)

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

	Number of employees	
	2011	2010
HK$500,001 — HK$1,000,000	**2**	2

11. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2011 HK$'000	2010 HK$'000
Current tax		
Charge for the year	**—**	—
Underprovision in prior years	**—**	5
	—	5
Deferred tax (note 26)	**47,464**	54,884
Tax charge for the year	**47,464**	54,889

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

	Group	
	2011 HK$'000	2010 HK$'000
Profit before tax	**3,086,736**	501,659
Share of profits and losses of associates	**(555,495)**	(190,823)
Profit before tax attributable to the Company and its subsidiaries	**2,531,241**	310,836
Tax at the statutory rate of 16.5% (2010: 16.5%)	**417,655**	51,288
Adjustments in respect of current tax of previous periods	**—**	5
Income not subject to tax	**(375,643)**	(6)
Expenses not deductible for tax	**4,621**	3,262
Tax losses not recognised	**831**	340
Tax charge for the year	**47,464**	54,889

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 2011 includes a profit of HK$3,359,423,000 (2010: HK$52,472,000) 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 the profit for the year attributable to ordinary equity holders of the Company of HK$3,039,272,000 (2010: HK$446,770,000) and the weighted average number of 1,617,423,423 (2010: 1,617,423,423) ordinary shares in issue during the year.

The diluted earnings per share amounts for the years ended 31 July 2011 and 2010 have not been disclosed as no diluting events existed during both years.

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 2009	7,607	3,204	16,951	27,762
Additions	133	—	—	133
Write off	(2)	—	—	(2)
At 31 July 2010 and 1 August 2010	7,738	3,204	16,951	27,893
Additions	30	—	—	30
Write off	(61)	—	—	(61)
At 31 July 2011	**7,707**	**3,204**	**16,951**	**27,862**
Accumulated depreciation:				
At 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 and 1 August 2010	7,488	3,138	16,951	27,577
Depreciation provided during the year	149	66	—	215
Write off	(61)	—	—	(61)
At 31 July 2011	**7,576**	**3,204**	**16,951**	**27,731**
Net book value:				
At 31 July 2011	**131**	**—**	**—**	**131**
At 31 July 2010	250	66	—	316

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 2009	7,607	3,204	16,951	27,762
Additions	19	—	—	19
Write off	(2)	—	—	(2)
At 31 July 2010 and 1 August 2010	7,624	3,204	16,951	27,779
Additions	12	—	—	12
Write off	(61)	—	—	(61)
At 31 July 2011	**7,575**	**3,204**	**16,951**	**27,730**
Accumulated depreciation:				
At 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 and 1 August 2010	7,472	3,138	16,951	27,561
Depreciation provided during the year	121	66	—	187
Write off	(61)	—	—	(61)
At 31 July 2011	**7,532**	**3,204**	**16,951**	**27,687**
Net book value:				
At 31 July 2011	**43**	**—**	**—**	**43**
At 31 July 2010	152	66	—	218

15. Investment Properties

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Carrying amount at beginning of year	**1,046,600**	194,800	**246,600**	194,800
Transfer from properties under development, at cost (note 16)	**—**	527,915	**—**	—
Additions, at cost	**1,367**	2,113	**606**	483
Adjustment for the outstanding construction costs payable for an investment property	**(11,521)**	—	**—**	—
Fair value gains	**263,754**	321,772	**72,994**	51,317
Carrying amount at end of year	**1,300,200**	1,046,600	**320,200**	246,600

15. Investment Properties (continued)

The investment properties on 31 July 2011 were revalued by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$1,300,200,000 (2010: HK$1,046,600,000) on an open market, existing use basis.

The Group's and the Company's investment properties as at 31 July 2011 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 2011, certain investment properties of the Group and of the Company with an aggregate carrying amount of HK$1,291,700,000 (2010: HK$1,040,700,000) were pledged to banks to secure banking facilities granted to the Group.

Further details of the Group's investment properties are included on page 13.

16. Properties under Development

	Group	
	2011 HK$'000	2010 HK$'000
At beginning of year, at cost	—	454,061
Additions during the year	—	82,076
Interest and bank financing charges capitalised (note 8)	—	597
Transfer to investment properties (note 15)	—	(527,915)
Transfer to interests in associates	—	(8,819)
At end of year, at cost	—	—

Joint Development of a Property With CGL

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

Pursuant to the Development Agreement, Unipress bore 50% of the land premium in respect of the lease modification and all development and construction costs and project management fee in connection with the construction and completion of the Crocodile Center.

On completion of the construction of the Crocodile Center, according to the Development Agreement, Unipress was entitled to the ownership of retail portion of the Crocodile Center and CGL was entitled to the remaining portion comprised mainly office space. In addition, CGL assigned the ownership of all car parking spaces to an investment holding company which is owned in equal shares by the Company and CGL.

In prior 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 parking spaces were transferred to investment properties and interests in associates, respectively.

17. Interests in Subsidiaries

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**2,629,666**	486
Amounts due from subsidiaries	**1,946,996**	1,035,735
Amounts due to subsidiaries	**(261,231)**	(261,236)
	1,685,765	774,499
Provision for impairment	**(492,405)**	(495,098)
	1,193,360	279,401
	3,823,026	279,887

The balances with subsidiaries as at 31 July 2011 were unsecured, non-interest-bearing and had no fixed terms of repayment except for amounts due from subsidiaries of HK$150,635,000 (2010: Nil) as at 31 July 2011 which bore interest at the prevailing market lending rate.

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 2011 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	Percentage of equity attributable to the Company Indirect	Principal activities
Joy Mind Limited	Hong Kong	HK$2	100	—	Investment holding
Zimba International 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 2011, the share of Unipress was pledged to a bank to secure the banking facilities as referred to in note 24(a).

18. Interests in Associates

	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Shares listed in Hong Kong, at cost	—	—	182,089	376,436
Share of net assets	5,802,517	3,336,237	—	—
	5,802,517	3,336,237	182,089	376,436
Amounts due from associates	12,611	11,940	3,180	3,110
	5,815,128	3,348,177	185,269	379,546
Provision for impairment	(956)	(956)	(956)	(956)
	5,814,172	3,347,221	184,313	378,590
Market value of listed shares at the end of the reporting period	1,392,538	881,736	293,923	504,686

Balances with associates were unsecured, interest-free and have no fixed terms of repayment, except for amounts due from associates of HK$12,010,000 (2010: HK$3,110,000) by the Group and an amount due from an associate of HK$3,180,000 (2010: HK$3,110,000) by the Company as at 31 July 2011 which bore 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 were as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership: Attributable to the Group	Percentage of ownership: Directly held by the Company
As at 31 July 2011				
Lai Sun Development Company Limited	Ordinary shares of HK$0.01 each	Hong Kong	47.97	10.12#

LSD's principal activity was investment holding. The principal activities of the subsidiaries of LSD during the year consisted of property development for sale, property investment, investment in and the operation of hotels and restaurants and investment holding.

18. Interests in Associates (continued)

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership Attributable to the Group	Directly held by the Company
As at 31 July 2010				
Lai Fung Holdings Limited	Ordinary shares of HK$0.10 each	Cayman Islands	40.58	23.23#

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").

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.

As at 31 July 2010, (i) 1,869,206,362 shares in the capital of Lai Fung, representing 23.23% of the issued share capital of Lai Fung; and (ii) 1,433,773,126 shares in the capital of LSD, representing 10.12% of the issued share capital of LSD, were directly held by the Company as an investment in an associate and an available-for-sale equity investment (note 19) respectively. Upon completion of the Shares Swap Transactions (as detailed below), such direct interest in Lai Fung held by the Company were disposed of. In addition, the Company, together with its 37.85% indirect interest in LSD held by its wholly-owned subsidiaries, has significant influence over LSD. Accordingly, such 10.12% direct interest of LSD held by the Company was reclassified from available-for-sale equity investment to interests in associates at cost on 30 September 2010 in the company statement of financial position.

Reorganisation Involving Shares in the Capital of Lai Fung and LSD

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 Holdings Limited ("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. The consideration was satisfied by (i) the transfer to the Company of eSun's entire shareholding interest in LSD; and (ii) cash consideration of approximately HK$178.4 million paid by eSun to the Company (HK$100 million paid on the date of completion of the Shares Swap Transactions (see definition below), and approximately HK$78.4 million 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 "Shares Swap Transactions"), representing approximately 36.72% of the existing issued share capital of LSD and eSun's entire shareholding interest in LSD. The consideration was satisfied by the transfer to eSun of the Company's entire shareholding interest in Lai Fung less the cash consideration of approximately HK$178.4 million received by the Company from eSun.

18. Interests in Associates (continued)

Reorganisation Involving Shares in the Capital of Lai Fung and LSD (continued)

For the purposes of both Lai Fung Transaction and LSD Transaction, eSun was treated as an associate of a director of the Company and thereby a connected person of the Company under the Listing Rules. 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. Further details of the Shares Swap Transactions were set out in the joint announcement of the Company and eSun dated 26 July 2010 and the circulars of the Company and eSun both 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 Shares Swap Transactions took place on 30 September 2010.

Upon completion of the Shares Swap Transactions, Lai Fung ceased to be an associate of the Group as at 30 September 2010. Prior to the completion of the Shares Swap Transactions, the Group held an 11.25% equity interest in LSD which was accounted for as an available-for-sale investment. Upon completion of the Shares Swap Transactions, LSD became a 47.97%-owned associate of the Group. Gains on Shares Swap Transactions were recognised in the Group's consolidated income statement for the year ended 31 July 2011 as below:

	Notes	HK$'000
Lai Fung Transaction		
Gain on disposal of 40.58% interest in Lai Fung	(i)	1,271,659
LSD Transaction		
Release of reserves upon 11.25% interest in LSD treated as if it were disposed of and reacquired	(ii)	110,547
Discount on acquisition of 47.97% interest in LSD	(iii)	894,108
Gains on Shares Swap Transactions		2,276,314

Notes:

(i) *Taking into account the consideration received by the Group of approximately HK$4,114 million (being 40.58% of the fair value of Lai Fung's identifiable net assets as at 30 September 2010) for the disposal of its 40.58% equity interest in Lai Fung and the Group's share of net assets of Lai Fung as at 30 September 2010 of approximately HK$3,384 million, the gain on disposal (including release of exchange fluctuation reserve of Lai Fung shared by the Group up to the date of disposal of approximately HK$542 million) recognised by the Group in its consolidated income statement was approximately HK$1,272 million.*

(ii) *As at 30 September 2010, the carrying amount of the 11.25% equity interest in LSD held by the Group was approximately HK$306 million (based on the closing price of LSD's shares as at 30 September 2010) and the corresponding cumulative fair value gains recognised in the investment revaluation reserve and exchange fluctuation reserve retained by the Group were approximately HK$104 million and HK$7 million, respectively.*

In accordance with the prevailing Hong Kong Financial Reporting Standards, such 11.25% equity interest in LSD is treated as if it were disposed of and reacquired at its carrying value as at the date of completion of the Shares Swap Transactions based on the market price of the LSD shares. Therefore, the carrying value of such 11.25% equity interest in LSD would become part of the acquisition cost of the 47.97% equity interest in LSD in stages as an associate. The abovementioned reserves in a sum of HK$111 million were recycled and released to the consolidated income statement of the Group as a gain.

18. Interests in Associates (continued)

Notes: (Continued)

(iii) *Taking into account the fair value of the consideration given by the Group for its acquisition of approximately HK$3,936 million (being 40.58% of the fair value of Lai Fung's identifiable net assets as at 30 September 2010 less cash consideration of approximately HK$178.4 million) and the carrying value of the Group's 11.25% equity interest in LSD of approximately HK$306 million as at 30 September 2010 as mentioned above, the total cost of acquisition of the LSD shares in stages, as an associate, was approximately HK$4,242 million. The excess of the Group's 47.97% share of the fair value of LSD's identifiable net assets as at 30 September 2010 of approximately HK$5,136 million over the total cost of acquisition of approximately HK$4,242 million was treated as a discount on acquisition of approximately HK$894 million and was recognised as a gain in the consolidated income statement of the Group.*

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

	2011 HK$'000	2010 HK$'000
Assets	**16,724,008**	12,947,504
Liabilities	**4,462,279**	4,930,993
Revenues	**1,135,822**	1,515,483
Profit attributable to the ordinary equity holders of the parent	**2,006,197**	335,778

The above financial information includes, among others, the following:

(a) assets and liabilities of LSD as at 31 July 2011 (2010: Lai Fung as at 31 July 2010); and

(b) turnover of and profit of Lai Fung for the period from 1 August 2010 to 30 September 2010 and of LSD for the period from 1 October 2010 to 31 July 2011 (2010: turnover and profit of Lai Fung for the year ended 31 July 2010).

19. Available-for-sale Equity Investment

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Listed equity investment in Hong Kong, at fair value	**—**	243,709	**—**	219,367

Prior to the completion of the Shares Swap Transactions (as defined in note 18), the Group held 11.25% ordinary shares of LSD as an available-for-sale equity investment. The fair value gain on the available-for-sale equity investment of the Group recognised directly in equity amounted to HK$62,121,000 for the period from 1 August 2010 to 30 September 2010 (i.e. the date of completion of the Shares Swap Transactions) (year ended 31 July 2010: HK$31,960,000). Upon the completion of the Shares Swap Transactions, LSD became a 47.97% associate of the Group.

As at 31 July 2010, the available-for-sale equity investment of the Company represented 10.12% equity investment in ordinary shares of LSD held by the Company. As detailed in note 18 above, upon completion of the Shares Swap Transactions, the Company, together with its 37.85% indirect interest in LSD held by its wholly-owned subsidiaries, has significant influence over LSD. Consequently, the Company's 10.12% direct interest in LSD was reclassified to interests in associates at cost and the cumulative fair value gains arising from such 10.12% direct interest in LSD as at 30 September 2010 that had been recognised directly in investment revaluation reserve were reversed and set off against the carrying amount of such interest in LSD.

The fair values of these listed equity investments as at 31 July 2010 were based on quoted market prices.

20. 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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Debtors:				
Not yet due or less than 90 days past due	**688**	636	**520**	168
91 to 180 days past due	**33**	83	**33**	51
181 to 365 days past due	**54**	22	**17**	22
	775	741	**570**	241
Deposits paid and other receivables	**7,949**	5,521	**4,437**	4,273
	8,724	6,262	**5,007**	4,514

20. Debtors, Deposits Paid and Other Receivables (continued)

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

	Group and Company	
	2011 HK$'000	2010 HK$'000
At 1 August	**201**	201
Impairment losses recognised	**—**	—
At 31 July	**201**	201

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.

21. Equity Investments at Fair Value Through Profit or Loss

	Group and Company	
	2011 HK$'000	2010 HK$'000
Listed equity investments in Hong Kong, at fair value	**3,480**	—

The listed equity instruments as at 31 July 2011 were classified as held for trading. The fair value of the listed equity investments are based on quoted market prices.

22. Cash and Cash Equivalents

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash and bank balances	**13,614**	16,430	**6,731**	8,770
Time deposits	**438,691**	301,019	**415,064**	277,000
Cash and cash equivalents	**452,305**	317,449	**421,795**	285,770

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 one month 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	
	2011 HK$'000	2010 HK$'000
Creditors not yet due or less than 90 days past due	**8,846**	32,579
Deposits received and accruals	**21,626**	33,958
	30,472	66,537

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

24. Interest-Bearing Bank and Other Borrowings

		Group		Company	
	Notes	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current					
Bank loan, secured	(a)	**32,000**	16,000	**—**	—
Non-current					
Bank loan, secured	(a)	**313,000**	345,000	**—**	—
Other borrowing, unsecured	(b)	**31,745**	31,745	**31,745**	31,745
		344,745	376,745	**31,745**	31,745
		376,745	392,745	**31,745**	31,745

Notes:

(a) *The 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, a share of a subsidiary held by the Group and a guarantee given to the bank by the Company.*

As at 31 July 2011, the maturity profile of the secured bank loan was spread over a period of less than 2 years with HK$32,000,000 repayable within 1 year and HK$313,000,000 repayable in the second year. (2010: 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) *Other borrowing as at 31 July 2011 was a loan of HK$31,745,000 (2010: 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 29 July 2011, 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 2011.*

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 29 July 2011, 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 2011.

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

26. Deferred Tax Liabilities

Deferred tax has been calculated at a rate of 16.5% (2010: 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 2009	31,157	—	—	31,157
Deferred tax charged/(credited) to the consolidated income statement during the year — note 11	53,093	2,769	(978)	54,884
At 31 July 2010 and 1 August 2010	84,250	2,769	(978)	86,041
Deferred tax charged to the consolidated income statement during the year — note 11	43,519	3,177	768	47,464
At 31 July 2011	**127,769**	**5,946**	**(210)**	**133,505**

Company

	Revaluation of investment properties HK$'000
At 1 August 2009	31,157
Deferred tax charged to the income statement during the year	8,468
At 31 July 2010 and 1 August 2010	39,625
Deferred tax charged to the income statement during the year	12,044
At 31 July 2011	**51,669**

27. Share Capital

	2011 HK$'000	2010 HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.01 each (2010: 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 (2010: 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) of the Group, 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 which 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.

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 except a substantial shareholder or an independent non-executive director of the Company or any of their associates (including both exercised and outstanding share 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.

28. Share Option Scheme (continued)

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange 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 2011, no share options had been granted under the Share Option Scheme. As at the date of the approval of these financial statements, 161,742,342 shares of HK$0.01 each of the Company were available for issue under the Share Option Scheme, representing 10% of the Company's shares in issue as at that date.

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 43 of the financial statements.

(b) Company

	Share premium account HK$'000	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
At 1 August 2009	1,908,840	55,494	8,603	(1,018,345)	954,592
Changes in fair value of available-for-sale equity investment	—	—	28,675	—	28,675
Profit for the year (note 12)	—	—	—	52,472	52,472
At 31 July 2010 and 1 August 2010	1,908,840	55,494	37,278	(965,873)	1,035,739
Changes in fair value of available-for-sale equity investment	—	—	55,917	—	55,917
Reversal of reserve upon reclassification of available-for-sale equity investment to interests in associates	—	—	(93,195)	—	(93,195)
Profit for the year (note 12)	—	—	—	3,359,423	3,359,423
At 31 July 2011	**1,908,840**	**55,494**	**—**	**2,393,550**	**4,357,884**

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$345,000,000 (2010: HK$361,000,000), 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.

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 (2010: 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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Within one year	**51,548**	41,871	**8,482**	7,509
In the second to fifth years, inclusive	**34,866**	48,682	**5,272**	3,726
	86,414	90,553	**13,754**	11,235

32. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases its office premises under operating lease arrangements. Leases for properties are negotiated for terms of two years (2010: 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	
	2011 HK$'000	2010 HK$'000
Within one year	**92**	220
In the second to fifth years, inclusive	**—**	92
	92	312

33. 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:

2011 **Group**

Financial assets

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Amounts due from associates	**11,655**	**—**	**11,655**
Equity investments at fair value through profit or loss	**—**	**3,480**	**3,480**
Debtors and other receivables	**6,066**	**—**	**6,066**
Cash and cash equivalents	**452,305**	**—**	**452,305**
	470,026	**3,480**	**473,506**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Creditors and accruals	**21,879**
Interest-bearing bank and other borrowings	**376,745**
Note payable	**195,000**
Accrued interest payable	**89,525**
	683,149

33. Financial Instruments by Category (continued)

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 investment	—	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

33. Financial Instruments by Category (continued)

Company

Financial assets

	2011 Financial assets at fair value through profit or loss HK$'000	2011 Loans and receivables HK$'000	2011 Available-for-sale financial assets HK$'000	2011 Total HK$'000	2010 Loans and receivables HK$'000	2010 Available-for-sale financial assets HK$'000	2010 Total HK$'000
Amounts due from subsidiaries	—	1,454,591	—	1,454,591	540,637	—	540,637
Amounts due from associates	—	2,224	—	2,224	2,154	—	2,154
Available-for-sale equity investment	—	—	—	—	—	219,367	219,367
Equity investments at fair value through profit or loss	3,480	—	—	3,480	—	—	—
Debtors and other receivables	—	3,928	—	3,928	2,897	—	2,897
Cash and cash equivalents	—	421,795	—	421,795	285,770	—	285,770
	3,480	1,882,538	—	1,886,018	831,458	219,367	1,050,825

Financial liabilities

	2011 Financial liabilities at amortised cost HK$'000	2010 Financial liabilities at amortised cost HK$'000
Amounts due to subsidiaries	261,231	261,236
Creditors and accruals	9,680	13,782
Interest-bearing bank and other borrowings	31,745	31,745
Note payable	195,000	195,000
Accrued interest payable	89,525	78,188
	587,181	579,951

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

34. 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 2011 and 2010, the Group held the following financial instruments measured at fair value:

Financial assets measured at fair value as at 31 July 2011 and 2010:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Group				
2011				
Equity investments at fair value through profit or loss (note 21)	**3,480**	**—**	**—**	**3,480**
2010				
Available-for-sale equity investment (note 19)	243,709	—	—	243,709
Company				
2011				
Equity investments at fair value through profit or loss (note 21)	**3,480**	**—**	**—**	**3,480**
2010				
Available-for-sale equity investment (note 19)	219,367	—	—	219,367

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise equity investments at fair value through profit or loss, 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 risk

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 a 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.

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 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
2011	**0.5%**	**597**	**597**	**0.5%**	**975**
2010	0.5%	1,351	1,351	0.5%	295

35. Financial Risk Management Objectives and Policies (continued)

(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

	2011			
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Creditors and accruals	**21,879**	**—**	**—**	**21,879**
Interest-bearing bank and other borrowings	**9,454**	**28,160**	**349,777**	**387,391**
Note payable	**—**	**—**	**204,750**	**204,750**
Accrued interest payable	**—**	**—**	**89,525**	**89,525**
	31,333	**28,160**	**644,052**	**703,545**

	2010			
	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years 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

35. Financial Risk Management Objectives and Policies (continued)

(ii) Liquidity risk (continued)

Company

	2011			
	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	**—**	**—**	**261,231**	**261,231**
Creditors and accruals	**9,680**	**—**	**—**	**9,680**
Interest-bearing bank and other borrowings	**—**	**33,332**	**—**	**33,332**
Note payable	**—**	**204,750**	**—**	**204,750**
Accrued interest payable	**—**	**89,525**	**—**	**89,525**
	9,680	**327,607**	**261,231**	**598,518**

	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
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

(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 and debtors and other receivables, arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

35. Financial Risk Management Objectives and Policies (continued)

(iv) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale equity investment (note 19) and equity investments at fair value through profit or loss (note 21) as at 31 July 2011. 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	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Equity investments at fair value through profit or loss — increase in profit or decrease in loss	**174**	—	**174**	—
Available-for-sale equity investment — change in equity	**—**	12,185	**—**	10,968
	174	12,185	**174**	10,968

(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 consists of mainly interest-bearing 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 level of debts.

35. 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 low level which stands at 8% at 31 July 2011. 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	
	2011 **HK$'000**	2010 HK$'000
Note payable	**195,000**	195,000
Interest-bearing bank and other borrowings	**376,745**	392,745
Total debts	**571,745**	587,745
Equity attributable to ordinary equity holders of the Company	**6,739,204**	4,130,818
Gearing ratio	**8%**	14%

36. Approval of the Financial Statements

These financial statements were approved and authorised for issue by the board of directors on 28 October 2011.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the "AGM") of the members (the "Members") of Lai Sun Garment (International) Limited (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 Wednesday, 21 December 2011 at 12:00 noon for the following purposes:

1. To consider and adopt the audited financial statements and the reports of the directors and the independent auditors of the Company for the year ended 31 July 2011;

2. To re-elect the retiring directors and to authorise the board of directors (the "Board") to fix the Directors' remuneration;

3. To re-appoint Ernst & Young as the independent auditors of the Company for the ensuing year and to authorise the Board 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 of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional 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 exchangeable or convertible into 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 exchangeable or convertible into 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 the 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 shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into ordinary shares in the Company); or

      (iii) an issue of 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 shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

   shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution,

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

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

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

(iii) the expiration of the period within which the next AGM of the Company is required by Articles of Association of the Company to be held; and

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to the holders of 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 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
Lai Sun Garment (International) Limited
Kwok Siu Man
Company Secretary

Hong Kong, 22 November 2011

Registered Office:
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Notes:

(1) A Member entitled to attend and vote at the AGM convened by the above notice (the "Notice") (or any adjournment thereof) is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her/its behalf in accordance with the Company's Articles of Association. A proxy need not be a Member of the Company.

(2) A form of proxy for use at the AGM is enclosed with this Notice.

(3) To be valid, a form of proxy, together with 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 Tricor Tengis Limited, the share registrar of the Company (the "Registrars"), 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 AGM or its adjourned meeting (as the case may be) and in default, the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or at any of its adjourned meeting should they so wish. In such case, the said form(s) of proxy shall be deemed to be revoked.

The contact phone and fax numbers of the Registrars are (852) 2980 1333 and (852) 2810 8185 respectively.

(4) To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Friday, 16 December 2011 for registration.

(5) Where there are joint registered holders of any share, any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting, personally or by proxy, that one of such holders so present whose name stands first in the register of members in respect of such share shall alone be entitled to vote in respect thereof.

(6) Concerning agenda item 2 of this Notice,

(i) in accordance with Article 93 of the Company' Articles of Association, Mr. Lui Siu Tsuen, Richard (appointed by the Board as an executive director of the Company on 1 January 2011) and Mr. Lam Bing Kwan (appointed by the Board as an independent executive director of the Company on 1 February 2011) will retire at the AGM and, being eligible, offer themselves for re-election;

(ii) in accordance with Article 102 of the Company's Articles of Association, Dr. Lam Kin Ming, Mr. Wan Yee Hwa, Edward and Mr. Leung Shu Yin, William will retire as directors by rotation at the AGM and, being eligible, offer themselves for re-election;

(iii) Mr. Leung Shu Yin, William, an independent non-executive director, has declared in his annual confirmation of independence for 2010-2011 that he has been acting as the liquidator of True Kin Development Limited ("True Kin"), a private limited company incorporated in Hong Kong, which has proceeded to the final stage of a members' voluntary winding up, at the fee around HK$30,000. Madam U Po Chu, a non-executive director, was also a director and a shareholder (23.52% interest) of True Kin. In view of the nature of the service provided by the certified public accountants' firm of which Mr. Leung is a director and other material facts relating to this case the Board considers that it should not affect the independence of Mr. Leung in the exercise of his duties as an independent non-executive director; and

(iv) 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 proposed for re-election are set out in the "Biographical Details of Directors" section of the 2010-2011 Annual Report of the Company.

(7) Concerning agenda item 3 above, the Board (which concurs with the Audit Committee) has recommended that subject to the approval of Members at the AGM, Ernst & Young will be re-appointed independent auditors of the Company for 2011-2012. Members should note that in practice, independent auditors' remuneration for 2011-2012 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditors is being called upon to undertake in any given year. To enable the Company to charge the amount of such auditors' remuneration as operating expenses for the year ending 31 July 2012, Members' approval to delegate the authority to the Board to fix the independent auditors' remuneration for financial year 2011-2012 is required, and is hereby sought, at the AGM.

(8) The proposed Ordinary Resolution under agenda item 4 of this Notice relates to the granting of a general mandate to the Directors 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 passing the said Resolution. The Company has no immediate plan to issue any new shares under the general mandate.

(9) In compliance with Rule 13.39(4) of the Listing Rules, voting on the resolutions proposed in this Notice shall be decided by way of a poll.